BPER: Gruppo

BPER: Banca

2021 ANNUAL REPORT.

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.

BPER Banca S.p.A.
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Register of Banks no. 4932
Parent Company of the BPER Banca S.p.A. Banking Group
Registered in the Register of Banking Group with ABI code 5387.6
http://www.bper.it, http://istituzionale.bper.it;
E-mail: bpergroup@bper.it – Certified e-mail (PEC): bper@pec.gruppobper.it
Company belonging to the BPER Banca VAT Group VAT no. 03830780361
Tax Code and Modena Companies Register no. 01153230360
C.C.I.A.A. Modena Chamber of Commerce 222528 Share capital Euro 2,100,435,182.40
Member of the Interbank Deposit Protection Fund and of the National Guarantee Fund
Ordinary shares listed on the MTA market

Shareholders Meeting

Modena, 20 April 2022

Agenda

Ordinary part:

2021 Financial Statements

- a) Financial Statements at 31 December 2021, 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 2021 and the 2021 consolidated non-financial statement;
- b) Allocation of 2021 profit and dividend payout; related and ensuing resolutions.

1) Compensation paid to the members of the Board of Directors for 2022 and 2023; 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 2022; related and ensuing resolutions (binding);
     - a2) compensation paid in 2021; 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) 2022-2024 Long-Term Incentive (LTI) Plan based on financial instruments pursuant to art. 114-*bis* of Legislative Decree no. 58 of 24 February 1998; related ad ensuing resolutions;
   - d) 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.
4) Information on internal control policies for risk activities and conflicts of interest with associated persons, in compliance with the requirements of Bank of Italy Circular 285 dated 17 December 2013.

Contents

2021 FINANCIAL STATEMENTS

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

Board of Directors

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

Board of Statutory Auditors

Chair:	Daniela Travella (##)
Standing Auditors:	Paolo De Mitri Patrizia Tettamanzi (##)
Substitute Auditors:	Sonia Peron (##) Andrea Scianca

General Management

General Manager:	Piero Luigi Montani (###)
Deputy General Managers:	Stefano Rossetti (Vice Deputy) Elvio Sonnino

Manager responsible for preparing the Companys financial reports

Manager responsible for preparing the Companys financial reports:	Marco Bonfatti

Independent Auditors

Deloitte & Touche s.p.a.

(#) Elisa Valeriani was appointed at the Shareholders' Meeting of 23 June 2021 following the resignation of Alessandra Ruzzu. with effect from 20 May 2021.
(##) Daniela Travella was elected Chair of the Board of Statutory Auditors at the Shareholders Meeting of 23 June 2021, following the resignation of Nicola Bruni with effect from the date of Shareholders Meeting. The same Shareholders' Meeting additionally appointed Patrizia Tettamanzi as Standing Auditor and Sonia Peron as substitute auditor to replace Patrizia Tettamanzi (previously appointed substitute auditor by the Shareholders' Meeting of 21 April 2021), due to her appointment as Standing Auditor.
(###) Piero Luigi Montani took over as General Manager from 5 August 2021, replacing Alessandro Vandelli.

Message from the Chair to the Shareholders’ Meeting

Shareholders,
I believe that in many respects the past year can be described as a turning point for our Bank. First and foremost, I am thinking of the activities that have taken us a long time to complete, with constant attention to the quality of service and the enhancement of talent, the acquisition of an important line of business that has enabled BPER to expand into strategic areas and to increase its size considerably, particularly in terms of the number of branches and total deposits. The aim now is to preserve and strengthen the network of stakeholders that has been acquired, confirming the Banks approach to relations with households, businesses and institutions.

However, this path of growth, thanks to which we present ourselves to the market with a strengthened competitive position, has not only quantitative aspects. During 2021, we continued with determination the initiatives launched to integrate ESG (environmental, social and governance) factors into the Groups business, combining business development and financial strength with social and environmental sustainability. Our strong commitment to these issues has produced important results: in particular, the creation of a Board-internal Sustainability Committee, the inclusion of BPER Banca in Borsa Italianas MIB ESG index and its recent membership in the *Net Zero Banking Alliance*. We are convinced that directing private capital towards more sustainable investments requires a structural change in the way the financial system operates. That is why we work hard to amplify the positive impacts on society, reduce the negative impacts on the environment and support businesses in their growth and innovation.

The 2021 financial year closed with a significant profit, a further improvement in credit quality, thanks in particular to performance in the asset management and bancassurance segments, and confirmation of the Banks capital strength. The activities were carried out by the Banks structures and functions with great commitment and dedication, despite the period still marked by the health emergency; this required changes in business and service models and different ways of working. During the year, the implementation of the 2019-2021 Business Plan was completed, and a series of IT-related measures increased the efficiency of digital procedures.

The geopolitical escalation in early 2022 triggered a further increase in volatility in global markets, with growth prospects dampened by the severe repercussions of the Russia-Ukraine conflict, due to rising energy and commodity supply costs.

The Bank wanted to be close to the Ukrainian population with various initiatives, including a fundraising campaign involving all internal resources. Donations were made to the Italian Red Cross, which immediately took action in the areas affected by the emergency.

In this complex situation, the Bank continues to demonstrate dynamism and a willingness to develop, including through external lines, as evidenced by the activities in full swing for the acquisition of Banca Carige. We are being called upon to face more challenges, but with these positive premises I am sure that we will be up to the task.

In addressing its numerous commitments, the BPER Banca Group has been able to count on the contribution of a wide range of players, most importantly shareholders and customers. I would also like to thank the members of the Board of Directors and the Board of Statutory Auditors for their always passionate and competent commitment. I express my esteem and gratitude to the Chief Executive Officer and the entire General Management, and I thank the Chairs, Directors, Auditors and members of the General Management of the Groups banks and companies. I would like to express my heartfelt gratitude and esteem for all employees, in particular for all those who went into retirement during the year.

We are now looking to the future with renewed commitment, with the firm will to continue on the successful path of development.

2021 CONSOLIDATED FINANCIAL STATEMENTS

Directors Report on Group Operations


BPER:
Banca
Diamo valore
al tuo domani,
insieme.
BPER Banca è da sempre a fianco
delle persone, delle famiglie
e dei territori con iniziative
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Messaggio pubblicitario istituzionale.

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1. The macroeconomic context

1.1. Background

The year 2021 was characterised by a recovery of the global economy. World GDP, expected to grow by 5.9% y/y according to the most recent International Monetary Fund (IMF) projections, recovered above its pre-pandemic level, thanks in particular to the decisive contribution of two factors: the progress of vaccination campaigns, especially in Western countries, and the presence of generally expansionary economic policies. Inevitably, the course of the recovery over the twelve months was marked by the evolution of the pandemic situation which, in alternating phases - following the discovery of new Covid-19 variants such as Delta and Omicron - forced a multitude of countries to adopt restrictive measures to mitigate the rise in infection. The resurgence of the pandemic, moreover, contributed to the persistence of bottlenecks in production processes which, combined with the significant hike in prices on a wide range of raw materials (energy raw materials, in particular), fuelled major inflationary pressures; as a consequence, the first signs of normalisation of monetary policy multiplied in the last part of the year, with the Federal Reserve announcing the forthcoming tapering, or the process of gradually reducing the bond purchases implemented to ensure liquidity to the financial system.

In the United States, positive signs for the economy have been evident since the beginning of the year. By winning the Senate, the Democratic Party gained control of both houses of Congress, making it easier for the new administration to legislate. A few weeks later, in March, an economic support plan of some USD 1.9 trillion was approved, one of the largest aid packages in American history. A further contribution to the growth came from the positive development of the vaccination campaign which, by flattening the curve of infections, allowed a partial return to normality. A strong contribution to aggregate demand also came from private consumption, which increased sharply in correspondence with the disbursement of public subsidies, while the labour market showed a rapid recovery, with the unemployment rate beginning a steady and progressive decline from 6.4% in January. At the same time, however, the dynamics of the recovery began to show an important side effect: the development of aggregate demand, the recovery in travel, higher energy prices and material shortages all had an impact on inflation, which began to climb steeply in April. Despite the data, however, the FED initially kept its monetary policy unchanged, stating that it considered the rise in consumer prices to be a "transitory" phenomenon. In the second half of the year, the US business cycle partially slowed down, due to a number of factors. These are the most important: the spread of the Delta variant of Covid-19, which has inevitably limited private consumption; the partial exhaustion of the impetus linked to the generous public aid launched to deal with the pandemic; the bottlenecks in supply chains and the tensions on raw materials which, showing no sign of abating, have begun to affect the productive side. The most important economic aspect, however, is the price trend: after a period of stabilisation, albeit at already high levels, the inflation rate started to rise again, driven among other things by more structural components in addition to the transitory items linked to the pandemic situation. Persistent price pressures convinced the FED to change its monetary policy stance in the final months of the year, announcing the path to normalisation: the first step was the start of *tapering*, i.e. the process of gradually reducing securities purchases, which was further accelerated in December. On the interest rate front, on the other hand, projections by individual Governing Council members have started to indicate several increases in the course of 2022 and the years to come.

In the Eurozone, 2021 started with much more difficulty. A large part of the region was severely affected by the third wave of Covid-19, so much so that many governments were forced to introduce new social distancing measures or extend those already in force. The negative effects of these measures were reflected above all on service activities, while the impact on industry - more exposed to the trend in the international economic cycle - was relatively small. The gradual improvement in the vaccination campaigns, thanks to the arrival of a sufficient number of doses, and the consequent relaxation of restrictive measures, subsequently allowed production activity to return to expansion territory, with GDP in the entire euro area returning to growth after the slight contraction in the first three months. In the second half of the year the cycle stabilised, held back by the same problems that affected the rest of the worlds major economies. While demand has remained robust, increasingly evident bottlenecks have arisen on the supply side: from shortages of components and raw materials to delays in deliveries and sharp rises in transport costs. Disruption to production chains, largely attributable to the spread of the Delta and Omicron variants of Covid-19, put the brakes on investments and production and exacerbated pressures on prices. Hence, inflation also accelerated in the Euro area, up from 1.9% y/y in June to 5.0% y/y in December. On the monetary policy front, however, the European Central Bank continued to minimise inflationary dynamics, reaffirming an overall accommodative stance; in fact, the ECB limited itself to confirming the closure of the PEPP *(Pandemic Emergency Purchase Programme*), the temporary securities purchase instrument created to respond to the pandemic crisis, in March 2022, but at the same time increased the purchase plan of the conventional programme, the APP*(Asset Purchase Programme*). While the ECB preferred to maintain a cautious approach, looking at Europe as a whole, there was no shortage of central banks that, in order to stem inflationary pressures, acted more restrictively by raising the cost of money: these included Norways *Norges Bank* and the UKs *Bank of England*.

As regards Italy, the economy has more or less followed the trend of the entire Eurozone. After an initial difficult phase, economic activity as a whole started to expand, culminating in the summer months, thanks to the strength of the manufacturing sector - which benefited from improved demand and industrial production on a global scale - and the renewed vitality of the services sector. In the second half of the year, however, there was a slowdown due to the resurgence of the pandemic, which forced the government to adopt restrictive measures. With regard to inflation data, consumer prices have already returned to positive year-on-year changes since the beginning of the year, boosted by higher energy prices and by the problems already analysed above for the other macro areas: the inflation rate, at +3.9% y/y in December, nevertheless remained below the Eurozone average.

Finally, the Emerging Countries as a whole, historically very sensitive to the trend in international trade and strongly integrated in global technological-productive chains, have naturally benefited from the global economic recovery, so much so that in 2021 - according to the latest IMF projections - the block of emerging and developing economies is expected to grow in terms of GDP by 6.4% y/y. However, the path to recovery was hampered by two main elements: the proliferation of different Covid-19 variants, which, often encouraged by inadequate vaccination campaigns, slowed economic activity in several countries, especially in the middle of the year, and the significant deceleration of the Chinese economy. The downtrend in China is due to several factors, most notably the energy shocks, which have at times hindered the regular flow of production, the regulatory tightening by local Authorities against some companies and private sectors, including technology, in order to promote less wild and uncontrolled economic growth and combat damaging behaviour by competitors, and the debt crisis involving Chinese real estate giant, Evergrande. With regard to monetary policy, the context of persistent inflationary pressures led most central banks to raise the cost of money several times in order to prevent an acceleration of consumer prices or an excessive depreciation of currencies following large capital outflows. However, Turkish authorities chose to act against the trend by cutting interest rates even in a context of high inflation, causing a sharp depreciation of the lira.

1.2 Public finance[1]

Economic performance continues to be mainly determined by developments in the Covid-19 outbreak and related preventive measures. Significant progress in vaccinating the population, in Italy and in our main trading partners, has however contributed to the easing of restrictions despite the emergence of more contagious variants of SARS-Cov-2.
The outlook remains mainly influenced by the expected developments of the pandemic, the growth impetus from the National Recovery and Resilience Plan (PNRR) and global monetary and fiscal policies. In addition, developments in the geopolitical crisis, which currently involves Russia and Ukraine but whose effects could also reverberate on other European economies, will have an impact.

The Italian GDP growth estimate for 2021 is 6.0%, while that for 2022 is lower, at 4.7%; not only because of the higher starting point, but also because of possible obstacles that could arise from greater upward pressure on producer and consumer prices. Although the government has intervened to curb soaring energy prices, the increase we are seeing is taking purchasing power away from households and increasing production costs for businesses. This could slow down the recovery of demand both in Italy and abroad. The short-term outlook for industrial production is also affected by the shortages of materials and components that are appearing at global level.
The debt-to-GDP ratio is projected to fall to 153.5% in 2021 from its peak of 155.6% in 2020. The expected robust economic growth, together with continued low yields across the government bond curve, will make a marked contribution to the decline in the debt-to-GDP ratio also in the next two years: in 2022, the target for the debt ratio is 149.4%, while in 2023 a further decline to 147.6% is expected.
General government net borrowing for 2021 stood at 9.4% of GDP, down from 9.6% in 2020. The improvement compared to the previous estimate in April is related to the more positive evolution of the economic and health situation, which has been reflected in the public accounts, leading to higher revenues and lower spending needs, in particular those related to economic support measures. For the coming years, the ratio is expected to decrease to 4.3% of GDP in 2022, 2.4% in 2023 and 2.0% in 2024.

Public finance balance *(% of GDP)*	2021e	2022f	2023f
Net borrowing	-9.4	-4.3	-2.4
Borrowing	153.5	149.4	147.6

Key:
e = estimate
f = forecast

Source: "2022 Budgetary Planning Document" presented in October 2021 by the Ministry of Economy and Finance.

1 *The scenario presented below has been taken from the 2022 Budgetary Planning Document sent to the EU Commission in October 2021.*

1.3 The financial market and interest rates

2021 will be a year that will be remembered not only for performance - few other times have riskier asset classes offered similar returns - but also for the amount of events that took place over the twelve months. The year began with a pandemic-related health emergency that was still critical in a number of regions, and problems with delays in the delivery of vaccines contributed to a further deterioration in confidence, particularly in Europe. The situation is different in the United States, where vaccination campaigns have never had any particular problems, and where the Democrats conquest of the entire Congress paved the way for the official approval in March of President Bidens huge public spending plan. As the weeks went by, the positive trend in the US gradually spread to the rest of the world, so that expectations of a global economic recovery, thanks to the arrival of new vaccines and better-than-estimated macroeconomic data, became more and more intense. The economic recovery, however, has had the side effect of causing a resurgence of inflation in most countries of the world. Rising commodity costs, the energy crisis and supply shortages have played a decisive role in driving prices up at a fast pace, putting pressure on government bonds. The main central banks, for their part, continued to provide important reassurances regarding their intention not to remove monetary stimuli prematurely, judging the inflationary flare-up to be a temporary phenomenon; an attitude that contributed decisively to the good performance of equity indices in the first part of the year. In contrast, the third quarter saw a substantial slowdown in markets, amid new elements of uncertainty. In China - where in the meantime the debt crisis of real estate giant Evergrande had escalated - the authorities adopted strict regulations on various sectors of the economy, raising doubts about the countrys future growth. On the price front, on the other hand, the sharp rise in the price of energy commodities and the general shortage of goods and components contributed to pushing inflation even higher, so much so that the Central Banks, albeit with different intensities and instruments, announced the start of the normalisation of monetary policies. The last few months of 2021 were characterised by a fair amount of volatility, but this did not prevent international equities from building on the good performance they had built up previously. The pandemic situation has worsened, due to the spread of the Omicron variant: however, after an initial fear linked to the possible repercussions on growth, the markets have been reassured by the first studies that have demonstrated the effectiveness of the current vaccines and the lower aggressiveness of the virus. Rather, what caught investors attenti on was the start of the process of gradual removal of monetary stimulus, which saw the Federal Reserve accelerate *tapering* (the reduction in the pace of securities purchases), and the *Bank of England* raise rates.

In terms of performance, 2021 was a record year for equity markets, with gains often exceeding 20%. The MSCI AC World index, which measures the global equity trend (and includes emerging markets), rose by over 16%, although there were substantial differences within it. In fact, there was a strong geographical dispersion, initially linked to the performance of the respective vaccination campaigns, which rewarded the prices of developed countries. In the United States, the S&P500 rose 26.9%, while the most tech-savvy list, the Nasdaq *Composite*, closed 21.4% higher. European indices also performed equally well, driven by purchases on bank and technology stocks: the index of the continents largest shares, the EuroStoxx 600, jumped 22.2%, while Milans FtseMib l ist, up 23%, stood out against other major stock markets such as Frankfurt (+15.8%) and London (+14.3%). Supporting the European and US equity markets was also the strength of the corporate quarterly reports, which on both sides of the Atlantic showed results that on average exceeded analysts expectations. The performance of emerging equities was far more disappointing, with the overall MSCI *Emerging Markets* index ending the year down almost 5%. Lastly, performance in Asia was mixed: the Japanese stock market performed well

(Topix +10.4%), while the Hang Seng, the Hong Kong index, was the worst stock market of the year, closing down 14.1%, weighed down by problems linked to the Chinese real estate sector and regulatory restrictions imposed by Beijing in the technology sector. At sector level, there was a strong alternation, with the news about the pandemic directing the different sectors from time to time. The most significant rise worldwide was in the energy sector, on the back of the oil rally.

The bond markets, on the other hand, performed less well, with yields rising sharply in both core and peripheral euro countries. Initially, rates were pushed up by improved global economic growth forecasts, which led to US stocks posting one of the worst quarters in their history in the first three months of the year. Subsequently, the worsening of the pandemic situation and the very expansive rhetoric used by the most important central bankers allowed prices to recover temporarily, but in the last phase of the year, yields began to rise again: inflationary pressures became increasingly pressing, forcing the main monetary policy institutions, led by the FED, to change their attitude in a more restrictive direction, effectively abandoning the "transitory" approach to price increases. Performances were mixed for spread markets: High-Yield bonds benefited from the general climate of risk appetite, while emerging market government bonds ended the year on a downward trend.
On the currency front, the ECBs patient and acc ommodative approach (compared to most other major central banks) to tackling inflation weighed on the euro, which lost ground against all other major currencies. The devaluation against the US dollar was 7.4% and against the pound sterling 6.4%. The Japanese yen depreciated against the euro by 3.6% on the back of rising global bond rates and the Bank of Japans markedly expansionary stance. Within the emerging world, the Turkish lira fell sharply (-40% against the euro), penalised by the repeated cuts in the cost of money against an inflation rate that reached 36% in December on an annual basis.

As far as raw materials are concerned, 2021 coincided with a vigorous rise in almost all sub-categories: from industrial metals, to energy goods, to soft commodities. Most commodities have been subject to strong supply-demand imbalances in alternating phases, pushing up their respective prices. The main beneficiary of this situation was oil, which rose by more than 50% in 2021 (Brent crude): while global demand for crude oil continued to rise, thanks to the resumption of economic activity after the blockade imposed by the pandemic and the resumption of movements that were previously prohibited, supply did not keep up with demand, as it was limited by various interruptions to production, due for example to adverse weather conditions in the USA, and the decisions of OPEC producer countries. Also contributing to the rise in the price of oil - as a substitute in energy production - was the surge in natural gas, observed particularly in Europe. Finally, the performance of gold was negative (-3.6%).

1.4 The banking system and domestic interest rates

Macroeconomic dynamics, a changing social environment and regulatory and technological developments have led to profound structural changes in the Italian, European and global banking sector, exacerbated over the past two years by the spread of the Covid-19 pandemic. In detail, the marked persistence of low interest rates, partly induced by the central banks massive injectio ns of liquidity, had a negative impact on the profitability of the commercial banks core business, which was already severely compromised by suboptimal levels of operating efficiency and the economic crises of 2007-2008 and 2011. The injections of liquidity by the European Central Bank, aimed at supporting the economy during the Covid-19 period, have in fact helped to keep rates and spreads down, which despite having risen from their end-2020 levels remain at historically very low levels.

Deposits

According to the initial SI-ABI estimates made in December 2021, deposits from bank customers in Italy, including deposits from residents and bonds (net of those repurchased by banks), were 5.4% higher than in the previous year. More specifically, deposits from resident customers grew at a headline rate of +6.6%, with an annual increase in absolute value of more than Euro 114 billion, bringing total deposits to Euro 1,854 billion. The annual change in bonds, on the other hand, was negative (-4.4%); total bonds amounted to Euro 209 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 0.45% in December 2021. In particular:

- the rate on Euro deposits paid to households and non-financial companies was 0.31%;
- the yield on bonds was 1.75%;
- on repurchase agreements it was 0.70%.

Loans

In December 2021, total loans to residents in Italy (private sector plus public administrations, net of repos with central counterparties) amounted to Euro 1,716 billion, with an annual change of +1.2%. Loans to Italian residents in the private sector amounted to Euro 1,463 billion at the end of December 2021, an increase of 1.6% compared to previous year, of which Euro 1,331 billion was to households and non-financial companies.

According to the latest quarterly bank credit survey, bidding criteria on business loans showed a slight easing in the last months of 2021, which can be attributed to increased competition among banks and lower risk perception. The supply conditions applied to household housing finance remained unchanged, while those for businesses tightened. Demand for loans from businesses showed no change. By contrast, household demand for mortgages increased again, mainly reflecting higher consumer confidence and low interest rates.

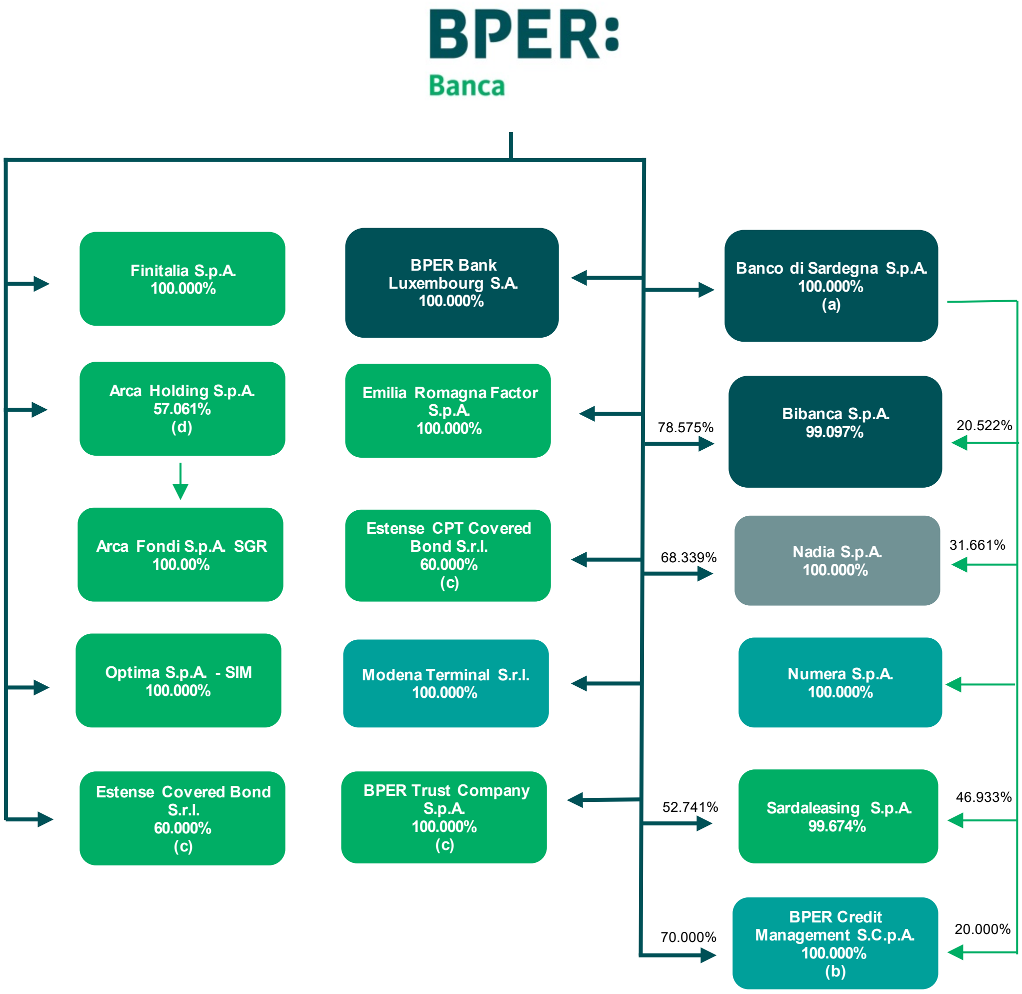
The credit quality of Italian banks is still improving. Bad loans, net of the write-downs and provisions already made by banks using their own resources, totalled Euro 16.8 billion in November 2021, down from Euro 23.5 billion a year earlier. The ratio of net bad loans to total loans has fallen to 1.02% (from 1.35% in November 2020).

ABI reports that the rate on Euro-denominated home purchase loans to households - average of fixed and floating rates - came to 1.40% in December 2021 (1.25% in December 2020). Over 83% of new mortgage loans are arranged at a fixed rate. The average rate on new Euro-denominated loans to non-financial companies has decreased slightly to 1.29% (1.30% in December 2020). Lastly, the weighted average interest rate on all loans to households and non-financial companies was 2.16% at the end of December 2021 (2.28% in December 2020).

For banks, the spread between the average rate on loans and the average rate on deposits from households and non-financial companies is still very low: in December 2021 it was 171 basis points, down from 178 bps at the end of 2020. Before the beginning of the financial crisis, it was more than 300 bps. Source: ABI Monthly Outlook (summary), January 2021.

2. Key figures

2.1 BPER Banca Group's structure as at 31 December 2021



a) Equivalent to 99.200% 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%);
- Emilia Romagna 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.

In addition to the above components of the Banking Group, 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 of the Parent Company:
- Adras S.p.A. (100%);
- Italiana Valorizzazioni Immobiliari S.r.l. (100%);
- Sifà S.p.A. (100%).

2.2 Summary of results

The net profit made by the BPER Banca Group in 2021, Euro 525.1 million, has increased by Euro 288.2 million year on year[2]. The result, which benefits from the economic contribution of the business unit acquired from the Intesa Sanpaolo Group consisting of 620 branches (of which 587 former UBI Banca branches acquired on 22 February 2021 and 33 former Intesa Sanpaolo branches acquired on 21 June 2021) was affected by non-recurring positive items, the main one being the recognition of badwill arising from the business combination for an amount of Euro 1,127.8 million, inclusive of the expected recovery of Euro 310.2 million of tax on the badwill as an adjustment of the consideration to be borne by Intesa Sanpaolo.

The result for the period was also impacted by negative non-recurring items, such as:

- the recognition of impairment on the goodwill allocated to the BPER Banca CGU of Euro 230.4 million;
- the recognition of Euro 210.0 million in personnel expenses relating to the workforce optimisation effort;
- the recognition of Euro 101.8 million in costs related to the integration of the former UBI Banca and Intesa Sanpaolo branches;
- Euro 18.6 million adjustment of the profit-sharing quota to be paid to the Resolution Fund in execution of the agreements connected with the acquisition of Nuova Carife s.p.a.;
- recognition of the Euro 59.5 million negative impact connected to the change in the measurement method of own properties from cost to fair value.

The result for the period was also affected by charges for the contribution to the Single European Resolution Fund (SRF) and the Deposit Guarantee Scheme (DGS) for a total amount of Euro 133.7 million.

The financial strength of the BPER Banca Group was again confirmed for the reporting period as at 31 December 2021: the Fully Phased CET1 ratio of 13.5% shows an increase in capitalisation as compared with 31 December 2020, when the Fully Phased CET1 ratio was 13.21%[3]. The Phased-in CET 1 ratio was 14.5%, well above the ECBs minimum requirement of 8.3% [4]. The liquidity position is high, with a liquidity coverage ratio (LCR) of 215.1%, well above the regulatory threshold of 100%.

Asset quality continues to register improvements with a reduction in gross and net NPE ratios which, as at 31 December 2021, are 4.91% and 2.02% respectively, down from 7.84% and 4.02% as at the end of 2020. Credit quality has been affected by the contribution of the UBI and Intesa Sanpaolo Business Units acquired and by the effectiveness of the de-risking effort carried out during the year, which have led to:

- a 60.35% coverage ratio of the non-performing loan portfolio (vs. 50.95% as at 31 December 2020), remaining high although including the non-performing portfolio of the former Intesa

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[2] The comparative balances as at 31 December 2020 have been restated, with respect to those published in the Directors' Report on Group Operations at the same date, to take account of the: i) change in the measurement method of property, plant and equipment represented by properties held for investment purposes; ii) provisions under the seventh update of Bank of Italy Circular No. 262/2005; in particular, cash or cash equivalents pursuant to IAS 7 were reclassified from balance sheet asset caption 40 a) to caption10.

[3] The comparative ratio was simulated without considering the increase in share capital carried out by BPER Banca in October 2020 to fund the acquisition of the business units from the Intesa Sanpaolo Group, completed in February 2021.

[4] BPER Bancas minimum requirement indicated (8.3%) is applied as from 1 March 2022, while the same requirement as at 31 December 2021 was 8.125%.

Sanpaolo Group branches after PPA adjustments[5]. Specifically, bad loans have a coverage ratio of 71.84% (65.00% at 31 December 2020), while UTP loans have a coverage of 50.40% (39.12% at the end of 2020);

- a default rate of 0.9%, down from 1.0% at the end of 2020;
- a Texas ratio that has fallen to 45.58%, from 55.37%[6] restated at 31 December 2020;
- a cost of credit of 106 bps for 2021 (101 bps at 31 December 2020).

For further details on the results achieved by the BPER Banca Group in 2021, please refer to chapter 6 "The BPER Banca Group's results of operations" in this Consolidated Report.

2.3 Performance ratios[7]

Financial ratios	31.12.2021	2020 (*)
Structural ratios		
Net loans to customers/total assets	58.02%	56.96%
Net loans to customers/direct deposits from customers	78.03%	83.95%
Financial assets/total assets	20.81%	26.50%
Gross non-performing loans/gross loans to customers	4.91%	7.84%
Net non-performing loans/net loans to customers	2.02%	4.02%
Texas ratio[8]	45.58%	55.37%
Profitability ratios		
ROE[9]	8.66%	4.41%
ROTE[10]	9.57%	5.06%
ROA[11]	0.41%	0.28%
Cost to income ratio[12]	73.42%	64.85%
Cost of credit risk[13]	1.06%	1.01%

(*) The comparative ratios have been calculated on figures at 31 December 2020 which include the effects of the retrospective application of the change in the measurement method of property, plant and equipment held for investment. For further details on the figures at 31 December 2020 used in determining the ratios, please refer to the paragraphs "Restatement of the BPER Banca Group's reclassified consolidated financial statements as at 31 December 2020" in the "Attachments" section of this Consolidated Report.

[5] It should be remembered that in application of IAS/IFRS, the non-performing loans acquired are recognised in the financial statements at their fair value, net of any impairment adjustments for expected losses.

[6] For the construction of the ratio at 31 December 2020, reference should be made to paragraph 2.3 "Performance ratios" of this chapter at the foot of the "Financial ratios" table.

[7] 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.

[8] The Texas ratio is calculated as total gross non-performing loans on net tangible equity plus impairment provisions for non-performing loans.

[9] ROE has been calculated as net profit for the year on average shareholders' equity of the Group not including net profit.

[10] ROTE has been calculated as net profit for the year on average shareholders' equity of the Group not including net profit and intangible assets.

[11] ROA has been calculated as net profit for the year (including net profit pertaining to minority interests) on total assets.

[12] The Cost to income ratio has been 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 79.59% (69.16% at 31 December 2020 taking into account the effects of the retrospective application of the change in the measurement method of property, plant and equipment held for investment).

[13] The Cost of credit risk has been calculated as net impairment losses to loans to customers on net loans to customers.

Prudential supervisory ratios	31.12.2021	2020 (*)
Own Funds calculated under transitional arrangements (Phased in) (in thousands of Euro)[14]		
Common Equity Tier 1 (CET1)	6,576,227	5,931,675
Total Own Funds	7,781,971	7,097,554
Risk-weighted assets (RWA)	45,340,544	33,487,963
Capital and liquidity ratios		
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in	14.50%	17.71%
Tier 1 Ratio (T1 Ratio) - Phased in	14.84%	18.16%
Total Capital Ratio (TC Ratio) - Phased in	17.16%	21.19%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Phased	13.50%	15.81%
Leverage Ratio - Phased in[15]	4.8%	6.9%
Leverage Ratio - Fully Phased[16]	4.5%	6.1%
Liquidity Coverage Ratio (LCR)	215.1%	200.1%
Net Stable Funding Ratio (NSFR)	142.5%	123.7%

(*) The comparative ratios have been calculated on figures at 31 December 2020 which include the effects of the retrospective application of the change in the measurement method of property, plant and equipment held for investment. For further details on the figures at 31 December 2020 used in determining the ratios, please refer to the paragraphs "Restatement of the BPER Banca Group's reclassified consolidated financial statements as at 31 December 2020" in the "Attachments" section of this Consolidated Report.

[14] *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.*

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

[16] *See previous note.*

3. Significant events and strategic transactions

3.1 Acquisition of a Business Unit from the Intesa Sanpaolo Group

The increase in share capital carried out by the BPER Banca Group on 3 November 2020 was intended to finance the acquisition of a going concern made up of three business units with a view to significantly increasing the size of the BPER Banca Group and the customer base to which banking services are provided.
Negotiations for the going concern began with Intesa Sanpaolo s.p.a. on 17 February 2020 as part of Intesa Sanpaolo's acquisition of control of UBI Banca s.p.a. and continued until the final purchase contracts were signed on 19 February 2021. The going concern includes the legal relationships, assets and liabilities of a business unit owned by UBI Banca (consisting of 455 bank branches and 132 points of operation), a business unit owned by Intesa Sanpaolo (consisting of 31 bank branches and 2 points of operation) and a business unit owned by UBISS (a consortium company controlled by UBI Banca) which essentially provides services to the branches acquired. The geographical distribution of the branches and points of operation of the Business Units shows a high concentration in Northern Italy, particularly in Lombardy.
The human resources from the Business Units amounted to a total of 5,107 as at the acquisition date, including a number of resources taking part in the voluntary exit plan contained in the trade union agreement signed by Intesa Sanpaolo with the Trade Unions on 29 September 2020, substantially in line with the objectives of BPER Banca. The Business Units are made up principally of staff from the network of branches and points of operation and from the Private and Corporate Banking departments, to which are added resources from the "semi-centre", who support the regional and area coordination units of the branches that have been acquired, and from the "centre", to strengthen the central, control and IT support functions.
The contract for the sale of the UBI Banca and UBISS business units was finalised on 19 February 2021 and took effect from 22 February 2021, while the transfer of the Intesa Sanpaolo business unit took effect as of 21 June 2021. The total consideration paid to the Intesa Sanpaolo Group for the going concern that includes the three business units acquired is approximately Euro 644 million. The Common Equity Tier 1 capital of the entire going concern (with all three business units) totals Euro 1,611 million.
In accordance with the indications of the IAS/IFRS reference standards, for the purposes of this Report, BPER Banca carried out a final valuation of the assets acquired and liabilities taken on at fair value (Purchase Price Allocation - PPA) at 30 September 2021, the result of which led to a "gain from a bargain purchase" or "badwill".
For more details, please refer to the information provided in Part G of the Explanatory Notes "Business combinations".
From an internal organisational point of view within the BPER Banca Group, on completion of the project to integrate the business units acquired, the Parent Company BPER Banca transferred to its subsidiary Bibanca the legal relationships relating to prepaid cards and privative revolving cards (products reserved for individuals and which allow current account movements to be paid in instalments) of the former customers of UBI Banca and Intesa Sanpaolo. This is due to the internal organisation of the BPER Banca Group, whereby Bibanca is responsible for offering and managing credit and prepaid cards.

3.2 Headcount optimisation

On 23 September 2021, the Parent Companys Board of Directors passed a resolution to optimise the workforce, which envisages the exit of 1,700 resources, including through recourse to the Sector Solidarity Fund. Upon completion of this process, a workforce optimisation agreement was signed with the Group's trade unions on 28 December 2021. Aimed at promoting generational and professional turnover while downsizing the Group's workforce, the agreement will enable a structural reduction in personnel costs. This agreement also provided for 550 new hires (including resources already possessing specific professional skills) and the stabilisation of 300 temporary contracts, safeguarding the territories where the Group operates.
The estimated cost at 31 December 2021 for optimising the workforce amounted to Euro 210 million at Group level.

3.3 Progress of de-risking activities

The strategic lines of development of the BEST WAY plan also included the objectives of reducing the portfolio of non-performing loans. This strategic objective, pursued with unyielding determination by the Group over the last few years, is likely to be impacted by the economic crisis triggered by the Covid-19 pandemic, also in light of the end of the credit support measures put in place to deal with the pandemic crisis. In March 2021, BPER Banca approved, in the first instance, an NPE Strategy for 2021-2023, incorporating an estimate of the impact of the new business unit acquired and a macroeconomic scenario that estimated, for 2021, a significant deterioration in credit quality, attributable primarily to the end of the aforementioned support measures from the second half of 2021. In light of the completion of the acquisition of the Gemini business unit, described in paragraph 3.1 "Acquisition of the Business Unit from the Intesa Sanpaolo Group", on 23 September 2021, the Board of Directors approved an update to the NPE 2021-2023 Strategy which, in confirming a prudential approach and shifting the impacts of the "cliff effect" to 2022, improves the expectations and, subsequently, establishes more ambitious targets than those approved previously.
Two large-scale transfers of bad loans from positions deriving from the acquisition of the business unit with UBI Banca were completed at the end of July, which have already been discussed above; since both banking groups pursue objectives of credit risk deleveraging, the following two transactions could be structured jointly:

- the transfer called "Mandalorian". The transaction, carried out on 23 July 2021, saw the direct sale of a portfolio on the market with the immediate derecognition of the loans. The collectible amount of the loans transferred is quantified at Euro 82 million, with a GBV of roughly Euro 64 million;
- the transfer called "Skywalker". This second transaction, whose contracts were signed on 28 July 2021, saw only the transfer of the legal ownership of the loans to the vehicle ("Grogu SPV S.r.l.") in the first phase, whereas their derecognition was obtained at the end of the year, in conjunction with the issuing and seling of the ABS junior and mezzanine securities to third parties (except for a 5% tranche, which was retained in compliance with the retention rule). The collectible amount of the loans transferred at 30 June 2021 is quantified at Euro 905.5 million

(net of total and partial repayments in the period), with a GBV of roughly Euro 569.1 million[17]; the negative economic impact of the transaction was Euro 4.3 million.

In relation to the bulk sales of bad loans completed in 2020, it is noted that the GACS state guarantee was granted for the “Summer” transaction by decree of the Minister of Economy and Finance signed on 15 April 2021, registered by Italy’s Court of Auditors on 27 April 2021 and by the Central Budget Office of the Ministry of Economy and Finance on 29 April 2021. The State guarantee was granted on the senior notes, nominally worth Euro 85.4 million.

In the course of 2021, the BPER Banca Group structured and executed several portfolio sales of non-performing positions classified as Unlikely-To-Pay (UTP) to investors and mutual funds specialising in debt recovery:

- in the first half of March 2021, a portfolio of loans for a gross value of approximately Euro 122 million was transferred to the "Efesto" Fund, managed by Finanziaria Internazionale Investments SGR with the assistance of Italfondiario S.p.a. (a doValue group company) as exclusive servicer;
- at the beginning of April 2021, following a competitive process called the "Winter Project", which saw the participation of the main market players, the sale of a portfolio of loans with a gross value of approximately Euro 247 million to Intrum and Deva Capital was finalised;
- in May 2021, a portfolio of secured UTP loans with a gross value of approximately Euro 51 million was contributed to the "Back2Bonis" fund, managed by Prelios SGR;
- also in the second quarter of 2021, a portfolio of UTP corporate loans with a gross value of approximately Euro 41.3 million was contributed to the "iCCT Fund", managed by Illimity SGR;
- the second quarter also saw the completion of a bulk sale of a small ticket portfolio of over 3,000 borrowers for a gross amount of Euro 2.2 million, in addition to single name disposals in the Corporate segment for a total amount of Euro 4 million;
- in the third quarter of 2021, additional single name disposals were completed for a total of Euro 63 million;
- in the latter part of the year, disposals were completed for approximately Euro 72 million, including an additional small ticket disposal for a total gross value of Euro 2.3 million, while single name disposals mainly involved positions in the real estate and corporate cluster.

Finally, it should be noted that in December 2021, the "Cream 5" sale project was finalised (by the subsidiary Sardaleasing), involving 10 real estate lease contracts settled by the repossession of assets classified as bad loans (gross value of Euro 3 million) and 22 real estate, energy and capital equipment lease contracts in place and classified as UTP (gross value of Euro 35.3 million).

3.4 The 2019-2021 Business Plan of the BPER Banca Group: update of financial forecasts

On 5 August 2020[18] the Parent Company BPER Banca approved the update of the 2020-2021 financial forecasts of the BPER Banca Group, as part of its “BEST WAY Business Plan 2019-2021”. This update, which confirmed the strategic lines of development of the original plan, took into adequate consideration the change in the current and prospective macroeconomic scenario deriving from the Covid-19 pandemic

[17] *For more information on this securitisation, please refer to the Explanatory Notes, Part E, Section 2, Chapter 1.1 Credit risk, point C - Securitisation transactions.*
[18] *A further update of the financial forecasts was approved by the Board of Directors on 29 September 2020, to reflect the most recent forecasts on the timing of execution of the agreements with Intesa Sanpaolo, initially assumed to be by the end of 2020.*

and the definition of extraordinary transactions not originally envisaged in the Plan, such as the acquisition of control of Arca Holding, as well as the recent acquisition of the Intesa Sanpaolo business units and the related increase in share capital.
In addition to the content reported in the previous paragraphs regarding the acquisition of the business units from the Intesa Sanpaolo Group and in the paragraph concerning derisking, a summary of the main extraordinary transactions, carried out over the course of the Plan up to the date of this Report, is proposed below:

- acquisition from the Unipol Group of 100% of Unipol Banca (and therefore, indirectly, of Finitalia) and its subsequent absorption by BPER Banca;
- significant reduction in the Groups minorities by purchasing the minority interests in Banco di Sardegna;
- acquisition of a further interest in Arca Holding (and therefore also, indirectly, in Arca Fondi SGR), resulting in control over it;
- merger by absorption of the two Piedmontese subsidiaries Cassa di Risparmio di Bra s.p.a. and Cassa di Risparmio di Saluzzo s.p.a. by the Parent Company in July 2020.

Macroeconomic and financial forecasts

In the foregoing context of updating the forecasts for 2020-2021, the changes in the principal balance sheet and income statement aggregates of the BPER Banca Group were determined by estimating the volumes, interest rates and spreads applicable to customers, partly with reference to forecasts about macroeconomic trends and the performance of the banking sector prepared by leading research centres. The effects of the several planned initiatives were applied to the information obtained in the above manner.
The macroeconomic variables of greatest importance for the BPER Banca Group relate to the Italian economy. The dynamics of international variables (trends in the GDPs of principal world economies, changes in the monetary policies of non-Eurozone countries and exchange rate movements) are relevant to the extent that they affect the Italian economy.
The principal macroeconomic variables underpinning the Plan have been heavily conditioned by the change in scenario imposed by the Covid-19 emergency which continued in 2021.
At the date of preparation of these consolidated financial statements, however, the global macroeconomic scenario was affected by geopolitical tensions related to the Russia-Ukraine conflict, which are part of a context already characterised by tensions in global supply chains, while the pandemic situation seems to be moving towards normalisation. The European economy is likely to face increased volatility due to the potential increase in energy costs over a prolonged period of time and the consequent effect on manufacturing activities.
The forecasts for the economic performance of the country that were used to revise the BEST WAY Business Plan targets in August 2020 reflected one of the possible scenarios, potentially subject to later adjustment. In fact, the forecasts took into consideration a substantial drop in GDP for 2020 (-10%), followed by only a partial recovery in 2021 (+5%). The phase of normalisation was assumed to be reached only gradually. Full recovery was expected to be long and difficult, with different effects depending on the sector and geographical area. As at that date, a return to pre-crisis conditions was not considered likely prior to 2024. Already in the second and third quarters of 2021, thanks in part to the success of the vaccination campaign and the relaxation of containment measures, the recovery of the Italian economy was very strong. On an annual basis, Italys 2021 GDP growth stood at 6.6%: domestic demand was the main driver of the increase, while foreign demand and changes in inventories made very limited contributions.

3.5 Start of activities for preparation of the 2022-2024 Business Plan

2021 was the last year of the "BEST WAY" Business Plan. In addition, the Regulators authorisation of the transfer of the business unit from the Intesa Sanpaolo Group was accompanied by the request to prepare a new Business Plan taking into account the Group perimeter resulting from the acquisition.
Consequently, in June 2021, following the installation of the new Board of Directors in office, activities were commenced in preparation for the drafting of the new Business Plan, intended to direct the activities of the BPER Banca Group for the next three years, which was initially scheduled for approval in early 2022. The main strategic guidelines of said Plan were approved at the meeting of the Board of Directors on 23 September 2021, jointly with some preliminary economic-financial evidence, developed in line with the presumed developmental pillars.
Consistent with the objective of further expanding the size of the banking Group, the Board of Directors of BPER Banca, which met on 14 December 2021, resolved to acquire an 88.3% stake in the share capital of Banca CARIGE s.p.a., further details of which are provided in the next paragraph.
The approval of the BPER Banca Groups Business Plan initially scheduled for February 2022, following the signing of the agreement for the acquisition of a controlling interest equal to around 80% of the current share capital of Banca CARIGE s.p.a. held by the FITD and the Voluntary Intervention Scheme on 14 February 2022, is expected in June 2022.

3.6. Offer for the acquisition of Banca CARIGE S.p.A.

Following the resolution of the Parent Company's Board of Directors on 14 December 2021, the BPER Banca Group submitted a non-binding offer to the Interbank Deposit Guarantee Fund for the acquisition of a shareholding of 88.3% (8.3% of which held by Cassa Centrale Banca) of the share capital of Banca CARIGE S.p.A. (hereinafter CARIGE). The guidelines for the acquisition essentially revolve around: i) the capital neutrality of the transaction with respect to the BPER Banca Group's current capital position;ii) combined asset quality improvement, pursuing the derisking process and iii) significant increase in the BPER Group's profitability in terms of earnings per share from as early as 2023.
On 9 January 2022, the BPER Banca Group deemed it appropriate to reformulate a new offer, also in view of the final approval of the Budget Law, which extended the deadline for completing the acquisition of control until 30 June 2022 in order to benefit from the conversion of Deferred Tax Assets ("DTA") into tax credits. The new offer -not least thanks to a more detailed dataset regarding CARIGE- clarified some of the assumptions used to quantify the capital contribution requested of FITD in the first binding offer.
The key elements of the New Offer are as follows:

- the capital contribution to be made to CARIGE by the Selling Shareholders before Closing for an amount of Euro 530 million (with respect to Euro 1,000 million in the previous offer);
- BPER Banca's acquisition of an 80% shareholding in CARIGE for a consideration of Euro 1 (88.3% in the previous offer), corresponding to the entire interest held by the Selling Shareholders.

At its meeting of 10 January 2022, the Executive Committee of the Interbank Deposit Protection Fund resolved to grant the BPER Banca Group an exclusive period until 15 February 2022 for the potential acquisition of the controlling interest.
Following the conclusion of the confirmatory legal, equity, tax, accounting and industrial due diligence carried out by the BPER Banca Group on Banca CARIGE s.p.a., on 14 February 2022 a contract was signed

for the acquisition of a controlling interest equal to around 80% of the current share capital of CARIGE, held by the FITD and the Voluntary Intervention Scheme.
This contract is based on the main conditions already present in the previously submitted non-binding offer. In particular, the following was confirmed:

- the consideration of Euro 1 for the acquisition of the entire shareholding owned by the Selling Shareholders;
- payment of a capital contribution of Euro 530 million to CARIGE by FITD at the closing of the transaction.

Closing is expected to take place by 30 June 2022 so as to enable BPER Banca to benefit from the conversion of DTAs on CARIGE's tax losses into tax credits.
As was previously communicated to the market, BPER Banca will launch a mandatory public purchase offer, after Closing, on the remaining shares of CARIGE at a price of Euro 0.80 per share.
The strong strategic and industrial significance of the transaction is confirmed, as it will enable the BPER Banca Group to grow in regions that currently have a limited footprint, consolidating the Group's competitive position and reinforcing the prospect of value creation for its stakeholders.

3.7 Payment services provided by the Group – Review of commercial agreements with business partners

In relation to the payment services it provides to its customers, the BPER Banca Group has started a competitive bidding process as part of a project for the potential structuring and review of the commercial agreements in place with its business partners. Against this background, following a non-binding offer submitted by Nexi S.p.A. in February 2022, the latter – a player with which the Group already has merchant acquiring agreements in place that are known to the market – was granted a 60-day period of exclusive negotiation until 15 April 2022.
In this regard, it is noted that BPER Banca has not received any binding offers as at the date of approval of this Consolidated Report, as negotiations between the parties are still in progress.

3.8 Covid-19 emergency: strategies adopted by BPER Banca Group

The measures adopted by the BPER Banca Group in the various phases of the emergency, have enabled it to protect the health of employees and customers, and guaranteed the continuity of the services provided by the Bank.
Initiatives remain in place that are differentiated on the basis of the criticalities of the areas concerned or unique local characteristics. Group employees are constantly updated on the measures in force at any given time, thanks to communications posted on the dedicated area of the company intranet. Employees continue to have the opportunity to work in Emergency Smart Working mode, where necessary and appropriate.

Management of human resources

To deal with the health emergency, the BPER Banca Group implemented a series of solutions to protect the health of its resources and secure their operations through the activation of working methods that allowed, especially in the most acute phases of the emergency, a strong reduction in physical presence in the workplace: activation of a significant number of workstations in "emergency remote working" mode, purchase of “smart leaning” suites to enable access to training sessions from home, shifts in organisational units, the closure of some branches, modification of opening hours to the public and limiting customer access to premises.

In accordance with the protocols defined at national level by the Italian Banking Association and the trade unions, access to branches located in the so-called "red zone" was only allowed by appointment for both advisory and teller services, while in branches in other zones access for advisory services was allowed by appointment.

Faced with the resurgence of the virus in the first half of the year, the BPER Group maintained a strong focus on its employees, by intensifying the use of levers such as emergency remote working and -partly in light of the suspension of teaching/educational activities throughout the country- offering partially paid leave to specific clusters of personnel (employees with children under the age of 14, employees with disabled children, pregnant employees not yet on maternity leave, those living with immunosuppressed members of the family).

In the second half of the year, the BPER Banca Group took the necessary measures following the enactment of Law Decree no. 127/2021 of 21 September 2021, which stipulated that, for access to private workplaces, it is also compulsory to hold and display, at the request of the personnel appointed by the Employer, the so-called Green Pass, i.e. Covid-19 green certification.

The information provided to all personnel related to the introduction or modification of the safety measures adopted took place effectively and promptly through FAQs on the company intranet or by mass e-mail.

Travel for work reasons was strictly limited exclusively to cases of need and subject to the authorisation of the head of the organisational unit. Meetings were held almost exclusively in video-conference mode.

The hygienic and sanitary measures in place within branches and central offices were further strengthened and the necessary emergency sanitation of workplaces was ensured in the event of suspected cases of Covid. In addition, a professional psychological telephone support service was maintained and health insurance coverage was extended to protect employees.

In parallel with all these initiatives, the Safety Officer (RSPP) maintained regular contact with the Workers Representatives (RLS) in order to facilitate a nationwide exchange of information about Covid - 19.

Collaboration between the Safety Officer and the Human Resources function to ensure the operational continuity of any Organisational Units affected by cases of coronavirus was constant and fruitful.

In parallel with the vaccination activities organised by the health authorities, the Bank has also entered into an agreement with UniSalute to offer its employees the possibility of vaccination in specially prepared and equipped hubs.

Business Continuity

The provision of services continued without interruption, thanks to the use and enhancement of solutions previously identified in the Business Continuity Plan - Pandemic scenario - approved by the Board of Directors on 16 March 2021 (with solutions including extensive use of work from home). Branch processes were also aligned and fine-tuned to efficiently manage any temporary closures and minimise any inconvenience to customers. At certain times of the year, in line with the banking system, operations were by appointment only, limiting the number of people present in the individual operational units to avoid crowds.

In order to minimise the possibility of interruptions in the operation of a single office, in-person activities were organised by stable teams.

In line with measures adopted, Business Continuity plans were updated to ensure the continuity of essential services.

A Covid Emergency Coordination Team was active throughout 2021 and is still operating to monitor the situation and act promptly in the event of changes in the scenario.

Protection of the public

Throughout the year 2021, measures to protect employees and the public on the Banks premises were increased and provisions were issued, also diversified by geographic area in accordance with constantly monitored local regulations, to adapt the premises to the Covid-19 risk.

Attention to compliance with pandemic risk surveillance and limitation measures continued also for employees and customers.

All regulatory provisions were monitored and all safety protocols were supplemented by incorporating changes in national regulations as they were issued, and an internal Covid safety protocol was drawn up for suppliers and external workers.

All risk mitigation measures and integrated industry Best-Practices required to maintain a high level of safety in work activities have been adopted within the Banks premises in an effort to normalise activity as much as possible, including meetings with clients and internal meetings, albeit with reduced attendance.

The monitoring of Covid-19 infections has been ensured for the whole of 2021, defining operational standards for the control of colleagues who tested positive, for indications on how to behave in the workplace, and further refining the process of sanitising premises following the detection of positive infections (colleagues, employees of external companies, etc.), always with a view to minimising interruptions to the service provided to customers.

In late 2021, due to the recent exponential increase in infections linked to new variants, operational protocols were redefined to ensure timely internal communications.

Support for the economy and local communities

Right from the start of the health crisis the BPER Banca Group activated a series of measures in favour of households and businesses to mitigate the adverse effects of Covid-19 on the real economy, while also adopting and implementing the related ministerial decrees (in accordance with the EBA guidelines). Actions included:

- suspension of instalment loans and lease payments for various reasons, including job loss or liquidity shortage due to the emergency;
- granting of loans funded under the provisions of the Liquidity Decree;
- advances against government-assisted lay-off pay (CIG).

Starting in March 2020, the BPER Banca Group granted moratoria on instalment-based loans for a total residual debt of Euro 16 billion, of which Euro 1.17 billion are still active at 31 December 2021[19]. Total loans granted with a State guarantee amounted to Euro 6.77 billion.

Among the latest initiatives promoted by the BPER Banca Group in support of the territory, in addition to the provisions in 2020, on 18 March 2021, "*Uniti oltre le attese*" (United beyond expectations) was established as a charitable trust managed by BPER Trust Company. Thanks to its multi-project nature, the BPER Banca trust will be able to guarantee agile intervention for other emergencies that may arise in the

[19] The amount refers to the moratoria gross exposure and includes Euro 0.55 billion in "internal" moratoria which do not qualify as Forbearance measures under Group policies and therefore do not fall within the scope of the "forborne exposures" relevant for financial and supervisory reporting (please see the information reported in the Explanatory Notes to the consolidated balance sheet, Table 4.4a, and Information on risks and related hedging policies, Table A.1.5a).

future. Its first project, organised together with the FNOPI (National Federation of Nursing Profession Orders), is dedicated to the families of nurses who died due to Covid-19.
These families, once they meet the requirements set out in the relevant call for proposals, will be supported, with additional annual grants, through direct charity work, already in early 2022.
On 27 September 2021, the first tranche of Euro 100,000 was disbursed to FNOPI for the fund-raising campaign #NoiConGliInfermieri.

Other impacts of the pandemic on the BPER Banca Group

The measures to contain and manage the effects of the lockdown and the pandemic generated additional costs for the BPER Banca Group, at 31 December 2021, of about Euro 6.5 million, mainly attributable to workplace sanitation and personal protection measures.
The uncertainty linked to the impact of the pandemic on the real economy also led to the application of correctives to certain valuation methods used by the BPER Banca Group, particularly related to loan classification and assessment. For a more in-depth analysis of these aspects, please refer to the Explanatory Notes, Section 5 – Other aspects", para. "Accounting estimates - Overlay approach applied in the assessment of credit risk".

Measures adopted by the Bank following the issuing of Decree Law no. 127/2021 of 21 September 2021 (Covid-19 certificate to access the workplace).

The publication of Decree Law no. 127 of 21 September 2021 continues the extraordinary and urgent initiatives undertaken by our country to ensure more effective measures to contain the virus, especially in workplaces.
In particular, the new regulation, amended by Law Decree no. 221 of 24/12/2021 (Extension of the State of Emergency) sets forth that, from 15 October to 31 March 2022, also for access to private workplaces, it will be a mandatory requirement to show the Green Pass, i.e. Covid-19 certificate, at the request of the personnel appointed by the Employer. Anyone not holding a Green Pass will be refused entry to company premises, will be recorded as an unjustified absence and will receive no remuneration for the entire period of absence.
Only those exempt from getting the vaccination will be exonerated from said obligation, based on the appropriate certification from their GP and prior validation of said certification by the Company Doctor.
Considering the special importance and delicate nature of the matter, the Group informed its employees of the main aspects connected with the application of the regulatory provisions and implemented the necessary checks on compliance with the aforementioned obligations that will be guaranteed by the personnel appointed by the Employer according to the methods set forth in art. 13 of the Decree of the President of the Council of Ministers of 17 June 2021 and based on the provisions of art. 19 of Legislative Decree no. 81/08.

3.9 Change in the measurement method of the BPER Banca Group's properties

The BPER Banca Group has opted to change the measurement method of "Property, plant and equipment" starting from 1 January 2021 and limiting to properties.

The change involves:

- changing from the cost model to that of remeasurement for the subsequent value of properties used in operations, based on the requirements of IAS 16 Property, plant and equipment;

- changing the accounting treatment from cost to fair value for properties held for investment purposes, based on the requirements of IAS 40 Investment property.

The change in the measurement method of properties is a voluntary change in accounting policy, as governed by IAS 8 Accounting policies, changes in accounting estimates and errors, according to which a voluntary change should only be made if it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entitys financial position, financial performance or cash flows.
Changing from cost to fair value pursues this objective, as it allows:

- better information, ensuring a single current point of view in the measurement of the Group's real estate assets, regardless of when or why the individual property was recognised: in fact, compared with cost, fair value makes it possible to provide current information that is more in-keeping with the characteristics of the properties being valued;
- greater homogeneity of comparison between years, both in the balance sheet and in the income statement: in fact, the expression at current values improves the relevance and quality of the information, above all by updating the valuation periodically;
- constant alignment of the carrying amounts of the assets with their market values;
- an improvement in comparability with the economic and financial statements of the other top Italian banks in terms of size;
- a more immediate understanding of the economic and financial implications of the Group's strategies for the management of its properties;
- greater alignment of financial disclosures with future property management strategies.

Please refer to the Explanatory Notes to this Consolidated Report for further details.

3.10 European Single Supervisory Mechanism (SSM)

BPER Banca and its banking Group are among Europe's significant institutions supervised directly by the ECB[20].
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, as a result of the supervisory review and evaluation process (SREP), the ECB communicated its SREP decision to the BPER Banca Group on the regulatory requirements for 2022:

- Common Equity Tier 1 Ratio: of 8.29%, which is the sum of the minimum requirement under art. 92 of Regulation (EU) 575/2013 (4.50%), the quota of P2R (1.29%) and the capital conservation buffer according to art. 129 of Directive 2013/36/EU as transposed into Italian law (2.50%);
- Total Capital Ratio: of 12.80%, 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 2.30%), plus the capital

[20] 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.

conservation buffer in accordance with art. 129 of Directive 2013/36/EU as transposed into national law (2.50%).

As regards the interventions carried out as at 31 December 2021, with significant effects on the capital endowment of the BPER Banca Group, it should be noted that:

- following approval of the "Return to Compliance Plan" on 9 April 2021, the applications for the new AIRB models for calculation of the capital requirements and their extension to the UBI Banca exposures acquired in the first half of 2021 were submitted to the Supervisory Authority in June 2021; in line with the planning agreed with the Supervisory Authority, the activities of the remedy plan were completed in response to the findings contained in the final Decision Letter relating to the "Targeted Review of Internal Models" (TRIM inspection activity initiated in 2018 and concluded in March 2019);
- in October 2021, an ex-ante notification was sent to the Supervisory Authority for the extension of the use of the Groups internal models for the calculation of capita l requirements for credit risk on credit exposures acquired through the merger of the branches from Intesa Sanpaolo. In the absence of any comments from the ECB, the extension will take effect from the Supervisory Reports as at 31 December 2021;
- in the Recovery area, the updating of the 2021 Recovery Plan was completed in the fourth quarter and the plan was regularly sent to the Supervisory Authority at the end of December 2021;
- preparatory work started on the regulatory stress test exercise on climate-related and environmental risk factors that will be launched by the ECB in 2022;
- the Supervisory Authority, by means of communication ECB SSM-2020-0601 of 17 November 2020, recommended that the BPER Group implement strategic and operating initiatives to manage the level of non-performing exposures based on the guidelines defined in Decision ECB-SSM-2020-ITPER-14 of 31 July 2020, taking account of the specific characteristics of the current context, marked by the repercussions of the Covid-19 pandemic and leveraging on the internal capability to generate internal capital. Therefore on 30 March 2021, BPER Banca approved, in the first instance, a 2021-2023 NPE Strategy, incorporating an estimate of the impact of the new business unit acquired and a macroeconomic scenario that estimated, for 2021, a significant deterioration in credit quality, attributable primarily to the end of the support measures[21] from the second half of 2021. In light of the completion of the acquisition of the Business Unit from the Intesa Sanpaolo Group, on 23 September 2021, the Board of Directors approved an Update to the 2021-2023 NPE Strategy which, confirming a prudential approach, improves the expectations and, subsequently, establishes more ambitious targets than the previously approved versions.

3.11 Other significant events

Disposal of branches in Sardinia

On 17 July 2019, the Italian Competition Authority (AGCM) authorised the purchase of Unipol Banca s.p.a., subject to the implementation of measures to resolve certain competition concerns that emerged in the inquiry into the banking market in Sardinia. These measures included the sale to third parties of 5 branches in Sassari, Alghero, Iglesias, Nuoro and Terralba.

[21] *Please refer to the section "Covid-19 emergency: strategies adopted by the BPER Banca Group" in this Report.*

Having come to the end of the first and second phase of the disposal process with no successful outcome despite having contacted a large number of potential industrial buyers in 2020, the BPER Banca Group was objectively not in a position to give effect to the prescribed measures. During 2021, several initiatives were undertaken to search for possible buyers of the branches, but without success.
A new inquiry by AGCM is underway to make sure whether the reported facts are a form of non-compliance with the Authority's decision or whether it is necessary to impose new measures in addition to -or in replacement of- those originally established. The deadline for concluding the procedure was extended to 31 July 2022.

Merger by absorption of Tholos into Nadia

1 January 2021 gave legal, accounting and fiscal effect to the merger by absorption of Tholos s.p.a. into Nadia s.p.a. (both real estate companies controlled by BPER Banca S.p.A.), already decided by the respective Boards of Directors on 6 November 2020, approved by the respective Shareholders Meetings on 18 November 2020 and formalised in the Merger Deed of 15 December 2020.
This transaction forms part of the initiatives designed to simplify the Group and increase its operational efficiency, as envisaged in the 2019-2021 Business Plan, while enhancing the value of its property assets.

Dedalo Finance securitisation transaction

On 19 May 2021, BPER Banca completed the repurchase of the loan portfolio originally sold to the vehicle company Dedalo Finance. The transaction was structured in 2011 by Cassa di Risparmio di Bra (now BPER Banca), Banca Alpi Marittime Credito Cooperativo Carrù and Banca di Credito Cooperativo di Pianfei e Rocca de' Baldi pursuant to Law no. 130 of 30 April 1999.
The repurchase refers to a portfolio of mortgage loans for a residual debt of approximately Euro 22.9 million.
This was announced by publication in the Official Gazette (OG Second Part, no. 61 of 25/05/2021). Borrowers will be informed by a specific notice. The accounts continue to be managed at the Bank branches where they were originally opened by the customers, with no change being made to the conditions and characteristics of the mortgage loans or the communications that the customers will receive from the Bank.

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.
Arca Holding s.p.a., Arca Fondi SGR s.p.a. and Finitalia s.p.a. became members of the BPER Banca VAT Group with effect from 1 January 2020. In fact, BPER Banca had acquired control over these companies, as defined in art. 2359, para. 1, of the Italian Civil Code during 2019. 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.
The option is valid for three years and therefore expires on 31/12/2021, with automatic renewal from year to year, unless revoked.

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 2021, 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 achieved in 2021

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.

On 25 March 2021, the BPER Banca Group successfully concluded the placement for institutional investors of its first issue of (Senior Preferred) Social Bonds for Euro 500 million with a maturity of 6 years.

Issued as part of a recently published Environmental, Social and Sustainability Bond Framework (the "Framework") and based on the Euro six billion EMTN programme, the bond will finance a selected portfolio of SMEs to which loans have been granted backed by the government guarantee foreseen in the Liquidity Decree to help deal with the Covid-19 emergency. Each year, the BPER Banca Group will publish a section in its Sustainability Report to explain how the proceeds of the issue have been allocated.

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)[22].

The issue generated strong market interest with demand that exceeded Euro 1.25 billion from more than 110 institutional investors. This made it possible to reduce the spread from the initial level of +200 bps above the 5-year Mid Swap to the final level of +175 bps.

The bond has an expected rating of Ba3/BB (Moodys/Fitch) and a duration of 6 years, with an early redemption option for the issuer in the fifth year. The annual yield is 1.38%. The bond is listed on the Luxembourg Stock Exchange. The settlement date was 31 March 2021.

In July 2021, BPER Banca additionally became an official Signatory of the UNEP-FI Principles for Responsible Banking; in particular, these 6 principles are designed to steer banks' vision and ambitions towards sustainability: member banks commit to defining sustainability strategies and working to promote and integrate ESG (Environmental, Social, Governance) factors into their business model, in order to be at the forefront of sustainable finance.

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[22] *Both documents are available on BPER's website: https://istituzionale.bper.it.*

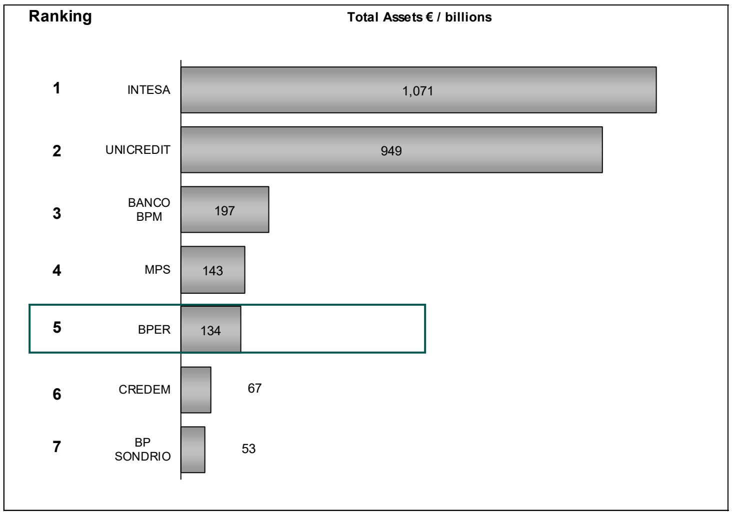
On 14 October 2021 BPER Banca's Board of Directors set up a Sustainability Committee with advisory and propositional functions to support the Board in activities that cover environmental, social and governance (ESG) issues, reverberating on all processes which make it possible for BPER to pursue sustainable development. The Committee is presided over by BPER Banca's Chair, Flavia Mazzarella, and is composed of the Bank's directors, Riccardo Barbieri and Elisa Valeriani.
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.
At the beginning of 2022, BPER Banca joined the Net Zero Banking Alliance, thereby addressing its strategy to combat climate change.

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. In February 2021, 587 UBI Banca branches were merged by absorption into the BPER Banca Group, while 33 branches of Intesa Sanpaolo were merged by absorption in June 2021.
At 31 October 2021, the Group's network consists of 1,846 branches located in 19 Italian regions and one branch office in the Grand Duchy of Luxembourg, with a domestic market share, updated to 31 October 2020, of 8.26%[23].
On the Italian banking scene, the BPER Banca Group ranks fifth by total assets and loans, and third by volumes of deposits.

Positioning with respect to competitors

Figures at 30 September 2021 (total assets in Euro/billion)



Source: Management reporting and benchmarking of Banking Groups' financial statements at 30.09.2021

[23] *Source: Planus Corp. analysis of Regulatory Reports.*

Within the domestic banking system, the BPER Banca Groups market share of loans to customers, excluding bad loans, was 4.38% at 31 October 2021, while its market share of deposits was 4.94%.

	Loans		Deposits	
	October 2020	October 2021	October 2020	October 2021
Producer households	5.12%	7.54%	5.98%	8.75%
Consumer households	3.09%	4.80%	2.48%	4.25%
Corporates	3.40%	5.22%	4.04%	6.02%
Total customers	2.99%	4.38%	3.12%	4.94%

4.4 Relations with customers

Breakdown of the customer base

With its structure historically dedicated to providing services to households and SMEs, the BPER Banca Group comprises two regional banks (BPER Banca and Banco di Sardegna) that handle 4.2 million customers, including 1.5 million new customers onboarded with the business units acquired through the transaction with Intesa Sanpaolo.

The age breakdown of the consumer customer base is in line with the average for the traditional banking system, with the majority of customers at the mature end of the scale: more than one quarter of customers are aged over 65, while fewer than one in five customers are younger than 35. The breakdown of customers by gender remains essentially balanced (51% men and 49% women). The average duration of existing customer relationships continues to be high: approximately 60% of customers have been with the Group for more than ten years, and more than 35% have been account holders for more than twenty years.

Distribution structure

Following the acquisition of the business units from Intesa Sanpaolo, in the fourth quarter of 2021 BPER Banca decided to reorganise its distribution structure. The new structure aims, in line with market best practice, to simplify and at the same time make more efficient the control of the territory.

In particular, this reorganisation involved setting up 9 Territorial Divisions instead of the previous 17 Regional Departments, guaranteeing unchanged attention to the economies of the territories served, also through a renewed role of the Area structures.

The Territorial Divisions are therefore as follows: North West (Piedmont, Liguria, Pavia) with headquarters in Turin, West Lombardy (Milan, Bergamo, Varese) with headquarters in Milan, East Lombardy-Triveneto with headquarters in Brescia, West Emilia with headquarters in Modena, East Emilia-Romagna with headquarters in Bologna, Central West (Tuscany, Umbria, Lazio) with headquarters in Rome, Central East (Marche, Abruzzo, Molise), with headquarters in Ancona, Campania-Puglia-Basilicata, with headquarters in Naples, Calabria-Sicily, with headquarters in Reggio Calabria. The reorganisation became effective on 1 January 2022.

4.5 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”, which features positive expected developments, including the

ongoing dynamism of manufacturing in Italy and a certain industrial vitality, but also residual uncertainties above all about the Covid 19 pandemic.
In light of the reference context and the forecasts of direct allocation of investments for the purposes of Ecological Transition, Digitalisation, Innovation, Competitiveness and Tourism of the Next Generation EU funds and the sectoral forecasts of recovery to pre-pandemic levels, the BPER Banca Group has therefore updated the classification of attractive sectors, distinguishing them from less attractive ones (In, Neutral and Out classification). In line with the considerations included for the first time in 2020, ESG assessments of the sustainability of certain territorial areas (provinces) have been incorporated in order to determine the maximum market share.
Guidelines are confirmed for attaching priority to the promotion of “green financing” and “technological innovation”, cross-cutting all sectors of the economy and intended to ensure greater competitiveness for recipient companies.
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.

4.6 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.

During 2021, further steps were taken to streamline the operating model, in the Chief Operating Officer (COO) area, to strengthen critical areas, rationalise the *role-mandates* of the Departments and simplify critical processes with an impact on Bank and Group operations, strengthening operational efficiency. In 2021, the following projects with an impact on ICT were carried out:

- implementation and completion of the IT developments that were preparatory for the acquisition of the business units owned by UBI Banca, UBI Sistemi e Servizi and Intesa Sanpaolo, respectively carried out in February 2021 and in June 2021;
- completion of the various projects of the 2019-2021 - BEST WAY Business Plan, which included: implementation of automation and measures to improve operational efficiency, action related to the administration of the stress-testing platform and forward-looking analyses and support for the internal rating system used by the Group; evolutionary development of the Interbank Corporate Banking system; development work on the second phase of the PSD2 initiatives, continuation of initiatives linked to the multi-channel distribution model, development work on projects for the management of big data and data mining, in order to improve the effectiveness of marketing campaigns and the targeting of customers; preparations for the activation of platforms dedicated to wealth management and work on regulatory alignment. As part of the project to activate the New ICT model, work continued with initiatives aimed at pursuing data offloading strategies and improving virtualisation efficiency;
- Launch of digital initiatives, which envisaged the release of innovations in the multi-channel area during the last quarter of 2021, in terms of new applications (e.g. Trading On Line APP); new functions for information inquiries and transaction orders (e.g. payment of car tax, display of unrecorded movements, C-Bill with QR Code, Capital Gain section, etc.), user experience

improvements (e.g. restyling of web and mobile platforms, remaking of institutional portals); in addition, development of efficiency measures on channels and digitisation of processes through Qualified Electronic Signature (FEQ).

During 2021, the following security activities were carried out:

- reinforcement of the Security & Business Continuity Office by hiring new resources, including from outside the Group, with a specific focus on the Security Operation Centre (SOC) and its strengthening, in order to guarantee continuous monitoring of IT security events;
- completion of anti-fraud interventions to handle new threats, including: customer awareness campaign, release of updates to the detection and prevention tool on transactions carried out and update of the Strong Customer Authentication (SCA);
- projects relating to physical security safeguards for the protection of IT resources, archived data and buildings. More importantly, centralisation of part of the Group buildings' alarms and video surveillance systems in the internal operating room, modernisation of systems of the branches impacted by the Business Plan and monitoring possible anomalous behaviour with the adoption of ad hoc solutions in order to activate intelligence measures involving alarms or dissuasion;
- BPER Bancas Security & Business Continuity Office has identified the most suitable technical solutions (e.g. Azure platform) to ensure business continuity for departments, in order to allow remote working activities to be carried out; the technical platform identified makes it possible to work with virtual machines and create back-up copies of ones own resources without worrying about possible failures or interruptions in availability; completed two of the three phases of a role-mining project aimed at identifying functionalities linked to IT profiles in order to determine "toxic" enabling combinations (i.e. which may lead to exposure to internal fraud); completed the setting up of appropriate technological platforms dedicated to tracking the activities of System Administrators on Production services.

The unit reporting to the COO has prepared its own ICT Strategic Plan 2020-2021 and an Operational Security Plan 2020-2021 which are appearing in line with the expected time horizon (December 2021).

In the area of the Chief Digital Officer (CDO), the following main activities are highlighted in 2021:

- launch and completion of initiatives for the implementation of advanced analytical models, including: the "Retail Antichurn " model for retail customers; new "Corporate Antichurn" model for Small Market Players (POE) and Small Business customers; new text mining model "Retail Customer Events", prediction of products/services to be offered to the customer ("Next Best Product"). Data engineering and data provisioning of Open Data were also envisaged in order to expand the information content on which to develop analytical models;
- the "Standardiser 2.0" project, the redesign of the Supervisory reports feeding system, was launched with the aim of having a technologically state-of-the-art platform in place, with faster processing and a lower effort for its maintenance and evolution;
- the BCBS-239 Programme[24] was also launched during the year, in agreement with the Chief Risk Officers area. This is a multi -year programme aimed at achieving compliance with the principles expressed by the regulations issued by the Basel Committee on Banking Supervision by adapting the Groups Data Gov ernance system. Phase 1 of the programme

[24] *The Basel Committee on Banking Supervision (BCBS) has issued a regulation whose main purpose is to improve banks ability to aggregate risk data in order to facilitate bank resolution.*

was launched during 2021 and is scheduled to be completed at the end of the first quarter of 2022;

- the “CDO Foundation” initiative was launched. The purpose of the activity is to outline the foundations of four of the main issues on which the Group Chief Data Officer (CDO) is expected to work in the coming years: Permanent Working Table on Data Quality, Group Guidelines for the Production of Reports for Top Management, Data Architecture / BPER Data Platform, Data Governance Hub (DGHub) User Experience.

4.7 Real estate sector

Within the BPER Banca Group, real estate is overseen by the REAM (Real Estate Active Management) Service, which reports to the Chief Strategy Officer; this service aims to ensure the strategic and unitary management of the Groups real estate assets, while also promoting the development of strategic real estate activities that are synergic with the Banks business.

This service has three offices, with different areas of management:

- the Asset Strategy Office, with the aim of defining and monitoring the strategy for the real estate portfolio (direct and indirect, owned or leased), also defining the guidelines for optimising space and reducing the Groups environmental impact ("city plans", aimed at logistically optimising the presence of all Group companies within the same territory); it also coordinates activities relating to appraisals, providing the results to the competent administrative functions for the purposes of the consequent financial statement valuations;
- the RE Asset Management Office, which, in line with the strategy pursued, plans and supervises strategic interventions on the assets of the real estate portfolio, also coordinating all commercial activities of value enhancement (rental or sale);
- the Advisory Office, on the other hand, provides specialised advice to the Banks departments on real estate transactions of significant amounts (with a "Non-Binding Mandatory Opinion") and for the definition of credit policies*(Risk Appetite Framework* in the Real Estate area); it also provides strategic advice on real estate pledged as collateral for impaired and non-performing loans, formulating proposals for intervention (evaluating possible *repossessions* of high-potential assets).

At 31 December 2021, the BPER Banca Group had the following real estate companies:

- Nadia s.p.a., based in Modena and controlled by BPER Banca and Banco di Sardegna, manages and enhances the value of property assets, some of which are in use in the banking activities of the BPER Banca Group;
- Italiana Valorizzazioni Immobiliari s.r.l. (IVI) based in Milan and controlled by BPER Banca, active in the management and value enhancement of real estate assets arising from problematic situations of the BPER Group;
- Adras s.p.a. based in Milan and controlled by BPER Banca, owner of a single asset (Centro Commerciale Tanit, in Sassari.

During the year, the BPER Banca Group carried out a number of projects aimed at enhancing the value of its real estate assets, the most important of which are as follows:

- in LAquila, BPER Banca has completed a major renovation and structural upgrade following its decision to bring both the banks branch and the offices of its Regional Division back to the citys historic centre;
- major renovation work on a building in Ferrara has been completed. The work was supervised by Italiana Valorizzazioni Immobiliari;
- in Milan, the company Nadia signed a 9-year lease, possibly renewable to 6 years, for a building (Diamantino, at Porta Nuova). By the end of 2022 the BPER Group will consolidate all its facilities in the area in this building.

The Advisory RE office, in *test & learn* mode, provided specialist support to the Banks functions on financing requests for large-scale real estate transactions.
The office has also been active in defining value enhancement strategies on significant real estate positions pledged as collateral for the Groups non performing loans.

5. Scope of consolidation of the BPER Banca Group

5.1 Composition of the Group as at 31 December 2021

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 2021, 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 Part A of the Explanatory Notes to this Report.
Reported below are the percentages held by the Group[25] 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 94.667% of the preference shares, representing 99.20% of total capital;
4) Bibanca s.p.a., based in Sassari (99.097%)[26];
5) 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) 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 (99.674%)[28];
10) Numera s.p.a., based in Sassari, IT company and subsidiary of Banco di Sardegna s.p.a. which holds 100% of share capital;
11) BPER Credit Management s.cons.p.a., based in Modena, a consortium for the recovery and management of non-performing loans (100%)[29];
12) Arca Holding s.p.a.[30] based in Milan (57.061%);
13) Arca Fondi SGR s.p.a. based in Milan, asset management company wholly owned by Arca Holding s.p.a.;
14) Finitalia s.p.a. based in Milan, company that specialises in consumer lending (100%).

[25] Unless otherwise specified, the percentage shown refers to the Parent Company.
[26] Held by: the Parent Company (78.575%) and Banco di Sardegna s.p.a. (20.522%).
[27] Held by: the Parent Company (68.339%) and Banco di Sardegna s.p.a. (31.661%).
[28] Held by: the Parent Company (52.741%) 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 Emilia Romagna Factor s.p.a. (1.000%).
[30] The company is not a member of the Banking Group.

b) Other subsidiaries measured using the equity method[31]:

1) Estense Covered Bond s.r.l. based in Conegliano (Treviso), 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%).

In addition to the above companies that belong to the Banking Group, the following direct and indirect subsidiaries are including in this cluster at 31 December 2021, even though they are not included in the Banking Group since they do not contribute to its banking activities[32]:

- Italiana Valorizzazioni Immobiliari s.r.l. (100%);
- Adras s.p.a. (100%);
- SIFA - Società Italiana Flotte Aziendali s.p.a. (100%).

c) Associated companies measured using the equity method

1) Cassa di Risparmio di Fossano s.p.a., based in Fossano (Cuneo) (23.077%);
2) Cassa di Risparmio di Savigliano s.p.a., based in Savigliano (Cuneo) (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%).

In 2021, the following changes to equity investments occurred:

- the merger by absorption of Tholos s.p.a. into Nadia s.p.a., both real estate companies controlled by BPER Banca S.p.A., took effect for legal, accounting and tax purposes on 1 January 2021. Please refer to the chapter in this Report entitled *"Significant events and strategic transactions"* for further details on this transaction;
- with effect from 1 January, the Parent Company exercised its right to withdraw from the Co.Ba.Po. – Consorzio Banche popolari;
- in 2021, the percentage of BPER Banca's shareholding in the Lanciano Fiera consortium was increased to 33.333%, due to the exit of a shareholder from the ownership structure;
- on 21 July 2021, the BPER Banca Group sold its entire shareholding in the company Emil-Ro Service s.r.l.

[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 Groups results of operations

6.1 Balance sheet aggregates

The most important balance sheet aggregates and captions at 31 December 2021 are presented below on a comparative basis with 31 December 2020, 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 of the business units from the Intesa Sanpaolo Group (i.e. the UBI, UBISS and Intesa Sanpaolo business units – hereinafter also referred to as UBI and ISP business units).
In the following tables, the information on the comparative figures at 31 December 2020 takes into account: i) the effects of the retrospective application of the change in the measurement method of property, plant and equipment held for investment (for further details of the restatement, please refer to the paragraph "Restatement of the BPER Banca Group's reclassified consolidated financial statements as at 31 December 2020" in the "Attachments" of this Consolidated report; ii) provisions under the seventh update of Bank of Italy Circular No. 262/2005 (in particular, cash or cash equivalents pursuant to IAS 7 were reclassified from balance sheet asset caption 40 a) to caption 10).

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 (caption 40 *"Financial assets measured at amortised cost"*) have been reclassified to caption *"Financial assets"*;
- *"Other assets"* include captions 110 *"Tax assets"* and 130 *"Other assets";*
- *"Other liabilities"* include captions 60 *"Tax liabilities"*, 80 *"Other liabilities"*, 90 *"Employee termination indemnities"* and 100 *"Provisions for risks and charges";*
- assets and liabilities classified as held for sale (asset caption 120 *"Non-current assets and disposal groups classified as held for sale"* and liability caption 70 *"Liabilities associated with activities classified as held for sale"*) are presented in their original portfolios in order to report the aggregates more clearly[34].

[34] *The balance sheet figures include the amounts for 5 branches held for sale. These branches belong to the cluster of 10 former Unipol Banca s.p.a. branches, acquired by BPER Banca on 25 November 2019 and subsequently transferred to Banco di Sardegna. In that regard, the Italian Competition Authority (Autorità Garante della Concorrenza e del Mercato - AGCM) authorised the transaction on condition that the 5 branches located in Sardinia would later be sold. The disposal is intended to resolve the competition issue identified in the AGCM investigation, which found excessive concentration in the Municipalities of Sassari, Alghero, Iglesias, Nuoro and Terralba, which would create and/or strengthen a dominant position.*

Assets

(in thousands)

Assets	31.12.2021	31.12.2020	Change	% Change
Cash and cash equivalents	1,306,282	849,102	457,180	53.84
Financial assets	28,373,380	24,661,915	3,711,465	15.05
a) Financial assets held for trading	323,721	279,009	44,712	16.03
b) Financial assets designated at fair value	125,098	127,368	(2,270)	-1.78
c) Other financial assets mandatorily measured at fair value	714,759	765,917	(51,158)	-6.68
d) Financial assets measured at fair value through other comprehensive income	6,631,897	6,269,818	362,079	5.77
e) Debt securities measured at amortised cost	20,577,905	17,219,803	3,358,102	19.50
- banks	5,795,622	4,496,133	1,299,489	28.90
- customers	14,782,283	12,723,670	2,058,613	16.18
Loans	100,862,925	62,521,874	38,341,051	61.32
a) Loans to banks	21,695,054	9,489,688	12,205,366	128.62
b) Loans to customers	79,112,914	53,005,879	26,107,035	49.25
c) Financial assets measured at fair value	54,957	26,307	28,650	108.91
Hedging derivatives	178,108	57,776	120,332	208.27
Equity investments	240,534	225,558	14,976	6.64
Property, plant and equipment	1,946,456	1,366,915	579,541	42.40
Intangible assets	459,197	702,723	(243,526)	-34.65
- of which: goodwill	204,392	434,758	(230,366)	-52.99
Other assets	2,980,991	2,675,920	305,071	11.40
Total assets	**136,347,873**	**93,061,783**	**43,286,090**	**46.51**

Loans to customers

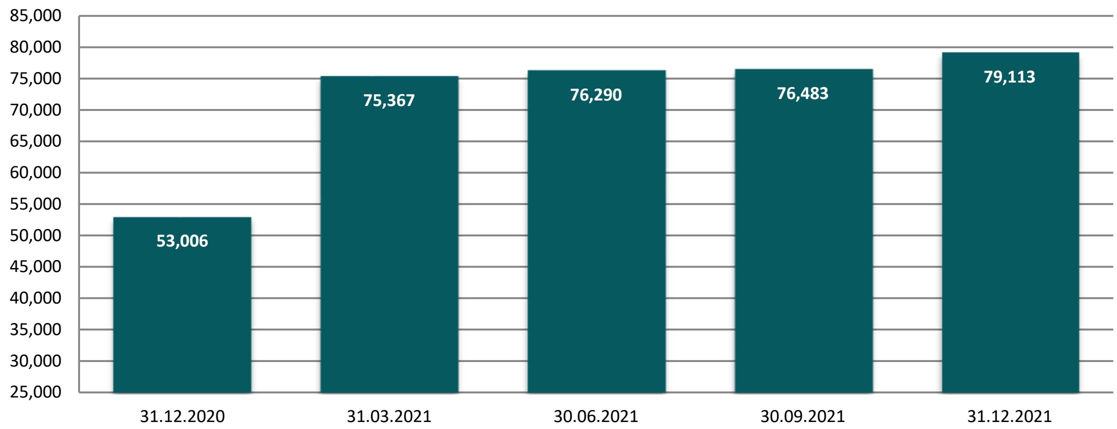
Net loans to customers are made up solely of the loans allocated in asset captions 40 b) "Financial assets measured at amortised cost – loans to customers" and 120 "Non-current assets and disposal groups classified as held for sale".

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% Change
Current accounts	4,969,075	3,668,713	1,300,362	35.44
Mortgage loans	53,621,023	35,355,336	18,265,687	51.66
Repurchase agreements	71,302	83,949	(12,647)	-15.07
Leases and factoring	4,090,897	3,966,030	124,867	3.15
Other transactions	16,360,617	9,931,851	6,428,766	64.73
Net loans to customers	**79,112,914**	**53,005,879**	**26,107,035**	**49.25**

Loans to customers, net of impairment adjustments, total Euro 79,112.9 million (Euro 53,005.9 million at 31 December 2020) up by Euro 26,107.0 million since 31 December 2020.
As regards the various technical forms, the increase particularly affects mortgage loans by an amount of Euro 18,265.7 million, current accounts by an amount of Euro 1,300.4 million and other transactions by an amount of Euro 6,428.8 million, while there has been a decrease in repurchase agreements by an amount of Euro 12.6 million. The increase in mortgage loans, current accounts and other transactions is mainly due to the purchase of the UBI and ISP Business Units, which respectively took place on 22 February 2021 and 21 June 2021.

NET LOANS TO CUSTOMERS in millions



The increase in net loans in the fourth quarter of 2021 (+3.4% compared to the previous quarter) is mainly due to new disbursements (Euro 3.3bn), driven by the acceleration of commercial activity.

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% %
Gross non-performing exposures	**4,024,358**	**4,342,940**	**(318,582)**	**-7.34**
Bad loans	2,013,607	2,076,384	(62,777)	-3.02
Unlikely to pay loans	1,882,991	2,125,247	(242,256)	-11.40
Past due loans	127,760	141,309	(13,549)	-9.59
Gross performing exposures	**77,964,420**	**51,047,978**	**26,916,442**	**52.73**
Total gross exposure	**81,988,778**	**55,390,918**	**26,597,860**	**48.02**
Impairment provisions for non-performing exposures	**2,428,762**	**2,212,728**	**216,034**	**9.76**
Bad loans	1,446,666	1,349,653	97,013	7.19
Unlikely to pay loans	948,958	831,394	117,564	14.14
Past due loans	33,138	31,681	1,457	4.60
Impairment provisions for performing exposures	**447,102**	**172,311**	**274,791**	**159.47**
Total impairment provisions	**2,875,864**	**2,385,039**	**490,825**	**20.58**
Net non-performing exposures	**1,595,596**	**2,130,212**	**(534,616)**	**-25.10**
Bad loans	566,941	726,731	(159,790)	-21.99
Unlikely to pay loans	934,033	1,293,853	(359,820)	-27.81
Past due loans	94,622	109,628	(15,006)	-13.69
Net performing exposures	**77,517,318**	**50,875,667**	**26,641,651**	**52.37**
Total net exposure	**79,112,914**	**53,005,879**	**26,107,035**	**49.25**

At 31 December 2021, the provisions relating to non-performing loans amounted to Euro 2,428.8 million (Euro 2,212.7 million at 31 December 2020; +9.76%), for a coverage ratio of 60.35% (50.95% at 31 December 2020), while the provisions for performing loans amounted to Euro 447.1 million (Euro 172.3 million at 31 December 2020; +159.47%) and give a coverage ratio of to 0.57% (0.34% at 31 December 2020). The latter increase is mainly due to the Covid19-related overlays adopted as part of the updated ECL model and to the gradual recalibration of the risk parameters (IFRS 9 PD and SICR) adopted as an input under the ECL model.
Considering the write-offs of bad loans still outstanding, Euro 376.5 million (Euro 302.9 million at 31 December 2020), the coverage ratio has increased to 63.74% (54.15% at 31 December 2020).
The total coverage ratio is therefore 3.51%, down from the figure at 31 December 2020 (4.31%) due to a lower gross and net non-performing share of the total portfolio of loans to customers (an effect attributable to the acquisition of the UBI and ISP business units and the derisking actions completed in 2021). Based on the same considerations made above concerning direct write-offs, the total effective coverage of loans comes to 3.95% (4.83% at 31 December 2020).

(in thousands)

Loans to customers	31.12.2021		31.12.2020		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. BPER Banca S.p.A.	71,291,972	69,185,166	45,281,975	43,586,332	57.44	58.73	2.96
2. BPER Bank Luxembourg s.a.	223,522	218,259	214,109	205,363	4.40	6.28	2.35
3. Bibanca s.p.a.	1,920,337	1,896,088	1,458,406	1,436,112	31.67	32.03	1.26
4. Banco di Sardegna s.p.a.	7,731,865	7,289,036	7,630,038	7,236,104	1.33	0.73	5.73
Total banks	**81,167,696**	**78,588,549**	**54,584,528**	**52,463,911**	**48.70**	**49.80**	**3.18**
5. Sardaleasing s.p.a.	3,354,953	3,096,078	3,374,997	3,143,840	-0.59	-1.52	7.72
6. Emilia Romagna Factor s.p.a.	1,282,005	1,256,370	1,066,501	1,047,843	20.21	19.90	2.00
7. Finitalia s.p.a.	617,309	605,102	612,956	598,349	0.71	1.13	1.98
Other companies and consolidation adjustments	(4,433,185)	(4,433,185)	(4,248,064)	(4,248,064)	4.36	4.36	-
Total of balance sheet	**81,988,778**	**79,112,914**	**55,390,918**	**53,005,879**	**48.02**	**49.25**	**3.51**

Net non-performing loans amount to Euro 1,595.6 million (-25.10% compared with 31 December 2020), equal to 2.02% of total net loans to customers (4.02% at 31 December 2020), whereas on a gross basis, the ratio between non-performing loans and loans to customers came to 4.91% (7.84% at 31 December 2020).

More specifically, net bad loans amount to Euro 566.9 million (-21.99% compared with 31 December 2020), net unlikely-to-pay loans amount to Euro 934.0 million (-27.81% compared with 31 December 2020) and net past due loans amount to Euro 94.6 million (-13.69% compared with 31 December 2020).

The coverage of non-performing loans of 60.35% has increased compared with 31 December 2020 (50.95%).

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 UBI and ISP business units, as well as the de-risking measures implemented by the Group in the course of 2021; the change in the corresponding coverage ratio, on the other hand, is attributable not only to the influence of the portfolios of the business units acquired, but mainly to the further adjustments made during the period on the NPL portfolio (both analytical and statistical), as explained in greater detail below in the commentary on the cost of credit for 2021.

(in thousands)

Non-performing loans	31.12.2021		31.12.2020		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. BPER Banca S.p.A.	2,882,857	1,124,412	2,998,231	1,424,112	-3.85	-21.04	61.00
2. BPER Bank Luxembourg s.a.	7,669	2,770	10,000	1,517	-23.31	82.60	63.88
3. Bibanca s.p.a.	41,419	23,682	50,236	32,116	-17.55	-26.26	42.82
4. Banco di Sardegna s.p.a.	629,788	243,655	743,536	373,831	-15.30	-34.82	61.31
Total banks	**3,561,733**	**1,394,519**	**3,802,003**	**1,831,576**	**-6.32**	**-23.86**	**60.85**
5. Sardaleasing s.p.a.	377,636	146,151	501,749	284,846	-24.74	-48.69	61.30
6. Emilia Romagna Factor s.p.a.	73,625	50,542	24,446	8,392	201.17	502.26	31.35
7. Finitalia s.p.a.	11,364	4,384	14,742	5,398	-22.91	-18.78	61.42
Total of balance sheet	**4,024,358**	**1,595,596**	**4,342,940**	**2,130,212**	**-7.34**	**-25.10**	**60.35**
Direct write-offs of bad loans	376,542	-	302,916	-	24.31	n.s.	100.00
Adjusted total	**4,400,900**	**1,595,596**	**4,645,856**	**2,130,212**	**-5.27**	**-25.10**	**63.74**
Non-performing loans (Total of balance sheet)/Loans to customers	**4.91%**	**2.02%**	**7.84%**	**4.02%**			

Net bad loans amount to Euro 566.9 million (-21.99% compared with 31 December 2020), accounting for 0.72% of total net loans to customers (1.37% at 31 December 2020), whereas, on a gross basis, the bad loans on total loans to customers ratio comes to 2.46% (3.75% at 31 December 2020).
The coverage of bad loans is 71.84% (65.00% at 31 December 2020).

(in thousands)

Bad loans	31.12.2021		31.12.2020		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. BPER Banca S.p.A.	1,302,165	362,005	1,326,248	423,770	-1.82	-14.58	72.20
2. BPER Bank Luxembourg s.a.	2,104	-	6,104	-	-65.53	n.s.	100.00
3. Bibanca s.p.a.	10,423	2,794	9,452	2,640	10.27	5.83	73.19
4. Banco di Sardegna s.p.a.	427,940	132,216	451,382	190,828	-5.19	-30.71	69.10
Total banks	**1,742,632**	**497,015**	**1,793,186**	**617,238**	**-2.82**	**-19.48**	**71.48**
5. Sardaleasing s.p.a.	245,542	64,845	252,486	101,120	-2.75	-35.87	73.59
6. Emilia Romagna Factor s.p.a.	18,863	2,961	20,786	5,331	-9.25	-44.46	84.30
7. Finitalia s.p.a.	6,570	2,120	9,926	3,042	-33.81	-30.31	67.73
Total of balance sheet	**2,013,607**	**566,941**	**2,076,384**	**726,731**	**-3.02**	**-21.99**	**71.84**
Direct write-offs of bad loans	376,542	-	302,916	-	24.31	n.s.	100.00
Adjusted total	**2,390,149**	**566,941**	**2,379,300**	**726,731**	**0.46**	**-21.99**	**76.28**
Bad loans (Total of balance sheet)/Loans to customers	**2.46%**	**0.72%**	**3.75%**	**1.37%**			

Net unlikely-to-pay loans total Euro 934.0 million (-27.81% compared with 31 December 2020), representing 1.18% of total net loans to customers (2.44% at 31 December 2020), while on a gross basis the ratio is 2.30% (3.84% at 31 December 2020).
The coverage of unlikely-to-pay loans has increased since the end of 2020 to 50.40%, compared with 39.12% at 31 December 2020.

(in thousands)

Unlikely to pay loans	31.12.2021		31.12.2020		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. BPER Banca S.p.A.	1,503,252	704,584	1,618,665	958,838	-7.13	-26.52	53.13
2. BPER Bank Luxembourg s.a.	5,421	2,663	3,896	1,517	39.14	75.54	50.88
3. Bibanca s.p.a.	12,580	7,910	6,807	4,099	84.81	92.97	37.12
4. Banco di Sardegna s.p.a.	185,530	98,757	259,957	157,305	-28.63	-37.22	46.77
Total banks	**1,706,783**	**813,914**	**1,889,325**	**1,121,759**	**-9.66**	**-27.44**	**52.31**
5. Sardaleasing s.p.a.	119,481	72,422	230,536	168,680	-48.17	-57.07	39.39
6. Emilia Romagna Factor s.p.a.	53,389	46,288	2,875	2,322	--	--	13.30
7. Finitalia s.p.a.	3,338	1,409	2,511	1,092	32.94	29.03	57.79
Total of balance sheet	**1,882,991**	**934,033**	**2,125,247**	**1,293,853**	**-11.40**	**-27.81**	**50.40**
Unlikely to pay loans/Loans to customers	**2.30%**	**1.18%**	**3.84%**	**2.44%**			

The net amount of past due loans of Euro 94.6 million (-13.69% compared with 31 December 2020) represents 0.12% of total net loans to customers (0.21% at 31 December 2020), whereas, on a gross basis, the past due loans on total loans to customers ratio is 0.16% (0.26% at 31 December 2020). The coverage of past due loans is 25.94% (22.42% at 31 December 2020).

(in thousands)

Past due loans	31.12.2021		31.12.2020		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. BPER Banca S.p.A.	77,440	57,823	53,318	41,504	45.24	39.32	25.33
2. BPER Bank Luxembourg s.a.	144	107	-	-	-	-	-
3. Bibanca s.p.a.	18,416	12,978	33,977	25,377	-45.80	-48.86	29.53
4. Banco di Sardegna s.p.a.	16,318	12,682	32,197	25,698	-49.32	-50.65	22.28
Total banks	**112,318**	**83,590**	**119,492**	**92,579**	**-6.00**	**-9.71**	**25.58**
5. Sardaleasing s.p.a.	12,613	8,884	18,727	15,046	-32.65	-40.95	29.56
6. Emilia Romagna Factor s.p.a.	1,373	1,293	785	739	74.90	74.97	5.83
7. Finitalia s.p.a.	1,456	855	2,305	1,264	-36.83	-32.36	41.28
Total of balance sheet	**127,760**	**94,622**	**141,309**	**109,628**	**-9.59**	**-13.69**	**25.94**
Past due loans/Loans to customers	**0.16%**	**0.12%**	**0.26%**	**0.21%**			

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	31.12.2021	%
A. Agriculture, forestry and fishing	1,041,299	1.32
B. Mining and quarrying	58,701	0.07
C. Manufacturing	12,669,460	16.02
D. Provision of electricity, gas, steam and air-conditioning	1,017,657	1.29
E. Provision of water, sewerage, waste management and rehabilitation	619,757	0.78
F. Construction	3,180,104	4.02
G. Wholesaling and retailing, car and motorcycle repairs	6,842,994	8.65
H. Transport and storage	1,251,621	1.58
I. Hotels and restaurants	1,836,516	2.32
J. Information and communication	1,005,651	1.27
L. Real estate	4,155,723	5.25
M. Professional, scientific and technical activities	1,432,192	1.81
N. Rentals, travel agencies, business support services	2,240,720	2.83
O. Public administration and defence, compulsory social security	5,186	0.01
P. Education	85,468	0.11
Q. Health and welfare	568,588	0.72
R. Arts, sport and entertainment	203,728	0.26
S. Other services	453,482	0.57
Total loans to non-financial corporates	**38,668,847**	**48.88**
Individuals and other not included above	34,502,978	43.61
Financial corporates	3,493,661	4.42
Insurance	74,069	0.09
Governments and other public entities	2,373,359	3.00
Total loans	**79,112,914**	**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*".

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% Change
Financial assets measured at fair value through profit or loss	1,163,578	1,172,294	(8,716)	-0.74
- of which derivatives	*140,360*	*140,043*	*317*	*0.23*
Financial assets measured at fair value through other comprehensive income	6,631,897	6,269,818	362,079	5.77
Debt securities measured at amortised cost	20,577,905	17,219,803	3,358,102	19.50
a) banks	5,795,622	4,496,133	1,299,489	28.90
b) customers	14,782,283	12,723,670	2,058,613	16.18
Total financial assets	**28,373,380**	**24,661,915**	**3,711,465**	**15.05**

Financial assets amount to Euro 28,373.4 million, including Euro 27,279.9 million of debt securities (96.15% of the total). Of these, Euro 13,353.9 million relates to sovereign States and Central Banks (+14.08% compared with 31 December 2020, mainly due to purchases under the HTC business model during the period), while Euro 9,433.8 million relates to Banks (+16.06% compared with 31 December 2020).
Equity instruments come to Euro 363.4 million (1.28% with respect to 31 December 2020), inclusive of Euro 252.5 million of stable equity investments classified in the FVOCI portfolio, Euro 87.8 million in securities held for trading and Euro 23.1 million in other equity instruments, mandatorily measured at FVTPL. These instruments were down 72.42% compared with 31 December 2020 primarily as a result of the disposal of BPER Banca's entire shareholding in Cedacri s.p.a. to the Ion Investment Group for a total price of Euro 85.1 million, generating a gain on disposal of Euro 39.8 million.
"Financial assets held for trading" include derivatives of Euro 140.4 million, essentially in line with data as at 31 December 2020 (+0.23%), 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).

(in thousands)

Financial assets	31.12.2021	31.12.2020	Change	% %
1. BPER Banca S.p.A.	26,518,765	22,855,992	3,662,773	16.03
2. BPER Bank Luxembourg s.a.	143,536	172,037	(28,501)	-16.57
3. Bibanca s.p.a.	12,385	11,539	846	7.33
4. Banco di Sardegna s.p.a.	1,608,050	1,589,462	18,588	1.17
Total banks	**28,282,736**	**24,629,030**	**3,653,706**	**14.83**
Other companies and consolidation adjustments	90,644	32,885	57,759	175.64
Total	**28,373,380**	**24,661,915**	**3,711,465**	**15.05**

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% Change
Equity investments	240,534	225,558	14,976	6.64
of which subsidiaries	*19,681*	*13,757*	*5,924*	*43.06*
of which associates	*220,853*	*211,801*	*9,052*	*4.27*

Following alignment of the scope of consolidation with that used for prudential reporting purposes, as discussed in detail in the Notes to the Financial Statements, 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.

Fixed assets

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% %
Intangible assets	459,197	702,723	(243,526)	-34.65
of which goodwill	*204,392*	*434,758*	*(230,366)*	*-52.99*

The goodwill shown in *"Intangible assets*" amounts to Euro 204.4 million, down by 52.99% compared with 31 December 2020 due to the complete write-down of the goodwill allocated to the BPER Banca CGU (made for the purpose of preparing the Consolidated Interim Report on Operations at 31 March 2021 and extensively discussed in the Explanatory Notes). The breakdown of "Goodwill" at 31 December 2021 is provided below:

(in thousands)

Goodwill	31.12.2021	31.12.2020
Parent Company BPER Banca	**-**	**230,366**
Banks/Other companies	**204,392**	**204,392**
- Banco di Sardegna s.p.a.	*27,606*	*27,606*
- Emilia Romagna Factor s.p.a.	*6,768*	*6,768*
- Arca Holding s.p.a.	*170,018*	*170,018*
Total	**204,392**	**434,758**

In the first quarter of 2021, the BPER Banca Group recognised the need to conduct an impairment test upon completion -on 22 February 2021- of the purchase of the business unit from the Intesa Sanpaolo Group and its absorption by the BPER Banca CGU, as it was considered a possible loss factor in the value of goodwill. Impairment testing carried out in accordance with IAS 36 showed that the goodwill relating to the BPER Banca CGU needed to be written down entirely. For further details on the result of the impairment test, please refer to the Explanatory Notes to this consolidated Report.

Interbank and liquidity position

(in thousands)

Net interbank position	31.12.2021	31.12.2020	Change	% Change
A. Loans to banks	**21,695,054**	**9,489,688**	**12,205,366**	**128.62**
1. Current accounts and deposits	24,400	71,343	(46,943)	-65.80
2. Repurchase agreements	399,378	-	399,378	n.s.
3. Other	21,271,276	9,418,345	11,852,931	125.85
B. Due to banks	**23,633,494**	**20,180,999**	**3,452,495**	**17.11**
Total (A-B)	**(1,938,440)**	**(10,691,311)**	**8,752,871**	**-81.87**

The following table gives full details of the operations in place with the ECB. Since 31 December 2020, taking advantage of the wide range of financial instruments made available by the ECB, the Group has participated in a tranche of TLTRO-III.

(in millions)

Refinancing operations with the European Central Bank	Currency	Principal	Maturity
1. Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	14,000	28.06.2023
2. Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	2,710	27.09.2023
3. Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	1,670	27.03.2024
Total		**18,380**	

As a result, the BPER Group has obtained Euro 18,380 million of TLTRO III loans, which is 99.99% of its participation limit.

(in millions)

Counterbalancing Capacity	Guarantee value	Encumbered portion	Unencumbered portion
Eligible securities and loans	**32,209**	**21,417**	**10,792**
- of which Securities and loans transferred to the Pooling Account	*21,206*	*18,165*	*3,041*

At 31 December 2021, 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 32,210 million (Euro 28,095 million at 31 December 2020). The unencumbered portion amounts to Euro 10,793 million (Euro 10,048 million at 31 December 2020).

In the reporting period, the Central Treasury held significant resources relating to securities eligible for refinancing with the European Central Bank for an overall amount, net of margin calls, of Euro 21,206 million, of which Euro 18,165 million has been refinanced (Euro 3,041 million is still unencumbered).

Liabilities and shareholders equity

(in thousands)

Liabilities and shareholders equity	31.12.2021	31.12.2020	Change	% %
Due to banks	23,633,494	20,180,999	3,452,495	17.11
Direct deposits	101,388,140	63,140,669	38,247,471	60.58
a) Due to customers	96,627,735	58,458,479	38,169,256	65.29
b) Debt securities issued	4,760,405	4,682,190	78,215	1.67
Financial liabilities held for trading	123,957	170,094	(46,137)	-27.12
Hedging derivatives	249,178	469,240	(220,062)	-46.90
Other liabilities	4,094,295	2,766,652	1,327,643	47.99
Minority interests	162,497	133,983	28,514	21.28
Shareholders equity pertaining to the Parent Company	6,696,312	6,200,146	496,166	8.00
a) Valuation reserves	196,370	118,105	78,265	66.27
b) Reserves	2,493,508	2,360,743	132,765	5.62
c) Equity instruments	150,000	150,000	-	-
d) Share premium reserve	1,240,428	1,241,197	(769)	-0.06
e) Share capital	2,100,435	2,100,435	-	-
f) Treasury shares	(9,552)	(7,259)	(2,293)	31.59
g) Profit (Loss) for the year	525,123	236,925	288,198	121.64
Total liabilities and shareholders equity	**136,347,873**	**93,061,783**	**43,286,090**	**46.51**

Deposits

Direct deposits include the amounts due to customers classified in liability caption 70 *"Liabilities associated with assets classified as held for sale"* of the balance sheet.

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% Change
Current accounts and demand deposits	91,884,923	55,115,790	36,769,133	66.71
Time deposits	92,709	145,605	(52,896)	-36.33
Repurchase agreements	1,360,188	149,286	1,210,902	811.13
Lease liabilities	322,404	257,071	65,333	25.41
Other short-term loans	2,967,511	2,790,727	176,784	6.33
Bonds	4,654,811	4,385,826	268,985	6.13
- subscribed for by institutional customers	3,894,023	3,565,484	328,539	9.21
- subscribed for by ordinary customers	760,788	820,342	(59,554)	-7.26
Certificates	-	2,175	(2,175)	-100.00
Certificates of deposit	105,594	294,189	(188,595)	-64.11
Direct deposits from customers	**101,388,140**	**63,140,669**	**38,247,471**	**60.58**
Indirect deposits (off-balance sheet figure)	**146,986,089**	**114,775,969**	**32,210,120**	**28.06**
- of which under management	64,822,748	42,719,321	22,103,427	51.74
- of which under administration	82,163,341	72,056,648	10,106,693	14.03
Customer funds under administration	**248,374,229**	**177,916,638**	**70,457,591**	**39.60**
Deposits from banks	23,633,494	20,180,999	3,452,495	17.11
Funds under administration or management	**272,007,723**	**198,097,637**	**73,910,086**	**37.31**

Direct deposits from customers of Euro 101,388.1 million have increased by 60.58% since 31 December 2020.
Among the various technical forms, current accounts and demand deposits have seen a significantly positive change compared with 31 December 2020, for Euro 36,769.1 million (+66.71%), mainly due to the effect of acquiring the UBI and ISP business units. Again with respect to 31 December 2020, an increase was also registered in repurchase agreements by Euro 1,210.9 million (+811.13%) and bonds by Euro 269.0 million (+6.13%), the latter on the back of a new issue of "Social Bonds" by the BPER Banca Group in March 2021 subscribed for by institutional investors for a nominal amount of Euro 500 million, partly offset by the repayment at maturity of bonds held by both institutional and retail/corporate customers. On the other hand, compared with 31 December 2020, there has been a decline in term deposits by Euro 52.9 million (-36.33%) and certificates of deposit by Euro 188.6 million (-64.11%).
Indirect deposits from customers, marked to market, come to Euro 146,986.1 million, a considerable increase compared with 31 December 2020 (Euro 32,210.1 million, +28.06%) primarily due to the contribution of the UBI and Intesa Sanpaolo business units (Euro 28,690.4 million at 31 December 2021) and net assets under management gathered by the Group for an amount of Euro 1,489.9 billion during the year.
Total funds under administration or management by the Group, including deposits from banks (Euro 23,633.5 million) amount to Euro 272,007.7 million.

(in thousands)

Direct deposits	31.12.2021	31.12.2020	Change	% %
1. BPER Banca S.p.A.	88,941,024	51,471,778	37,469,246	72.80
2. BPER Bank Luxembourg s.a.	732,379	897,973	(165,594)	-18.44
3. Bibanca s.p.a.	251,548	151,882	99,666	65.62
4. Banco di Sardegna s.p.a.	11,650,285	10,814,813	835,472	7.73
Total banks	**101,575,236**	**63,336,446**	**38,238,790**	**60.37**
Other companies and consolidation adjustments	(187,096)	(195,777)	8,681	-4.43
Total	**101,388,140**	**63,140,669**	**38,247,471**	**60.58**

Direct deposits include subordinated liabilities:

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% Change
Non-convertible subordinated liabilities	926,447	926,443	4	0.00
Total subordinated liabilities	**926,447**	**926,443**	**4**	**0.00**

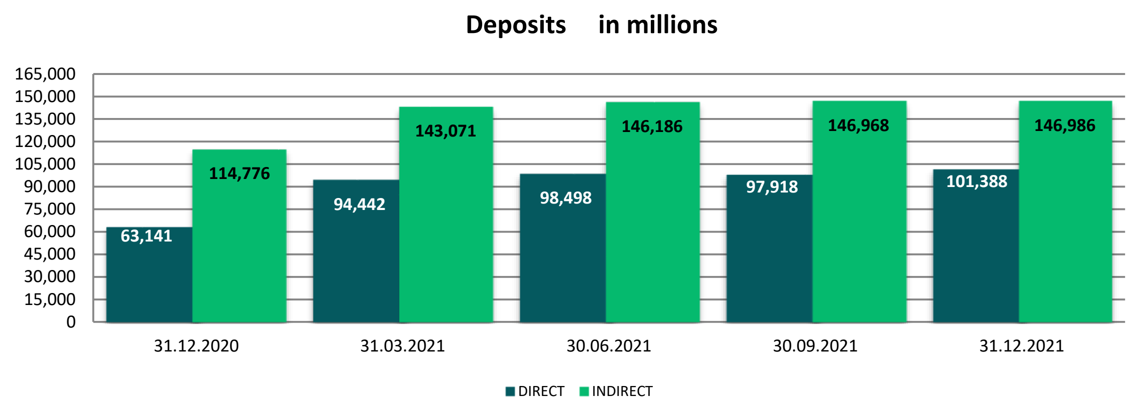
As was the case in December 2020, there are no convertible subordinated liabilities at 31 December 2021.

(in thousands)

Indirect deposits	31.12.2021	31.12.2020	Change	% %
1. BPER Banca S.p.A.	123,185,847	92,440,968	30,744,879	33.26
2. BPER Bank Luxembourg s.a.	1,818,328	847,777	970,551	114.48
3. Banco di Sardegna s.p.a.	4,814,270	4,797,054	17,216	0.36
Total banks	**129,818,445**	**98,085,799**	**31,732,646**	**32.35**
4. Arca Fondi SGR s.p.a.	33,786,169	30,378,411	3,407,758	11.22
Other companies and consolidation adjustments	(16,618,525)	(13,688,241)	(2,930,284)	21.41
Total	**146,986,089**	**114,775,969**	**32,210,120**	**28.06**

Indirect deposits from customers, marked to market, come to Euro 146,986.1 million, a considerable increase by Euro 32,210.1 million (+28.06%) since the end of 2020 due to the contribution of the UBI and ISP business units acquired by BPER Banca (Euro 28,690.4 million at 31 December 2021) and net assets under management gathered by the Group for an amount of Euro 1,489.9 billion during the year.

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



Indirect deposits do not include the placement of insurance policies; the stock of customer assets invested in insurance products has increased by 163.96% since 31 December 2020, mainly driven by the entry of new life insurance policies deriving from the acquisition of the UBI and ISP business units (Euro 10,704.4 million at 31 December 2021) as well as on the back of Euro 658.5 million in net premiums for life insurance policies underwritten during the year.

(in thousands)

Bancassurance	31.12.2021	31.12.2020	Change	% Change
Insurance premiums portfolio	**19,602,783**	**7,426,514**	**12,176,269**	**163.96**
- of which life	*19,290,713*	*7,301,447*	*11,989,266*	*164.20*
- of which non-life	*312,070*	*125,067*	*187,003*	*149.52*

Net of changes due to the acquisition, customer assets invested in insurance products in any case recorded a positive trend in 2021 compared with the end of 2020 (+19.82%). In particular, the "life" business grew by 17.60%, while the "non-life" business has more than doubled (+149.52%).

If life insurance premiums are added to the managed portion of indirect deposits, the total comes to Euro 84,113.5 million, which accounts for 50.59% of the overall total of indirect deposits (assets under administration and assets under management) and life insurance premiums (Euro 166,276.8 million).

Shareholders equity

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% %
Shareholders equity pertaining to the Parent Company	**6,696,312**	**6,200,146**	**496,166**	**8.00**
- of which profit (loss) for the year	*525,123*	*236,925*	*288,198*	*121.64*
- of which shareholders equity excluding profit (loss) for the year	*6,171,189*	*5,963,221*	*207,968*	*3.49*

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% Change
Minority interests	**162,497**	**133,983**	**28,514**	**21.28**
- of which profit (loss) for the year pertaining to minority interests	*33,526*	*25,001*	*8,525*	*34.10*
- of which shareholders equity pertaining to minority interests excluding their share of profit (loss) for the year	*128,971*	*108,982*	*19,989*	*18.34*

(in thousands)

Shareholders equity	31.12.2021	31.12.2020	Change	% %
1. BPER Banca S.p.A.	5,845,580	5,771,818	73,762	1.28
2. BPER Bank Luxembourg s.a.	66,471	64,124	2,347	3.66
3. Bibanca s.p.a.	288,758	283,535	5,223	1.84
4. Banco di Sardegna s.p.a.	941,876	901,171	40,705	4.52
Total banks	**7,142,685**	**7,020,648**	**122,037**	**1.74**
Other companies and consolidation adjustments	(842,525)	(948,445)	105,920	-11.17
Total	**6,300,160**	**6,072,203**	**227,957**	**3.75**
Profit (Loss) for the year pertaining to the Parent Company	525,123	236,925	288,198	121.64
Profit (loss) for the year pertaining to minority interests	33,526	25,001	8,525	34.10
Total shareholders equity	**6,858,809**	**6,334,129**	**524,680**	**8.28**

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 459.2 million) amounted to Euro 6,399.6 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. Subject to certain exceptions, the CRR2 Regulation applies from 28 June 2021.
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 Italys 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 2021, 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 models[35] includes BPER Banca, Banco di Sardegna and Bibanca. Sardaleasing is formally included in the roll-out plan and will adopt the IRB method in accordance with the planned timetable. The other BPER Banca Group companies and asset classes not included in the roll-out plan will continue to use the Standardised Approach.

In relation to the supervisory review and evaluation process, the ECB did not issue any decision on prudential requirements in 2020, so the Bank had to comply with prior requirements in place, also taking into account the regulatory change introduced to take effect from 12 March 2020 regarding the method of holding the requirement of additional Pillar 2 Own Funds (equal to 2%) in the form of at least 56.25% of CET1 and 75% of T1.
At 31 December 2021, the Common Equity Tier 1 Ratio requirement to be met was therefore equal to 8.125% Phased in and Fully Phased.

This requirement is also influenced by the additional Countercyclical Capital Buffer requirement specified for the BPER Banca Group of 0.004% at 31 December 2021, raising the overall minimum to 8.129%.
Compared with that limit, the amount of available equity (CET 1) at 31 December 2021 can be quantified at Euro 2,889 million (about 637 bps of CET1) under the Phased In transitional arrangements, while on a Fully Loaded basis it is estimated at Euro 2,430 million, or about 537 bps of CET 1.

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 establishing that, with effect from 1 March 2022, BPER will have to maintain a minimum consolidated capital ratio in terms of Common Equity Tier 1 of 8.3%, consisting of the sum of the minimum regulatory Pillar 1 requirement of 4.5%, the additional Pillar 2 requirement of 1.3% and the Capital Conservation Buffer of 2.5%.

With regard to the above, the amount calculated for CET1 at 31 december 2021 includes the portion of profit for the period allocable to equity, Euro 440.3 million, as determined in accordance with the process

[35] *The ECB authorised the use of internal models on 24 June 2016.*

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).

The following table shows the BPER Banca Groups capital ratios and the minimum capital adequacy requirements for regulatory purposes as at 31 December 2021.

(in thousands)

	31.12.2021 Fully Phased	31.12.2021 Phased in	31.12.2020 Fully Phased, restated	31.12.2020 Phased in restated	Change in Phased in	% Change
Common Equity Tier 1 capital - CET1	6,108,075	6,576,227	5,275,526	5,931,675	644,552	10.87
Additional Tier 1 capital (AT1)	150,453	150,453	150,623	150,623	(170)	-0.11
Tier 1 capital (Tier 1)	**6,258,528**	**6,726,680**	**5,426,149**	**6,082,298**	**644,382**	**10.59**
Tier 2 capital (Tier 2 - T2)	1,055,291	1,055,291	1,014,969	1,015,256	40,035	3.94
Total Own Funds	**7,313,819**	**7,781,971**	**6,441,118**	**7,097,554**	**684,417**	**9.64**
Total Risk-weighted assets (RWA)	**45,253,699**	**45,340,544**	**33,371,840**	**33,487,963**	**11,852,581**	**35.39**
CET1 Ratio (CET1/RWA)	**13.50%**	**14.50%**	**15.81%**	**17.71%**	**-321 bps**	
Tier 1 Ratio (Tier 1/RWA)	**13.83%**	**14.84%**	**16.26%**	**18.16%**	**-332 bps**	
Total Capital Ratio (Total Own Funds/RWA)	**16.16%**	**17.16%**	**19.30%**	**21.19%**	**-403 bps**	
RWA/Total assets	**33.19%**	**33.25%**	**35.86%**	**35.98%**	**-273 bps**	

The capital ratios are as follows:

- Common Equity Tier 1 ratio (Phased In) of 14.50%[36] (17.71% at 31 December 2020[37]). The Fully Phased ratio is 13.50% (15.81% at 31 December 2020 restated[38]);
- Tier 1 ratio (Phased In) of 14.84%[39] (18.16% at 31 December 2020 restated[40]);
- Total Capital Ratio (Phased in) of 17.16%[41] (21.19% at 31 December 2020[42]).

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).

[36] 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.
[37] See the previous note on comparative figures.
[38] See the previous note on comparative figures.
[39] See the previous note on transitional provisions.
[40] See the previous note on comparative figures.
[41] See the previous note on transitional provisions.
[42] See the previous note on comparative figures.

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 2021 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	31.12.2021
BPER Banca S.p.A.	**567,203**
Other Group companies:	**2,623**
Banco di Sardegna s.p.a.	*(44,908)*
BPER Bank Luxembourg s.a.	*4,721*
Bibanca s.p.a.	*23,779*
Sardaleasing s.p.a.	*(28,231)*
Emilia Romagna Factor s.p.a.	*879*
Finitalia s.p.a.	*7,800*
Arca Holding s.p.a. (consolidated figure)	*44,873*
Optima s.p.a. SIM	*6,991*
Nadia s.p.a.	*(13,951)*
BPER Credit Management s.c.p.a.	*(13)*
Modena Terminal s.r.l.	*272*
Numera s.p.a.	*411*
Total profit (loss) of the Group	**569,826**
Consolidation adjustments	(44,703)
Consolidated profit (loss) for the year	**525,123**

As required by current regulations, the following statement is presented with regard to the position at 31 December 2021:

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	**567,203**	**6,412,783**
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:	(15,327)	250,184
- consolidation adjustments	*(1,368)*	
- derecognition of intercompany profits and losses	*(16,582)*	
- share of the profit (loss) for the year of companies consolidated on a line-by-line basis after tax effect	*2,623*	
DIVIDENDS collected from companies consolidated on a line-by-line basis or measured under the equity method	(42,559)	19
DIFFERENCE between the interest in shareholders' equity (including profit/loss for the year) and the book value of companies consolidated under the equity method	15,806	33,326
Profit (Loss) for the year and shareholders equity of the Parent Company as at 31.12.2021	**525,123**	**6,696,312**
Profit (Loss) for the year and shareholders' equity pertaining to minority interests	33,526	162,497
Total consolidated Profit (Loss) for the year and shareholders equity as at 31.12.2021	**558,649**	**6,858,809**
Total consolidated Profit (Loss) for the year and shareholders equity as at 31.12.2020	**261,926**	**6,334,129**

Figures as at 31 December 2020 have been restated compared with those that were published at the reference date, due to the change in the measurement method of properties held for investment.

6.4 Income statement aggregates

Summary data from the consolidated income statement at 31 December 2021 is presented below in thousands of Euro, appropriately compared with the amounts at 31 December 2020. Note that the comparison is influenced by the increase in size of the Group resulting from the afore-mentioned acquisition of the business units from the Intesa Sanpaolo Group.
In the following tables, the information on the comparative figures at 31 December 2020 takes into account the retrospective application of the change in the measurement method of property, plant and equipment held for investment (for further details of the restatement, please refer to the paragraph "Restatement of the BPER Banca Group's reclassified consolidated financial statements as at 31 December 2020" in the "Attachments" of this Consolidated report).

The accounting schedules envisaged by the 7th update of Bank of Italy Circular no. 262/2005 are presented below on a reclassified basis[43]. The principal reclassifications relate to the following captions:

- *"Net income from financial activities"* includes captions 80, 90, 100 and 110 in the standard reporting format;
- 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 232.3 million at 31 December 2021 and Euro 140.0 million at 31 December 2020);
- *"Net provisions for risks and charges*" include Euro 18.6 million relating to the valuation of the profit-sharing clause in the contract for the acquisition of Nuova Carife, allocated to caption 230 *"*Other operating expense/income" in the accounting schedule;
- *"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;
- *"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 Groups operating costs. In particular, at 31 December 2021, this caption represents the component allocated for accounting purposes to administrative costs in relation to:
  - the 2021 regular contribution to the SRF (European Single Resolution Fund) of Euro 34.9 million;
  - the additional contribution requested by the SRF for 2019 from Italian banks for Euro 11.3 million;
  - the 2021 contribution to the DGS (Deposit Guarantee Scheme) for Euro 87.6 million.

[43] *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".*

(in thousands)

Captions		31.12.2021	31.12.2020	Change	% %
10+20	Net interest income	1,505,362	1,238,876	266,486	21.51
40+50	Net commission income	1,641,575	1,072,514	569,061	53.06
70	Dividends	20,084	18,492	1,592	8.61
80+90+100+110	Net income from financial activities	196,231	138,165	58,066	42.03
230	Other operating expense/income	25,026	40,974	(15,948)	-38.92
	Operating income	**3,388,278**	**2,509,021**	**879,257**	**35.04**
190 a)	Staff costs	(1,528,240)	(960,719)	(567,521)	59.07
190 b)	Other administrative expenses	(679,158)	(499,040)	(180,118)	36.09
210+220	Net adjustments to property, plant and equipment and intangible assets	(280,117)	(167,421)	(112,696)	67.31
	Operating costs	**(2,487,515)**	**(1,627,180)**	**(860,335)**	**52.87**
	Net operating income	**900,763**	**881,841**	**18,922**	**2.15**
130 a)	Net impairment losses to financial assets at amortised cost	(837,194)	(541,877)	(295,317)	54.50
	- loans to customers	*(839,068)*	*(534,605)*	*(304,463)*	*56.95*
	- other financial assets	*1,874*	*(7,272)*	*9,146*	*-125.77*
130 b)	Net impairment losses to financial assets at fair value	2,115	(362)	2,477	-684.25
140	Gains (Losses) from contractual modifications without derecognition	(2,893)	(2,141)	(752)	35.12
	Net impairment losses for credit risk	**(837,972)**	**(544,380)**	**(293,592)**	**53.93**
200	Net provisions for risks and charges	(80,745)	(32,481)	(48,264)	148.59
###	Contributions to SRF, DGS, IDPF - VS	(133,699)	(88,182)	(45,517)	51.62
250+260+270 +280	Gains (Losses) on investments	(283,323)	(20,063)	(263,260)	--
275	Gain on a bargain purchase	1,127,847	-	1,127,847	n.s.
290	**Profit (Loss) from current operations before tax**	**692,871**	**196,735**	**496,136**	**252.18**
300	Income taxes on current operations for the year	(134,222)	65,191	(199,413)	-305.89
330	**Profit (Loss) for the year**	**558,649**	**261,926**	**296,723**	**113.29**
340	Profit (Loss) for the year pertaining to minority interests	(33,526)	(25,001)	(8,525)	34.10
350	**Profit (Loss) for the year pertaining to the Parent Company**	**525,123**	**236,925**	**288,198**	**121.64**

(in thousands)

Captions	1st quarter 2021	2nd quarter 2021	3rd quarter 2021	4th quarter 2021	1st quarter 2020	2nd quarter 2020	3rd quarter 2020	4th quarter 2020
Net interest income	343,513	384,809	391,097	385,943	307,971	310,280	325,492	295,133
Net commission income	328,132	405,826	438,451	469,166	267,595	245,102	262,127	297,690
Dividends	1,678	12,269	677	5,460	809	12,034	4,550	1,099
Net income from financial activities	76,241	43,471	52,898	23,621	5,642	46,832	43,115	42,576
Other operating expense/income	8,119	(5,631)	9,247	13,291	14,607	9,724	7,638	9,005
Operating income	**757,683**	**840,744**	**892,370**	**897,481**	**596,624**	**623,972**	**642,922**	**645,503**
Staff costs	(302,142)	(355,061)	(313,821)	(557,216)	(255,576)	(249,088)	(216,638)	(239,417)
Other administrative expenses	(189,880)	(157,403)	(151,125)	(180,750)	(114,546)	(116,917)	(120,137)	(147,440)
Net adjustments to property, plant and equipment and intangible assets	(54,454)	(52,510)	(52,849)	(120,304)	(39,905)	(41,448)	(40,786)	(45,282)
Operating costs	**(546,476)**	**(564,974)**	**(517,795)**	**(858,270)**	**(410,027)**	**(407,453)**	**(377,561)**	**(432,139)**
Net operating income	**211,207**	**275,770**	**374,575**	**39,211**	**186,597**	**216,519**	**265,361**	**213,364**
Net impairment losses to financial assets at amortised cost	(419,004)	(157,291)	(138,202)	(122,697)	(139,553)	(157,769)	(107,870)	(136,685)
- loans to customers	*(417,667)*	*(159,229)*	*(137,174)*	*(124,998)*	*(139,991)*	*(153,846)*	*(106,524)*	*(134,244)*
- other financial assets	*(1,337)*	*1,938*	*(1,028)*	*2,301*	*438*	*(3,923)*	*(1,346)*	*(2,441)*
Net impairment losses to financial assets at fair value	773	913	(225)	654	105	(963)	363	133
Gains (Losses) from contractual modifications without derecognition	(602)	(1,177)	(386)	(728)	(195)	(247)	(182)	(1,517)
Net impairment losses for credit risk	**(418,833)**	**(157,555)**	**(138,813)**	**(122,771)**	**(139,643)**	**(158,979)**	**(107,689)**	**(138,069)**
Net provisions for risks and charges	(40,914)	(9,592)	(4,527)	(25,712)	2,276	(17,177)	(15,109)	(2,471)
Contributions to SRF, DGS, IDPF - VS	(31,055)	(15,106)	(79,957)	(7,581)	(31,978)	(2,185)	(30,490)	(23,529)
Gains (Losses) on investments	(250,655)	(2,629)	(2,631)	(27,408)	64	(10,151)	62	(10,038)
Gain on a bargain purchase	1,077,869	72,053	(22,075)	-	-	-	-	-
Profit (Loss) from current operations before tax	**547,619**	**162,941**	**126,572**	**(144,261)**	**17,316**	**28,027**	**112,135**	**39,257**
Income taxes on current operations for the year	(140,830)	(50,902)	(34,317)	91,827	(6,582)	74,603	(7,049)	4,219
Profit (Loss) for the year	**406,789**	**112,039**	**92,255**	**(52,434)**	**10,734**	**102,630**	**105,086**	**43,476**
Profit (Loss) for the year pertaining to minority interests	(6,523)	(10,497)	(7,840)	(8,666)	(4,325)	(6,543)	(8,484)	(5,649)
Profit (loss) for the year pertaining to the parent company	**400,266**	**101,542**	**84,415**	**(61,100)**	**6,409**	**96,087**	**96,602**	**37,827**

Net interest income

Net interest income amounts to Euro 1,505.4 million, which is 21.51% higher than the comparative figure at 31 December 2020 (Euro 1,238.9 million) due to the increase in the size of the Group as a result of the business combination carried out in the first half of the year.

The result includes the upside attributable to participation in the TLTRO-III issues for Euro 182.5 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 2.00%, a decrease of about 23 bps compared with the previous years average rate (2.23%);
- the average yield on the securities portfolio is 0.41%, down by 29 bps year on year;
- the average cost of direct deposits from customers was 0.17%, down by about 10 bps compared to 2020 (0.27%) ;

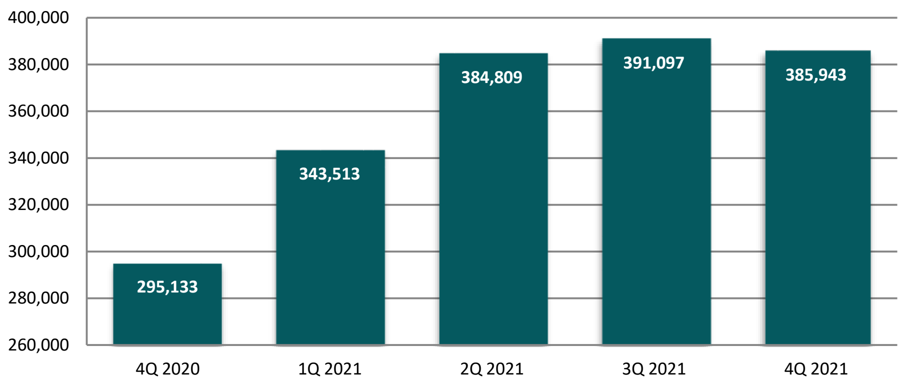
- total interest-bearing liabilities involved a cost of close to zero, benefitting from the negative rates on interbank funding (it was 0.10% at 31 December 2020);
- the spread between lending and deposit rates of Group relationships with customers came to 1.82% (1.96% at 31 December 2020);
- the overall gap between the average annual rate of return on interest-bearing assets and the average annual cost of interest-bearing liabilities amounts to 1.24%, down on last year (it was 1.55% at 31 December 2020).

(in thousands)

Net interest income	31.12.2021	31.12.2020	Change	% Change
1. BPER Banca S.p.A.	1,167,289	901,513	265,776	29.48
2. BPER Bank Luxembourg s.a.	4,227	5,040	(813)	-16.13
3. Bibanca s.p.a.	59,686	48,262	11,424	23.67
4. Banco di Sardegna s.p.a.	173,941	191,233	(17,292)	-9.04
Total banks	**1,405,143**	**1,146,048**	**259,095**	**22.61**
Other companies and consolidation adjustments	100,219	92,828	7,391	7.96
Total	**1,505,362**	**1,238,876**	**266,486**	**21.51**

With respect to the quarterly performance of the Margin, shown in the graph below, the growth in the last three quarters was due to the increase in size linked to the acquisition of the Intesa Sanpaolo Groups business units; the fourth quarter of 2021 was also affected by heightened competitive pressure on the pricing of new loans.

NET INTEREST INCOME in thousands



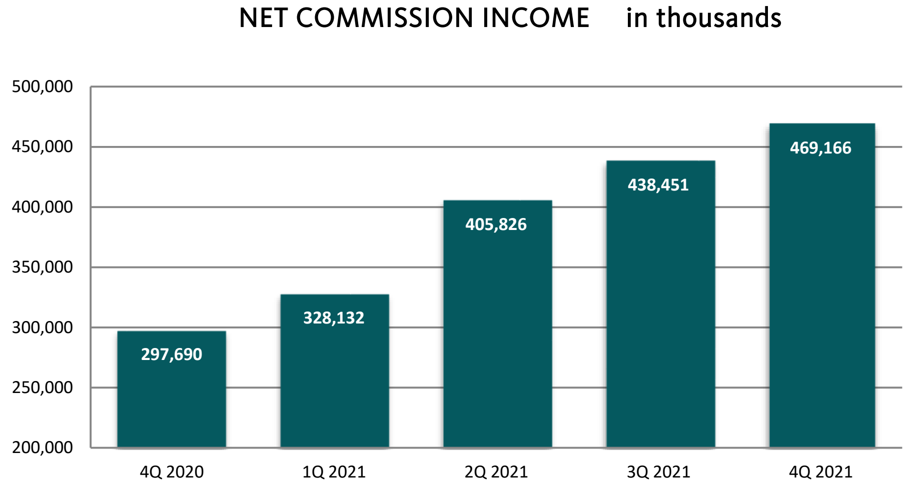
Net commission income

Net commission income, amounting to Euro 1,641.6 million, was 53.06% higher than at 31 December 2020 (Euro 1,072.5 million).

(in thousands)

Net commission income	31.12.2021	31.12.2020	Change	% %
Trading in currency/financial instruments	10,420	6,801	3,619	53.21
Indirect deposits and insurance policies	750,142	470,323	279,819	59.50
Collection and payment services	545,147	358,563	186,584	52.04
Loans and guarantees	261,781	203,553	58,228	28.61
Other commissions	74,085	33,274	40,811	122.65
Total net commission income	**1,641,575**	**1,072,514**	**569,061**	**53.06**

As illustrated in the graph, a closer focus on the quarterly trend in net commission income shows that the period was affected by the acquisition of the Intesa Sanpaolo business unit, which resulted in an increase in the commission income earned on assets under management, insurance premiums and payment services. The increase in the fourth quarter compared to the previous quarter is mainly due to commissions from managed assets (+11.78%), from collection and payment services (+4.35%) and from loans and guarantees (+7.57%).



Net income from financial activities

Net income from financial activities (including dividends of Euro 20.1 million) amounted to a positive Euro 216.3 million (Euro 156.7 million at 31 December 2020), positively influenced by substantial proceeds from the disposal of financial assets and the good performance of financial markets.

This result was brought about in particular by:

- gains on the disposal of financial assets for Euro 202.1 million, of which Euro 39.8 million traceable to the disposal of shares of Cedacri s.p.a;
- losses from the disposal of (non-performing) loans amounting to Euro 18.4 million (including the Mandalorian project for Euro 0.3 million, the Skywalker project for € 4.3 million and the Cream 5 project for Euro 5.3 million);
- net capital gains from valuation of financial assets for an amount of Euro 0.4 million;
- other positive elements for Euro 12.1 million.

(in thousands)

Net income from financial activities (including dividends)	31.12.2021	31.12.2020	Change	% Change
Dividends	20,084	18,492	1,592	8.61
Gain from disposal of financial assets and loans	183,706	101,584	82,122	80.84
Capital gains on financial assets	49,928	56,410	(6,482)	-11.49
Capital losses on financial assets	(49,499)	(24,435)	(25,064)	102.57
Other revenues (losses)	12,096	4,606	7,490	162.61
Total	**216,315**	**156,657**	**59,658**	**38.08**

Operating income

Considering Other operating expense/income of Euro 25.0 million (Euro 41.0 million at 31 December 2020), Operating income came to Euro 3,388.3 million (+35.04% on the previous year).

Operating costs

Operating costs amounted to Euro 2,487.5 million, up 52.87% on 31 December 2020 due to the increase in size of the Group as a result of the business combination carried out in the first half of the year and provisions for leaving incentives and the Solidarity Fund for a total of Euro 210.0 million, recognised after signing of the agreement with the Trade Unions on 28 December 2021.
The main components of operating costs are reported below.

Staff costs, Euro 1,528.2 million, were higher than the previous year (+59.07%); in addition to the increase in size of the Group and provisions for leaving incentives and the Solidarity Fund for a total of Euro 210.0 million, one-off costs were incurred for personnel working alongside colleagues in the newly acquired branches.

Other administrative expenses, shown net of indirect taxes recovered (Euro 232.3 million) and of the contributions paid to the Resolution fund (Euro 133.7 million), amount to Euro 679.2 million, up 36.09% on the previous year. This item is likewise affected by one-off charges relating to the acquisition of the business units, in particular for IT migration, consultancy, advertising, rebranding and reimbursement of staff expenses.

Net adjustments to property, plant and equipment and intangible assets amounted to Euro 280.1 million (Euro 167.4 million as at 31 December 2020) and were influenced by the change in the measurement method for the real estate segment as well as by the impairment of assets for which, following the recent M&As, the BPER Banca Group decided to dispose of them ahead of their residual useful life.

In addition to depreciation of Euro 139.5 million, the result from owned assets was affected by the following components:

- net adjustments to properties used in operations for an amount of Euro 11.0 million (Euro 10.4 million at 31 December 2020).
- write-downs of properties classified as inventories for an amount of Euro 6 million,
- write-down of other property and equipment used in operations (hardware) for an amount of Euro 16.3 million;
- write-down of software for an amount of Euro 34.6 million;
- write-down of the “core deposit” intangible asset coming from the PPA of Cassa di Risparmio di Bra for an amount of Euro 3.4 million.

The depreciation of rights of use related to leased assets amounted to Euro 67.3 million (Euro 59.4 million at 31 December 2020), while adjustments due to early termination of contracts totalled Euro 2.1 million (Euro 1,9 million at 31 December 2020).

(in thousands)

Operating costs	31.12.2021	31.12.2020	Change	% Change
1. BPER Banca S.p.A.	2,067,936	1,287,859	780,077	60.57
2. BPER Bank Luxembourg s.a.	5,047	5,068	(21)	-0.41
3. Bibanca s.p.a.	54,536	35,394	19,142	54.08
4. Banco di Sardegna s.p.a.	294,016	246,265	47,751	19.39
Total banks	**2,421,535**	**1,574,586**	**846,949**	**53.79**
Other companies and consolidation adjustments	65,980	52,594	13,386	25.45
Total	**2,487,515**	**1,627,180**	**860,335**	**52.87**

Net operating income therefore amounts to Euro 990.8 million (Euro 881.8 million at 31 December 2020).

Net impairment losses for credit risk

Net impairment losses for credit risk amounted to Euro 838.0 million (Euro 544.4 million at 31 December 2020).

More specifically: net impairment losses on financial assets measured at amortised cost totalled Euro 837.2 million (Euro 541.9 million at 31 December 2020); debt securities measured at fair value through other comprehensive income resulted in write-backs for an amount of Euro 2.1 million.

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	31.12.2021	31.12.2020	Change	% Change
1. BPER Banca S.p.A.	645,470	436,240	209,230	47.96
2. BPER Bank Luxembourg s.a.	463	177	286	161.58
3. Bibanca s.p.a.	4,307	6,015	(1,708)	-28.40
4. Banco di Sardegna s.p.a.	113,900	53,335	60,565	113.56
Total banks	**764,140**	**495,767**	**268,373**	**54.13**
Other companies and consolidation adjustments	74,928	38,838	36,090	92.92
Total	**839,068**	**534,605**	**304,463**	**56.95**

The overall cost of credit at 31 December 2021, calculated only on loans to customers, was 106 bps (101 bps at 31 December 2020). The increase shown in the cost of credit was also due to changes made by the BPER Banca Group to the models for calculating the Expected Credit Loss and the SICR model, as described in the Explanatory Notes (Part A - Accounting Policies), as well as to the individual assessment of non-performing loans (as part of these valuations, the Group updated certain aspects of its measurement policies).

Net provisions for risks and charges

Net provisions for risks and charges total Euro 80.7 million (Euro 32.5 million at 31 December 2020). Net impairment adjustments on guarantees and commitments come to Euro 17.4 million, whereas "Other provisions for risks and charges" amount to Euro 63.3 million. These include the adjustment of the "profit sharing" element payable to the National Resolution Fund under the agreements for the acquisition of Nuova Carife s.p.a. (Euro 18.6 million payable to the seller following the recovery of prior-year tax losses), in addition to other provisions relating to legal risks on disputes.

Contributions to SRF, DGS, IDPF - VS

The total amount of contributions paid during the year was Euro 133.7 million (Euro 88.2 million at 31 December 2020). This amount comprises the regular contribution for 2021 paid to the SRF (European Single Resolution Fund), equal to Euro 34.9 million (Euro 26 million at 31 December 2020), the additional contribution requested by the SRF for 2019, Euro 11.3 million (Euro 8.1 million at 31 December 2020) and the regular contribution paid to the DGS (Deposit Guarantee Scheme), Euro 87.6 million (Euro 43.2 million at 31 December 2020).

Gains (Losses) on investments

This caption shows a negative balance of Euro 283.3 million (Euro 20.1 million negative at 31 December 2020), mainly deriving from:

- Euro 230.4 million in impairment losses on goodwill;
- Euro 64.5 million in write-downs due to the fair value measurement of properties;
- Euro 10.8 million positive result from companies valued at equity;
- Euro 0.7 million positive result from disposal of investments;

Gain on a bargain purchase

This caption includes the badwill - i.e. the positive capital difference - generated by the acquisition of the Intesa Sanpaolo business units, amounting to Euro 1,127.8 million.

Net profit

Profit from current operations before tax amounted to Euro 692.9 million (Euro 196.7 million at 31 December 2020).

"Income taxes for the period", Euro 134.2 million, were determined by applying the regulations in force at 31 December 2021 and, therefore, considering the changes introduced by the "August Decree" (Decree Law no. 104 of 14 August 2020), in particular the provision that recognises the possibility, for entities that adopt international accounting standards, to realign for tax purposes any higher carrying amounts of Property, plant and equipment, intangible assets and equity investments, even if they are not subsidiaries or associates. The impact on the income statement is reflected in the recognition of Euro 7.5 million worth of substitute tax, the reversal of deferred tax liabilities for Euro 13.5 million, the recognition of deferred tax assets for an amount of Euro 6 million and the recognition of lower current taxes for an amount of Euro 1.2 million.

Tax is also influenced by the Group's decision to change the measurement method of properties held for investment purposes from cost to fair value and the fact that, in line with its own accounting policy, at 31 December 2021, the requirements for accounting for DTAs potentially recognisable as a result of such a change have not been met; again following the change in the valuation method, DTAs were reversed for Euro 20 million. This caption also includes the current tax burden on the badwill originating from the PPA recognised at 31 December 2021 following the acquisition of the UBI and ISP business units for an aggregate amount of Euro 310.2 million.

Lastly, it should be noted that taxable income at 31 December 2021 makes it possible to fully recover the losses of prior periods and the current period and to further reduce IRES taxable income in consolidated reporting via the Aid to Economic Growth (*Aiuto alla Crescita Economica*, ACE) tax relief, which is used 100%.

The profit for the year after tax amounted to Euro 558.6 million (Euro 261.9 million at 31 December 2020). The profit pertaining to minority interests totalled Euro 33.5 million (Euro 25.0 million at 31 December 2020).

The profit pertaining to the Parent Company amounted to Euro 525.1 million (Euro 236.9 million at 31 December 2020).

(in thousands)

Net profit	31.12.2021	31.12.2020	Change	% Change
1. BPER Banca S.p.A.	567,203	137,554	429,649	312.35
2. BPER Bank Luxembourg s.a.	4,721	4,510	211	4.68
3. Bibanca s.p.a.	24,036	13,623	10,413	76.44
4. Banco di Sardegna s.p.a.	(45,271)	40,652	(85,923)	-211.36
Total banks	**550,689**	**196,339**	**354,350**	**180.48**
Other companies and consolidation adjustments	(25,566)	40,586	(66,152)	-162.99
Total	**525,123**	**236,925**	**288,198**	**121.64**

6.5 Employees

Employees	31.12.2021	31.12.2020	Change
1. BPER Banca S.p.A.	15,326	10,355	4,971
2. BPER Bank Luxembourg s.a.	24	24	-
3. Bibanca s.p.a.	172	138	34
4. Banco di Sardegna s.p.a.	2,154	2,231	(77)
Total banks	**17,676**	**12,748**	**4,928**
Subsidiaries consolidated line-by-line	452	429	23
Total of balance sheet	**18,128**	**13,177**	**4,951**

Figures refer to the point-in-time number of employees at 31 December 2021. The acquisition of the business unit from the Intesa Sanpaolo Group resulted in an increase in the workforce of 5,107 resources; for more information, see the chapter on "Significant events and strategic transactions" in this Report.
Group employment at 31 December 2021 includes 492 persons seconded with Group companies (525 at 31 December 2020).

6.6 Geographical organisation

Branches	31.12.2021	31.12.2020	Change
1. BPER Banca S.p.A.	1,414	908	506
2. Banco di Sardegna s.p.a.	328	329	(1)
Total Italian banks	**1,742**	**1,237**	**505**
3. BPER Bank Luxembourg s.a.	1	1	-
Total	**1,743**	**1,238**	**505**

The change during the year is primarily due to the acquisition of the business unit from the Intesa Sanpaolo Group (620 units, of which 486 branches and 134 points of operation); 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 2021 for details of the Groups 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 establishes its risk governance, assumption, control and monitoring policies on the basis of specific guidelines approved by the Parent Companys Board of Directors and that are applicable to all organisational units of the Parent Company and other Group companies; these regulate the management and control process, which is designed to cope with the risks to which they are exposed, as well as the roles of the bodies and functions involved.
To ensure the achievement of strategic and operational objectives, the BPER Banca Group considers its Internal Control System (governed by "Group Guidelines - Internal Control System", in line with Bank of Italy Circular 285 of 17 December 2013 – Supervisory instructions for banks) to be a fundamental element of the risk governance system and as a means of ensuring that the business is run in line with its corporate strategies and policies, as well as in compliance with concepts of sound and prudent management, in order to ensure the business continuity.
This system is organised to improve profitability, protect its financial strength, ensure compliance with internal and external regulations and codes of conduct, promote transparency towards the market by managing the risks taken on by the Group and, more in general, to ensure that the business is run in accordance with the Groups strategies and declared risk appetite. The BPER Banca Groups 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 principles established by the Supervisory Authorities, being:

- 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 Groups organisational system;
- cost-effectiveness: containment of costs for intermediaries.

The BPER Banca Group uses the Risk Appetite Framework (RAF), the instrument to monitor the risk profile, that the Group deemed acceptable for implementation of the business strategies adopted by the Group (for further details, see Part E - Information on risks and related hedging policy of the Consolidated financial statements as at 31 December 2021).
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 performs an accurate identification of the risks to which it is or could be exposed by taking account of its operations and reference markets. For the BPER Banca Group this activity is the result of an integrated and continuous risk identification process carried out at a centralised level by the Parent Company. 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 risks[44], with a current and forward-looking perspective, in order to foresee any risks capable of impacting on the operations of the Group or of the respective legal entities, recognising that this document has value as a management and risk governance tool. The purpose of this update is to define the scope of significant risks/entities through the application

[44] *See Bank of Italy Circular no. 285/13, Title III - Chapter 1 - Attachment D.*

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 developments[45].
During the updating of the 2021 Risk Map, the process of identification and analysis of Environmental Social Governance (ESG) risk factors and related components within the already existing risk verticals, initiated in 2020, continued to be fine-tuned (see the additions to the Credit Risk management section). The approach of considering ESG risk as a whole within the category of Operational Risks was also confirmed, integrating its definition to better define the scope of reference. The risk impacts deriving from the acquisition of the business unit from the Intesa Sanpaolo Group were also assessed.

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, the macroeconomic scenario in Italy and globally, which has a bearing on the outlook for the Groups operations, is characterised by residual uncertainty in relation, in particular, to the Covid - 19 pandemic and the consequent significant risks of new negative impacts on the economy and financial markets, as well as geopolitical tensions, exacerbated by Russias armed invasion of Ukraine on 24 February 2022, followed by harsh financial and trade sanctions against Moscow, including the selective expulsion of some Russian banks from the SWIFT circuit, which could severely affect the growth prospects of the eurozone economy.
Further expansionary phases of the virus and consequent new containment measures, as well as the continuation of high energy prices, sensitive to the ongoing conflict and international sanctions against Russia, and consequent impacts on production activities, could lead to general economic consequences and specific impacts on the BPER Banca Groups economic, financial and capital position. In particular, in this context, the economic slowdown might significantly increase the levels of credit risk and market risk faced by the Group.
Alongside the international macroeconomic situation, still threatened by the consequences of the Covid-19 pandemic, the rising cost of energy and raw materials, and related inflationary growth, there are also specific risks associated with the current economic, financial and political conditions in Italy. Growth rates are anaemic and the economy is exposed to international tensions. In addition,the political landscape has historically had a great influence on the economy and the performance of Italian government bonds.

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 Groups system of internal controls.

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[45] *EBA Guidelines on SREP, ECB guidelines on ICAAP and ILAAP.*

The Parent Companys 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;
- it 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, as well 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 Companys 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’s 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 companys 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 officer responsible for the area, for the following purposes:

- overseeing operations in line with the Parent Companys 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 Companys Board of Directors.

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 2021, as well as to the Report on Corporate Governance and Ownership Structure as at 31 December 2021, which are available on the companys 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 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, Regional Division, 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, 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 Bra[46] starting from the Supervisory Reports of March 2019.
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)[47] recognised by the Supervisory Authority. In particular, the Group used the Cerved Rating for "Exposures to companies," the Scope Ratings AG Rating for "Exposures to central administrations or central banks", the Fitch Rating for "Financial Instruments" used as collateral and "Exposures to UCITS" and the Standard & Poor's Rating for "Exposures to securitisation".
In relation to the updates/implementations of the internal models carried out in 2021, please refer to the information provided above in paragraph 3.9 "Single European Supervision".
For more qualitative and quantitative information on credit risk and related controls, please refer to the Explanatory Notes, Part E, Section 2, para. 1.1 Credit risk.
The year 2021 was characterised by the BPER Banca Group's strong commitment to ESG, both at governance level with the establishment of a Board-internal Sustainability Committee and in the day-to-day work of the Company's various functions. This has also enabled BPER Banca to be admitted to Borsa Italiana's MIB ESG index.
On the basis of the analysis of the carbon footprint of the loan portfolio, as described in the consolidated DNF as at 31.12.2020, in 2021 the BPER Group introduced indicators related to environmental factors monitored as sub-areas of credit risk into its Credit Risk Governance Policy (system of limits and surveillance thresholds for level 3 of the Risk Appetite Framework), in line with the provisions of the Group Risk Map. More specifically:

- Transition risk:
  - it translates into the risk that a shift to a more sustainable economy (e.g. low-carbon) may impact the creditworthiness of the counterparty or the value of collateral in the short, medium and/or long term;
  - the incidence of exposure to companies in sectors with a high transition risk is measured with a view to maintaining a favourable positioning with respect to the credit system;
  - BPER Banca Groups exposure to sectors subject to High and Very High transition risk as at 31 December 2021: 19.43% (warning threshold set at 21% and upper limit at 23%).
- Physical risk:
  - it translates into the risk that climatic event (acute and/or chronic) may impact the creditworthiness of the counterparty or the value of collateral in the short, medium and/or long term;
  - the incidence of exposures secured by real estate collateral subject to high physical risk shall be calculated for monitoring purposes, without setting attention thresholds or limits;
  - incidence of real estate loans subject to High and Very High physical risk at BPER Banca Group level as at 31 December 2021: 17.37%.

[46] *Subsequently absorbed by BPER Banca in July 2020.*
[47] *External agencies for the assessment of creditworthiness.*

In terms of Risk Management, the BPER Banca Group has drawn up a multi-year plan to achieve full compliance with Regulatory Expectations on ESG issues, starting with the definition of a taxonomy aligned with European regulations and the acquisition of the ESG data needed to adapt models and processes.
The incorporation of ESG factors into the risk parameters (including those necessary to determine the Expected Credit Loss - ECL) is therefore planned and under development. Significant in this sense is also the BPER Groups participation in the ECB Climate Stress Test, the first significant exercise of using physical and transition risk in the calculation of Loan Loss Provisions.

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 and the Board of Directors of the Parent Company.
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 classified[48].
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 centralised management at the Parent Company by the Credit and Operational Risk Department, which has a Contact of the Risk Management Department in place at all Group banks and companies.

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 operational 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 operational risk from both a regulatory (Own Funds) and an operational standpoint (Economic Capital);

[48] *See CRR – Part three, Title III, Chapter 3, art. 317.*

- 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 systems.

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 Groups 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

Compared to 2020, a year that was most notably marked by the management of the Covid-19 emergency, routine work in the area of Business Continuity was resumed in 2021, making it possible to update the Business Continuity Plan of the Parent Company, the Business Continuity Plans of Group Banks and Companies with critical processes, and the Disaster Recovery Plans of all companies concerned. The annual tests on the scenarios provided for by Circular No. 285 were carried out on certain critical processes of the Parent Company and the Groups Legal Entities, according to the logic defined in the Test Plan. The audits of in-scope suppliers (EIF or critical process suppliers) were also attended (remotely) or, if participation was not possible, the results were taken on board.
The innovative elements that characterised the financial year 2021 concerned:

- the integration of the 2020 Business Continuity Plan and the updating of the Disaster Recovery Plan in order to incorporate the organisational and technological/infrastructure changes made following the acquisition of the business unit from the Intesa Sanpaolo Group;
- extension of the scope of the macro processes subject to Business Impact Analysis (BIA);
- optimisation of the BIA cards within the ORIBIT IT tool, including an extension of the impact assessment for time spans up to 20 days, in order to prioritise processes with recovery needs exceeding 72 hours;
- the widespread provision of training webinars aimed at increasing awareness of the Group's Business Continuity Supplier contacts, figures supporting the monitoring of suppliers identified as "critical" within the 2020 Business Impact Analysis (BIA) and outsourcing of Important Operating Functions;
- the widespread provision of training webinars dedicated to the Heads of the Organisational Units of the Group Companies involved in the Impact Analysis;
- planning, within the Test Plan, of remote verification sessions, in order to verify the solutions identified and implemented for the pandemic scenario during 2020.

In addition to the training sessions provided in the first half of the year, training/coaching sessions are also underway for backup resources identified within the scope of the BIA 2021 Analyses; these sessions are organised and coordinated by the Heads of Organisational Units providing critical processes and/or by emergency resources.

With regard to the plan of annual tests established by the Group, the following tests were completed with an overall positive outcome:

- 12 Business Continuity tests (1 referred to 2020 planning) related to the scenarios "Human Resources Unavailability", "Supply Sites Unavailability", "Infrastructure Unavailability", "Critical Suppliers and Counterparties Unavailability" and "Pandemic";
- 6 tests related to the "Information System Unavailability" scenario, of which 1 also simulated the "Critical Suppliers and Counterparties Unavailability" and "Infrastructure Unavailability" scenarios.

Regarding the tests carried out by critical suppliers and/or related to the outsourcing of Essential or Important Functions (EIF):

- The results of 58 tests were received;
- 32 follow-up sessions were attended.

IBOR Reform

After carrying out an assessment in 2020 concerning the exposures and the potential impacts of the transition, starting from 2021 the BPER Group has activated a project aimed at implementing the mitigation actions necessary to allow the transition to the new risk-free rates and at integrating their forecasts in the fallback clauses, thus complying with regulatory requirements.
As required by the regulations and in accordance with the guidelines defined by the Working Groups of the various jurisdictions, the replacement activities relating to the LIBOR and EONIA benchmarks for which the definitive discontinuation date had been set for the end of 2021 (GBP, CHF and JPY) were completed.
As regards EURIBOR, adjustment and preparation for possible future discontinuation are being completed.

In relation to the accounting impacts deriving from the IBOR Reform, the BPER Banca Group applied Regulation (EU) 2020/34 (amendments to IFRS 9, IFRS 7 and IAS 39), which allows for the implementation of the changes introduced by the IASB on hedge accounting with the aim of avoiding the interruption of existing hedges due to the uncertainty of the amount and timing of the cash flows deriving from the rate reform.

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 (*):			**12,751,631**	**12,959,135**	**13,046,593**	**4,902**	**97.04%**
Italy	BBB		**8,315,140**	**8,600,938**	**8,673,660**	**4,109**	**64.41%**
		FVTPLT	3,192	2,919	2,919	#	
		FVO	100,000	122,447	122,447	#	
		FVTPLM	-	-	-	#	
		FVOCI	316,100	340,424	340,424	4,109	
		AC	7,895,848	8,135,148	8,207,870	#	
Spain	A-		**1,591,400**	**1,618,985**	**1,642,973**	(29)	**12.12%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	11,000	10,973	10,973	(29)	
		AC	1,580,400	1,608,012	1,632,000	#	
U.S.A.	AAA		**890,000**	**770,674**	**738,932**	**-**	**5.77%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	890,000	770,674	738,932	#	
Germany	AAA		**664,501**	**678,828**	**675,900**	**-**	**5.08%**
		FVTPLT	1	2	2	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	664,500	678,826	675,898	#	
European Stability	AA		**305,000**	**324,672**	**330,621**	**1,393**	**2.43%**
Fund		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	105,000	114,342	114,342	1,393	
		AC	200,000	210,330	216,279	#	
China	A+		**224,000**	**202,732**	**208,854**	**(349)**	**1.52%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	49,000	47,099	47,099	(349)	
		AC	175,000	155,633	161,755	#	
Other	-		**761,590**	**762,306**	**775,653**	**(222)**	**5.71%**
		FVTPLT	3,090	2,977	2,977	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	5,000	4,782	4,782	(222)	
		AC	753,500	754,547	767,894	#	

Issuer	Rating	Cat.	Nominal value	Book value	Fair Value	OCI Reserves	%
Other public entities:			**409,362**	**394,721**	**393,748**	**(113)**	**2.96%**
Italy	-		**16,938**	**16,825**	**16,885**	**45**	**0.13%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	6,000	6,079	6,079	45	
		AC	10,938	10,746	10,806	#	
France	-		**333,400**	**318,520**	**317,486**	**(233)**	**2.39%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	83,000	79,595	79,595	(233)	
		AC	250,400	238,925	237,891	#	
Other	-		**59,024**	**59,376**	**59,377**	**75**	**0.45%**
		FVTPLT	24	8	8	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	59,000	59,368	59,368	75	
		AC	-	-	1	#	
Total as at al 31.12.2021			**13,160,993**	**13,353,856**	**13,440,341**	**4,789**	**100.00%**

(*)The individual percentages shown in the above table may not agree with the total because of roundings. Amounts are expressed in thousands of Euro.
The ratings indicated are those of Fitch Ratings at 31 December 2021.

Loans

Issuer	*Rating*	Cat.	Nominal value	Book value	*Fair value*	OCI Reserves	%
Governments (*):			1,950,104	1,950,104	2,371,373	-	82.17%
Italy	BBB+		1,950,104	1,950,104	2,371,373	-	82.17%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	1,950,104	1,950,104	2,371,373	#	
Other public entities:			423,255	423,255	472,059	-	17.83%
Italy	-		421,827	421,827	470,631	-	17.77%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	421,827	421,827	470,631	#	
Algeria	-		1,428	1,428	1,428	-	0.06%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	1,428	1,428	1,428	#	
Total loans as at 31.12.2021			2,373,359	2,373,359	2,843,432	-	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 2021.

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

	on demand	until 1 year	1 to 5 years	over 5 years	Total
Debt securities	-	465,954	3,833,481	9,054,421	13,353,856
Loans	230,678	10,260	53,193	2,079,228	2,373,359
Total	230,678	476,214	3,886,674	11,133,649	15,727,215

Control over the risks inherent in the portfolio is maintained by the directors who monitor the effects on profitability, liquidity and the Groups 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 2021, the BPER Banca Group contributed to the mechanisms to safeguard the soundness of the banking system, established in 2015 at European and Italian level for a total amount of Euro 133.7 million, of which Euro 117.9 million contributed by the Parent Company BPER Banca.

In April 2021, the BPER Banca Group received a request for regular contribution to the Single Resolution Fund (SRF) for 2021, for a total amount of Euro 34.9 million (BPER Banca's share was Euro 26 million in 2020). In June 2021, on top of regular contributions, additional contributions were requested in relation to 2019 totalling Euro 11.3 million at Group level (the additional request received in 2020 was for an amount of Euro 8.1 million).

In December 2021, the BPER Group received a request for regular contribution to the Deposit Guarantee Scheme (DGS) for 2021, based on the level of protected funding at 30 September 2021, for a total of Euro 87.6 million (in the previous year, the amount paid had been Euro 43.2 million for the Group and Euro 33.8 mln for BPER Banca). The increase in the contributions paid to the DGS for 2021 reflects the Group's increase in size resulting from the acquisition of the business units from the Intesa Sanpaolo Group.

The Interbank Deposit Protection Fund – Scheme of intervention on a voluntary basis (IDPF-VS) and the Solidarity Fund established by the 2016 Stability Law did not require specific contributions.

8. Other information

8.1 Treasury shares

No quotas or shares in Group companies are held through trust companies or other third parties.
The buy-back programme for the free-of-charge allocation of BPER Banca ordinary shares to the employees of the Group ended on 20 September 2021. The buy-back programme was part of the "2019-2021 Long-Term Incentive (LTI) Plan for Material Risk Takers", the 2021 MBO incentive plan and any severance payments due. BPER Banca acquired a total of 1,917,353 ordinary shares of BPER Banca S.p.A., equal to 0.14% of share capital, for a total value of Euro 3,422,858.59 at an average purchase price per share of Euro 1.7852.
In the course of the year, 196,843 treasury shares were also sold to employees upon their termination of employment, in line with the provisions of the Remuneration Policies.

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 9,552 thousand, of which Euro 9,546 thousand relates to BPER Banca shares held by the Parent Company.

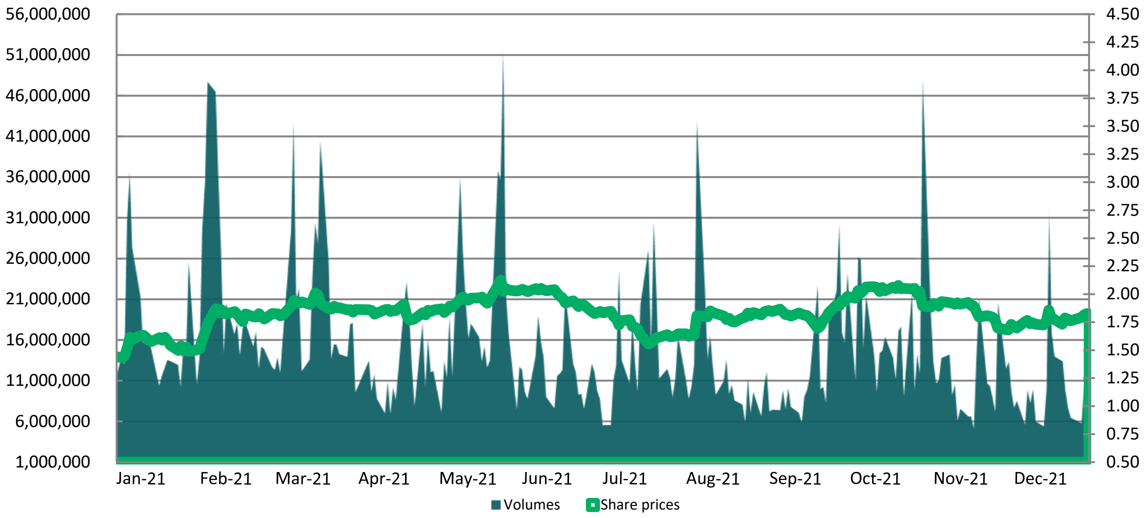
Shares of BPER Banca S.p.A.	Number of shares	Total par value
Total as at al 31.12.2021	2,176,328	9,546,273
Total as at 31.12.2020	455,458	7,253,180

There are also 62,195 shares relating to -and held by- Bibanca s.p.a., for a total of Euro 6 thousand.

8.2 Share price performance

Global economic activity continued to expand in 2021. The dynamic support from monetary and fiscal policies and the continuation of the vaccination campaigns contributed to the improvement in the medium-term prospects, with positive repercussions also on the financial markets which recorded an increase in equity prices.
As a whole, 2021 closed with indices trending upwards. Since the start of the year in the United States, the US S&P500 index has risen by 28.1%, while in Europe the Euro Stoxx 50 was up 20.6%. During the same period, the Italian FTSE MIB index was up 23.0%. In particular, the financial sector was one of the top performers, with the FTSE Italia All-Share Banks Index up 35.9%.
In this context, the official price of the BPER Banca stock went from Euro 1.4552 at 30 December 2020 to Euro 1.823 at 30 December 2021 (+25.3%).
The trading volumes of BPER Banca shares have stabilised at a daily average of about 15.3 million shares since the beginning of the year.
It should also be noted that the BPER share has joined the new MIB40 ESG index launched in October, the first blue-chip index for Italy dedicated to Environmental, Social and Governance best practices.

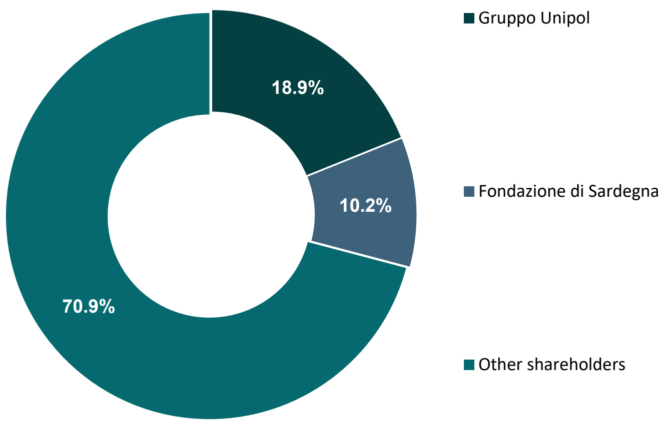
BPER share price and volumes



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 2,100,435,182.40 and is made up of 1,413,263,512 registered ordinary shares. The main shareholders of BPER Banca are: Gruppo Unipol (18.9%) and Fondazione di Sardegna (10.2%).

Shareholders: breakdown (%)



8.4 Ratings as at 31 December 2021

Fitch Ratings

On 1 September 2021, Fitch Ratings upgraded the company's long-term deposit rating from "BB+" to Investment Grade "BBB-" and the long-term issuer rating from "BB" to "BB+", with the outlook confirmed as "Stable".

The upgrade reflects, on the one hand, BPER's adequate capitalisation, combined with a material improvement in asset quality driven by a significantly lower non-performing loan ratio. On the other, it reflects the benefits in terms of competitive position, volumes and profitability prospects arising from the acquisition of Intesa Sanpaolo's business unit. The updated parameters are reported below.

International Rating Agency	Latest review date	Short Term	Long Term	Outlook	Viability Rating	Support rating	Support rating floor	Subordinated debt
Fitch Ratings	01.09.2021	B	BB+	Stable	bb+	5	No floor	BB-

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 issuers 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 issuers ability to honour subordinated debt. Fitch adds "+" or "-" to report the relative position with respect to the category.
Outlook: indicates the possible future evolution of the rating, which can be "positive", "stable" or "negative".

Moody's

On 12 May 2021, the rating agency Moody's, as part of a rating action involving various credit institutions, improved the Bank's outlook to "stable" from "negative", at the same time affirming all of the ratings assigned to BPER, including the long-term rating on deposits and the issuer rating, at "Baa3" and "Ba3" respectively.

Subsequently, on 28 December 2021, the rating agency Moodys further upgraded the outlook on BPER Bancas long -term rating on deposits (Baa3) and long-term rating on senior unsecured debt (Ba3), as well as on the issuer rating (Ba3), from Stable to Positive. Moodys also affirmed all the Banks ratings including the Baseline Credit Assessment (BCA) at ba2.

The improved Outlook reflects Moodys expectations that the Bank will continue its process of improving credit quality, maintaining good levels of capital and profitability over the next 12-18 months. The rating agency also pointed out that the acquisition of the Banca CARIGE Group, should it be finalised, would contribute to strengthening BPER Bancas competitive positioning with opportunities to generate synergies and economies of scale.

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
Moodys	28.12.2021	P-3	Baa3	Positive	Ba3	Positive	ba2	Ba3

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 issuers ability to honour senior debt and b onds (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 issuers 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.

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, 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 Authoritys recommendations as quickly as possible.
The most significant updates in 2021 are detailed below; for any matters not discussed here, please refer to the information provided in the consolidated financial statements as at 31 December 2020.

European Central bank – ECB

The following information relates to the ECBs inspections on the BPER Banca Group currently in progress (or already carried out, but with action plans prepared or sent in 2021).

- *Inspection (2021)*

Since October 2021, the BPER Banca Group has been 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.

Since November 2021, the BPER Banca Group has been subject to an on-site inspection (Internal Model Investigation) by the ECB with the objective of evaluating internal credit risk models.

Bank of Italy - BoI

- *Inspection (2020)*

From 13 October 2020 to 5 February 2021, the subsidiary Arca Fondi SGR was the subject of 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, in response to which the subsidiary Arca Fondi SGR and, subsequently, BPER Banca sent their replies to the findings on 18 June 2021, providing an action plan focused on the following areas of intervention:

- a number of high-level governance safeguards;
- internal control activities;
- pricing sustainability assessment;
- NAV measurement process.

As at 31 December 2021, the subsidiary has carried out the work planned for the year 2021.

CONSOB - - the 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.

Italian Tax Authority –

- *Cooperative Compliance and Tax Control Framework (TCF)*

BPER Banca is included in the list of companies admitted to the collaborative compliance regime provided for in Legislative Decree no. 128 of 5 August 2015 and published on the institutional website of the Italian Revenue Agency.
As a result of the update and a more precise definition of the “Operating Manual of the Tax Control Framework’s monitoring activities”, revised in the first quarter of 2021, now fully consistent with the qualitative and disclosure requirements deriving from the Policy for the governance of the risk of non-compliance with tax legislation, a specific internal training session was held in May for the Operating Units belonging to the Tax Department of the BPER Banca Group.
In 2021, several meetings were held with officials from the Revenue Agency with a view, on the one hand, to evaluating possible future implementations of the mechanisms for dialogue with the Revenue Agency in the context of "collaborative compliance" and, on the other hand, to discuss specific issues with the Revenue Agency with regard to certain non-recurring 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 2019 and drawn up pursuant to art. 4, paragraph 2 of Legislative Decree no. 128 of 5 August 2015. The report was approved by the Board of Directors on 27 July 2021 and then sent to the Revenue Agency’s Collaborative Compliance Office together with the Board of Directors’ resolution on 17 September 2021.

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 Explanatory Notes.
In accordance with CONSOBs 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 Italys 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 and subsequent updates.

The document is published on BPER Bancas website (https://istituzionale.bper.it, in the "Information & Regulations" / "Associated Persons" 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 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 17221/2010.

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	Funds renewal	625,500	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
2	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
3	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

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 company.

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 2021 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 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 Companys strategies and p riorities, alignment with the rules and compliance with shareholders expectations, also with reference to 2021.
The “2022 Report on remuneration policy and compensation paid” has been prepared in light of the above and in accordance with CONSOBs instruct ions on remuneration policies.
This document, which consists of two complementary sections 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 companys financial reports, summarises the following information:

- Remuneration Policies of the BPER Banca Group for 2022: this section defines the model adopted by the Group for the policies that will be implemented in 2022;
- Annual report on compensation paid in 2021, which provides information on:
    - Part 1: the items that make up remuneration, the main results achieved in 2021 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 2021 Shareholders Meeting ;
    - Part 2: with particular regard to members of the Boards of Directors and Statutory Auditors, General Managers and any other Executives with strategic responsibilities, it

provides a detailed list of the compensation paid in 2021 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 Executives 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 2022.

Together with this document, the “Proposed short-term incentive plan based on financial instruments pursuant to art. 114-bis of Legislative Decree 58 dated 24 February 1998, implementing the remuneration policies for 2022 of the BPER Banca Group” will also be presented to the Shareholders’ Meeting, along with a document to provide information on the proposal to adopt a system of annual incentives based on financial instruments as explained in the "Share-based compensation plan" pursuant to article 84-bis of the Issuers Regulations and in accordance with the instructions contained in schedule 7 of Appendix 3A.
The remuneration plan (Plan) envisages paying part of the incentive for the Material Risk Takers (MRTs) of the BPER Banca Group through the assignment of ordinary BPER Banca shares, proposed as part of the remuneration policies adopted by the Group for its annual bonus scheme.
In 2019, the BPER Banca Group established a long-term variable incentive scheme - 2019-2021 Long Term Incentive Plan (LTI Plan) - based on the ordinary shares of BPER Banca. The Plan is of strategic importance to the BPER Banca Group as it is aimed at Management and is designed to align their interests with the creation of long-term shareholder value. The objectives to be achieved were defined in accordance with the relevant provisions and with the 2019-2021 Business Plan. The period of measurement of the results (performance period) is multi-year, as it is aligned with the Plan. Please refer to Part I of the Explanatory notes for further details.

It should be noted here that, on 20 September 2021, BPER Banca concluded the programme for the purchase of its own ordinary shares - launched on 15 September 2021 - to service the 2019-2021 ILT Plan, the 2021 MBO incentive scheme, as well as any termination grants. The purchases were made according to the terms authorised by the shareholders’ meeting of BPER Banca on 21 April 2021. BPER Banca acquired a total of 1,917,353 ordinary shares of BPER Banca S.p.A., equal to 0.14% of share capital, for a total value of Euro 3,422,858.59 at an average purchase price per share of Euro 1.7852.
The Shareholders Meeting is also presented with the proposal of the "Long -Term Incentive Plan 2022-2024" ("ILT 2022-2024 Plan"), based on financial instruments, illustrated in the specific Information Document relating to the long-term incentive plan "ILT 2022-2024 Plan" prepared pursuant to Article 114-bis of the Consolidated Law on Finance and Article 84-bis of the Issuers Regulation.
The purpose of the Plan is the free allocation of BPER Banca ordinary shares to Directors and employees of the Bank and its Subsidiaries, identified by the Board of Directors from among those with functions of strategic importance for the achievement of the Banking Groups objectives.
The Plan provides for the assignment to the beneficiaries of an individual bonus in BPER ordinary shares at the end of the three-year vesting period (1 January 2022 - 31 December 2024) aligned to the companys 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).

2020 Remuneration Policies of the BPER Banca Group: Phantom Stock / Financial instruments assigned

On 16 April 2021, as announced in the press release of 16 March 2021 and in light of the economic and financial results achieved at Group level, the determination of the variable remuneration for 2020 was completed and the number of Phantom Stock to be assigned was defined, quantifying them in 268,007, for a consideration of Euro 425 thousand.

The following were also defined:

- 51,081 financial instruments related to severance linked to the termination of 1 resource in March 2021;
- 379,933 financial instruments related to severance linked to the termination of 1 resource in August 2021;
- 77,236 financial instruments related to severance linked to the termination of 1 resource in October 2021;
- 47,947 financial instruments related to severance linked to the termination of 1 resource in December 2021.

Following the approval of the Shareholders Meeting of 21 April 2021 of the Share -based Remuneration Plan, BPER Banca shares will be allocated, subject to one year of retention.

8.9 Corporate events involving the Parent Company BPER Banca

- *Shareholders' Meeting of 29 January 2021*

On 29 January 2021, the Shareholders Meeting, which met in an extraordinary session, approved draft amendments to the Articles of Association, prepared by the Board of Directors on 5 August 2020 and authorised by the European Central Bank on 15 December 2020. The purpose of the amendments was mainly to align the rules of composition of the Board with BPER Bancas transformation into a joint -stock company and the subsequent evolution of the Banks ownership structure.

In this perspective, while maintaining the fixed number of Directors at 15 (fifteen), the amendments involved:

- adopting a proportional method of electing the Board of Directors based on "quotients", the aim being to give adequate representation to the various components of the shareholder structure, encouraging the participation of minority shareholders and without contemplating limits on the maximum number of Directors eligible from each list;
- an "access to allotment" threshold designed to ensure stability and cohesion in the functioning of the administrative body, in such a way that, without prejudice to the legal requirement to ensure the possibility for the first minority list to express at least one Director, the other minority lists are able to run for seats on the Board if they have obtained votes equal to at least 5% of the voting capital;
- the introduction of limits on the connection between lists, strengthened with respect to those applicable according to the law, in order to ensure effective representation of minority shareholders on the Board of Directors, while at the same time avoiding the situation whereby minority lists connected to each other can express a majority due to the proportional system.

The reform also introduced an exemption from this proportional system if the list with the highest number of votes has obtained the favourable vote of more than half the voting capital, providing it contains a number of candidates equal to or greater than the majority of Directors to be elected. In this case, a similar rule will be applied to that foreseen in the current Articles of Association of BPER Banca

with consequent extraction from the first list of a number of Directors between twelve (12) and fourteen (14) and the possibility for the second list that is not connected in any way to the first to appoint one (1) to three (3) Directors based on the ratio between the number of votes obtained by it and the number of votes obtained by the first list.
In line with the choice to leave decisions relating to the composition of the Board of Directors to the Shareholders, the faculty of the outgoing Board to present a list of candidates for the election of the Administrative Body has been done away with.
Other minor changes concerned, among other things:

- elimination of the role of Honorary Chair;
- modification of the structure of the Executive Bodies, making the appointment of the Executive Committee optional and leaving this decision to the Board of Directors;
- reduction in the number of standing members of the Board of Statutory Auditors from 5 (five) to 3 (three).

- *Shareholders Meeting of 21 April 2021*

Allocation of the Parent Companys profit for 2020

The Shareholders Meeting held in ordinary session on 21 April 2021 approved the draft financial statements and the consolidated financial statements for 2020, allocation of the profit for the year and the distribution of a dividend of Euro 0.04 per share, for a maximum total amount of Euro 56,530,540.48, allocating Euro 6,744,944.91 to the restricted reserve pursuant to Legislative Decree 38/2005 (art. 6, paragraph 1, letter a), and Euro 6,855,391.59 to the legal reserve.

Corporate bodies: new appointments

The same Shareholders Meeting appointed the Board of Directors and the Board of Statutory Auditors for the three-year period 2021-2023.
The following were elected as Directors pursuant to art. 17 of the Articles of Association: Silvia Elisabetta Candini (independent), Flavia Mazzarella (independent), Alessandro Robin Foti (independent), Riccardo Barbieri, Piero Luigi Montani, Marisa Pappalardo (independent), Gianni Franco Papa (independent), Alessandra Ruzzu (independent), Elena Beccalli (independent), Maria Elena Cappello (independent), Gianfranco Farre (independent), Gian Luca Santi, Roberto Giay, Monica Pilloni (independent), Cristiano Cincotti (independent).
The independence requirement for non-executive Directors pursuant to art. 17, paragraph 4, of the Articles of Association - i.e. in compliance with art. 148, paragraph 3, of Legislative Decree 58 of 24 February 1998 (Consolidated Law on Finance), art. 26 of Legislative Decree no. 385 of 1 September 1993 (Consolidated Law on Banking), and Ministerial Decree 169/2020, as well as the Corporate Governance Code - was verified by the Board of Directors on 21 April 2021, based on the documentation produced when submitting the lists.
The following Statutory Auditors were appointed pursuant to art. 30 of the Articles of Association: (i) as Standing Auditors: Mr. Paolo De Mitri and Nicola Bruni as the Chair of the Board of Statutory Auditors; (ii) as Alternate Auditors: Patrizia Tettamanzi and Andrea Scianca, with the clarification that Patrizia Tettamanzi has taken on the role of Standing Auditor until the following Shareholders Meeting (held on 23 june 2021 as detailed below), due to the need to complete the Supervisory Body, in compliance with the will expressed by the Shareholders Meeting in application of art. 33, paragraph 2 of the Articles of Association.

At its meeting on 21 April 2021, the Board of Directors appointed Flavia Mazzarella as Chair and Piero Luigi Montani as Chief Executive Officer, while at the meeting on 23 April 2021, the Board appointed Riccardo Barbieri as Deputy Chair and set up the various Board Committees.
For further details on the appointments, please refer to the press releases published on the Banks website on 21 April 2021.

Verification of the requirements of the Banks representatives
On 20 May 2021, the Board of Directors and the Board of Statutory Auditors of BPER Banca S.p.A., on the basis of the declarations made and the information available to the company, ascertained, as a result of separate processes activated by each body and in compliance with the prescribed term of thirty days from the appointment, the possession of the requisites envisaged by the applicable legislation in force and by the Articles of Association by each of the respective members in office.
With reference, in particular, to the independence requirements of the Directors, as a result of the verification by the Board of Directors, the Chair, Flavia Mazzarella, and the Directors Elena Beccalli, Silvia Elisabetta Candini, Maria Elena Cappello, Cristiano Cincotti, Gianfranco Farre, Alessandro Robin Foti, Gianni Franco Papa, Marisa Pappalardo and Monica Pilloni were found to be independent, pursuant to article 17 paragraph 4 of the Articles of Association, and therefore in accordance with (i) Decree no. 169/2020 of the Ministry of Economy and Finance, (ii) Legislative Decree no. 58 of 1998 and (iii) the recommendations contained in the Corporate Governance Code .
Ten Directors are therefore in possession of the independence requirements defined by article 17 paragraph 4 of the Articles of Association, more than the minimum number set by the applicable supervisory regulations in force, referred to in article 17, paragraph 3, of the Articles of Association, and the minimum number recommended by the Corporate Governance Code.
With regard to the independence requirements for Statutory Auditors, at the outcome of the verification by the Board of Statutory Auditors, all the members of the supervisory body were found to be independent pursuant to Legislative Decree no. 58 of 1998, Decree no. 169/2020 of the Ministry of Economy and Finance and the recommendations of the Corporate Governance Code.
The Board of Directors and the Board of Statutory Auditors also considered their respective composition adequate with reference to both quantitative and qualitative aspects required by current legislation and verified its compliance with that identified as optimal.

- *Shareholders' Meeting of 23 June 2021*

Corporate bodies: new appointments
The Ordinary Shareholders' Meeting, held on 23 June 2021, filled the vacancies in the Board of Statutory Auditors and Board of Directors for the remaining part of the three-year period 2021-2023 by appointing:

- for the Board of Statutory Auditors, pursuant to art. 33 of the Articles of Association:
  - Daniela Travella as Chair following the resignation of Nicola Bruni with effect from the date of Shareholders' Meeting,
  - Patrizia Tettamanzi as Standing Auditor,
  - Sonia Peron, as Alternate Auditor, to replace Patrizia Tettamanzi, resigning from office due to her being appointed as Standing Auditor.
- for the Board of Directors, pursuant to art. 17 of the Articles of Association: Elisa Valeriani as Director, to replace the independent director Alessandra Ruzzu who had ceased to hold office.

For further details on the appointments, please refer to the press release published on the Bank's website on 23 June 2021 and to the other documents made available on the Bank's website www.bper.it – Sito Istituzionale - Governance - Shareholders' Meetings.

- *Changes to General Management*

On 4 August 2021 termination of the employment relationship with General Manager Alessandro Vandelli was mutually agreed, effective 5 August 2021. This consensual termination occurred through the stipulation of an agreement, whose contents were approved by the Bank's Board of Directors, based on a prior favourable reasoned opinion from the Remuneration and Related Parties Committees.

While expressing its sincere gratitude to Alessandro Vandelli for the commitment, dedication and contribution he made to value creation over the years at the helm of the Bank and the Group, the Board of Directors -for the purpose of appointing the new General Manager- decided not to activate the process for the selection of potential candidates to the role of General Manager set forth in BPER's Succession Plan, as it deemed it appropriate to appoint the Bank's CEO, Piero Luigi Montani, to this position, after having verified - subject to the prior involvement and favourable opinion of the Nomination Committee and having consulted the Board of Statutory Auditors - that the CEO's requisites correspond to the ideal profile of General Manager defined in the Succession Plan.

The agreement governing this specific appointment, which falls within the exemptions from the rules of the Internal Related-Party Transaction Policy as it is a smaller amount transaction relating to the remuneration of executives with strategic responsibilities entered into in accordance with the remuneration policy in force - was submitted to the Remuneration Committee for the aspects under its remit. The Committee issued a favourable opinion on the subject.

Since 5 August 2021, Piero Luigi Montani has accordingly held the position of General Manager in addition to his role as Chief Executive Officer.

9. Outlook for operations

9.1 Outlook for operations

The growth outlook for the euro area, which was compiled by Eurozone experts in December 2021 and which pointed to an acceleration of economic activity in the course of 2022 after the slowdown experienced in the last months of last year, is weighed down by high uncertainties related to the currently difficult-to-quantify repercussions of Russias armed invasion of Ukraine, followed by a series of historic sanctions imposed by Europe on Russias financial and business sectors. In the short term, rising pressures on energy, wheat and metal prices could push current inflation levels up further, fuelling risks of a slowdown in economic activity not only in the euro area. The extent of these effects will depend on the evolution of the conflict, the impact of current sanctions and any further measures taken against Moscow. The ECBs new baseline projections, which take into account an initial assessment of the implications of the conflict in Ukraine, have been revised downwards in the short term, indicating GDP growth in the euro area of 3.7% in 2022.

Against this background, the Bank’s operations will continue to focus on expanding the core business, which will benefit from the stronger competitive position achieved last year.

Revenues are expected to increase, driven primarily by fees and commissions, as well as by lending to customers, which is projected to trend upwards during the year, partly expedited by the upside deriving from the NRRP.

On the cost side, efforts to improve efficiency and rationalise spending will continue, helping to mitigate the impacts of inflation and offset the cost of the investments to be earmarked under the new 2022-2024 Business Plan. The quality of credit will continue to be the focus of particular attention, also in the light of the uncertainty that characterises the evolution of the macro context. Nonetheless, the capital position is expected to remain robust.

Modena, 10 March 2022

The Board of Directors
The Chair
Flavia Mazzarella

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Consolidated financial statements

Balance sheet figures as at 31 December 2020, which are reported for comparative purposes, have been restated compared with those that were published at the reference date, due to the change in the measurement method of properties held for investment, which constitutes a voluntary change in accounting policy, to be applied retrospectively pursuant to IAS 8 para. 19 b) In addition, as required by IAS 1 para. 40A and 40B, comparative values as at 1 January 2020 are also shown.
Income statement figures as at 31 December 2020, which are reported for comparative purposes, have likewise been restated compared with those that were published at the reference date, due to the change in the measurement method of properties held for investment.
The comparative balance sheet balances as at 31 December 2020 and 1 January 2020 were further restated in accordance with the provisions of the 7th update of Bank of Italy Circular 262/2005; specifically, assets in the nature of cash and cash equivalents pursuant to IAS 7 were reclassified from caption 40. a) to caption 10.
The cash flows at 31 December 2020, presented for comparative purposes in the statement of cash flows, have also been restated for the same changes.

Consolidated balance sheet as at 31 December 2021

(in thousands)

	Assets	31.12.2021	31.12.2020	01.01.2020
10.	Cash and cash equivalents	1,306,282	849,102	939,746
20.	Financial assets measured at fair value through profit or loss	1,218,535	1,198,601	1,120,111
	a) financial assets held for trading	323,721	279,009	270,374
	b) financial assets designated at fair value	125,098	127,368	130,955
	c) other financial assets mandatorily measured at fair value	769,716	792,224	718,782
30.	Financial assets measured at fair value through other comprehensive income	6,631,897	6,269,818	6,556,202
40.	Financial assets measured at amortised cost	121,294,912	79,624,595	65,168,424
	a) loans to banks	27,490,676	13,985,821	4,693,557
	b) loans to customers	93,804,236	65,638,774	60,474,867
50.	Hedging derivatives	178,108	57,776	82,185
70.	Equity investments	240,534	225,558	225,869
90.	Property, plant and equipment	1,945,000	1,365,705	1,390,222
100.	Intangible assets	459,197	702,723	669,847
	of which:			
	- goodwill	204,392	434,758	434,758
110.	Tax assets	1,784,995	2,003,040	2,022,395
	a) current	410,514	418,174	466,312
	b) deferred	1,374,481	1,584,866	1,556,083
120.	Non-current assets and disposal groups classified as held for sale	97,730	99,467	97,480
130.	Other assets	1,190,683	665,398	780,697
	Total assets	**136,347,873**	**93,061,783**	**79,053,178**

(in thousands)

	Liabilities and shareholders equity	31.12.2021	31.12.2020	01.01.2020
10.	Financial liabilities measured at amortised cost	124,854,511	83,177,191	70,135,262
	a) due to banks	23,633,494	20,180,999	12,213,133
	b) due to customers	96,460,612	58,314,002	52,087,240
	c) debt securities issued	4,760,405	4,682,190	5,834,889
20.	Financial liabilities held for trading	123,957	170,094	165,970
40.	Hedging derivatives	249,178	469,240	294,114
60.	Tax liabilities	68,502	82,318	83,301
	a) current	9,598	4,797	5,405
	b) deferred	58,904	77,521	77,896
70.	Liabilities associated with assets classified as held for sale	173,662	144,809	134,077
80.	Other liabilities	2,961,320	1,945,822	2,069,511
90.	Employee termination indemnities	209,973	148,199	191,120
100.	Provisions for risks and charges	847,961	589,981	676,160
	a) commitments and guarantees granted	97,219	62,334	55,995
	b) pension and similar obligations	140,255	148,357	161,619
	c) other provisions for risks and charges	610,487	379,290	458,546
120.	Valuation reserves	196,370	118,105	37,750
140.	Equity instruments	150,000	150,000	150,000
150.	Reserves	2,493,508	2,360,743	2,047,229
160.	Share premium reserve	1,240,428	1,241,197	1,002,722
170.	Share capital	2,100,435	2,100,435	1,561,884
180.	Treasury shares (-)	(9,552)	(7,259)	(7,259)
190.	Minority interests (+/-)	162,497	133,983	131,754
200.	Profit (Loss) for the year (+/-)	525,123	236,925	379,583
	Total liabilities and shareholders equity	**136,347,873**	**93,061,783**	**79,053,178**

Consolidated income statement as at 31 December 2021

(in thousands)

	Captions	31.12.2021	31.12.2020
10.	Interest and similar income	1,762,746	1,431,109
	of which: interest income calculated using the effective interest method	1,753,470	1,422,351
20.	Interest and similar expense	(257,384)	(192,233)
30.	**Net Interest Income**	**1,505,362**	**1,238,876**
40.	Commission income	1,845,386	1,246,875
50.	Commission expense	(203,811)	(174,361)
60.	**Net commission income**	**1,641,575**	**1,072,514**
70.	Dividends and similar income	20,084	18,492
80.	Net income from trading activities	67,491	(14,220)
90.	Net income from hedging activities	(2,120)	(653)
100.	Gains (Losses) on disposal or repurchase of:	100,733	141,182
	a) financial assets measured at amortised cost	85,712	130,513
	b) financial assets measured at fair value through other comprehensive income	15,488	10,356
	c) financial liabilities	(467)	313
110.	Net income on other financial assets and liabilities measured at fair value through profit or loss	30,127	11,856
	a) financial assets and liabilities designated at fair value	1,576	(3,683)
	b) other financial assets mandatorily measured at fair value	28,551	15,539
120.	**Net interest and other banking income**	**3,363,252**	**2,468,047**
130.	Net impairment losses for credit risk relating to:	(835,079)	(542,239)
	a) financial assets measured at amortised cost	(837,194)	(541,877)
	b) financial assets measured at fair value through other comprehensive income	2,115	(362)
140.	Gains (Losses) from contractual modifications without derecognition	(2,893)	(2,141)
150.	**Net income from financial activities**	**2,525,280**	**1,923,667**
180.	**Net income from financial and insurance activities**	**2,525,280**	**1,923,667**
190.	Administrative expenses:	(2,573,395)	(1,687,910)
	a) staff costs	(1,528,240)	(960,719)
	b) other administrative expenses	(1,045,155)	(727,191)
200.	Net provisions for risks and charges	(62,148)	(21,029)
	a) commitments and guarantees granted	(17,389)	(6,329)
	b) other net provisions	(44,759)	(14,700)
210.	Net adjustments to property, plant and equipment	(168,434)	(107,719)
220.	Net adjustments to intangible assets	(111,683)	(59,702)
230.	Other operating expense / income	238,727	169,491
240.	**Operating costs**	**(2,676,933)**	**(1,706,869)**
250.	Gains (Losses) on equity investments	10,802	(2,945)
260.	Valuation differences on property, plant and equipment and intangible assets measured at fair value	(64,455)	(17,069)
270.	Impairment losses on goodwill	(230,366)	-
275.	Gain on a bargain purchase	1,127,847	-
280.	Gains (Losses) on disposal of investments	696	(49)
290.	**Profit (Loss) from current operations before tax**	**692,871**	**196,735**
300.	Income taxes on current operations for the year	(134,222)	65,191
310.	**Profit (Loss) from current operations after tax**	**558,649**	**261,926**
330.	**Profit (Loss) for the year**	**558,649**	**261,926**
340.	Profit (Loss) for the year pertaining to minority interests	(33,526)	(25,001)
350.	**Profit (Loss) for the year pertaining to the Parent Company**	**525,123**	**236,925**

	Earnings per share (Euro) 31.12.2021	Earnings per share (Euro) 31.12.2020
Basic EPS	0.372	0.349
Diluted EPS	0.363	0.327

Consolidated statement of other comprehensive income

(in thousands)

Consolidated statement of other comprehensive income		31.12.2021	31.12.2020
10.	**Profit (Loss) for the year**	**558,649**	**261,926**
	Other comprehensive income, after tax, that will not be reclassified to profit or loss		
20.	Equity instruments designated at fair value through other comprehensive income	39,137	66,205
40.	Hedging of equity instruments designated at fair value through other comprehensive income	873	(1,163)
50.	Property, plant and equipment	75,632	-
70.	Defined benefit plans	(4,164)	4,184
90.	Share of the valuation reserves of equity investments carried at equity	4,691	(148)
	Other comprehensive income, after tax, that may be reclassified to profit or loss		
120.	Cash-flow hedges	314	(359)
140.	Financial assets (no equity instruments) measured at fair value through other comprehensive income	(36,641)	15,683
170.	**Total other comprehensive income after tax**	**79,842**	**84,402**
180.	**Total other comprehensive income (Captions 10+170)**	**638,491**	**346,328**
190.	Consolidated other comprehensive income pertaining to minority interests	35,178	24,998
200.	**Consolidated other comprehensive income pertaining to the Parent Company**	**603,313**	**321,330**

Consolidated statement of changes in shareholders' equity

(in thousands)

	Balance as at 31.12.20	Changes in opening balances	Balance as at 1.1.21	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes during the year: Changes in reserves	Transactions on shareholders' equity: Issue of new shares	Transactions on shareholders' equity: Purchase of treasury shares	Transactions on shareholders' equity: Extraordinary distribution of dividends	Transactions on shareholders' equity: Changes in equity instruments	Transactions on shareholders' equity: Derivatives on treasury shares	Transactions on shareholders' equity: Stock options	Transactions on shareholders' equity: Changes in participatory interests	Other comprehensive income as at 31.12.2021	Shareholders' equity as at 31.12.2021: Group	Shareholders' equity as at 31.12.2021: 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**	**196,370**	**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)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**558,649**	**525,123**	**33,526**
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**

	Balance as at 31.12.19	Changes in opening balances	Balance as at 1.1.20	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes during the year: Changes in reserves	Transactions on shareholders' equity: Issue of new shares	Transactions on shareholders' equity: Purchase of treasury shares	Transactions on shareholders' equity: Extraordinary distribution of dividends	Transactions on shareholders' equity: Changes in equity instruments	Transactions on shareholders' equity: Derivatives on treasury shares	Transactions on shareholders' equity: Stock options	Transactions on shareholders' equity: Changes in participatory interests	Other comprehensive income as at 31.12.2020	Shareholders' equity as at 31.12.2020: Group	Shareholders' equity as at 31.12.2020: Minority interests
Share capital:	**1,599,279**	**-**	**1,599,279**	**(299)**	**-**	**-**	**538,551**	**-**	**-**	**-**	**-**	**-**	**(11,324)**	**-**	**2,100,435**	**25,772**
a) ordinary shares	1,599,279	-	1,599,279	(299)	-	-	538,551	-	-	-	-	-	(11,324)	-	2,100,435	25,772
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**1,009,055**	**-**	**1,009,055**	**-**	**-**	**-**	**238,475**	**-**	**-**	**-**	**-**	**-**	**(3,464)**	**-**	**1,241,197**	**2,869**
Reserves:	**2,102,623**	**12,116**	**2,114,739**	**391,528**	**-**	**(65,599)**	**(838)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,360,743**	**79,087**
a) from profits	1,501,654	12,116	1,513,770	391,528	-	(44,586)	-	-	-	-	-	-	-	-	1,782,484	78,228
b) other	600,969	-	600,969	-	-	(21,013)	(838)	-	-	-	-	-	-	-	578,259	859
Valuation reserves	**43,397**	**-**	**43,397**	**-**	**-**	**(8,440)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**84,402**	**118,105**	**1,254**
Equity instruments	**150,000**	**-**	**150,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**150,000**	**-**
Treasury shares	**(7,259)**	**-**	**(7,259)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,259)**	**-**
Profit (Loss) for the year	**394,452**	**-**	**394,452**	**(391,229)**	**(3,223)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**261,926**	**236,925**	**25,001**
Group shareholders' equity	**5,159,885**	**12,024**	**5,171,909**	**-**	**-**	**(74,008)**	**776,188**	**-**	**-**	**-**	**-**	**-**	**4,727**	**321,330**	**6,200,146**	**-**
Minority interests	**131,662**	**92**	**131,754**	**-**	**(3,223)**	**(31)**	**-**	**-**	**-**	**-**	**-**	**-**	**(19,515)**	**24,998**	**-**	**133,983**

Consolidated statement of cash flows

Indirect method

(in thousands)

A. OPERATING ACTIVITIES	31.12.2021	31.12.2020
1. Operations	**1,300,246**	**1,046,055**
- profit (loss) for the year (+/-)	525,123	236,925
- gains/losses from financial assets held for trading and financial assets/liabilities measured at fair value through profit and loss (-/+)	(66,042)	(33,088)
- gains (losses) from hedging activities (-/+)	2,120	653
- impairment losses/write-backs for credit risk (+/-)	1,154,321	664,708
- impairment losses/write-backs to property, plant and equipment and intangible assets (+/-)	344,572	184,490
- net provisions for risks and charges and other expense/income (+/-)	304,475	41,223
- unsettled taxes (+/-)	174,349	(52,653)
- other adjustments (+/-)	(1,138,672)	3,797
2. Cash generated/absorbed by financial assets	**(9,759,586)**	**(14,412,628)**
- financial assets held for trading	107,444	13,012
- financial assets designated at fair value	3,846	(96)
- other financial assets mandatorily measured at fair value	31,056	(58,737)
- financial assets measured at fair value through other comprehensive income	(437,249)	452,482
- financial assets measured at amortised cost	(12,072,052)	(14,971,244)
- other assets	2,607,369	151,955
3. Cash generated/absorbed by financial liabilities	**9,724,242**	**12,725,677**
- financial liabilities measured at amortised cost	9,231,615	13,026,224
- financial liabilities held for trading	(48,022)	4,124
- other liabilities	540,649	(304,671)
Net cash generated/absorbed by operating activities	**1,264,902**	**(640,896)**

B. INVESTMENT ACTIVITIES	31.12.2021	31.12.2020
1. Cash generated by	**25,125**	**20,910**
- disposal of equity investments	75	290
- disposal of property, plant and equipment	25,050	20,620
2. Cash absorbed by	**(768,250)**	**(244,042)**
- purchase of equity investments	(1,674)	(8,250)
- purchase of property, plant and equipment	(148,845)	(143,211)
- purchase of intangible assets	(97,389)	(92,581)
- purchase of subsidiaries and business lines	(520,342)	-
Net cash generated/absorbed by investment activities	**(743,125)**	**(223,132)**

C. FUNDING ACTIVITIES	31.12.2021	31.12.2020
- issue/purchase of treasury shares	(3,062)	776,188
- distribution of dividends and other scopes	(61,072)	(3,223)
Net cash generated/absorbed by funding activities	**(64,134)**	**772,965**
Net cash generated/absorbed in the year	**457,643**	**(91,063)**

Reconciliation

(in thousands)

Captions	31.12.2021	31.12.2020
Cash and cash equivalents at the beginning of the year	849,102	939,746
Total net cash generated/absorbed in the year	457,643	(91,063)
Cash and cash equivalents: effect of change in exchange rates	(463)	419
Cash and cash equivalents at the end of the year	**1,306,282**	**849,102**

Key:
(+) generated
(-) absorbed

Consolidated explanatory notes

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

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 2021 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 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 Groups 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 2021.

EC Approval Regulation	Title	In force from years beginning
2097/2020	Commission Regulation (EU) 2020/2097 of 15 December 2020 adopting amendments to International Financial Reporting Standard 4 (IFRS 4) was published in the Official Journal of the European Union on 16 December 2020. The amendments to IFRS 4 aim to address the temporary accounting consequences of the different effective dates of IFRS 9 “Financial Instruments” and the forthcoming IFRS 17 “Insurance Contracts”. In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17.	1 January 2021
25/2021	Commission Regulation (EU) 2021/25 of 13 January 2021 adopts “Interest Rate Benchmark Reform”- Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16” was published in the Official Journal of the European Union on 14 January 2021 (L 11).	1 January 2021
1421/2021	Commission Regulation (EU) No 2021/1421 of 30 August 2021, adopting Covid-19-Related Rent Concessions beyond 30 June 2021 (amendment to IFRS 16) was published in the Official Journal of the European Union L 305 on 31 August 2021. The amendment to International Financial Reporting Standard (IFRS) 16 Leases extends the optional, temporary COVID-19-related operational relief for lessees for lease contracts with payment relief and payments originally due before, or on 30 June 2021 to lease contracts with payment relief and payments originally due before, or on 30 June 2022. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic.	1 April 2021

With respect to the above Regulations, following the changes that came into force on 1 January 2021, the Group has not identified any significant impacts on the accounting schedules at 31 December 2021. For Regulation (EU) 2021/1421, no retroactive application was required as the amendment was introduced to deal specifically with the situation created following the Covid-19 pandemic; this change did not have significant effects on the BPER Banca Group, as it did not make any changes to the Group’s passive lease contracts either in 2020 or in 2021, due to the spread of the pandemic.

The following table shows the new international accounting standards or amendments to standards already in force, whose application is mandatory from 1 January 2022 or later date.

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
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.	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

The Group has not availed itself of the option of early application of the Regulation in force from 1 January 2022, given that these amendments are not expected to have significant impacts on the Group's balance sheet and income statement.

At the date of approval of these financial statements, the endorsement process by the competent bodies of the European Union necessary for the adoption of the following amendments had not yet been completed:

- "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12" (the amendments are expected to become effective on 1 January 2023);

The possible effects of introducing the above amendments are being assessed.

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 document[49].

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 applicable[50]. Where not already included in these documents mentioned above, Italian laws on the financial statements of companies[51] 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 these 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 Euro[52].

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

- *Going Concern:* 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 and in accordance with the matching principle, regardless of when they are settled.

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[49] 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.

[50] 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 and ESMA public statement of 29 October 2021 "European Common Enforcement Priorities for 2021 Annual Financial Reports".

[51] 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.

[52] 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.

- *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. In this regard, please refer to the following paragraph in Section 5 - Other aspects, *"Change in the measurement method of the BPER Banca Groups prope rties"*, as well as to the introductory note to the consolidated financial statements in which the reclassification made for the application of the 7th update of Bank of Italy Circular No. 262/2005 is highlighted.

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.

The estimates and assumptions used to prepare these financial statements may be subject to amendment when new and potentially more reliable information gradually becomes available about the impacts deriving from the spread of Covid-19 and geopolitical tensions between Russia and Ukraine.

These amendments could affect, in particular, quantification of the impairment losses recognised in relation to loans and financial assets, determination of the fair value of financial instruments, the results of the impairment test of goodwill and the considerations made regarding the recoverability of deferred tax assets.
With reference *inter alia* to the IASB document dated 27 March 2020[53], 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 will continue in 2021, due to the continuing effects of the Covid-19 pandemic, the balance sheet valuations as at 31 December 2021 have also been carried out using alternative approaches (also known as the "Overlay approach") as long as they also comply with the relevant IAS/IFRS. As regards the approach taken in preparing this Consolidated Report, please refer to Section 5 - Other aspects, in the paragraph "Risks, uncertainties and impacts of the Covid-19 pandemic".

Going concern[54]

In preparing the consolidated financial statements for the year ended 31 December 2021, 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 2021, 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 emergency.

Inspections and audits

Directors believe that the observations arising from the various inspection areas 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 Authorities.

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).

[53] *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".*
[54] *As required by document No. 2 issued with joint signature by the Bank of Italy, CONSOB and ISVAP (now IVASS) on 6 February 2009.*

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)[55], 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.

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. The BPER Banca Group does not include any jointly controlled entities at 31 December 2021.

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;

[55] *The consolidation of SPVs has the same effects as consolidation on a line-by-line basis.*

- 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 companies consolidated on a line-by-line or proportional basis is eliminated against the shareholders' equity in these companies (or the portion of shareholders' equity that the equity investments concerned represent). 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 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 10[56] "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).

[56] *IFRS 10 §B86 in relation to consolidation procedures.*

- 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 CRR[57] 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 2021, 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.

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.
- Adras s.p.a.;
- SIFA - Società Italiana Flotte Aziendali s.p.a.

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[57] *Regulation (EU) 575/2013 and subsequent amendments.*

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		% Available votes (2)
					Parent company	% holding	
1. Banco di Sardegna s.p.a.	Sassari	Cagliari	1	155,247,762	BPER Banca	99.200	100.000
2. Bibanca s.p.a.	Sassari	Sassari	1	74,458,607	BPER Banca	78.575	
					B. Sard.	20.522	
3. BPER Bank Luxembourg SA	Luxembourg	Luxembourg	1	30,667,500	BPER Banca	100.000	
4. Nadia s.p.a.	Modena	Modena	1	127,307,361	BPER Banca	68.339	
					B. Sard.	31.661	
5. Sardaleasing s.p.a.	Milan	Sassari	1	152,632,074	BPER Banca	52.741	
					B. Sard.	46.933	
6. Optima s.p.a. S.I.M.	Modena	Modena	1	13,000,000	BPER Banca	100.000	
7. Numera Sistemi e Informatica s.p.a.	Sassari	Sassari	1	2,065,840	B. Sard.	100.000	
8. Modena Terminal s.r.l.	Campogalliano	Campogalliano	1	8,000,000	BPER Banca	100.000	
9. Emilia Romagna Factor s.p.a.	Bologna	Bologna	1	54,590,910	BPER Banca	100.000	
10. BPER Credit Management s.cons.p.a.	Modena	Modena	1	1,000,000	BPER Banca	70.000	
					B. Sard.	20.000	
					Bibanca	3.000	
					EmilRo Factor	1.000	
					Sardaleasing	6.000	
11. Arca Holding s.p.a. (*)	Milan	Milan	1	50,000,000	BPER Banca	57.061	
12. Arca Fondi SGR s.p.a.	Milan	Milan	1	50,000,000	Arca Holding	100.000	
13. Finitalia s.p.a.	Milan	Milan	1	15,376,285	BPER Banca	100.000	

(*) not included in the banking Group.

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 companys 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 votes at the ordinary shareholders meeting.
(2) Available votes at ordinary shareholders meeting, distinguishing between actual and potential
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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		% Available votes (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	
B. Subsidiaries that are included in the Banking Group but do not satisfy the requirements of art. 19 of the CRR							
4. Estense Covered Bond s.r.l.	Conegliano	Conegliano	1	10,000	BPER Banca	60.000	
5. BPER Trust Company s.p.a.	Modena	Modena	1	500,000	BPER Banca	100.000	
6. Estense CPT Covered Bond s.r.l.	Conegliano	Conegliano	1	10,000	BPER Banca	60.000	

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 companys 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 votes at the ordinary shareholders meeting.
(2) 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 votes of minority interests (1)	Dividends distributed to minority interests
1. Banco di Sardegna s.p.a.	0.800	-	141
2. Bibanca s.p.a.	0.903	0.903	76
3. Arca Holding s.p.a.	42.939	42.939	4,294
4. Sardaleasing s.p.a.	0.326	0.326	-

BPER Banca holds 100% of the ordinary shares of Banco di Sardegna s.p.a.
The consolidation was carried out using the sub-consolidations prepared for Arca Holding and its wholly-owned subsidiary, Arca Fondi SGR s.p.a.
The dividends relate to profit for 2020 that were distributed in 2021.

Key:

(1) Available votes 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.	14,506,486	4,320,388	9,488,180	264,993	13,006,640
2. Bibanca s.p.a.	2,307,132	329,835	1,932,794	15,164	1,927,151
3. Arca Holding s.p.a.	567,971	131,512	144,366	138,592	2,540
4. Sardaleasing s.p.a.	3,392,698	65,061	3,179,353	64,400	3,193,888

(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.	896,606	173,941	368,848	(311,900)	(66,913)
2. Bibanca s.p.a.	312,794	59,686	96,730	(54,545)	37,655
3. Arca Holding s.p.a.	461,236	(194)	166,077	(58,689)	107,342
4. Sardaleasing s.p.a.	94,553	55,272	50,072	(21,227)	(36,833)

(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)	Comprehensive income (3)= (1)+(2)
1. Banco di Sardegna s.p.a.	(45,271)	-	(45,271)	14,394	(30,877)
2. Bibanca s.p.a.	24,036	-	24,036	750	24,786
3. Arca Holding s.p.a.	78,641	-	78,641	3,495	82,136
4. Sardaleasing s.p.a.	(28,430)	-	(28,430)	(37)	(28,467)

The amounts provided are before intercompany eliminations.
The economic and financial information refers to the situation at 31 December 2021.

4. Significant restrictions

Among the Banks and Companies included in the BPER Banca Groups 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 2021. 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 consolidated with equity method at equity was measured on the basis of their accounting data prepared and approved at 31 December 2021.
For the other equity investments consolidated with equity method, 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 10 March 2022 by BPER Bancas Board of Directors, which authorised their publication.
In relation to the events subsequent to the end of the 2021 financial year commented on in the Directors Report on Group Operations and referring in particular to the possible transactions of: i. acquisition (Carige Group), and ii. reorganisation of the Groups banking business (payment services and related agreements with commercial partners), it should be noted that the preliminary agreements referring to them and entered into prior to approval of the consolidated financial statements by the Board of Directors did not have any impact on the financial statements.
It is also noted that, with regard to the international framework, Russias armed invasion of Ukraine on 24 February 2022, followed by harsh financial and trade sanctions against Moscow, including the selective expulsion of some Russian banks from the SWIFT circuit, could severely affect the growth prospects of the eurozone economy. The repercussions on the global macroeconomic framework, already characterised by tensions in global supply chains, are likely to affect the European economy in terms of increased volatility (mainly due to the potential increase in energy costs for a prolonged period of time) with consequent impacts on manufacturing activities. The Bank considers these events to have taken place after the Reporting Period, with no adjustment required pursuant to IAS 10 (non-adjusting event).
In view of the current rapidly evolving situation and the uncertainty regarding the duration and outcome of the ongoing conflict, it is not considered possible at present to provide an overall quantitative estimate of the potential impact that geopolitical tensions could have on the Banks and the Groups economic and financial situation (there are many determinants that are still unknown and undefined, relevant in particular to "indirect risks"). The BPER Banca Groups credit risk as at 31 December 2021 for

direct credit exposures to customers and banks resident in Russia, Belarus and Ukraine amounted to Euro 35.4 million in respect of cash exposures and Euro 31.4 million in respect of guarantees given (unsecured loans, some of which had already been revoked at the date of approval of these financial statements).
Finally, it should be noted that Decree Law 17/2022 - the Energy Decree - made a further change to the system of tax deduction of past loan losses (for periods prior to 2015), postponing the portion pertaining to 2021 to the three-year period 2022-2025. This regulatory change occurred after the reporting date of the 2021 financial statements, which were prepared on the basis of the previous legislation. This subsequent event also falls within the scope of non-adjusting events pursuant to IAS 10 and, in any case, is estimated to have an absolutely insignificant impact on BPER Bancas balance sheet and income statement.

Section 5 – Other aspects

Risks, uncertainties and impacts of the Covid-19 pandemic

For an analysis of the effects of the pandemic on the risks and uncertainties to which the BPER Banca Group is exposed, please refer to Chapter 7 - "*Principal risks and uncertainties*" of the Directors Report on Group operations.

As already highlighted in the comments of the Report on Operations, the general and sector macroeconomic framework, still affected by significant uncertainty induced by the evolution of the Covid-19 pandemic and related containment measures, continues to require banks to manage the impact of this situation on credit risk and related balance sheet valuations.
In this regard, even in 2021 the Parent Company continued to monitor the situation with 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[58] (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[59].
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 2021, to which reference was made to direct the consequences of the Covid-19 pandemic. 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.

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[58] *Decree Law no. 18 of 17 March 2020; Liquidity Decree no. 23 of 8 April 2020; Relaunch Decree of 13 May 2020.*
[59] *For quantitative information on the moratoria granted by the BPER Banca Group and still in existence at the balance sheet date, please refer to Part B - Assets, Section 4 of the Explanatory Notes.*

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 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 and by IFRS 2, deeming the effects of the Covid-19 pandemic on these measurements 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 EBAs 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.

In line with the assessments already carried out on previous moratorium extensions, new moratoria granted 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, 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 "Covid-19-Related Rent Concessions", extended until 30 June 2022, did not have significant effects on the BPER Banca Group, as it did not make any Covid-19 related rent concessions in 2020 or 2021.

Accounting estimates - Overlay approach applied in credit risk assessment

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

The actions taken as a result of the contingency caused by the Covid-19 pandemic on the SICR model adopted by the BPER Banca Group involved the "expert" identification of the economic sectors most affected by the crisis ("vulnerable sectors") and analysis of borrowers whose intrinsic risk, as evidenced by internal ratings, is higher than the average for the sector, and who are considered more likely to be in financial difficulty on the basis of reasonable assumptions and also taking into account the possible granting of Covid-19 moratoria.

It should also be noted that the corrections made to the SICR interception process were extended in 2021 to the positions acquired with the UBI and ISP business units.

2) Measurement of expected losses

Performing

As part of the ECL model used by the BPER Banca Group in preparing the consolidated financial statements as at 31 December 2021, a number of macroeconomic scenarios were adopted at Group level that made reference to the up-to-date forecasts provided by the specialised company usually consulted by the Group. The scenarios were characterised by a higher degree of positivity, even compared to the previous calculations published in the course of 2021.

In order to contain the pro-cyclical effects of the expected economic recovery, 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% (it was 0.003% as at 31 December 2020). The probability of occurrence of the "baseline" scenario was also set at 50% (it was 96.503% at 31 December 2020), leading to the absence of impact of the remaining "best" scenario - probability of occurrence equal to 0% (it was 3.494% at 31 December 2020);
- the application of a prudential correction factor on the ECL, downstream of the models findings, in order to take into account the likelihood of customers experiencing financial difficulties, also in view of fears of negative effects on life and the economy from the fourth pandemic wave, the explosion of energy and raw material costs, as well as related inflationary growth; the quantification of this correction factor also took into account the results of the sensitivity analysis carried out on the probability of occurrence of the extreme adverse scenario, assuming it to be 100%.

Moreover, again from a prudential point of view, within the scope of the Covid-19 moratoria still outstanding at 31 December 2021, safeguards were applied to prevent any improvements in rating class with respect to the situation of the individual positions at the time the moratoria were granted.

The "top down" overlays described above, aimed at including in the Groups ECL calculation model specific safeguards for the uncertainty still linked to the Covid-19 contingency, were applied to the results of the Groups ECL model, which in 2021 underwent some parameter finetuning (mainly PD and

SICR), described in greater detail in Part A.2, paragraph “22. Method for determining the extent of impairment” and Part E of these notes.

During 2021, an update was also carried out, as part of the BPER Banca Groups IFRS 9 framework, of the criteria for identifying the presence of a significant increase in credit risk, as well as of the PD parameter used within the "satellite models", which will be better described below, within Part A.2 of the Notes to the Financial Statements, paragraph "22. Method for determining the extent of impairment”.

Non-performing

With regard to the analytical assessment applied to the impaired portfolio, specifically to the categories of Bad Loans and Unlikely-To-Pay exposures, the BPER Banca Group further updated its analytical assessment policies for NPLs by introducing a more prudential valuation model for guarantees in 2021. This was also to take into account the more uncertain conditions for the enforcement of guarantees, as a consequence of the current economic situation.

Effects of Management Overlays and methodological finetuning adopted in 2021

The summary of the effects produced by the Overlays and the methodological finetuning described in the previous paragraphs is represented by an increase in Net loan adjustments in 2021 of approximately Euro 254.5 million, of which Euro 142 million are due to voluntary changes in the Groups estimation processes in accordance with IAS 8 (measured at the date of the policy change).

Change in the measurement method of the BPER Banca Group’s properties

The BPER Banca Group has opted to change the measurement method of “Property, plant and equipment” starting from 1 January 2021 and limiting to properties. The change involves:

- changing from the cost model to that of remeasurement for the subsequent value of properties used in operations, based on the requirements of IAS 16 *Property, plant and equipment*;
- changing the accounting treatment from cost to fair value for properties held for investment purposes, based on the requirements of IAS 40 *Investment property*.

The change in the measurement method of properties is a voluntary change in accounting policy, as governed by IAS 8 *Accounting policies, changes in accounting estimates and errors*, according to which a voluntary change should only be made if it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entitys financial position, financial performance or cash flows.

Changing from cost to fair value pursues this objective, as it allows:

- better information, ensuring a single current point of view in the measurement of the BPER Banca Group’s properties, regardless of when or why the individual property was recognised: in fact, compared with cost, fair value makes it possible to provide current information that is more in-keeping with the characteristics of the properties being valued;
- greater homogeneity of comparison between years, both in the balance sheet and in the income statement: in fact, the expression at current values improves the relevance and quality of the information, above all by updating the valuation periodically;
- constant alignment of the carrying amounts of the assets with their market values;
- an improvement in comparability with the financial statements of the other top Italian banks in terms of size;

- a more immediate understanding of the financial implications of the Group's strategies for the management of its properties;
- greater alignment of financial disclosures with the Groups future property management strategies.

As a general rule, IAS 8 provides that voluntary changes to accounting policies must be represented retrospectively, starting from the earliest date on which this is feasible, restating:

- the opening balances of the most remote comparative year;
- the figures of comparative years.

This rule, which is fully applicable under IAS 40, allows an exception to be made for properties used in operations: in fact, according to paragraph 17 of IAS 8, for the purpose of measuring IAS 16 properties, the transition from cost to remeasurement of the carrying amount has to be shown prospectively as a normal continuous application of the new valuation method, so without having to adjust opening balances and comparative figures.

Change in the measurement method of properties held for investment purposes (IAS 40)

In compliance with the provisions of IAS 8, the Group has carried out a restatement of the comparative figures starting with the balances at 1 January 2020. More specifically:

- at individual property level, the differences between the fair value at 1 January 2020 and the carrying amount at the same date were recognised in shareholders equity under caption 150 *"Reserves"*;
- the effects on the 2020 income statement of measuring these properties at cost (i.e. depreciation charges and write-downs) were cancelled and the change in fair value between 1 January 2020 and 31 December 2020 was recorded in the restated 2020 income statement with the overall impact being recorded in caption 150 "*Reserves - Retained earnings*";
- the profit and loss effects of the sales that took place in 2020 were recalculated, recording the impact in the restated 2020 income statement and again under caption 150 "*Reserves - Retained earnings"*.

For further details concerning the impacts on the restated captions of the balance sheet and income statement, please refer to the "Attachments" of this Consolidated report.

Change in the measurement method of properties used in operations (IAS 16)

Since 1 January 2021, the date of the change in the measurement method, the BPER Banca Group has measured properties used in operations according to the so-called revaluation model envisaged by IAS 16.

As a consequence of the prospective application of the change in measurement method, the difference between the fair value and the net carrying amount, determined at the individual property level at the date of transition to the new measurement model, the following was recognised at 1 January 2021:

- if negative, in the income statement for 2021, with recognition in caption 260 *"Gains (Losses) on property, plant and equipment and intangible assets measured at fair value*";
- if positive, in shareholders equity, with recognition in the specific reserve t o be entered under caption 120 "*Valuation reserves*", except for previous write-downs in the income statement (in this case, the positive difference between the fair value and the net carrying amount must be recognised in the income statement under item 210 "*Net adjustments to property, plant and*

equipment" as a positive component of income, for an amount equal to the write-downs recognised previously).

Treatment of the rights of use of properties used and not-used in operations

With reference to the rights of use of properties used in operations, recorded under property, plant and equipment on the basis of IFRS 16 (paragraphs 30 and 35), the BPER Banca Group has chosen to continue measuring them at cost, without making use of the option to use the revaluation model (this option is only allowed if the lessee applies the revaluation model to the properties that it owns).

With reference to the rights of use that meet the definition of property held for investment, application of the fair value method in accordance with IAS 40 implies use of the same method for rights of use as well, according to paragraph 34 of IFRS 16. However, this case does not apply to the Group at 1 January 2021, as there is no right of use acquired with the lease classified as property held for investment. Although the case does not apply at 1 January 2021, the BPER Banca Group has decided that the fair value of the rights of use as per IAS 40 is approximately the same as the value obtained using the cost method.

Method for estimating the fair value of properties

For the purpose of determining the fair value of the real estate assets at the date of change in method, the BPER Banca Group hired a qualified appraisal company, which was asked to update its:

- “full" appraisals, according to which the fair value is determined on the basis of all information relating to the business, including on-site inspections;
- “desktop" appraisals, according to which the fair value is determined on the basis of the average value of comparable properties, without any on-site inspection. [60]

Effects of change in the measurement method of properties

The effects, gross and net of the tax effect, on the Income Statement and Shareholders Equity (item by item) of the BPER Banca Group at 1 January 2021 are summarised below[61]:

Items breakdown		Consolidated impact before tax			Consolidated impact after tax		
		Income statement	Reserves	Total	Income statement	Reserves	Total
Property used in operations – IAS 16	A	(19,913)	122,369	**102,456**	(19,122)	83,041	**63,919**
Investment property – IAS 40	B	-	14,978	**14,978**	-	3,375	**3,375**
Total consolidated impact	**C = A+B**	**(19,913)**	**137,347**	**117,434**	**(19,122)**	**86,416**	**67,294**
Impact reflected in the following captions of the Income statement and Shareholders’ equity							
Caption 260 “Valuation differences on property, plant and equipment and intangible assets measured at fair value”		(22,489)	-	**(22,489)**	(22,489)	-	**(22,489)**
Caption 210 “Net adjustments to property, plant and equipment”		2,576	-	**2,576**	2,576	-	**2,576**
Caption 300 “Income taxes on current operations for the year”					791	-	**791**
Caption “120. Valuation reserves:”		-	122,369	**122,369**	-	83,041	**83,041**
Caption “150. Reserves”		-	14,978	**14,978**	-	3,375	**3,375**

[60] *The internal policy for measuring the fair value of properties is described in greater detail in the following paragraph “Methods and frequency of identifying the fair value for properties owned by the Group".*

[61] *With regard to the restatement of the balance sheet and profit and loss account balances relating to Property, plant and equipment used for investment purposes (IAS 40), specifically as at 01.01.2020 and 31.12.2020, the Annexes to the Consolidated Financial Statements contain details on the "Restatement of the consolidated financial statements of the BPER Banca Group".*

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 Bibanca s.p.a., Sardaleasing s.p.a. and Sifà - Società Italia Flotte Aziendali s.p.a. expired on 31 December 2020 and was renewed for the three-year period 2021-2023 when the consolidating company submitted its tax return on 30 November 2021.

Consolidated companies	2019	2020	2021	2022	2023
Bibanca s.p.a.			x	x	x
Banco di Sardegna s.p.a.	x	x	x		
Optima s.p.a. SIM	x	x	x		
Emilia Romagna 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	x		
Nadia s.p.a.	x	x	x		
Finitalia s.p.a.		x	x	x	
Arca Fondi SGR s.p.a.		x	x	x	
Arca Holding s.p.a.		x	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 125[62] 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 disbursement[63].
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.

[62] *Paragraph expanded by art. 35 of Decree 34/2019. Paragraphs 126 to 129 not amended.*
[63] *As stated in Assonime Circular 32 dated 23 December 2019.*

That said, in compliance with the provisions of art. 1, paragraph 125, of law 124 of 4 August 2017, the amounts collected during 2021 by the Parent Company and by the subsidiaries by way of "grants, contributions, remunerated offices and economic advantages of any type" are listed below.

BPER Banca Group companies	Type of grants	Amounts received in 2021
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 *de minimis* aid scheme pursuant to EC regulation 1407/2013	1,395
BPER Banca s.p.a.	Cinematographic productions	433
BPER Banca s.p.a.	Grants for photovoltaic incentives	11
BPER Banca s.p.a.	Company nursery/kindergarten contributions	3
Numera 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 *de minimis* aid scheme pursuant to EC regulation 1407/2013	296
Modena Terminal s.r.l.	Grants for photovoltaic incentives	128
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 *de minimis* aid scheme pursuant to EC regulation 1407/2013	190
Sardaleasing 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 *de minimis* aid scheme pursuant to EC regulation 1407/2013	60
Bibanca 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 *de minimis* aid scheme pursuant to EC regulation 1407/2013	3

Audit

The consolidated financial statements as at 31 December 2021 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.

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 Groups 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 Groups 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 Groups 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 & 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 banks;
- 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 factors side.

To assess effective transfer of risks and benefits, it is necessary to compare the assignors 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 transferors 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.
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 Italys supervisory regulations, in line with IAS/IFRS and European supervisory regulations[64]. The amount of the

[64] *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;*

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 22 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 paragraph 22 “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 the 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.

- *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.*

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 transactions

The BPER Banca Group has adopted Chapter 6 Hedge Accounting of IFRS 9.

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.

In application of the standard, 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.

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 operation is terminated early;
- 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 paragraph 22 "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 Companys share of any losses of the investee, exceeding the book val ue 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) on 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 Groups real estate companies, including construction l and, 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, starting from 1 January 2021, 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 from 1 January 2020, are measured retroactively 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 paragraph 22. "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.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 investees ability to generate income in the future (goodwill).

If the difference is negative (badwill) or the goodwill is not justified by the investees 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 paragraph 22. "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 fair 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 paragraph 22 "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 groupsclassified 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.

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 2021, 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 and tax losses. 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.

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 22. Method for determining the extent of impairment.

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 caption 190. *a) "Administrative expenses - Staff costs.*" of the n 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 2020. 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";
- 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.

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 derecognitions.

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 negative elements of income represented by interest are recorded in the interest captions of the income statement on an accruals basis.

The results of the assessment (for components other than the creditworthiness of the issuer) are booked to the 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*", as are the gains or losses arising on their settlement.

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 closing rate for the period;
- 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 have been 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 the content of “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 managements 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 Groups medium -long term strategy;

Implementation of the Plan is subject to achieving predetermined access conditions that guarantee not only profitability, but also the Groups 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 ECBs 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 will be 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 will apply as compared to the rate on deposits with the central bank. With the ECBs decision of December 2020, this reduction will also be 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.

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 ECBs 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 measurement of the loan at amortised cost.

In relation to the methods of determining the IRR, likening the refinancing operations to loans at variable rates has led the BPER Banca Group to apply different rates over the life of the operation, depending on the economic conditions expected at any given time.
Moreover, the conditions under which the interest develops depend on the likelihood of the net lending benchmark being achieved[65].

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.
The transferee bank may 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 BPER Banca Group is to refer by analogy to the indications of IFRS 9[66], considering that these tax credits are in essence financial assets, as they can be:

[65] *This accounting choice is consistent with the Public Statement issued by ESMA on 6 January 2021 dedicated to "[...] the third series of the ECBs Targeted Longer -Term Refinancing Operations (TLTRO III)"*

- 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 9[67], 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. Method for determining the extent of impairment

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

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[66] *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.*

[67] *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 instruments 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.*

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 Banks 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:

$$LtEL_t = \sum_{t=1}^{T} PDF_t \text{ x } LD\ _t \text{ x } EaD_t \text{ x } D_t$$

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 Expected Loss:

$$EL = EaD \text{ x } LD \quad \text{ x } PD \text{ x } D$$

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 Groups internal regulations for analytical assessment, a statistical write-down is applied using the following formula:

$$LtEL_t = EaD \text{ x } LD$$

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 (the disclosure of which is given in Part E of the Explanatory Notes, to which reference should be made), appropriately amended to guarantee complete 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.

As at 31 December 2021, 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:

1. "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;
2. 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 an 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. As of 31 December 2021, the Group has decided to activate these components.

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 (“down turn” and indirect costs) and the conditioning to the economic cycle of elements such as the value of the property guarantees and, via satellite models ("Merton method"), the loss rate of unsecured bad positions and migrations between default states.

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 Groups impairment model is reflected in the r isk 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 Banks 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[68].

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 pro-active 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 "sale scenario"). "Disposal Scenario), in line with what is defined in the Groups "2021-2023 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, 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:

$$\mathrm{NBV}_{\mathrm{Multiscenario}} = FMV \times Disposal\ Scenario\ \% + \mathrm{NBV}_{\mathrm{Workout}} \times (1 - Disposal\ Scenario\ \%)$$

where,

- FMV is the best estimate of the "disposal" price;
- $\mathrm{NBV}_{\mathrm{Workout}}$ 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

[68] *Please refer to what was said above in Section 5 - Other aspects of the Explanatory Notes for more details on the approach taken when preparing the consolidated financial statements as at 31 December 2021 (application of the overlay approach as a result of the contingent situation linked to the consequences of the Covid-19 pandemic).*

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 Group NPE Strategy. Dynamic management of the Groups 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 inthe 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 has been in use to identify the changes in PD and related thresholds since 31 December 2021, which makes reference to the Lifetime PD curves[69]. The SICR thresholds defined are differentiated by counterparty risk segment, residual maturity cluster of the financial instrument and source rating class;
- 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 of 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).
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

[69] *The new approach replaces the former rating downgrade system, based on a comparison of rating classes at origination with rating classes at the measurement date (notching between rating classes).*

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 separate and consolidated financial statements, 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 Banks 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 assets 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.

As regards property, plant and equipment, impairment is only recognised if their carrying amount exceeds their fair value less costs to sell or, if greater, their value in use.

In relation to the methods for determining the fair value, please refer to the following paragraph in Part A.4 - "Information on fair value", highlighting that the "full" valuation of the individual property is required to qualify the impairment.

In order to identify a unique identification criterion, the circumstances that trigger the impairment (and not just the restatement), in the presence of a market value lower than the net carrying amount, reference thresholds have been identified, which, if exceeded, lead to the need to write down the asset.

- Properties used in operations: if the comparison of the above values - at the level of the building (ground up or otherwise) - reveals negative differences exceeding 10% of the net book value, a check is made to ensure that they also exceed the sum of 5 years of depreciation;
- particular complexes: the valuation requires an expert appraisal confirmed by a specific Board resolution.

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.

23. 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 3[70], a specific analysis to identify the characteristics of "Companys 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 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.

[70] *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".*

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 Groups 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.

Equity instruments
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 instruments 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 underlyings 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 underlying[71] 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

[71] *Fair market value included, for example, in the EVCA reports.*

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 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

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 Banks 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 Groups 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, including:

- 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 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*"[72];
- 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:

[72] *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.*

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	(102)	-50 bps	105
Investments in Real Estate Funds	Financial charges (**)	+50 bps	(971)	-50 bps	971
Investments in Non-Performing Loan Funds	Financial charges (**)	+50 bps	(911)	-50 bps	911

(*) 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 companys 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.
- 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 set out:

- 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 entitys 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 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:

- 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	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	425,232	315,820	477,483	385,973	364,918	447,710
a) Financial assets held for trading	171,166	115,272	37,283	127,739	124,277	26,993
b) Financial assets designated at fair value	-	124,430	668	-	126,700	668
c) Other financial assets mandatorily measured at fair value	254,066	76,118	439,532	258,234	113,941	420,049
2. Financial assets measured at fair value through other comprehensive income	5,980,593	399,290	252,014	5,605,630	412,227	251,961
3. Hedging derivatives	-	178,108	-	-	57,776	-
4. Property, plant and equipment	-	-	1,394,001	-	-	272,364
5. Intangible assets	-	-	-	-	-	-
Total	**6,405,825**	**893,218**	**2,123,498**	**5,991,603**	**834,921**	**972,035**
1. Financial liabilities held for trading	153	100,217	23,587	9	161,640	8,445
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	249,178	-	-	469,240	-
Total	**153**	**349,395**	**23,587**	**9**	**630,880**	**8,445**

Transfers of assets from Level 2 to Level 1 of the fair value hierarchy during the period amounted to € 144,270 thousand and those from Level 1 to Level 2 amounted to € 24,437 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 a reduction in the number of contributors below the minimum threshold.
The BPER Banca Group has opted to change the measurement method of its property, plant and equipment from cost to fair value for properties held for investment purposes and to the revaluation model for properties used in operations starting from 1 January 2021. This change constitutes a voluntary change in accounting policy under IAS 8, requiring the restatement of comparative periods for commercial properties. For further information, please refer to the section Accounting Policies.

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	**447,710**	**26,993**	**668**	**420,049**	**251,961**	**-**	**272,364**	**-**
2. Increases	**255,845**	**16,366**	**-**	**239,479**	**5,917**	**-**	**1,385,548**	**-**
2.1. Purchases	179,672	-	-	179,672	1,506	-	476,833	-
2.2. Gains recognised to:	15,557	4	-	15,553	3,761	-	248,162	-
2.2.1. Profit or loss	15,557	4	-	15,553	-	-	76,429	-
- of which capital gains	15,557	4	-	15,553	-	-	10,110	-
2.2.2. Shareholders equity	-	X	X	X	3,761	-	171,733	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	60,616	16,362	-	44,254	650	-	660,553	-
3. Decreases	**226,072**	**6,076**	**-**	**219,996**	**5,864**	**-**	**263,911**	**-**
3.1. Sales	155,041	-	-	155,041	1,470	-	13,769	-
3.2. Refunds	20,705	263	-	20,442	3,367	-	-	-
3.3. Losses recognised to:	48,933	5,813	-	43,120	467	-	218,903	-
3.3.1. Profit or loss	48,933	5,813	-	43,120	-	-	157,367	-
- of which capital losses	46,666	5,813	-	40,853	-	-	32,509	-
3.3.2. Shareholders equity	-	X	X	X	467	-	61,536	-
3.4. Transfers from other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	1,393	-	-	1,393	560	-	31,239	-
4. Closing balance	**477,483**	**37,283**	**668**	**439,532**	**252,014**	**-**	**1,394,001**	**-**

Line 2.4 shows the value of property, plant and equipment used in operations following the change in the measurement method mentioned above.

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 designated at fair value	Hedging derivatives
1. Opening balance	**8,445**	**-**	**-**
2. Increases	**16,362**	**-**	**-**
2.1 Issues	-	-	-
2.2. Losses recognised to:	-	-	-
2.2.1. Profit or loss	-	-	-
- of which capital losses	-	-	-
2.2.2. Shareholders' equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	16,362	-	-
3. Decreases	**1,220**	**-**	**-**
3.1. Refunds	-	-	-
3.2. Repurchases	-	-	-
3.3. Profits recognised to:	1,220	-	-
3.3.1. Profit or loss	1,220	-	-
- of which capital gains	1,220	-	-
3.3.2. Shareholders' equity	X	-	-
3.4. Transfers from other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balance	**23,587**	**-**	**-**

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	31.12.2021				31.12.2020			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	121,294,912	19,468,214	273,710	107,006,916	79,624,595	16,540,627	284,046	67,310,761
2. Investment property, plant and equipment held for investment	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups classified as held for sale	97,730	-	-	97,730	99,467	-	-	99,467
Total	**121,392,642**	**19,468,214**	**273,710**	**107,104,646**	**79,724,062**	**16,540,627**	**284,046**	**67,410,228**
1. Financial liabilities measured at amortised cost	124,854,511	3,857,256	873,585	120,199,700	83,177,191	3,410,099	1,095,373	78,789,206
2. Liabilities associated with assets classified as held for sale	173,662	-	-	173,662	144,809	-	-	144,809
Total	**125,028,173**	**3,857,256**	**873,585**	**120,373,362**	**83,322,000**	**3,410,099**	**1,095,373**	**78,934,015**

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 2021 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 31.12.2021	Total 31.12.2020
a) Cash	706,790	482,192
b) Current accounts and on demand deposits with Central Banks	-	-
c) Current accounts and on demand deposits with banks	599,492	366,910
Total	**1,306,282**	**849,102**

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 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	86,824	8,535	8	66,753	9,884	8
1.1 Structured securities	40,698	1,561	-	37,763	1,562	-
1.2 Other debt securities	46,126	6,974	8	28,990	8,322	8
2. Equity instruments	84,163	3,634	35	60,974	1,315	32
3. UCITS units	162	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**171,149**	**12,169**	**43**	**127,727**	**11,199**	**40**
B. Derivative instruments						
1. Financial derivatives	17	103,103	37,240	12	113,078	26,953
1.1 trading	17	103,103	37,240	12	113,078	26,953
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)	**17**	**103,103**	**37,240**	**12**	**113,078**	**26,953**
Total (A+B)	**171,166**	**115,272**	**37,283**	**127,739**	**124,277**	**26,993**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of these Explanatory Notes.

2.2 Financial assets held for trading: breakdown by borrowers/issuers/counterparties

Description/Amounts	Total 31.12.2021	Total 31.12.2020
A. Cash assets		
1. Debt securities	95,367	76,645
a) Central Banks	-	-
b) Public Administrations	5,906	4,134
c) Banks	24,264	13,532
d) Other financial companies	57,415	52,660
of which: Insurance companies	-	481
e) Non-financial companies	7,782	6,319
2. Equity instruments	87,832	62,321
a) Banks	18,738	14,414
b) Other financial companies	7,737	4,659
of which: Insurance companies	2,349	1,078
c) Non financial companies	61,357	43,248
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)	**183,361**	**138,966**
B. Derivative instruments		
a) Central counterparties	-	-
b) Other	140,360	140,043
Total (B)	**140,360**	**140,043**
Total (A+B)	**323,721**	**279,009**

2.3 Financial assets designated at fair value: breakdown by product

Description/Amounts	Total 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1.Debt securities	**-**	**124,430**	**668**	**-**	**126,700**	**668**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	124,430	668	-	126,700	668
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
Total	**-**	**124,430**	**668**	**-**	**126,700**	**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 31.12.2021	Total 31.12.2020
1. Debt securities	**125,098**	**127,368**
a) Central Banks	-	-
b) Public Administrations	122,447	120,711
c) Banks	1,983	1,991
d) Other financial companies	-	3,998
of which: Insurance companies	-	3,998
e) Non-financial companies	668	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	**125,098**	**127,368**

2.5 Other financial assets mandatorily measured at fair value: breakdown by product

Description/Amounts	Total 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**47,867**	**54,291**	**-**	**112,937**	**57,930**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	47,867	54,291	-	112,937	57,930
2. Equity instruments	**2,415**	**-**	**20,657**	**1,808**	**-**	**81,857**
3. UCITS units	**251,651**	**-**	**337,878**	**256,426**	**1,004**	**253,955**
4. Loans	**-**	**28,251**	**26,706**	**-**	**-**	**26,307**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	28,251	26,706	-	-	26,307
Total	**254,066**	**76,118**	**439,532**	**258,234**	**113,941**	**420,049**

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 31.12.2021	Total 31.12.2020
1. Equity instruments	**23,072**	**83,665**
of which: banks	19	22,020
of which: other financial companies	11,681	7,715
of which: non-financial companies	11,372	53,930
2. Debt securities	**102,158**	**170,867**
a) Central Banks	-	-
b) Public Administrations	-	65,816
c) Banks	29,750	29,792
d) Other financial companies	71,920	74,239
of which: Insurance companies	-	-
e) Non-financial companies	488	1,020
3. UCITS units	**589,529**	**511,385**
4. Loans	**54,957**	**26,307**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	26,707	26,307
of which: Insurance companies	26,707	26,307
e) Non-financial companies	27,941	-
f) Households	309	-
Total	**769,716**	**792,224**

2.6 bis UCITS units breakdown

Description	31.12.2021	31.12.2020
1. Equities	29,691	23,246
2. Property - closed end	108,839	106,758
3. Equities - open end	21,372	23,462
4. Balanced - open end	9,805	12,556
5. Bonds - open end	16,454	24,242
6. Equities closed end	34,317	33,112
7. Speculative securities	3,916	3,120
8. Bonds - short term	3,106	5,781
9. Bonds - long term	11,637	13,067
10. Other	350,392	266,041
Total	**589,529**	**511,385**

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 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**5,978,109**	**396,896**	**4,357**	**5,603,929**	**409,984**	**7,695**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	5,978,109	396,896	4,357	5,603,929	409,984	7,695
2. Equity instruments	**2,484**	**2,394**	**247,657**	**1,701**	**2,243**	**244,266**
3. Loans	-	-	-	-	-	-
Total	**5,980,593**	**399,290**	**252,014**	**5,605,630**	**412,227**	**251,961**

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 31.12.2021	Total 31.12.2020
1. Debt securities	**6,379,362**	**6,021,608**
a) Central Banks	-	-
b) Public Administrations	662,662	688,348
c) Banks	3,582,192	3,586,774
d) Other financial companies	1,205,336	1,085,290
of which: Insurance companies	50,595	42,580
e) Non-financial companies	929,172	661,196
2. Equity instruments	**252,535**	**248,210**
a) Banks	33,634	31,429
b) Other issuers:	218,901	216,781
- other financial companies	180,377	179,570
of which: Insurance companies	143,900	143,900
- non financial companies	38,446	37,168
- other	78	43
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	**6,631,897**	**6,269,818**

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	6,266,642	110,921	115,462	22	-	2,425	334	5	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2021	**6,266,642**	**110,921**	**115,462**	**22**	**-**	**2,425**	**334**	**5**	**-**	**-**
Total 31.12.2020	**5,678,055**	**-**	**348,408**	**26**	**-**	**3,427**	**1,446**	**8**	**-**	**-**

At 31 December 2021 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 31.12.2021						Total 31.12.2020					
	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	**20,353,522**	**-**	**-**	**-**	**-**	**20,353,522**	**8,409,330**	**-**	**-**	**-**	**-**	**8,409,330**
1. Time deposits	43,388	-	-	X	X	X	56,087	-	-	X	X	X
2. Compulsory reserve	20,310,134	-	-	X	X	X	8,353,243	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	**7,137,154**	**-**	**-**	**5,666,128**	**162,998**	**1,341,532**	**5,576,491**	**-**	**-**	**4,460,005**	**136,774**	**1,080,358**
1. Loans	1,341,532	-	-	-	-	1,341,532	1,080,358	-	-	-	-	1,080,358
1.1.Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	24,400	-	-	X	X	X	71,343	-	-	X	X	X
1.3. Other loans:	1,317,132	-	-	X	X	X	1,009,015	-	-	X	X	X
- Repurchase agreements	399,378	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	917,754	-	-	X	X	X	1,009,015	-	-	X	X	X
2. Debt securities	5,795,622	-	-	5,666,128	162,998	-	4,496,133	-	-	4,460,005	136,774	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	5,795,622	-	-	5,666,128	162,998	-	4,496,133	-	-	4,460,005	136,774	-
Total	**27,490,676**	**-**	**-**	**5,666,128**	**162,998**	**21,695,054**	**13,985,821**	**-**	**-**	**4,460,005**	**136,774**	**9,489,688**

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 31.12.2021						Total 31.12.2020					
	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	**77,111,323**	**1,046,260**	**864,370**	**-**	**-**	**84,331,491**	**50,511,455**	**1,344,375**	**1,059,274**	**-**	**-**	**56,889,931**
1.1. Current accounts	4,790,368	96,461	79,792	X	X	X	3,376,691	152,967	136,019	X	X	X
1.2.Repurchase agreements	71,302	-	-	X	X	X	83,949	-	-	X	X	X
1.3. Mortgage loans	52,294,812	587,775	653,217	X	X	X	33,824,153	688,683	758,040	X	X	X
1.4. Credit cards, personal loans and assignments of one-fifth of salary	3,929,826	35,542	15,075	X	X	X	2,845,637	36,712	12,161	X	X	X
1.5. Finance leases	2,701,572	133,587	12,670	X	X	X	2,637,930	269,119	20,373	X	X	X
1.6. Factoring	1,188,499	48,065	6,504	X	X	X	1,023,947	6,109	8,552	X	X	X
1.7. Other loans	12,134,944	144,830	97,112	X	X	X	6,719,148	190,785	124,129	X	X	X
2. Debt securities	**14,782,283**	**-**	**-**	**13,802,086**	**110,712**	**980,371**	**12,723,670**	**-**	**-**	**12,080,622**	**147,272**	**931,142**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	14,782,283	-	-	13,802,086	110,712	980,371	12,723,670	-	-	12,080,622	147,272	931,142
Total	**91,893,606**	**1,046,260**	**864,370**	**13,802,086**	**110,712**	**85,311,862**	**63,235,125**	**1,344,375**	**1,059,274**	**12,080,622**	**147,272**	**57,821,073**

The sub-item "Other loans", limited to the performing component (consisting of Stage 1 and 2 equal to € 12,135 million, as well as the portion of POCI assets classified in Stage 2, equal to € 8 million), is composed as follows: € 7,743 million of bullet loans (+104.35%), € 2,504 million of advances on invoices and bills subject to collection (+42.03%), € 1,079 thousand of import/export advances (+73.47%), € 41 thousand of credit assignments (+36.67%) and € 776 thousand of other miscellaneous items (47.81%).
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 31.12.2021			Total 31.12.2020		
	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	**14,782,283**	**-**	**-**	**12,723,670**	**-**	**-**
a) Public Administrations	12,562,841	-	-	10,826,424	-	-
b) Other financial companies	1,778,110	-	-	1,586,485	-	-
of which: Insurance companies	30,857	-	-	15,016	-	-
c) Non financial companies	441,332	-	-	310,761	-	-
2. Loans:	**77,111,323**	**1,046,260**	**864,370**	**50,511,455**	**1,344,375**	**1,059,274**
a) Public Administrations	2,365,307	8,050	2	2,244,215	13,077	2,747
b) Other financial companies	3,454,081	9,717	26,500	3,101,683	26,192	70,555
of which: Insurance companies	74,069	-	-	54,120	-	-
c) Non financial companies	37,412,635	688,086	554,771	23,843,895	994,683	719,451
d) Households	33,879,300	340,407	283,097	21,321,662	310,423	266,521
Total	**91,893,606**	**1,046,260**	**864,370**	**63,235,125**	**1,344,375**	**1,059,274**

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	**69,582**	**(3,748)**	**65,834**	**934,552**	**(16,784)**	**917,768**
of which Stage 1	31,949	(174)	31,775	910,853	(12,445)	898,408
of which Stage 2	31,067	(349)	30,718	19,110	(420)	18,690
of which Stage 3	6,561	(3,222)	3,339	2,658	(2,406)	252
of which: purchased or originated credit impaired	5	(3)	2	1,931	(1,513)	418
Repurchase agreements	**-**	**-**	**-**	**66,554**	**-**	**66,554**
of which Stage 1	-	-	-	66,554	-	66,554
of which Stage 2	-	-	-	-	-	-
of which Stage 3	-	-	-	-	-	-
of which: purchased or originated credit impaired	-	-	-	-	-	-
Mortgage loans	**2,138,803**	**(3,442)**	**2,135,361**	**742,591**	**(23,946)**	**718,645**
of which Stage 1	2,066,467	(1,594)	2,064,873	664,305	(2,248)	662,057
of which Stage 2	71,639	(1,517)	70,122	43,698	(1,281)	42,417
of which Stage 3	697	(331)	366	20,963	(14,265)	6,698
of which: purchased or originated credit impaired	-	-	-	13,625	(6,152)	7,473
Other loans	**176,378**	**(4,214)**	**172,164**	**1,867,025**	**(79,694)**	**1,787,331**
of which Stage 1	161,020	(133)	160,887	1,731,432	(4,059)	1,727,373
of which Stage 2	7,945	(1,013)	6,932	39,781	(1,199)	38,582
of which Stage 3	7,413	(3,068)	4,345	43,631	(40,864)	2,767
of which: purchased or originated credit impaired	-	-	-	52,181	(33,572)	18,609
Total	**2,384,763**	**(11,404)**	**2,373,359**	**3,610,722**	**(120,424)**	**3,490,298**

(continued)

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	**3,563,010**	**(476,955)**	**3,086,055**	**985,347**	**(88,383)**	**896,964**	**4,966,621**
of which Stage 1	2,451,079	(11,747)	2,439,332	687,875	(5,220)	682,655	4,052,170
of which Stage 2	534,820	(22,772)	512,048	185,201	(8,459)	176,742	738,198
of which Stage 3	329,241	(257,704)	71,537	66,580	(45,247)	21,333	96,461
of which: purchased or originated credit impaired	247,870	(184,732)	63,138	45,691	(29,457)	16,234	79,792
Repurchase agreements	**4,748**	**-**	**4,748**	**-**	**-**	**-**	**71,302**
of which Stage 1	-	-	-	-	-	-	66,554
of which Stage 2	4,748	-	4,748	-	-	-	4,748
of which Stage 3	-	-	-	-	-	-	-
of which: purchased or originated credit impaired	-	-	-	-	-	-	-
Mortgage loans	**22,455,259**	**(913,400)**	**21,541,859**	**29,525,994**	**(386,055)**	**29,139,939**	**53,535,804**
of which Stage 1	17,803,160	(45,106)	17,758,054	26,522,063	(35,769)	26,486,294	46,971,278
of which Stage 2	3,187,742	(122,884)	3,064,858	2,212,963	(66,826)	2,146,137	5,323,534
of which Stage 3	763,914	(447,835)	316,079	464,675	(200,043)	264,632	587,775
of which: purchased or originated credit impaired	700,443	(297,575)	402,868	326,293	(83,417)	242,876	653,217
Other loans	**14,786,688**	**(763,858)**	**14,022,830**	**4,578,591**	**(112,690)**	**4,465,901**	**20,448,226**
of which Stage 1	12,470,621	(28,821)	12,441,800	4,127,074	(11,536)	4,115,538	18,445,598
of which Stage 2	1,231,499	(39,704)	1,191,795	279,678	(7,744)	271,934	1,509,243
of which Stage 3	885,029	(584,559)	300,470	119,563	(65,121)	54,442	362,024
of which: purchased or originated credit impaired	199,539	(110,774)	88,765	52,276	(28,289)	23,987	131,361
Total	**40,809,705**	**(2,154,213)**	**38,655,492**	**35,089,932**	**(587,128)**	**34,502,804**	**79,021,953**

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	20,584,982	-	-	-	-	7,077	-	-	-	-
Loans	91,393,549	-	7,852,567	2,710,924	1,639,853	165,569	274,170	1,664,664	775,483	376,414
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**
Total 31.12.2020	**71,449,918**	**-**	**5,955,774**	**2,931,995**	**1,686,229**	**72,392**	**112,354**	**1,587,620**	**626,955**	**302,788**

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	114,045	-	54,359	254	595	467	1,899	75	256	-
2. Loans subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	457,113	-	57,950	7,749	7,277	2,784	1,731	3,007	283	-
3. Loans subject to other forbearance measures	-	-	398,126	28,310	30,226	-	26,093	12,373	2,907	-
4. New loans	5,819,057	-	909,268	27,292	11,777	2,398	4,310	1,037	982	-
Total 31.12.2021	**6,390,215**	**-**	**1,419,703**	**63,605**	**49,875**	**5,649**	**34,033**	**16,492**	**4,428**	**-**
Total 31.12.2020	**8,861,735**	**-**	**1,841,231**	**67,547**	**72,392**	**7,781**	**26,409**	**13,840**	**3,116**	**-**

Section 5 – Hedging derivatives Caption 50

5.1 Hedging derivatives: breakdown by type of hedge and hierarchy level

	FV 31.12.2021			NV	FV 31.12.2020			NV
	L1	L2	L3	31.12.2021	L1	L2	L3	31.12.2020
A. Financial derivatives								
1. Fair Value	-	178,108	-	7,264,140	-	53,795	-	1,934,322
2. Cash flows	-	-	-	-	-	3,981	-	54,446
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair Value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**178,108**	**-**	**7,264,140**	**-**	**57,776**	**-**	**1,988,768**

Key:
NV = 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
	Specific									
	debt securities and interest rates	equity instruments and stock indexes	currencies and gold	credit	commodities	other	General	Specific	General	
1. Financial assets measured at fair value through other comprehensive income	124	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	151,486	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	151,610	-	-	-	-	-	-	-	-	-
1. Financial Liabilities	26,498	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	26,498	-	-	-	-	-	-	-	-	-
1. Forecast	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 Consolidated financial statements.

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								
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 Cassa di Risparmio di Fossano s.p.a.	Fossano	Fossano	8	eur	31,200,000	BPER Banca	23.077	
4 Cassa di Risparmio di Savigliano s.p.a.	Savigliano	Savigliano	8	eur	38,011,495	BPER Banca	31.006	
5 CAT Progetto Impresa Modena s.c.r.l.	Modena	Modena	8	eur	90,000	BPER Banca	20.000	
6 Immobiliare Oasi nel Parco s.r.l.	Milan	Milan	8	eur	1,000,000	BPER Banca	36.800	
7 Lanciano Fiera - Polo Fieristico dAbruzzo Consorzio	Lanciano	Lanciano	8	eur	250,000	BPER Banca	33.333	
8 Resiban s.p.a.	Modena	Modena	8	eur	165,000	BPER Banca	20.000	
9 Sarda Factoring s.p.a.	Cagliari	Cagliari	8	eur	9,027,079	B. Sard.	13.401	
			8			BPER Banca	8.083	
10 Sofipo s.a. in liquidation	Lugano	Lugano	8	chf	2,000,000	BPER Luxembourg	30.000	
12 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 companys share capital.

Key:
Type of relationship
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.	137,464	-	-
2. Cassa di Risparmio di Fossano s.p.a.	34,456	-	692
3. Cassa di Risparmio di Savigliano s.p.a.	30,791	-	272
4. Immobiliare Oasi nel Parco s.r.l.	4,607	-	-
5. Sarda Factoring s.p.a.	1,988	-	-
6. Unione Fiduciaria s.p.a.	11,349	-	-
Total	**220,655**	**-**	**964**

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; the controlling interests measured using the equity method are reported in table 7.10.

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.	#	5,483,022	164,963	5,087,129	150,492	65,343	#
2. Cassa di Risparmio di Fossano s.p.a.	#	2,361,470	55,621	2,218,607	57,775	47,222	#
3. Cassa di Risparmio di Savigliano s.p.a.	#	1,692,998	51,580	1,591,964	59,344	36,269	#
4. Immobiliare Oasi nel Parco s.r.l.	#	82	8,729	118	8	3,547	#
5. Sarda Factoring s.p.a.	#	47,290	1,751	39,360	428	1,135	#
6. Unione Fiduciaria s.p.a.	#	32,268	30,559	19,391	10,247	10,030	#

(continued)

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	Gains (Losses) from non-current assets and disposal groups classified as held for sale after tax	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.	#		3,954	2,378	-	2,378	57	2,435
2. Cassa di Risparmio di Fossano s.p.a.	#		13,652	7,921	-	7,921	-	7,921
3. Cassa di Risparmio di Savigliano s.p.a.	#		10,146	6,969	-	6,969	-	6,969
4. Immobiliare Oasi nel Parco s.r.l.	#		(163)	(163)	-	(163)	-	(163)
5. Sarda Factoring s.p.a.	#		57	31	-	31	2	33
6. Unione Fiduciaria s.p.a.	#		(694)	(531)	-	(531)	-	(531)

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.	410,368	137,464	-	-	137,464
2. Cassa di Risparmio di Fossano s.p.a.	149,309	34,456	-	-	34,456
3. Cassa di Risparmio di Savigliano s.p.a.	99,305	30,791	-	-	30,791
4. Immobiliare Oasi nel Parco s.r.l.	12,520	4,607	-	-	4,607
5. Sarda Factoring s.p.a.	9,253	1,988	-	-	1,988
6. Unione Fiduciaria s.p.a.	52,826	12,678	(1,329)	-	11,349

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.

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.

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 book value 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 is not expected to be recovered.
Based on the impairment test performed on 31 December 2021, no evidence emerged that would lead to the belief that the book value of the investments cannot be recovered, after the adjustment of the portion of shareholders' equity according to the equity method[73].

7.4 Non-significant equity investments: accounting information

Company name	Book value of equity investments	Total assets	Total liabilities	Total revenues	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)	Comprehensive income (3)=(1)+(2)
Companies subject to joint control									
Companies subject to significant influence	198	2,047	1,978	465	17	-	17	-	17

[73] *In relation to the investment held in CR Savigliano, written down on the occasion of the consolidated financial report for the first half of the year at 30 June 2021, the impairment test carried out at 31 December 2021 highlighted the possibility of a recovery of this write-down as a result of the updated financial forecasts of the associate, which acknowledged the expected improvement in the economic environment, in line with evidence from external information providers.*

7.5 Equity investments: annual changes

	Total 31.12.2021	Total 31.12.2020
A. Opening balance	**225,558**	**225,869**
B. Increases	**16,148**	**15,025**
B.1 Purchases	1,674	8,250
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other increases	14,474	6,775
C. Decreases	**1,172**	**15,336**
C.1 Sales	75	290
C.2 Impairment losses	7	8,172
C.3 Depreciations	-	-
C.4 Other decreases	1,090	6,874
D. Closing balance	**240,534**	**225,558**
E. Total revaluations	-	-
F. Total adjustments	**188,647**	**188,640**

The "Purchases" refer to the subscription of the capital increase of Cassa di Risparmio di Savigliano s.p.a. pursuant to the exercise of its pre-emptive rights.
The "Sales" refer to the divestiture of the entire equity stake held in Emil-Ro Service s.r.l.
"Impairment losses" refer to the impairment accounted for on the following companies subject to significant influence: Atrikè s.p.a. (€ 7 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

The BPER Banca Group does not include any companies under joint control at 31 December 2021.

7.8 Commitments related to equity investments in companies subject to significant influence

At 31 December 2021 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 Groups 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	Book value of equity investments	Total assets	Total liabilities	Total revenues	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)	Comprehensive income (3)= (1)+(2)
Companies subject to control measured with the application of the equity method	19,681	590,746	571,021	215,168	5,787	-	5,787	-	5,787

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 prepared and approved at 31 December 2021.
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 2021 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 in this section.

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 31.12.2021	Total 31.12.2020
1. Assets owned	**193,424**	**822,519**
a) land	-	189,546
b) buildings	-	457,577
c) furniture	46,349	34,128
d) electronic systems	60,326	63,585
e) other	86,749	77,683
2. Rights of use acquired through leases	**324,103**	**254,439**
a) land	-	-
b) buildings	291,212	218,119
c) furniture	-	-
d) electronic systems	25,850	29,582
e) other	7,041	6,738
Total	**517,527**	**1,076,958**
of which: arising from the enforcement of guarantees received	-	-

The BPER Banca Group has opted to change the measurement method of its property, plant and equipment from cost to the revaluation model starting from 1 January 2021, with specific reference to properties used in operations. For further information, please refer to Part A - Accounting Policies of these Explanatory notes.
All other property, plant and equipment is measured at cost.

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 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Assets owned	-	-	**1,096,493**	-	-	-
a) land	-	-	474,108	-	-	-
b) buildings	-	-	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	-	-	**1,096,493**	-	-	-
of which: arising from the enforcement of guarantees received	-	-	-	-	-	-

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 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Assets owned	**-**	**-**	**297,508**	**-**	**-**	**272,364**
a) land	-	-	127,795	-	-	83,792
b) buildings	-	-	169,713	-	-	188,572
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**297,508**	**-**	**-**	**272,364**
of which: arising from the enforcement of guarantees received	-	-	58,219	-	-	42,252

The BPER Banca Group has opted to change the measurement method of its property, plant and equipment from cost to fair value starting from 1 January 2021, with specific reference to properties held for investment purposes. This change constitutes a voluntary change in accounting policy under IAS 8, requiring the restatement of comparative periods.
For further information, please refer to Part A - Accounting Policies of these Explanatory notes.

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 31.12.2021	Total 31.12.2020
1. Inventories of property, plant and equipment arising from the enforcement of guarantees received	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
2. Other inventories of property, plant and equipment	**33,472**	**16,383**
Total	**33,472**	**16,383**
of which: measured at fair value less costs to sell	-	-

This caption mainly refers to properties held by the Groups 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	**189,642**	**1,096,047**	**243,626**	**295,968**	**392,893**	**2,218,176**
A.1 Total net value adjustments	96	420,351	209,498	202,801	308,472	1,141,218
A.2 Net opening balance	**189,546**	**675,696**	**34,128**	**93,167**	**84,421**	**1,076,958**
B. Increases:	**311,600**	**488,088**	**17,342**	**55,119**	**56,789**	**928,938**
B.1 Purchases	195,169	358,694	17,190	46,916	50,124	668,093
- of which: business combinations	195,169	316,084	12,931	18,592	16,650	559,426
B.2 Capitalised expenditure on improvements	-	9,788	-	-	3,892	13,680
B.3 Write-backs	3,178	1,124	-	-	-	4,302
B.4 Positive changes in fair value allocated to	111,620	105,318	-	-	-	216,938
a) shareholders equity	74,206	97,833	-	-	-	172,039
b) profit and loss	37,414	7,485	-	-	-	44,899
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from property, plant and equipment held for investment	206	834	-	-	-	1,040
B.7 Other increases	1,427	12,330	152	8,203	2,773	24,885
C. Decreases	**27,038**	**250,187**	**5,121**	**62,110**	**47,420**	**391,876**
C.1 Sales	425	6,471	18	3,968	399	11,281
C.2 Depreciation	-	75,260	4,977	31,573	21,217	133,027
C.3 Impairment losses allocated to	3,115	15,351	-	16,329	-	34,795
a) shareholders equity	-	1,052	-	-	-	1,052
b) profit or loss	3,115	14,299	-	16,329	-	33,743
C.4 Negative changes in fair value allocated to	17,430	122,921	-	-	274	140,625
a) shareholders equity	4,923	55,927	-	-	-	60,850
b) profit or loss	12,507	66,994	-	-	274	79,775
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	5,616	14,177	-	-	-	19,793
a) property, plant and equipment held for investment	5,616	14,177	-	-	-	19,793
b) non-current assets and groups of assets held for sale	-	-	-	-	-	-
C.7 Other decreases	452	16,007	126	10,240	25,530	52,355
D. Net closing balance	**474,108**	**913,597**	**46,349**	**86,176**	**93,790**	**1,614,020**
D.1 Total net value adjustments	(50,538)	192,143	216,902	265,978	321,193	945,678
D.2 Gross closing balance	**423,570**	**1,105,740**	**263,251**	**352,154**	**414,983**	**2,559,698**
E. Carried at cost	**384,961**	**1,014,701**	**-**	**-**	**-**	**1,399,662**

The measurement with the revaluation model of the real estate assets used in operations at 31 December 2021, the update of which was carried out by an independent expert, made it necessary to write down some real estate units for a value of € 17.4 million. The other impairment losses refer for € 16.3 million to hardware for which the useful life was deemed terminated in advance and for € 2 million to rights of use acquired through leases, for early closure of some branches.

9.7 Property, plant and equipment held for investment: annual changes

	Total	
	Land	Buildings
A. Opening balance	**83,792**	**188,572**
B. Increases	**59,149**	**61,587**
B.1 Purchases	13,965	39,060
- of which: business combinations	10,443	16,084
B.2 Capitalised expenditure on improvements	206	2,377
B.3 Increases in fair value	25,932	3,343
B.4 Write-backs	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from property, plant and equipment used in operations	5,616	14,177
B.7 Other increases	13,430	2,630
C. Decreases	**15,146**	**80,446**
C.1 Sales	3,109	10,660
C.2 Depreciation	-	-
C.3 Decreases in fair value	8,957	49,449
C.4 Impairment losses	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers to:	2,624	5,553
a) property, plant and equipment used in operations	206	834
b) Non-current assets and groups of assets held for sale	2,418	4,719
C.7 Other decreases	456	14,784
D. Closing balance	**127,795**	**169,713**

The comparative balances have been restated with respect to those published in the consolidated financial statements as at 31 December 2020, following the change in the measurement method of Property, plant and equipment represented by properties held for investment purposes.

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	-	-	-	-	-	**16,383**	**16,383**
B. Increases	-	-	-	-	-	**23,733**	**23,733**
B.1 Purchases	-	-	-	-	-	-	-
B.2 Write-backs	-	-	-	-	-	-	-
B.3 Positive exchange differences	-	-	-	-	-	-	-
B.4 Other increases	-	-	-	-	-	23,733	23,733
C. Decreases	-	-	-	-	-	**6,644**	**6,644**
C.1 Sales	-	-	-	-	-	672	672
C.2 Impairment losses	-	-	-	-	-	5,966	5,966
C.3 Negative exchange differences	-	-	-	-	-	-	-
C.4 Other decreases	-	-	-	-	-	6	6
D. Closing balance	-	-	-	-	-	**33,472**	**33,472**

Caption B.4 Other increases includes 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
Property used in operations	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 31.12.2021		Total 31.12.2020	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	**X**	**204,392**	**X**	**434,758**
A.1.1 pertaining to group	X	204,392	X	434,758
A.1.2 pertaining to minority interests	X	-	X	-
A.2 Other intangible assets	**254,805**	**-**	**267,965**	**-**
of which Software	219,448	-	222,059	-
A.2.1 Assets measured at cost	254,805	-	267,965	-
a) intangible assets generated internally	-	-	-	-
b) other assets	254,805	-	267,965	-
A.2.2 Assets measured at fair value	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	**254,805**	**204,392**	**267,965**	**434,758**

"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 for € 27.8 million, of which € 21.2 million relating to the acquisition of Unipol Banca.
The impairment test, carried out in accordance with IAS 36, made it necessary to completely write down the "core deposit" intangible asset coming from the PPA of Cassa di Risparmio di Bra for € 3.4 million, in addition to € 34.5 million worth of software whose useful life was deemed to have reached the end of its useful life ahead of time.

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		FIN	INDEF	FIN	INDEF	
A. Opening balance	**641,948**	**-**	**-**	**445,944**	**-**	**1,087,892**
A.1 Total net value adjustments	207,190	-	-	177,979	-	385,169
A.2 Net opening balance	**434,758**	**-**	**-**	**267,965**	**-**	**702,723**
B. Increases	**-**	**-**	**-**	**98,985**	**-**	**98,985**
B.1 Purchases	-	-	-	97,931	-	97,931
- of which: business combinations	-	-	-	542	-	542
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	-	-	-	1,054	-	1,054
C. Decreases	**230,366**	**-**	**-**	**112,145**	**-**	**342,511**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	230,366	-	-	111,683	-	342,049
- Depreciation	X	-	-	73,734	-	73,734
- Impairment losses	230,366	-	-	37,949	-	268,315
- shareholders' equity	X	-	-	-	-	-
- profit or loss	230,366	-	-	37,949	-	268,315
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	-	-	-	462	-	462
D. Net closing balance	**204,392**	**-**	**-**	**254,805**	**-**	**459,197**
D.1 Total net value adjustments	437,555	-	-	289,663	-	727,218
E. Gross closing balance	**641,947**	**-**	**-**	**544,468**	**-**	**1,186,415**

All intangible assets are measured at cost.
The impairment test, carried out in accordance with IAS 36, made it necessary to completely write down the "core deposit" intangible asset coming from the PPA of Cassa di Risparmio di Bra for € 3.4 million, in addition to € 34.5 million worth of software whose useful life was deemed to have reached the end of its useful life ahead of time.

Key:
FIN: finite useful life
INDEFIN: Indefinite useful life

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	31.12.2021	31.12.2020
Parent Company BPER Banca	-	230,366
Banks/Other companies	204,392	204,392
- Banco di Sardegna s.p.a.	*27,606*	*27,606*
- Emilia Romagna Factor s.p.a.	*6,768*	*6,768*
- Arca Holding s.p.a.	*170,018*	*170,018*
Total	204,392	434,758

The BPER Banca CGU included the goodwill deriving from acquisitions and subsequent mergers by absorption carried out in previous years; the merger by absorption of subsidiaries involved the transfer of the assets and liabilities of the latter in the separate financial statements of BPER Banca, including the goodwill previously recognised only on consolidation.
The impairment test, performed in accordance with IAS 36, made it necessary to write down the goodwill allocated to the BPER Banca CGU for € 230 million.
On the other hand, the values referring to the goodwill recognised on the other CGUs, which at 31 December 2021 amounted to a total of € 204 million, were confirmed.
Further details of the aforementioned write-down and the impairment tests carried out on the goodwill of the other CGUs follow in the paragraphs set out below.

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 business combination; 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.

At the macroeconomic level, after a deep recession in 2020, followed by major expansion during 2021, growth continues to be expected to be sustained and capable of restoring the economic environment to pre-crisis levels as early as by the first half of 2022. However, the uncertainty characterising these forecasts continues to be significantly influenced by the expected evolution of the health emergency linked to the spread of Covid-19, by recent developments in the geopolitical tensions between Russia and Ukraine and the related economic and financial consequences.

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 2020, 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, was allocated to the following CGUs:

- BPER Banca CGU;
- Banco di Sardegna CGU;
- 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.

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, Emilia Romagna Factor and Arca Holding.
With reference to the goodwill which at 31 December 2020 was allocated to the BPER Banca CGU, this was written down completely during the interim impairment test on 31 March 2021. Therefore, at 31 December 2021, the impairment of the BPER Banca CGU was not restated in accordance with the provisions of IFRIC 10, whereby an impairment loss recognised for goodwill shall not be reversed in a subsequent period.

The impairment test conducted on 31 March 31 2021

As is known, during the first quarter of 2021 the purchase of the carve-out consisting in 587 former UBI Banca branches from the Intesa Sanpaolo Group was finalised by the BPER Banca Group on 22 February 2021. This transaction significantly changed the accounting scope of the BPER Banca CGU, and also exerted an impact on the estimated future cash flows that the CGU will be able to generate after the transaction. This circumstance called for the value of goodwill to be tested for impairment as at the interim date of 31 March 2021, as the increase in the net book value of the assets following the business combination might not have led to an equivalent increase in the recoverable value of the entire entity, which would have meant that there was an impairment of goodwill. In that case, since the interim impairment exercise was a comprehensive test, the effects related to the new NPE Plan, which was approved on 30 March 2021, were also reflected in the forecasts, as were the updated banking system projections on the trend of some key market parameters that may have an impact on the CGUs balance sheet and profitability growth assumptions.
In light of these findings and the provisions of international accounting standards, the Group worked out a method to determine the recoverable amount of goodwill for the BPER Banca CGU and the Banco di Sardegna CGU, although the latter is less directly affected by the business combination, updating the impairment testing process on 31 March 31 2021.

The value in use of the foregoing CGUs that was tested for impairment was estimated by discounting the forecast cash flows, with reference to an explicit forecast period up to the year 2026. Economic and financial forecasts have been drawn up for each legal entity starting from those developed and approved for the impairment test carried out at 31 December 2020 and adjusting them for the afore-mentioned events that took place in the first quarter of 2021; in particular:
The discount rate used, corresponding to the opportunity cost of capital, was estimated at 8.97% considering, in the CAPM formula, as further described below, the following parameters:

- the risk free rate, being the time value of money, was considered as the average value of the 10-year BTP yield rates of 0.99%, calculated over a one-year observation period;
- Market Risk Premium, equal to 5.70%, was unchanged compared to the value used in estimating the cost of capital for the impairment test at 31 December 2020;
- Beta, reflective of the specific risk of the investment and of the correlation between the yield on a single risky investment and that on the market portfolio, was estimated at 1.40, the same as the beta of the BPER Banca Group.

Value in use required the estimate of terminal value, obtained by discounting the expected cash flows potentially distributable to shareholders in the period subsequent to that covered by the explicit projections and therefore on the basis of a normalised flow resulting from the profit of the last projection year (2026), net of the physiological absorption of capital and capitalised at a rate reflecting the difference between the opportunity cost of capital (cost of equity) and the nominal growth rate "g", which was assumed to be 1.5 %.

At the end of the test, it became evident that there was a need to fully write down the € 230 million goodwill allocated to the BPER Banca CGU, while the sustainability of goodwill recorded on the Banco di Sardegna CGU was confirmed. In addition, the need was recognised to fully write down the residual value of the intangible assets originating from core deposits, allocated to the BPER Banca CGU following the merger by anìbsorption of the former CR Bra CGU.

The impairment test conducted on 31 December 2021

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 2021 and prior to verification of the sustainability of the values; the BPER Banca CGU is not considered here for the reasons indicated above.

(in millions)

CGU	Book value	of which: goodwill
Banco di Sardegna	922.7	*27.6*
Emilia Romagna Factor	140.4	*6.8*
Arca Holding	358.9	*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, Emilia Romagna 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 2026, in line with the requirements of IAS 36. The forecasts, approved by the Board of Directors, 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 verification of the values. Unlike what happened in the previous impairment tests, on this occasion it was possible to rely on medium-long term economic forecasts also for the Arca Holding CGU[74]. 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 Groups Planning an d 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 2021 preliminary data were used, while for 2022 reference was made to the 2021 budgets presented and approved at the board meetings in December 2021.
- The forecasts referring to the years 2023-2026, likewise approved by the Boards of Directors of the individual Legal Entities, were developed by adopting a prudential 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, generating their effects on the structure once fully operational. 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 above, reference was made to forecasts based on the most up-to-date economic and market scenarios available at the time of the impairment test and which include the most probable effects on the short and medium-long term linked to the continuation of the Covid-19 emergency. In this case, projections took account of forecast information from external infoproviders, issued in the last part of 2021, 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, etc.); Generally speaking, the

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In line with the provisions of IAS 36, the BPER Banca Group developed the impairment test also according to the valuation model used up to the previous year, which confirmed the recoverability of the value of the goodwill recorded on the Arca Holding CGU.

future scenario is characterised by the global recovery, even if there are still signs of a weaker cycle.

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 2022 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. The estimated flows are based on a revenue growth forecast and accompanied by a reduction in the cost of risk. In particular, the trend in operating income will be characterised by a contained growth in interest income and a more substantial growth in commission income, the latter thanks to the increase in assets under management and the resumption of commercial banking. In terms of operating costs, a growth scenario was assumed in line with the expected inflation rate, notwithstanding the effects of the workforce optimisation effort, with its estimate of a one-off cost for 2021, followed by related savings and hiring costs in the 2022-2025 period. The effects of these actions were considered as they were the result of decisions approved by the Boards of Directors whose main effects will be evident in the short to medium term, in the same way as actions underlying an approved business plan are generally taken into consideration.. In line with this approach, the effects associated with the sale of loan portfolios were also considered, in line with the provisions of the NPE plan approved by the Board of Directors on 23 September 2021.
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, capable of maintaining a satisfactory level of capitalisation that is consistent with the expected growth in activities over the explicit forecasting period. 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.

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 (2026), 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 "g" growth rate of 1.5%; this "g" rate is substantially in line with the expected long-term inflation rate, estimated by considering the analysis of multiple external forecast sources and the final trend, implicitly assuming a real average growth of zero.

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:
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.
In the circumstances, the opportunity cost of capital was estimated to be 8.06% (9.17% at 31 December 2020 and 8.97% at 31 March 2021), obtained by considering the following CAPM parameters:

- 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 0.78%, calculated over a one-year observation period and obtained using the same approach as in the previous impairment tests, has been used here. This is lower than the rate used for the impairment test at 31 December 2020 (average of 1.14% calculated over a one-year observation period), and for the one exceptionally carried out at 31 March 2021 (average of 0.99% calculated over a one-year observation period), benefiting from the declining trend that began in the first part of 2021. In the last quarter of 2021, the yield rates showed an uptrend, after a period of increasing and decreasing trends that characterised the first nine months of the year;
- 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 infoproviders, 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 1.28, 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 2021 (1.28), 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 beta estimate based on 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.
In the case of the Arca Holding CGU, a rate of 10.06% was instead used in line with the risk-return profile of a comparable sample of the asset management sector

Results of the impairment test at 31 December 2021

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[75].

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, including a pickup in the inflation rate and a possible increase in the benchmark rates; 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 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:

- +25 bps and +50 bps on the base cost of capital (equal to 8.06%);
- -25 bps and -50 bps on the base long-term growth rate "g" (equal to 1.5%);
- +50 bps and +100 bps maximum on the target minimum supervisory requirement in the forecasting period, including the final year of the forecast (2026). 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.

[75] *The opinion of an independent external expert was also obtained for the test carried out on 31 March 2021.*

CGU	Change in Value in Use of CGUs					
	k_e rate		"g" rate		CET 1 ratio target	
	+25 bps	+50 bps	-25 bps	-50 bps	+50 bps	+100 bps
Banco di Sardegna	-2.0%	-3.8%	-0.9%	-1.8%	-1.6%	-3.2%
Emilia Romagna Factor	-2.5%	-4.8%	-1.0%	-1.9%	-4.5%	-8.9%
Arca Holding	-2.1%	-4.1%	-1.5%	-2.9%	n.s.	n.s.

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 profits in the forecasting period and of normalised profit	Maximum reduction in the normalised flow
Banco di Sardegna	15.70%	-44%	-70%
Emilia Romagna Factor	11.91%	-33%	-50%
Arca Holding	22.40%	-58%	-89%

This analysis shows that, for example, in relation to the Banco di Sardegna CGU, an increase of +764 bps in the opportunity cost of capital, from 8.06% to 15.70%, a reduction of -44% in profits in each year of the forecasting period (including the profit underlying the normalised cash flow) or a reduction of -70% in the cash flow underlying the Terminal Value, would bring the recoverable value substantially into line with its carrying amount.

Second level impairment test

When market capitalisation is persistently lower than the carrying amount of equity, it is useful to perform a second level impairment test, even if there are no costs unallocated to the individual CGUs and corporate assets; this is also done to support the reasonableness of the results achieved with the impairment test carried out on the individual CGUs to which goodwill has been 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 Groups estimated value in use with i ts carrying amount at 31 December 2021.

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 large 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	
	+25 bps	+50 bps	-25 bps	-50 bps	+75 bps	+150 bps
BPER Banca Group	-2.9%	-5.6%	-0.8%	-1.5%	-5.1%	-10.3%

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	9.53%	-16%	-25%

In a macroeconomic context that records a much lower level of uncertainty than that which characterised the previous period, with the spread of a health emergency unprecedented in modern history, the expectations on the performance of some market and system parameters point to a greater level of stability and a greater probability of occurrence, although a certain degree of uncertainty persists. The forecasts underlying the impairment test discount the most probable evolution of market parameters in light of the information available on the date when the impairment test was performed. However, it is still premature to rule out entirely a more pessimistic scenario, also in light of the medium-long term effects that the pandemic itself has had on the economic and social system; nor can *a priori* a more optimistic scenario be ruled out . Given that the latter would but confirm the sustainability of the level of goodwill in place, forecasts for the BPER Banca Group have been prepared for the 2022-2026 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".

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 large margin between the recoverable amount and the carrying amount. Furthermore, this result must be read in view of the fact that ieach 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. In conclusion, the sustainability of goodwill recognised at the consolidated level is confirmed.

The value in use of the BPER Banca Group also on this occasion stood at values higher than market capitalisation. During 2021, the performance of the BPER Banca share was characterised by short-term increasing and decreasing trends, within a range of values between a high of Euro 2.13 at the end of May 2021 and a low of Euro 1.46 at the beginning of January 2021. In the last three months of 2021 the stock recorded a slight loss of -5.7%, declining from Euro 1.93 at 30 September 2021 to Euro 1.82 at 31 December 2021, with an end-of-year price in any case about 23% higher compared to the value recorded at 31 December 2020.

The performance of the stock during the year was impacted by a wide variety of factors and news, including reports concerning the evolution of the Covid-19 pandemic with the spread of new variants and the rollout of the vaccination campaign, the acquisition of a part of the former UBI Banca branches of the Intesa Sanpaolo Group, the economic results achieved and the recent interest in possible M&A transactions in the Italian context.
The share price moved in line with the trend of the FTSE IT Banks index, at times recordingsharper gains and losses compared to the benchmark; these over/under-performances occurred mainly in early February, early June, late September and late October 2021. Overall, the BPER Banca stock recorded an increase of 23% from the beginning to the end of 2021 compared to a 36% increase in the FTSE IT Banks index.
The banking sector, therefore, shows considerable signs of recovery after the collapse recorded during the period of the spread of the Covid-19 health emergency, even though it continues to suffer from the problems linked to a growing economy but with still weak fundamentals and characterised by a high public debt-to-GDP ratio which requires greater attention and monitoring by the EU institutions, a condition that impacts on the core business and credit quality.
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 Groups 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 50 bps have in any case 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 31.12.2021	Total 31.12.2020
Impairment losses on loans to customers	567,723	51,603	619,326	729,014
Impairment losses on equity investments and securities	10,064	3,203	13,267	12,384
Goodwill convertible into tax credits	157,344	31,789	189,133	206,312
Non-convertible goodwill	51,431	10,595	62,026	62,013
Personnel provisions	133,068	16,940	150,008	95,924
Endorsement credits, clawback action during bankruptcy proceedings and outstanding lawsuits	76,069	5,009	81,078	70,560
Impairment losses on loans to customers FTA IFRS 9	165,366	33,347	198,713	199,117
Non-convertible tax losses	4,784	-	4,784	22,397
Tax losses convertible into tax credits	17,638	11,807	29,445	107,368
ACE (Aid for Economic Growth) benefit carried forward	1,196	-	1,196	31,657
Property, plant and equipment and intangible assets	6,510	1,198	7,708	-
Other deferred tax assets	17,073	724	17,797	48,120
Total	**1,208,266**	**166,215**	**1,374,481**	**1,584,866**

"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 tax assets under Law 214/2011 for an amount of € 837.9 million.
The "Other deferred tax assets", € 536.6 million, mainly relate to temporary differences for an amount of € 428.7 million, non-convertible tax losses for an amount of € 6.7 million and ACE (Aid for Economic Growth) surpluses for € 1.2 million; these were recognised following the outcome of the probability test carried out as required by IAS 12. The time horizon used for the forecasts is 5 years; the future taxable income considered is consistent with the financial forecasts last updated in 2021.
The caption in deferred tax assets for "Tax losses convertible into tax credits" refers to tax losses of the current year, as they derive from the reversal during the year of the deferred tax assets pursuant to Law 214/2011.
As at 31 December 2021, the position also includes tax losses for which deferred tax assets were not recognised for an amount of Euro 19.3 million. Furthermore, € 180 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 31.12.2021	Total - 31.12.2020
Gains from equity instruments and securities	772	62	834	38,706
Equity investments	223	716	939	847
Staff costs	1,767	11	1,778	1,767
Gains from the sale of property, plant and equipment	-	-	-	2,898
Property, plant and equipment and intangible assets	1,190	276	1,466	16,666
Goodwill	-	-	-	2,106
Real estate	29,967	5,697	35,664	-
Other deferred taxes	10,956	7,267	18,223	14,531
Total	**44,875**	**14,029**	**58,904**	**77,521**

"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 other deferred taxes mainly refer to valuations on non-current securities for € 11.3 million
At 31 December 2021, 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 be recognised.

11.3 Changes in deferred tax assets (through profit or loss)

	31.12.2021	31.12.2020
1. Initial amount	**1,529,458**	**1,494,831**
2. Increases	**215,197**	**275,078**
2.1 Deferred tax assets recognised in the year	212,301	275,078
a) related to previous years	45,505	40,763
b) due to changes in accounting criteria	-	-
c) write-backs	-	-
d) other	166,796	234,315
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	2,896	-
3. Decreases	**423,396**	**240,451**
3.1 Deferred tax assets derecognised in the year	318,013	230,824
a) reversals	301,358	219,810
b) write-offs	-	-
c) due to changes in accounting criteria	-	4,033
d) other	16,655	6,981
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	105,383	9,627
a) conversion into tax credit under Law no. 214/2011	105,002	9,002
b) other	381	625
4. Final amount	**1,321,259**	**1,529,458**

The amount reported in caption 2.1 a) "related to previous years" includes the adjustments made on the FTA of IFRS 9, recoverable in 2026 and recognised during the year after passing the probability test.
Still among the Increases, caption 2.1 d) "other" includes the deferred tax assets relating to provisions for employee benefits, € 83.4 million, provisions for legal disputes and guarantees granted, € 30.2 million, ACE (Aid for Economic Growth) surpluses, € 1.2 million, goodwill, € 8.5 million and tax losses, € 36.1 million recognised in 2021 and convertible into tax credits for an amount of € 29.4 million.
The amount shown under Decreases includes deferred tax assets relating to impairment losses on loans on FTA of IFRS 9 of € 38 million, uses/releases of provisions for employee benefits of € 33.5 million, provisions for legal disputes and guarantees granted of € 21.7 million, loans to customers of € 109.6 million, utilisation of tax losses of € 130.3 million (of which € 105 million convertible) and goodwill of € 35 million.

11.4 Changes in deferred tax assets pursuant to Law 214/2011

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	**1,042,694**	**1,055,744**
2. Increases	**33,780**	**107,669**
3. Decreases	**238,570**	**120,719**
3.1 Reversals	133,201	111,717
3.2 Conversion into tax credit	105,002	9,002
a) from losses for the year	-	9,002
b) from tax losses	105,002	-
3.3 Other decreases	367	-
4. Final amount	**837,904**	**1,042,694**

With regard to the changes in 2021, the conversion mentioned in point 3.2 was made in light of the provisions of Decree Law 225/2010, enacted with amendments into Law 10/2011. In particular, article 2, paragraphs 55-56, provides that in the event of a loss for the year, deferred tax assets recorded in the financial statements relating to impairment losses on loans as well as those relating to goodwill and other intangible assets (DTAs) should be converted into tax credit. The transformation runs from the date of approval of the financial statements of the company that converted the loss and takes place for an amount equal to the loss for the year multiplied by the ratio between the DTAs and net equity before the loss for the year. With effect from the tax period of transformation, negative components corresponding to the DTAs converted into tax credits are not deductible.
Law 214/2011 also introduced the chance to transform into tax credits any DTAs recognised in the financial statements for the part of IRES tax losses arising from the deduction of impairment losses on loans and goodwill during the year.
Subsequently, Law 214/2013 (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".
The increases reported in point 2. are mainly related to DTAs on convertible tax losses, as already mentioned above.

The details of DTAs for IRES and IRAP purposes are shown below:

	31.12.2021			31.12.2020		
	IRES	IRAP	Total	IRES	IRAP	Total
Impairment provisions for loans to customers	567,723	51,603	619,326	668,506	60,508	729,014
Goodwill	157,344	31,789	189,133	171,268	35,044	206,312
Tax losses	17,638	11,807	29,445	97,835	9,533	107,368
Total	**742,705**	**95,199**	**837,904**	**937,609**	**105,085**	**1,042,694**

11.5 Changes in deferred tax liabilities (through profit or loss)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	**44,177**	**46,846**
2. Increases	**1,328**	**13,283**
2.1 Deferred tax liabilities recognised in the year	1,321	13,283
a) relating to previous years	-	595
b) due to changes in accounting criteria	-	7,531
c) other	1,321	5,157
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	7	-
3. Decreases	**34,807**	**15,952**
3.1 Deferred tax liabilities derecognised in the year	34,781	12,139
a) reversals	34,757	1,975
b) due to changes in accounting criteria	-	-
c) other	24	10,164
3.2 Decreases in tax rates	-	-
3.3 Other decreases	26	3,813
4. Final amount	**10,698**	**44,177**

The caption Increases 2.1 c) "other" mainly includes DTAs on real este for € 1.3 million.
Among Decreases, caption 3.1, a) "reversals" mainly refers to the reversal of deferred taxes relating to properties for € 21.5 million and the reversal of tax liabilities on securities for € 10.4 million.

11.6 Changes in deferred tax assets (through shareholders' equity)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	**55,408**	**63,436**
2. Increases	**10,824**	**5,205**
2.1 Deferred tax assets recognised in the year	10,780	4,843
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	10,780	4,843
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	44	362
3. Decreases	**13,010**	**13,233**
3.1 Deferred tax assets derecognised in the year	12,634	13,233
a) reversals	12,634	11,971
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	-	1,262
3.2 Decreases in tax rates	-	-
3.3 Other decreases	376	-
4. Final amount	**53,222**	**55,408**

Among the Increases, caption 2.1 c) "other" mainly consists of DTAs on non-current securities for € 10.2 million.
Among Decreases, caption 3.1 a) "reversals" is made up of DTAs referring mainly to the valuations of non-current securities for € 2.7 million and real estate for € 9.9 million.

11.7 Changes in deferred tax liabilities (through shareholders' equity)

	31.12.2021	31.12.2020
1. Initial amount	**33,344**	**23,486**
2. Increases	**41,600**	**20,861**
2.1 Deferred tax liabilities recognised in the year	41,592	16,832
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	39
c) other	41,592	16,793
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	8	4,029
3. Decreases	**26,738**	**11,003**
3.1 Deferred tax liabilities derecognised in the year	24,076	9,131
a) reversals	24,066	7,569
b) due to changes in accounting criteria	-	-
c) other	10	1,562
3.2 Decreases in tax rates	-	-
3.3 Other decreases	2,662	1,872
4. Final amount	**48,206**	**33,344**

Among the Increases, caption 2.1 c) "other" mainly consists of DTAs on non-current securities for € 3.4 million and real estate for € 38.5 million.
Among Decreases, caption 3.1 c) "reversals" is made up of DTAs referring mainly to the valuations of non-current securities for € 11.7 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

		31.12.2021	31.12.2020
A. Assets held for sale			
A.1 Financial assets		90,961	90,775
A.2 Equity investments		-	-
A.3 Property, plant and equipment		6,769	8,692
of which: arising from the enforcement of guarantees received		-	-
A.4 Intangible assets		-	-
A.5 Other non-current assets		-	-
	Total A	**97,730**	**99,467**
	of which measured at cost	92,417	99,467
	of which measured at fair value level 1	-	-
	of which measured at fair value level 2	-	-
	of which measured at fair value level 3	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	-	-

(cont.)

		31.12.2021	31.12.2020
C. Liabilities associated with assets classified as held for sale			
C.1 Due to banks/customers		167,123	144,476
C.2 Securities		-	-
C.3 Other liabilities		6,539	333
	Total C	**173,662**	**144,809**
	of which measured at cost	173,662	144,809
	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 held for sale and related liabilities principally refer to the loan and deposit accounts at the 5 former Unipol Banca branches in Sardinia that, by decision of the Competition Authority (AGCM), must be sold on the market due to "competition issues". This decision is still outstanding, despite the expiry of the final deadline envisaged by the decision to provide for the disposal and despite the fact that all of the procedures needed to sell the branches have been carried out; In fact, BPER Banca found itself objectively unable to proceed with the implementation of the prescribed measures, as communicated to the Authority in September 2020. Discussions are underway with the Authority in order to identify possible alternative measures in a climate of absolute collaboration and transparency, though the Authoritys provision is still valid as of 31 December 2021.
The financial assets and liabilities include, in particular, the amounts due to and from customers; property, plant and equipment includes right-of-use assets of € 1.5 million, relating to properties used for banking activities, whereas "Other liabilities" refers primarily to charges estimated to be incurred by the Group upon disposal of this business unit.
Property, plant and equipment also includes buildings owned by the Group totalling € 5.3 million for which preliminary sale contracts have been signed at the reporting date.

Section 13 – Other assets Caption 130

13.1 Other assets: breakdown

	31.12.2021	31.12.2020
Taxes withheld on interest, withholdings and tax credits on dividends, advance taxation	94,836	147,030
Amounts recoverable from the tax authorities for higher taxes paid for previous years and related accrued interest (other than income taxes)	4,594	5,415
Sundry amounts to be charged to customers	276,813	126,088
Bank charges to be debited to customers or banks	95,007	78,109
Cheques being processed	51	22
Cheques drawn on other banks	112,543	89,134
Items relating to securities transactions	121,114	86,200
Leasehold improvement expenditure	14,667	8,443
Gold, silver and precious metals	7,267	1,526
Accrued income and prepaid expenses	11,384	14,523
Other items for sundry purposes	452,407	108,908
Total	**1,190,683**	**665,398**

From the analysis carried out in the Group for the purposes of IFRS 15, no contract assets have been identified.
Caption "Other items for sundry purposes" includes € 268.1 million of tax credits acquired under the Relaunch Decree 34/2020.
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.
Despite the complexity of the regulatory scenario described, in light of 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 essentially remains exposed only to the risk of correctly assessing the amount ofcredits 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. In this case, it is exposed to the risk of making a loss (not due to counterparty risk, but because it would be impossible to recover all of the credits due to the rules on tax compensation) equal to the amount of the credit purchased and not offset.

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 31.12.2021				Total 31.12.2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Due to Central Banks	**18,116,683**	X	X	X	**16,873,779**	X	X	X
2. Due to banks	**5,516,811**	X	X	X	**3,307,220**	X	X	X
2.1 Current accounts and demand deposits	334,459	X	X	X	192,442	X	X	X
2.2 Time deposits	1,637	X	X	X	3,034	X	X	X
2.3 Loans	5,170,636	X	X	X	3,108,927	X	X	X
2.3.1 Repurchase agreements	4,800,141	X	X	X	2,735,967	X	X	X
2.3.2 Other	370,495	X	X	X	372,960	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	8,985	X	X	X	1,520	X	X	X
2.6 Other payables	1,094	X	X	X	1,297	X	X	X
Total	**23,633,494**	**-**	**-**	**23,633,494**	**20,180,999**	**-**	**-**	**20,180,999**

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".
The 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 31.12.2021				Total 31.12.2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	91,719,993	X	X	X	54,973,514	X	X	X
2. Time deposits	92,709	X	X	X	145,605	X	X	X
3. Loans	3,229,061	X	X	X	2,023,352	X	X	X
3.1 Repurchase agreements	1,360,188	X	X	X	149,286	X	X	X
3.2 Other	1,868,873	X	X	X	1,874,066	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	321,373	X	X	X	256,073	X	X	X
6. Other liabilities	1,097,476	X	X	X	915,458	X	X	X
Total	**96,460,612**	**-**	**-**	**96,460,612**	**58,314,002**	**-**	**-**	**58,314,002**

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, 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 31.12.2021				Total 31.12.2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	4,654,811	3,857,256	873,585	-	4,385,826	3,410,099	1,093,181	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	4,654,811	3,857,256	873,585	-	4,385,826	3,410,099	1,093,181	-
2. other securities	105,594	-	-	105,594	296,364	-	2,192	294,205
2.1 structured	-	-	-	-	2,175	-	2,192	-
2.2 other	105,594	-	-	105,594	294,189	-	-	294,205
Total	**4,760,405**	**3,857,256**	**873,585**	**105,594**	**4,682,190**	**3,410,099**	**1,095,373**	**294,205**

"Bonds" include € 926.4 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 31.12.2021	Nominal value 31.12.2021	Book Value 31.12.2020	Nominal value 31.12.2020
BPER Banca Tier II subordinated non-convertible bond 4.60%, 2016-2026 callable	12,024	12,000	12,024	12,000
BPER Banca EMTN Tier II subordinated non-convertible bond 5.125%, 2017-2027 callable	513,665	500,000	513,490	500,000
BPER Banca EMTN Tier II subordinated non-convertible bond 3.625%, 2020-2030 callable	400,758	400,000	399,513	400,000
Cassa di Risparmio di Bra s.p.a. Lower Tier II subordinated bond fixed-rate, 2011-2021 with amortising nominal 7,000,000	-	-	1,416	1,400
Total non-convertible bonds	**926,447**	**912,000**	**926,443**	**913,400**
Total bonds	**926,447**	**912,000**	**926,443**	**913,400**

There are no convertible subordinated bonds outstanding at 31 December 2021 (as was the case in December 2020).

1.5 Breakdown of structured debts

There are no amounts to report in these Consolidated financial statements.

1.6 Lease liabilities

Time bands	Present value 31.12.2021	Present value 31.12.2020
Up to 3 months	17,639	14,116
over 3 months up to 1 year	49,673	40,195
over 1 year up to 5 year	173,716	159,391
over 5 years	89,330	43,891
Total	**330,358**	**257,593**

Section 2 - Financial liabilities held for trading Caption 20

2.1 Financial liabilities held for trading: breakdown by product

Type of transaction/Amounts	Total 31.12.2021					Total 31.12.2020				
	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	-	-	-	-	-	-	-	-	-	-
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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives	X	153	99,556	23,587	X	X	9	161,028	8,445	X
1.1 Trading	X	153	77,750	23,587	X	X	9	142,612	8,445	X
1.2 Connected with the fair value option	X	-	21,456	-	X	X	-	18,333	-	X
1.3 Other	X	-	350	-	X	X	-	83	-	X
2. Credit derivatives	X	-	661	-	X	X	-	612	-	X
2.1 Trading	X	-	661	-	X	X	-	612	-	X
2.2 Connected with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**153**	**100,217**	**23,587**	**X**	**X**	**9**	**161,640**	**8,445**	**X**
Total (A+B)	**X**	**153**	**100,217**	**23,587**	**X**	**X**	**9**	**161,640**	**8,445**	**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:
NV = nominal or notional 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 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

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 31.12.2021			NV	Fair value 31.12.2020			NV
	L1	L2	L3	31.12.2021	L1	L2	L3	31.12.2020
A. Financial derivatives	**-**	**249,178**	**-**	**5,288,925**	**-**	**469,240**	**-**	**6,340,719**
1) Fair value	-	248,939	-	5,234,479	-	463,255	-	6,290,719
2) Cash flows	-	239	-	54,446	-	5,985	-	50,000
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**249,178**	**-**	**5,288,925**	**-**	**469,240**	**-**	**6,340,719**

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:
NV = Notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair Value							Cash flows		Foreign investments
	Specific						General	Specific	General	
	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	105,204	-	-	1,514	X	X	X	-	X	X
2. Financial assets measured at amortised cost	142,168	X	-	-	X	X	X	239	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	53	-	-	-	-	-	X	-	X	-
Total assets	**247,425**	**-**	**-**	**1,514**	**-**	**-**	**-**	**239**	**-**	**-**
1. Financial Liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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

There are no amounts to be disclosed in this consolidated report.

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

	31.12.2021	31.12.2020
Amounts due to banks	49,791	44,570
Amounts due to customers	808,115	597,084
Net adjustments on collection of receivables for third parties	902,759	478,839
Staff emoluments and related social contributions	81,758	55,038
Amounts due to third parties for coupons, securities and dividends to be collected	52,960	5,854
Amounts due to the tax authorities on behalf of customers and personnel	249,163	148,667
Bank transfers for clearance	28,941	23,148
Advances for the purchase of securities	-	243
Due to suppliers	290,185	247,132
Third-party payments as surety for loans	380	195
Amounts due to the tax authorities for stamp duty	104	-
Repayment to be made to INPS	320	500
Pension fund liabilities	2,239	1,639
Items in transit	44,950	50,683
Accrued expenses and deferred income	66,831	25,840
Other liabilities to third parties	382,824	266,390
Total	**2,961,320**	**1,945,822**

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 € 16.1 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

	31.12.2021	31.12.2020
A. Opening balance	**148,199**	**191,120**
B. Increases	**83,359**	**1,273**
B.1 Provisions for the year	121	658
B.2 Other increases	83,238	615
- of which: business combinations	78,239	-
C. Decreases	**21,585**	**44,194**
C.1 Benefits paid	13,939	34,602
C.2 Other decreases	7,646	9,592
D. Closing balance	**209,973**	**148,199**
Total	**209,973**	**148,199**

The caption "Other increases" (B.2) includes actuarial losses for € 4.4 million, in addition to the portion of termination indemnities acquired from the business combination of the business units of the Intesa Sanpaolo Group (€ 78.2 million). The caption "Other decreases" (C.2) includes the portion of termination indemnities transferred to complementary pension funds (€ 7.5 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	31.12.2021	31.12.2020
A. Opening balance	**148,199**	**191,120**
B. Increases	**83,359**	**1,273**
1. Current service cost	111	111
2. Financial charges	10	545
3. Contribution to the plan by employees	-	-
4. Actuarial losses	4,359	615
5. Exchange differences	-	-
6. Past service cost	-	-
7. Other increases	78,879	2
C. Decreases	**21,585**	**44,194**
1. Benefits paid	13,940	34,603
2. Past service cost	-	-
3. Actuarial gains	-	-
4. Exchange differences	-	-
5. Curtailments	-	-
6. Settlement	-	-
7. Other decreases	7,645	9,591
D. Closing balance	**209,973**	**148,199**

The caption "Other increases" (B.7) includes the portion of termination indemnities acquired from the business combination of the business units of the Intesa Sanpaolo Group (€ 78.2 million).
The caption "Other decreases" (C.7) includes the portion of termination indemnities transferred to complementary pension funds (€ 7.5 million).

9.2.2 Description of the main actuarial assumptions

Main actuarial assumptions/Percentages	31.12.2021	31.12.2020
Discount rates	0.41%	0.00%
Expected increase in remuneration	n/a	n/a
Turnover	1.92%	1.87%
Inflation rate	1.75%	0.80%
Interest rate adopted for the calculation of interest cost	0.01%	0.33%

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 1.75% 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 Companys 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	31.12.2021	31.12.2020
1. Present value of provisions (+)	209,973	191,120
2. Fair value of assets servicing the plan (-)	-	-
3. Plan (surplus) deficit (+/-)	209,973	191,120
4. Adjustments to plan liabilities based on historical experience - actuarial (gains)/losses	4,359	6,877
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	31.12.2021	+50 bps	-50 bps
	DBO	DBO	DBO
discount rates	209,973	204,574	215,031
inflation rate	209,973	208,248	211,138

Section 10 – Provisions for risks and charges Caption 100

10.1 Provisions for risk and charges: breakdown

Description/Amounts	31.12.2021	31.12.2020
1. Impairment provisions for credit risk related to commitments and financial guarantees granted	57,177	41,108
2. Impairment provisions related to other commitments and guarantees granted	40,042	21,226
3. Provisions for pension and similar obbligations	140,255	148,357
4. Other provisions for risk and charges	610,487	379,290
4.1 legal and fiscal disputes	178,739	156,124
4.2 personnel charges	391,599	182,931
4.3 other	40,149	40,235
Total	**847,961**	**589,981**

10.2 Provisions for risks and charges: annual changes

	Impairment provisions related to other commitments and guarantees granted	Provisions pension and similar obbligations	Other provisions for risk and charges	Total
A. Opening balance	**21,226**	**148,357**	**379,290**	**548,873**
B. Increases	**23,172**	**370**	**374,204**	**397,746**
B.1 Provisions for the year	15,869	-	301,360	317,229
B.2 Tme value changes	-	370	104	474
B.3 Changes due to discount-rate adjustments	-	-	4,627	4,627
B.4 Other increases	7,303	-	68,113	75,416
- of which: business combinations	7,303	-	64,364	71,667
C. Decreases	**4,356**	**8,472**	**143,007**	**155,835**
C.1 Use during the year	3,694	6,771	104,144	114,609
C.2 Changes due to discount rate adjustments	-	658	-	658
C.3 Other decreases	662	1,043	38,863	40,568
D. Closing balance	**40,042**	**140,255**	**610,487**	**790,784**

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 caption "Provisions for the year", referring to "Other provisions for risks and charges", includes provisions for leaving incentives and the solidarity fund for a total of Euro 210 million; the agreement with the Trade Unions was entered into on 28 December 2021.
The caption "Other increases" refers to liabilities acquired with the business combination of the business units from the Intesa Sanpaolo Group.

10.3 Impairment provisions for credit risk related to commitments and financial guarantees granted

	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	11,464	4,384	20	-	15,868
Financial guarantees granted	2,434	2,358	36,517	-	41,309
Total	**13,898**	**6,742**	**36,537**	**-**	**57,177**

10.4 Provisions for other commitments and other guarantees granted

This section does not show significance requirements.

10.5 Provisions for pension with defined-benefits

10.5.1 Features of provisions and related risks

The companies contributing to the pension fund are BPER Banca S.p.A., for which reference should be made to its separate financial statements, and Arca Fondi SGR s.p.a., for which the required information is provided below.

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	31.12.2021	31.12.2020
Opening balance	**148,357**	**161,619**
A. Increases	**370**	**1,273**
1. Current service cost	-	-
2. Financial charges	370	1,273
3. Contribution to the plan by employees	-	-
4. Actuarial losses	-	-
5. Exchange differences	-	-
6. Past service cost	-	-
7. Other increases	-	-
B. Decreases	**8,472**	**14,535**
1. Benefits paid	6,771	6,894
2. Pension cost of prior work	-	-
3. Actuarial gains	658	7,627
4. Exchange differences	-	-
5. Curtailments	-	-
6. Settlement	-	-
7. Other decreases	1,043	14
Closing balance	**140,255**	**148,357**

"Actuarial gains" are determined by gains from experience due to the change in the fund's collective members following the adhesion by many to the staff retirement plan (€ 2.1 million), and by losses from changes in financial assumptions (€ 1.4 million) primarily due to the increasing rate of inflation.

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 was used;
- Inflation rate: a fixed rate of 1.75% 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.

(in thousands of Euro)

Fund Section A	31.12.2021	+50 bps discount rate	-50 bps discount rate
	DBO	*DBO*	*DBO*
BPER Banca S.p.A.	139,759	131,469	148,939

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 2021, as shown in the following table:

Future cash-flows

(in thousands of Euro)

Fund Section A	1st year	2nd year	3rd year	4th year	5th year
BPER Banca S.p.A.	7,426	7,308	7,180	7,045	6,902

10.5.6 Multi-employer plans

At 31 December 2021 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 2021 there were no plans of this type.

10.6 Provisions for risks and charges - other provisions

10.6.1 Legal disputes

	31.12.2021	31.12.2020
A. Opening balance	**156,124**	**167,209**
B. Increases	65,030	36,766
Provisions for the year	44,387	27,001
Other increases	20,643	9,765
C. Decreases	42,415	47,851
Other decreases	23,564	28,346
Uses for the year	18,851	19,505
D. Closing balance	**178,739**	**156,124**

Provisions for legal and tax disputes amounted to Euro 174.9 million and Euro 3.8 million respectively.
As regards the provisions set aside for legal disputes, these are mainly to do with relationships with customers arising in the context of banking services (the main types of dispute include compound interest rates, usury, application of the conditions, clawback actions and tax litigation).
In relation to existing disputes for which no provision has been made, against a moderate risk estimate, an update of the main risk situations is presented below.

- BPER Banca (former Cassa di Risparmio dell'Aquila) - Investigation into what the media have labelled the "Truffa dei Parioli"

As regards what the media have labelled the "Truffa dei Parioli", in the civil case brought by the alleged victims, the Bank is defended by a special team of lawyers formed and coordinated by Prof. Francesco Astone of Rome. At present, there are 18 judgements in first instance pending before the Court of Rome, while for other 59 judgements the sentence has already been issued. With the first ruling, in chronological order, BPER Banca was sentenced to pay limited damages of Euro 16 thousand. Against this decision, the reasons for which appear to be groundless, an appeal was filed by the Bank to have it reversed. The Rome Court of Appeal, in its ruling on this case, upheld the appeal filed by the Bank in 2021, reversing the unfavourable first instance sentence. The additional rulings have all rejected the applications with, in some cases, the plaintiffs being required to pay the litigation expenses incurred by the Bank. The respective plaintiffs have appealed to the Civil Court of Appeal of Rome against 23 rulings that were in favour of the Bank. In this regard, it should be noted that the Rome Court of Appeal has already sentenced in favour of the Bank on three of the appeals, completely rejecting the claims of other party and confirming the orientation taken by the Judge of first instance who maintained that BPER Banca was not liable for the claims made by investors who felt they had been defrauded.

- Banco di Sardegna - Tax disputes and audits by the Tax Authorities

No materially significant notices of assessment or dispute were received during the year. Nor are there any disputes that could affect the results or financial position of Banco di Sardegna.

The tax audit for 2017 that the Regional Directorate of Sardinia of the Revenue Agency started on 11 February 2020 and which was halted several times due to the Covid-19 health emergency, came to an end with the Official Tax Audit Report served on 24 September 2021. Based on the tax audit report, only one IRAP taxation finding was raised with regard to fast-track credit facility fees. No finding was raised in respect of IRES, VAT and the Bank's obligations as a withholding agent.

- Banco di Sardegna - Disclosure relating to Istituto per il Credito Sportivo

In relation to the dispute with the Istituto per il Credito Sportivo, concerning the refund of profits for the years 2005-2010, the Court of Cagliari on 6 August 2021, lifted the reservation of judgment it had made at the hearing on 24 November 2020 and rejected the application for suspension proposed by Banco di Sardegna. At the hearing on 11 January 2022, the judge delayed passing sentence and assigned deadlines to the parties for submitting their final statements and objections.

- 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 - fiscal year 2012

The dispute, currently pending in the appeal stage, concerns, , the alleged omitted taxation, for IRAP purposes, of the proceeds from ast-track credit facility fees and rental income (principle of matching costs and revenues: Article 6 of Legislative Decree 446/97) and transfer pricing on interest expense.
Overall, the tax claim amounts to Euro 600 thousand, of which Euro 374 thousand in higher tax amounts due and Euro 226 thousand worth of fines. The Provincial Tax Commission, in a ruling dated 3 July 2019, rejected the Banks appeal; the appeal still awaits a date to be set for the hearing. In the interim, pending judgment the payments were made.
As a result of the review carried out by an external lawyer, the tax risk for the Bank pursuant to IAS 37, hitherto classified as remote, may currently be defined as "probable", in consideration of the Court of Cassation ruling which considered "manifestly unfounded the question of constitutional legitimacy of Article 1, paragraph 281, of law No. 147 of 2013, which extended the application of the "transfer pricing" rules to tax periods prior to its entry into force, qualifying as a rule of authentic interpretation that allowed the application of the provisions referred to in Article 110, paragraph 7 of the Consolidated Income Tax Law (TUIR), for the tax period from 2008 onwards".
As regards the finding on the fast-track credit facility fees, it should be noted that the first instance judgement had an unfavourable outcome.
In light of the foregoing, Euro 554 thousand was provisioned (the Bank, pending the appeal, acquiesced to a finding).

- BPER Banca: subsidised loans "Abruzzo earthquake" - fiscal years 2010-2011-2012

The dispute concerns the reclassification for tax purposes, in the three-year period 2010-2012, of the subsidised non-repayable loans granted for the reconstruction and purchase of properties used as a main residence which were damaged by the earthquake of April 6, 2009, provided for by Legislative Decree No. 39/2009, converted into law with amendments by Article 1, paragraph 1 of Law 77/2009 (so-called “earthquake loans”).

The appeal brought before the Abruzzo Regional Tax Commission aimed at challenging the unfavourable first degree sentences had a negative outcome. The Bank therefore filed an appeal with the Court of Cassation, which is still pending. At the date of drawing up the present financial statements, the provisions for risks and charges amounted to Euro 4 million.

10.6.2 Personnel charges

Description/Amounts	Other personnel provisions	
	31.12.2021	31.12.2020
Opening balance	**182,931**	**239,609**
Change in opening balances	-	-
A. Increases	**298,189**	**23,576**
1. Current service cost	244,032	17,558
2. Financial charges	104	176
3. Contribution to the plan by employees	-	-
4. Actuarial losses	4,629	2,013
5. Exchange differences	-	-
6. Past service cost	-	-
7. Other increases	49,424	3,829
B. Decreases	**89,521**	**80,254**
1. Benefits paid	82,342	78,315
2. Pension cost of prior work	-	-
3. Actuarial gains	-	-
4. Exchange differences	-	-
5. Curtailments	-	-
6. Settlement	-	-
7. Other decreases	7,179	1,939
Closing balance	**391,599**	**182,931**

The caption "Current service cost" includes provisions for leaving incentives and the Solidarity Fund for a total of € 210 million; the agreement with the trade unions was reached on 28 December 2021.
The “Actuarial losses” relate to the “Service Award”, € 2.5 million, the “Special long-service payment on termination”, € 1.6 million, the “Provision for additional death cover”, € 0.4 million and the “Special one-time long-service payment on termination”, € 0.1 million.
The caption "Other increases" includes the provisions for personnel deriving from the business combination with the Intesa Sanpaolo Group (€ 39.6 million, mainly regarding provisions to the Solidarity Fund).

10.6.3 Other provisions

Captions	31.12.2021		31.12.2020	
	Other provisions	Provision for charitable donations	Other provisions	Provision for charitable donations
A. Opening balance	**40,216**	**19**	**51,669**	**59**
B. Provisions	9,492	-	15,336	-
C. Uses	(9,578)	-	(26,789)	(40)
D. Closing balance	**40,130**	**19**	**40,216**	**19**

Section 11 – Technical reserves Caption 110

There are no amounts in these Consolidated financial statements.

Section 12 – Redeemable shares Caption 130

There are no amounts in these Consolidated financial statements.

Section 13 – Group shareholders' equity Captions 120, 130, 140, 150, 160, 170 and 180

13.1 "Share capital" and "Treasury shares": breakdown

"Share capital" relates solely to the Parent Company. It consists solely of ordinary shares with no par value, fully subscribed and paid.
There are 2,176,328 treasury shares in the Parent Companys portfolio amounting to Euro 9,546 thousand. There are also 62,195 shares relating to Bibanca s.p.a., held by it, for a total of about 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 (-)	(455,458)	-
A.2 Shares outstanding: opening balance	**1,412,808,054**	**-**
B. Increases	**196,483**	**-**
B.1 New issues	-	-
- against payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- for free:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sales of treasury shares	196,483	-
B.3 Other increases	-	-
C. Decreases	**1,917,353**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	1,917,353	-
C.3 Business disposal transactions	-	-
C.4 Other decreases	-	-
D. Shares outstanding: closing balance	**1,411,087,184**	**-**
D.1 Treasury shares (+)	2,176,328	-
D.2 Final number of shares	1,413,263,512	-
- fully paid-in	1,413,263,512	-
- not fully paid-in	-	-

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: i. the buy-back programme functional for the free-of-charge allocation of BPER Banca ordinary shares to the employees of the Group as part of the "2019-2021 Long-Term Incentive (LTI) Plan for Material Risk Takers", ii. the 2021 MBO incentive plan and iii. any severance payments due.
Further information about these transactions 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 Companys 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	31.12.2021	31.12.2020
Equity investments in consolidated companies with significant minority interests	**161,873**	**133,384**
1. Banco di Sardegna s.p.a.	6,795	7,936
2. Bibanca s.p.a.	5,152	4,954
3. Arca Holding (*)	149,263	118,288
4. Emilia Romagna Factor s.p.a. (**)	-	1,299
5. Sardaleasing s.p.a.	663	907
Other equity investments	**624**	**599**
Total	**162,497**	**133,983**

(*) consolidation of the sub-holding company Arca Holding and its wholly-owned subsidiary, Arca Fondi SGR s.p.a.
(**) as at the end of the financial year, the Parent Company holds 100% of the Company's share capital.

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 annual changes

There are no amounts to be reported in these Consolidated financial statements.

Other information

1. Commitments and financial guarantees granted

	Nominal value on commitments and financial guarantees granted				Total 31.12.2021	Total 31.12.2020
	Stage 1	Stage 2	Stage 3	Purchased and originated credit impaired		
1. Commitments to distribute funds	**29,757,280**	**1,855,739**	**249,424**	**-**	**31,862,443**	**20,676,738**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	961,637	80,436	37,280	-	1,079,353	626,938
c) Banks	1,070,539	-	-	-	1,070,539	1,000,948
d) Other financial companies	929,975	32,563	24,968	-	987,506	1,098,585
e) Non-financial companies	22,725,244	1,512,255	178,539	-	24,416,038	14,727,550
f) Households	4,069,885	230,485	8,637	-	4,309,007	3,222,717
2. Financial guarantees granted	**635,915**	**46,971**	**38,126**	**-**	**721,012**	**657,479**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	4,161	-	-	-	4,161	3,224
c) Banks	22,549	-	-	-	22,549	22,547
d) Other financial companies	301,532	83	71	-	301,686	310,947
e) Non-financial companies	271,177	43,588	36,642	-	351,407	289,117
f) Households	36,496	3,300	1,413	-	41,209	31,644

2. Other commitments and other guarantees granted

	Nominal value	
	31.12.2021	31.12.2020
Other guarantees granted	**4,596,114**	**2,430,394**
of which: non performing exposures	76,709	65,451
a) Central Banks	-	-
b) Public Administrations	19,395	4,922
c) Banks	232,287	187,357
d) Other financial companies	99,178	67,157
e) Non-financial companies	4,108,279	2,071,004
f) Households	136,975	99,954
Other commitments	**21,400**	**11,000**
of which: non performing exposures	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	21,400	11,000
f) Households	-	-

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount 31.12.2021	Amount 31.12.2020
1. Financial assets measured at fair value through profit or loss	124,430	203,521
2. Financial assets measured at fair value through other comprehensive income	3,832,352	3,929,470
3. Financial assets measured at amortised cost	30,537,760	26,366,968
4. Property, plant and equipment	-	-
of which: inventories of property, plant and equipment	-	-

Type of assets pledged as collateral of own liabilities and commitments

	31.12.2021	31.12.2020
1. Assets sold as part of Covered Bonds operations	2,128,880	2,276,065
2. Securities and deposits pledged as collateral for derivative transactions	841,939	932,487
3. Securities pledged as collateral for securitisations	307,736	718,859
4. Securities pledged as collateral for treasury transactions	9,785,687	10,051,448
5. Loans pledged as collateral for treasury transactions	14,624,971	12,782,052
6. Securities guaranteeing the issue of bankers' drafts	18,026	18,394
7. Securities and deposits pledged as collateral for repurchase agreements	6,213,207	2,904,415
8. Loans pledged as collateral for the related funding	88,596	244,989
9. Securities pledged as collateral for the subsidised loans funding	485,500	571,250

The amounts indicated in point 5 "Loans pledged as collateral for treasury transactions" include, in addition to A.BA.CO operations:
- € 8,367,839 thousand relating to mortgage loans sold as part of covered bond issues,
- € 1,041,774 thousand relating to leases sold as part of the Multi Lease self-securitisation transaction (Sardaleasing).
Operationally, the instruments provided as collateral are represented by the Senior Notes originated by the transactions.

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	**33,226,651**
a) individual	3,890,300
b) collective	29,336,351
3. Custody and administration of securities	**222,717,699**
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	94,018,899
1. securities issued by companies included in consolidation	2,944,874
2. other securities	91,074,025
c) third party securities deposited with third parties	92,575,215
d) own portfolio securities deposited with third parties	36,123,585
4. Other transactions	**20,909,454**

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)	Net amount (f=c-d-e)
					Financial instruments (d)	Cash deposit pledged as collateral (e)	31.12.2021	31.12.2020
1. Derivatives		252,064	-	252,064	230,008	1,000	21,056	18,311
2. Repurchase agreements		470,680	-	470,680	470,680	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-
Total	**31.12.2021**	722,744	-	722,744	700,688	1,000	21,056	X
Total	**31.12.2020**	215,674	-	215,674	196,802	561	X	18,311

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 amounts in question do not meet the requirements of paragraph 42 of IAS 32.
The gross amounts (a) shown in the table relating to Derivatives are recorded under caption 20 a) "Financial assets measured at fair value through profit or loss - Financial assets held for trading" for € 73,956 thousand and under caption 50 "Hedging derivatives" for € 178,108 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 caption 10 b) "Due to customers".
The gross amounts (a) shown in the table relating to repurchase agreement transactions are recorded under caption 40 a) "Financial assets measured at amortised cost - Loans to banks" for an amount of € 399,378 thousand and caption 40 b) "Financial assets measured at amortised cost - Loans to customers" for an amount of € 71,302 thousand. The related financial instruments (d) represent the value of the securities pertaining to the transactions, whereas cash deposits received (e) are recorded under caption 10 a) "Due to banks" and 10 b) "Due to customers".

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)	Net amount (f=c-d-e)
					Financial instruments (d)	Cash deposit pledged as collateral (e)	31.12.2021	31.12.2020
1. Derivatives		312,387	-	312,387	230,008	80,150	2,229	4,894
2. Repurchase agreements		6,160,329	-	6,160,329	6,118,652	20,352	21,325	2,515
3. Securities lending		-	-	-	-	-	-	-
4. Other transactions		-	-	-	-	-	-	-
Total	**31.12.2021**	6,472,716	-	6,472,716	6,348,660	100,502	23,554	X
Total	**31.12.2020**	3,503,338	-	3,503,338	2,993,936	501,993	X	7,409

None of the amounts shown has been offset in the financial statements as the amounts in question do not meet the requirements of paragraph 42 of IAS 32.
The gross amounts (a) shown in the table relate to € 80,690 thousand of derivatives recorded under caption 20 "Financial liabilities held for trading" and € 231,697 thousand recorded under caption 50 "Hedging derivatives; 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".
The gross amounts (a) shown in the table relating to repurchase agreement transactions are recorded under caption 10 a) "Due to banks" for an amount of € 4,800,141 thousand and under caption 10 b) "Due to customers" for an amount of € 1,360,188 thousand; related financial instruments (d) represent the value of the securities pertaining to the transactions, whereas cash deposits made (e) are recorded under caption 40 a) "Loans to banks" and 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 reported in these consolidated financial statements.

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 31.12.2021	Total 31.12.2020
1. Financial assets measured at fair value through profit or loss:	**6,862**	**400**	**-**	**7,262**	**7,599**
1.1 Financial assets held for trading	1,408	-	-	1,408	1,011
1.2 Financial assets measured at fair value	3,413	-	-	3,413	3,307
1.3 Other financial assets mandatorily measured at fair value	2,041	400	-	2,441	3,281
2. Financial assets measured at fair value through other comprehensive income	**34,350**	**-**	**X**	**34,350**	**55,801**
3. Financial assets measured at amortised cost:	**106,211**	**1,467,517**	**X**	**1,573,728**	**1,293,621**
3.1 Loans to banks	21,828	1,754	X	23,582	25,132
3.2 Loans to customers	84,383	1,465,763	X	1,550,146	1,268,489
4. Hedging derivatives	**X**	**X**	**(41,244)**	**(41,244)**	**(32,552)**
5. Other assets	**X**	**X**	**1,516**	**1,516**	**461**
6. Financial Liabilities	**X**	**X**	**X**	**187,134**	**106,179**
Total	**147,423**	**1,467,917**	**(39,728)**	**1,762,746**	**1,431,109**
of which: interest income on impaired financial assets	1	88,568	-	88,569	101,315
of which: interest income on finance lease	X	59,043	X	59,043	61,643

Caption "6. Financial liabilities" includes the benefit deriving from the application of negative rates to the funds obtained from the ECB under the TLTRO III programme, € 182.5 million. The latter component reflects the accrued interest calculated by applying the rate set by the ECB at -1%, i.e. equal to the prevailing rate of the main refinancing operations during the respective TLTRO-III, to which a further reduction of 50 bps was applied, as the Group has achieved the objectives set as of 31 December 2021 in terms of new eligible loans (or "lending performance").

1.2 Interest and similar income: other information

1.2.1 Interest income on foreign currency financial assets

Captions	31.12.2021	31.12.2020
Interest income on foreign currency financial assets	(8,061)	(3,688)

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 31.12.2021	Total 31.12.2020
1. Financial liabilities measured at amortised cost	99,006	80,756	X	179,762	187,702
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	13,206	X	X	13,206	19,881
1.3 Due to customers	85,800	X	X	85,800	84,048
1.4 Debt securities issued	X	80,756	X	80,756	83,773
2. Financial liabilities held for trading	4	-	1,858	1,862	1,613
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	637	637	553
5. Hedging derivatives	X	X	(2,516)	(2,516)	(6,276)
6. Financial assets	X	X	X	77,639	8,641
Total	**99,010**	**80,756**	**(21)**	**257,384**	**192,233**
of which: interest expense on lease liabilities	3,997	X	X	3,997	2,225

Caption "6. Financial assets" includes the interest calculated by applying negative interest rates on the excess liquidity deposited with the ECB for Euro 74.6 million.

1.4 Interest and similar expense: other information

1.4.1 Interest expense on foreign currency liabilities

Captions	31.12.2021	31.12.2020
Interest expense on foreign currency liabilities	6,551	14,991

1.5 Spreads on hedging transactions

Captions	Total 31.12.2021	Total 31.12.2020
A. Positive spreads on hedging transactions	80,623	58,050
B. Negative spreads on hedging transactions	(119,351)	(84,326)
C. Balance (A-B)	**(38,728)**	**(26,276)**

Section 2 – Commissions Captions 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	Total 31.12.2021	Total 31.12.2020
a) Financial instruments	280,820	154,974
1. Placement of securities	222,905	106,716
1.1 Through underwriting and/or on a firm commitment basis	-	-
1.2 Without firm commitment basis	222,905	106,716
2. Reception and transmission of orders and execution of orders on behalf of customers	17,228	12,957
2.1 Reception and transmission of orders for one or more financial instruments	-	-
2.2. Execution of orders on behalf of customers	17,228	12,957
3. Other commission income related to activities connected to financial instruments	40,687	35,301
of which: dealing on own account	668	638
of which: portfolio management	40,019	34,663
b) Corporate Finance	1,976	1,845
1. Mergers and acquisitions advisory	94	549
2. Treasury services	-	-
3. Other commission income related to corporate finance services	1,882	1,296
c) Investment advice	845	455
d) Clearing and settlement	-	-
e) Collective portfolio management	393,436	326,945
f) Custody and administration	40,284	36,961
1. Depositary bank	-	-
2. Other commission income related to custody and administration services	40,284	36,961
g) Central administrative services for collective portfolio management	-	-
h) Fiduciary services	-	-
i) Payment services	579,395	385,051
1. Current accounts	298,606	198,642
2. Credit cards	47,962	37,095
3. Debit cards and othe payment cards	97,044	59,416
4. Bank transfers and other payment orders	79,475	57,528
5. Other commission income related to payment services	56,308	32,370
j) Distribution of third-party services	206,088	85,442
1. Collective portfolio management	1,052	360
2. Insurance products	166,659	74,813
3. Other products	38,377	10,269
of which: individual portfolio management	9,426	-
k) Structured finance	7,447	2,765
l) Securitisation servicing	96	66
m) Commitments to disburse funds	-	-
n) Financial guarantees granted	41,663	30,335
of which: credit derivatives	-	-
o) Financing transactions	221,980	174,442
of which: factoring transactions	13,160	9,734
p) Currency dealing	11,718	7,367
q) Commodities	-	-
r) Other commission income	59,638	40,227
of which: management of multilateral trading facilities	-	-
of which: management of organised trading facilities	-	-
Total	**1,845,386**	**1,246,875**

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 Explanatory Notes.

2.2 Commission expense: breakdown

Type of services/Amounts	Total 31.12.2021	Total 31.12.2020
a) Financial instruments	2,016	1,278
of which: trading in financial instruments	1,922	1,186
of which: placement of financial instruments	44	14
of which: individual portfolio management	50	78
- Own portfolios	50	25
- Third party portfolios	-	53
b) Clearing and settlement	-	-
c) Collective portfolio management	135,683	118,789
1. Own portfolios	135,683	118,789
2. Third party portfolios	-	-
d) Custody and administration	5,134	4,225
e) Collection and payment services	34,248	26,488
of which: credit cards, debit cards and other payment cards	27,607	21,429
f) Securitisation servicing	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	1,862	1,224
of which: credit derivatives	-	-
i) “Out-of-branch” offer of financial instruments, products and services	9,506	9,245
j) Currency dealing	-	4
k) Other commsion expense	15,362	13,108
Total	**203,811**	**174,361**

Section 3 – Dividends and similar income Caption 70

3.1 Dividends and similar income: breakdown

Captions/Income	Total 31.12.2021		Total 31.12.2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	2,325	1	494	-
B. Other financial assets mandatorily measured at fair value	90	5,730	941	5,348
C. Financial assets measured at fair value through other comprehensive income	11,938	-	11,709	-
D. Equity investments	-	-	-	-
Total	**14,353**	**5,731**	**13,144**	**5,348**

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	**17,735**	**8,267**	**(4,366)**	**(3,061)**	**18,575**
1.1 Debt securities	4,436	2,426	(2,015)	(2,289)	2,558
1.2 Equity instruments	13,299	5,811	(2,338)	(772)	16,000
1.3 UCITS units	-	30	(13)	-	17
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**	**65,371**
4. Derivative instruments	**111,276**	**127,631**	**(104,701)**	**(99,268)**	**(16,455)**
4.1 Financial derivatives:	111,276	127,542	(104,669)	(98,778)	(16,022)
- on debt securities and interest rates	110,929	124,085	(103,293)	(85,713)	46,008
- on equities and stock indexes	347	981	(1,376)	(10,704)	(10,752)
- on currency and gold	X	X	X	X	(51,393)
- other	-	2,476	-	(2,361)	115
4.2 Credit derivatives	-	89	(32)	(490)	(433)
of which: natural hedges connected with the fair value option	X	X	X	X	-
Total	**129,011**	**135,898**	**(109,067)**	**(102,329)**	**67,491**

Section 5 – Net income from hedging activities Caption 90

5.1 Net income from hedging activities: breakdown

Income items/Amounts	Total 31.12.2021	Total 31.12.2020
A. Income from:		
A.1 Fair value hedging derivatives	327,392	20,204
A.2 Hedged financial assets (fair value)	1,421	217,307
A.3 Hedged financial liabilities (fair value)	14,582	944
A.4 Cash-flow hedging derivatives	85	24
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging activity (A)	**343,480**	**238,479**
B. Charges from:		
B.1 Fair value hedges	15,786	221,705
B.2 Hedged financial assets (fair value)	329,731	754
B.3 Hedged financial liabilities (fair value)	-	16,649
B.4 Cash-flow hedging derivatives	83	24
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedging activity (B)	**345,600**	**239,132**
C. Net income from hedging activities (A-B)	**(2,120)**	**(653)**
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 31.12.2021			Total 31.12.2020		
	Gains	Losses	Net result	Gains	Losses	Net result
Financial assets						
1. Financial assets measured at amortised cost	121,769	(36,057)	85,712	157,863	(27,350)	130,513
1.1 Loans to banks	-	(147)	(147)	6,397	(1)	6,396
1.2 Loans to customers	121,769	(35,910)	85,859	151,466	(27,349)	124,117
2. Financial assets measured at fair value through other comprehensive income	15,564	(76)	15,488	10,669	(313)	10,356
2.1 Debt securities	15,564	(76)	15,488	10,669	(313)	10,356
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**137,333**	**(36,133)**	**101,200**	**168,532**	**(27,663)**	**140,869**
Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities issued	2	(469)	(467)	1,425	(1,112)	313
Total liabilities (B)	**2**	**(469)**	**(467)**	**1,425**	**(1,112)**	**313**

The net result from "Financial assets measured at amortised cost" relating to customers includes the net profit on the sale of debt securities, € 104.2 million, and net losses on the disposal of loans, € 18.4 million.
The gains realised on the FVOCI portfolio mainly relate to the disposal of debt securities classified in the HTC&S portfolio.

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	**1,650**	**-**	**(74)**	**-**	**1,576**
1.1 Debt securities	1,650	-	(74)	-	1,576
1.2 Loans	-	-	-	-	-
2. Financial Liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities issued	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	X	X	X	X	-
Total	**1,650**	**-**	**(74)**	**-**	**1,576**

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	**23,968**	**50,169**	**(45,059)**	**(1,232)**	**27,846**
1.1 Debt securities	4,418	3,061	(4,779)	(553)	2,147
1.2 Equity instruments	3,425	39,889	-	(203)	43,111
1.3 UCITS units	16,125	7,219	(40,280)	(476)	(17,412)
1.4 Loans	-	-	-	-	-
2. Foreign currency financial assets: exchange differences	X	X	X	X	705
Total	**23,968**	**50,169**	**(45,059)**	**(1,232)**	**28,551**

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	Total
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	31.12.2021	31.12.2020
			Write-offs	Other	Write-offs	Other						
A. Loans to banks	**(1,538)**	**(3)**	**-**	**-**	**-**	**-**	**3,540**		**-**	**-**	**1,999**	**(5,726)**
- Loans	(1,291)	(3)	-	-	-	-	2,583	-	-	-	1,289	(5,023)
- Debt securities	(247)	-	-	-	-	-	957	-	-	-	710	(703)
B. Loans to customers	**(97,875)**	**(133,960)**	**(55,764)**	**(689,960)**	**(4,136)**	**(178,542)**	**971**	**372**	**263,275**	**56,426**	**(839,193)**	**(536,151)**
- Loans	(96,890)	(133,960)	(55,764)	(689,960)	(4,136)	(178,542)	111	372	263,275	56,426	(839,068)	(534,605)
- Debt securities	(985)	-	-	-	-	-	860	-	-	-	(125)	(1,546)
Total	**(99,413)**	**(133,963)**	**(55,764)**	**(689,960)**	**(4,136)**	**(178,542)**	**4,511**	**372**	**263,275**	**56,426**	**(837,194)**	**(541,877)**

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 31.12.2021	Total 31.12.2020
		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		(400)	(1,892)	-	(75)	-	(320)	**(2,687)**	**(18,903)**
2. Loans subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures		(2,165)	(1,561)	-	(1,454)	-	(229)	**(5,409)**	**(215)**
3. Loans subject to other forbearance measures		(145)	(20,493)	-	(8,448)	-	(2,233)	**(31,319)**	**169**
4. New loans		(926)	(3,274)	-	(1,003)	-	(319)	**(5,522)**	**(2,801)**
Total	**31.12.2021**	**(3,636)**	**(27,220)**	**-**	**(10,980)**	**-**	**(3,101)**	**(44,937)**	**(21,750)**
Total	**31.12.2020**	**1,078**	**(14,350)**	**-**	**(7,826)**	**-**	**(652)**	**(21,750)**	**-**

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 31.12.2021	Total 31.12.2020
	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	(3)	-	-	-	-	-	2,118	-	-	-	2,115	(362)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(3)	-	-	-	-	-	2,118	-	-	-	2,115	(362)

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 forborne exposures (performing and non-performing) or situations in which the contractual modification is linked to the borrowers 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, respectively, gains of Euro 428 thousand on the performing exposures and losses of Euro 2,465 thousand on the non-performing exposures.

Section 10 – Net insurance premiums Caption 160

There are no amounts to be disclosed in this section.

Section 11 – Other net insurance income (expense) Caption 170

There are no amounts to be disclosed in this section.

Section 12 – Administrative expenses Caption 190

12.1 Staff costs: breakdown

Type of costs/Amounts	Total 31.12.2021	Total 31.12.2020
1) Employees	**1,483,430**	**943,988**
a) wages and salaries	928,183	686,331
b) social security charges	240,661	180,437
c) termination indemnities	49,977	38,322
d) pension expenses	557	576
e) provision for employee termination indemnities	121	658
f) provision for pension and similar commitments:	368	1,111
- defined contribution plan	-	-
- defined benefit plans	368	1,111
g) payments to external supplementary pension funds:	27,805	20,513
- defined contribution plan	27,805	20,513
- defined benefit plans	-	-
h) costs from share-based payments	4,812	(356)
i) other employee benefits	230,946	16,396
2) Other not-retired employees	**34,975**	**7,207**
3) Directors and Statutory Auditors	**9,751**	**9,418**
4) Retired employees	**84**	**106**
Total	**1,528,240**	**960,719**

The caption "Other employee benefits" includes provisions for leaving incentives and the solidarity fund for a total of Euro 210 million; the agreement with the Trade Unions was entered into on 28 December 2021. This estimate was made by taking into account the pool of potential participants, quantified on the basis of Ecocert pension data collected for prior schemes, and applying an average opt-in percentage, likewise inferred from previous similar schemes.

12.2 Average number of employees by category

	31.12.2021	31.12.2020
Employees:	**16,616**	**12,710**
a) Managers	281	254
b) Middle managers	5,952	4,373
c) Remaining employees	10,383	8,083
Other personnel	**629**	**127**

12.2.1 Final number of employees by category: banking group

	31.12.2021	31.12.2020
Employees:	**18,128**	**13,177**
a) Managers	315	263
b) Total 3rd and 4th level middle managers	2,462	1,743
c) Total 1st and 2nd level middle managers	4,054	2,650
d) Remaining employees	11,297	8,521
Other personnel	**494**	**160**

The number of employees does not include staff on leave.

12.3 Defined benefit company pension funds: costs and revenues

Type of costs/Amounts	31.12.2021	31.12.2020
Provisions for defined-benefit pension plans	368	1,111

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	31.12.2021	31.12.2020
Other employee benefits	230,946	16,396

The caption "Other employee benefits" includes provisions for leaving incentives and the solidarity fund for a total of Euro 210 million, as a result of the agreement entered into with the Trade Unions on 28 December 2021, in addition to insurance premiums to cover the professional liability of staff.

12.5 Other administrative expenses: breakdown

Captions	31.12.2021	31.12.2020
Indirect taxes and duties	**266,647**	**157,185**
Stamp duty	220,380	132,873
Other indirect taxes with right of recourse	14,478	8,762
Municipal property tax	14,858	10,478
Other	16,931	5,072
Other costs	**778,508**	**570,006**
Maintenance and repairs	117,707	77,711
Rental expense	26,106	19,565
Post office, telephone and telegraph	25,008	19,049
Data transmission fees and use of databases	64,890	48,282
Advertising	34,370	20,714
Consulting and other professional services	118,502	109,296
Lease of IT hardware and software	62,894	32,505
Insurance	14,076	9,449
Cleaning of office premises	19,700	14,178
Printing and stationery	15,040	9,405
Energy and fuel	20,219	16,870
Transport	13,292	10,046
Staff training and expense refunds	12,489	7,843
Information and surveys	14,155	12,404
Security	11,032	9,256
Administrative services	24,739	15,533
Use of external data gathering and processing services	13,370	14,692
Membership fees	8,945	8,004
Condominium expenses	5,698	5,451
Contribution to SRF, DGS, IDPF-VS	133,699	88,182
Sundry other	22,577	21,571
Total	**1,045,155**	**727,191**

The caption "Contributions to SRF, DGS, IDPF-VS" includes the 2021 regular contribution to the SRF (European Single Resolution Fund) of € 34.9 million, the additional contribution of 11.3 million requested by the same fund for 2019 and the estimated 2021 regular contribution of € 87.6 million to the DGS (Deposit Guarantee Scheme).

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				31.12.2021	31.12.2020
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
Commitments to disburse funds	(1,487)	(1,996)	(19)	-	73	23	-	-	(3,406)	(619)
-	(277)	(151)	(10,592)	-	-	85	8,614	-	(2,321)	5,239
Total	**(1,764)**	**(2,147)**	**(10,611)**	**-**	**73**	**108**	**8,614**	**-**	**(5,727)**	**4,620**

13.2 Net provisions on other commitments and other guarantees granted: breakdown

Type of risks and charges	Impairment losses	Write-backs	31.12.2021	31.12.2020
Other guarantees granted	(10,402)	-	(10,402)	(11,002)
Other commitments	(5,469)	4,209	(1,260)	53
Total	**(15,871)**	**4,209**	**(11,662)**	**(10,949)**

13.3 Net provisions for other risks and charges: breakdown

Type of risks and charges	31.12.2021	31.12.2020
A. Provisions	**(58,226)**	**(31,236)**
1. for legal disputes	(45,402)	(26,552)
2. other	(12,824)	(4,684)
B. Write-backs	**13,467**	**16,536**
1. for legal disputes	11,315	12,142
2. other	2,152	4,394
Total	**(44,759)**	**(14,700)**

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	(133,027)	(33,743)	4,302	(162,468)
- Owned	(65,751)	(31,676)	4,302	(93,125)
- Rights of use acquired through leases	(67,276)	(2,067)	-	(69,343)
2. Held for investment	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leases	-	-	-	-
3. Inventories	X	(5,966)	-	(5,966)
Total	**(133,027)**	**(39,709)**	**4,302**	**(168,434)**

The change in the measurement method of property, plant and equipment from cost to the revaluation model for properties used in operations resulted in impairment losses for an amount of € 17.4 million and write-backs on prior periods' adjustments for an amount of € 4.3 million.
Other impairment losses on property, plant and equipment used in operations refer, for an amount of € 16.3 million, to hardware whose useful life is deemed to have reached the end of its useful life ahead of time and, for an amount of € 2 million, to rights of use acquired through leases deriving from the early closure of some branches.

Section 15 – Net adjustments to intangible assets
Caption 220

15.1 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	(64,738)	(34,572)	-	(99,310)
A.1 Owned	(73,734)	(37,949)	-	(111,683)
- Generated internally by the company	-	-	-	-
- Other	(73,734)	(37,949)	-	(111,683)
A.2 Rights of use acquired through leases	-	-	-	-
B. Assets held for sale	X	-	-	-
Total	**(73,734)**	**(37,949)**	**-**	**(111,683)**

The impairment test, carried out in accordance with IAS 36, made it necessary to completely write down the "core deposit" intangible asset coming from the PPA of Cassa di Risparmio di Bra for € 3.4 million, in addition to € 34.5 million worth of software whose useful life was 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	31.12.2021	31.12.2020
Amortisation of leasehold improvement expenditure	4,959	3,679
Out-of-period expense	3,695	1,911
Other expense	89,090	95,551
Total	**97,744**	**101,141**

The caption "Other expense" includes losses on clawbacks and lawsuits (€ 20.3 million), losses on loss data collection (€ 1.5 million), operating costs of SPVs (€ 7.9 million) and charges for the profit-sharing clause contained in the contract for the purchase of Nuova Carife (€ 11 million).

16.2 Other operating income: breakdown

Description/Amounts	31.12.2021	31.12.2020
Rental income	8,713	7,139
Recovery of taxes	232,298	139,969
Other income	95,460	123,524
Total	**336,471**	**270,632**

The caption "Other income" includes, among others, recoveries for the fast-track credit processing fee (€ 13.4 million), write-backs from collection of lawsuits and clawbacks (€ 14.1 million), recoveries on complaints and lawsuits (€ 3.3 million), recoveries of previous years' expenses (€ 9.2 million), income from debt positions paid out and closed (€ 6.7 million) and income from leased assets (€ 4.2 million).

Section 17 –Gains (Losses) on equity investments Caption 250

17.1 Gains (Losses) of equity investments: breakdown

Income items/Sectors	Total 31.12.2021	Total 31.12.2020
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	11,605	6,437
1. Revaluations	11,605	6,437
2. Gains on disposals	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Losses	(803)	(9,382)
1. Write-downs	(773)	(1,163)
2. Impairment losses	(7)	(8,172)
3. Losses from disposals	(23)	(47)
4. Other charges	-	-
Net result	**10,802**	**(2,945)**
Total	**10,802**	**(2,945)**

"Revaluations" and "Write-downs" reflect the results of the companies consolidated at equity.

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	Write-downs	Exchange differences		Net result
			Positive	Negative	
	(a)	(b)	(c)	(d)	(a-b+c-d)
A. Property, plant and equipment	**9,212**	**(73,667)**	**-**	**-**	**(64,455)**
A.1 Used in operations:	498	(35,695)	-	-	(35,197)
- Owned	498	(35,695)	-	-	(35,197)
- Rights of use acquired through leases	-	-	-	-	-
A.2 Held for investment	8,714	(37,972)	-	-	(29,258)
- Owned	8,714	(37,972)	-	-	(29,258)
- Rights of use acquired through leases	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
A. Intangible assets	**-**	**-**	**-**	**-**	**-**
B.1 Owned	-	-	-	-	-
B.1.1 Generated internally by the company	-	-	-	-	-
B.1.2 Other	-	-	-	-	-
B.2 Rights of use acquired through leases	-	-	-	-	-
Total	**9,212**	**(73,667)**	**-**	**-**	**(64,455)**

Section 19 – Impairment losses on goodwill
Caption 270

19.1 Impairment losses on goodwill: breakdown

Impairment testing carried out in accordance with IAS 36 identified the need to fully write-down the “goodwill” relating to the BPER Banca CGU 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 business units of the Intesa Sanpaolo Group. The amount determined at the end of the Purchase Price Allocation (PPA) process amounted to Euro 1,127.8 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 31.12.2021	Total 31.12.2020
A. Real estate	462	(20)
- Gains on disposal	671	394
- Losses on disposal	(209)	(414)
B. Other assets	234	(29)
- Gains on disposal	973	52
- Losses on disposal	(739)	(81)
Net Profit	**696**	**(49)**

Section 21 – Income taxes for the year on current operations Caption 300

21.1 Income taxes for the year on current operations: breakdown

Income components/Sectors	Total 31.12.2021	Total 31.12.2020
1. Current tax (-)	(91,718)	(42,691)
2. Change in current taxes of previous years (+/-)	26,843	2,258
3. Reduction in current taxes of the year (+)	-	52,971
3. bis Reductions in current taxes of the year due to tax credits pursuant to Law no. 214/2011 (+)	105,002	8,411
4. Changes in deferred tax assets (+/-)	(207,828)	35,184
5. 5.Changes in deferred tax liabilities (+/-)	33,479	9,058
6. Tax for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(134,222)**	**65,191**

"Income taxes for the year" were determined by applying the regulations in force at 31 December 2021.
This caption also includes the current tax burden on the badwill originating from the PPA recognised at 31 December 2021 following the acquisition of the UBI and ISP business units for an aggregate amount of Euro 310.2 million.
Tax is also influenced by the Group's decision to change the measurement method of properties from cost to fair value and the fact that, in line with its own accounting policy, at 31 December 2021, the requirements for accounting for DTAs potentially recognisable as a result of such a change have not been met.
During the year, there was a reduction in current taxes following the conversion of tax losses into tax credits under Law No. 214/2011 for € 92.5 million, offset in the income statement by the reversal of deferred tax assets recognised for the same amount.
Caption "Change in current taxes of previous years" refers to the payment of tax losses from the previous year as part of the tax consolidation regime for € 19.2 million.

21.2 Reconciliation of theoretical and actual tax charges

IRES		31.12.2021
Profit (loss) from current operations before tax		**692,871**
Negative components of the gross result definitively considered not relevant (+)		**357,120**
Non-deductible taxes (other than on income)	8,272	
Other non-deductible costs and expenses	10,130	
Impairment of equity investments	5,204	
Impairment of property, plant and equipment and intangible assets	292,305	
Profit sharing	18,597	
Fair value of properties	14,890	
Other	7,722	
Positive components of the gross result definitively considered not relevant (-)		**(76,903)**
Non-relevant portion of gains on disposal/measurement of securities	(15,322)	
Non-relevant portion of dividends	(51,053)	
Other	(10,528)	
Definitive increases not linked to elements of the gross result (+)		**1,054**
Definitive decreases not linked to elements of the gross result (-)		**(17,568)**
Basis of calculation of IRES shown in the income statement		**956,574**
A.C.E. deduction	(56,669)	
Basis of calculation		**899,905**
IRES tax rate		*27.50%*
Effective IRES		**247,474**
Tax Rate IRES		*35.72%*

IRAP		31.12.2021
Profit (loss) from current operations before tax		**692,871**
Negative components of the gross result definitively considered not relevant (+)		**710,561**
Non-deductible interest expense	306	
Non-deductible portion of depreciation/amortisation on assets used in business	26,528	
Other non-deductible administrative expenses	102,830	
Staff costs net of permitted deductions	195,273	
Net provisions for risks and charges	61,254	
Unified Municipal Tax (IMU)	13,595	
Losses of equity investments	5,197	
Valuation differences on property, plant and equipment and intangible assets measured at fair value	26,497	
Impairment of property, plant and equipment and intangible assets	275,508	
Other	3,573	
Positive components of the gross result definitively considered not relevant (-)		**(1,185,620)**
Non-relevant portion of dividends	(28,454)	
Other net impairment losses (caption 130 of the income statement)	(6,339)	
Other operating income	(13,626)	
Valuation differences on property, plant and equipment and intangible assets measured at fair value	(764)	
Gain on a bargain purchase	(1,127,847)	
Other	(8,590)	
Definitive increases not linked to elements of the gross result (+)		**65,811**
Negative value of production	65,206	
Other	605	
Definitive decreases not linked to elements of the gross result (-)		**(232,161)**
Negative net production value effect	(211,686)	
Recovery of non-relevant charges of prior periods	(18,861)	
Other	(1,614)	
Basis of calculation of IRAP shown in the income statement		**51,462**
Weighted average nominal rate of IRAP		*5.57%*
Effective IRAP		**2,866**
Tax rate IRAP		0.41%

Out-of-period IRES and IRAP	31.12.2021
Total impact	**(116,118)**
Impacts of tax losses	(79,868)
Change in IRES and IRAP DTA/DTL	(47,461)
Real estate Fair Value impact	6,894
Substitute tax	2,714
Other	1,603
Out-of-period IRES and IRAP tax rates and other taxes	*-16.76%*

Total tax on gross result	31.12.2021
IRES + IRAP	**134,222**
Overall tax rate	*19.37%*

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	31.12.2021	31.12.2020
Consolidated equity investments with significant minority interests	**33,558**	**24,990**
1. Banco di Sardegna s.p.a.	(431)	312
2. Bibanca s.p.a.	420	287
3. Arca Holding (*)	33,768	24,332
4. Emilia Romagna Factor s.p.a. (**)	-	45
5. Sardaleasing s.p.a.	(199)	14
Other equity investments	**(32)**	**11**
Total	**33,526**	**25,001**

(**) consolidation of the sub-holding company Arca Holding and its wholly-owned subsidiary, Arca Fondi SGR s.p.a.
(**) as at the end of the financial year, the Parent Company holds 100% of the Company’s share capital.

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.

	31.12.2021			31.12.2020		
	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)
Basic EPS	525,123	1,412,323,581	0.372	236,925	679,015,111	0.349
Diluted EPS	525,123	1,448,037,867	0.363	233,775	714,729,397	0.327

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)

	31.12.2021	31.12.2020
Weighted average number of outstanding ordinary shares for Base EPS calculation	1,412,323,581	679,015,111
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	1,448,037,867	714,729,397

25.2. Other information

	31.12.2021	31.12.2020
Profit (Loss) for the year	525,123	236,925
Allocations not attributable to the shareholders	-	-
Net profit for Basic EPS calculation	525,123	236,925
Change in income and charges deriving from conversion	-	(3,150)
Net profit for diluted EPS calculation	525,123	233,775

Part D – Consolidated other comprehensive Income

Consolidated detailed statement of other comprehensive income

	Captions	31.12.2021	31.12.2020
10.	**Profit (Loss) for the year**	**558,649**	**261,926**
	Other comprehensive income that will not be reclassified to profit or loss	**116,169**	**69,078**
20.	Equity instruments measured at fair value through other comprehensive income	41,632	70,788
	a) change in fair value	3,054	13,742
	b) transfer to other components of shareholders' equity	38,578	57,046
30.	Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)	-	-
	a) change in fair value	-	-
	b) transfer to other components of shareholders' equity	-	-
40.	Hedge of equity instruments measured at fair value through other comprehensive income:	931	(1,251)
	a) change in fair value (hedged instrument)	1,136	771
	b) change in fair value (hedging instrument)	(205)	(2,022)
50.	Property, plant and equipment	110,140	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(4,771)	6,125
80	Non-current assets and disposal groups classified as held for sale	-	-
90.	Share of the valuation reserves of equity investments carried at equity	4,691	(148)
100.	Income taxes relating to other comprehensive income that will not be reclassified to profit or	(36,454)	(6,436)
	Other comprehensive income that may be reclassified to profit or loss	**(36,327)**	**15,324**
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:	**469**	**(535)**
	a) changes in fair value	469	(535)
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	of which: net result of 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	(54,257)	23,313
	a) changes in fair value	(30,456)	25,172
	b) reclassification to profit or loss	(23,801)	(1,859)
	- impairment losses for credit risk	(2,115)	362
	- gains/losses on disposal	(21,686)	(2,221)
	c) other changes	-	-
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	17,461	(7,454)
190.	**Total other comprehensive income**	**79,842**	**84,402**
200.	**Other comprehensive income (Captions 10+190)**	**638,491**	**346,328**
210.	Consolidated other comprehensive income pertaining to Minority interests	35,178	24,998
220.	**Consolidated other comprehensive income pertaining to the Parent Company**	**603,313**	**321,330**

Part E - Information on risks and related hedging policies

Introduction

The following is a summary of how the Groups risk governance is organised, with its related processes and key functions that are also involved in the overall control system, highlighting the ways in which the spread of a "risk culture" is guaranteed in the BPER Banca Group. The role of the corporate bodies in the supervision of the corporate culture are explained, as are the objectives of the risk culture included in the corporate policies.

The Board of Directors of the Parent Company[76] has defined the principles governing the process for the development of the BPER Banca Group's internal control system (the "internal control system) by issuing and implementing the "Guidelines for the Group internal control system"[77], in line with the Regulations for the prudential supervision of banks (Bank of Italy Circular 285 of 17 December 2013 – "Supervisory Instructions for Banks" and subsequent updates).

Risk management (RAF)

The Risk Appetite Framework - RAF, forms part of the Groups internal control system and acts as a frame of reference, in terms of methodologies, processes, policies, controls and systems, designed to establish, communicate and monitor the Groups risk appetite, this being understood as the set of values that reflect the Groups risk objectives (or "risk appetite"), tolerance thresholds (or "risk tolerance"), as well as the related operational limits, in both ordinary and stress conditions, which the Group intends to respect in pursuing its strategic guidelines, defining consistency levels and the maximum risk that it is able to take on ("risk capacity").
The BPER Group identifies the Risk Appetite Framework (RAF) as the strategic guidance tool to guide the synergistic governance of risk strategic planning, management and control activities, constituting a reference framework for the monitoring of the risk profile that the Group intends to assume in the implementation of its business strategies.

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. It is also a key element to:

- strengthen the ability to govern business risks, facilitating the development and dissemination of an integrated risk culture;
- ensure alignment between strategic guidelines and the levels of risk assumed, through the formalisation of consistent objectives and limits;
- developing a rapid and effective monitoring and communication system for the risk profile assumed.

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

Lastly, 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 and, if appropriate, handle the necessary communications to the Corporate Bodies and subsequent remedies.

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[76] 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.
[77] Last update approved by Board of Directors of the Parent Company on 29 November 2016.

The Groups risk appetite is expressed :

- in specific areas of analysis defined in accordance with the Supervisory Provisions (capital adequacy, liquidity and measures that reflect risk capital or economic capital) and the expectations and interests of other Group stakeholders;
- through summary indicators (RAF metrics) that represent regulatory constraints and the risk profile defined in accordance with the capital adequacy verification process and risk management processes. The RAF metrics are defined at Group level and can be adapted to individual risks of strategic importance for the Bank and other relevant analysis axes identified in the strategic planning process.

The process of preparing and updating the RAF defines the roles and responsibilities of the corporate bodies and functions involved, adopting coordination mechanisms that ensure the effective inclusion of risk appetite within operational activities. In particular, the Group reconciles the RAF, business model, strategic plan, ICAAP and budget in a consistent manner via a complex system of coordination mechanisms.
In line with the structure of the RAF process, at its meeting on 16 March 2021, the Parent Company's Board of Directors defined the Risk Appetite Statement of the BPER Group. This formalises the risk appetite at an overall Group level through quantitative indicators that are consistent with the processes of assessing capital adequacy and the adequacy of the Group's liquidity, and with the risk management processes and qualitative indications for risks that are subject to specific frameworks of assessment.
Subsequently, a check of the consistency of the RAF thresholds was carried out compared to the most updated forecasts which consider, inter alia, the results of the first quarter, more analytical information on the Gemini branch and the update of the applicable macroeconomic scenario. Following said assessment, the Board of Directors of the Parent Company, at the meeting of 8 July 2021, decided on certain changes to the calibration of the thresholds in place for 2021, while simultaneously confirming the structure of the set of indicators included in the RAF.
The RAF is periodically updated and reviewed according to the evolution of the risk and business strategy and of the regulatory and competitive context in which the Group operates.

Development of the internal control system

The Parent Company manages the Groups internal control system through a cyclical 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 Bodies[78].

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 threshold (where identified) and risk governance;

[78] 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").

- 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.

More specifically, the Board of Directors of the Parent Company, with the assistance of the Control and Risks Committee and on proposal of BPER Bancas CEO, establishes and approves for the Group as a whole and for its components:

- the business model;
- the Corporate Control Functions and other control functions,
- 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 corporate 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 process for approving new products and services, the launch of new activities, entering new markets (known collectively as Product Approval);
- Group policy for outsourcing business functions.

The Parent Companys 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.

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 companys financial reports, after consultation with the Control and Risk Committee, the Nominations Committee, the Board of Statutory Auditors and the Chief Executive Officer[79].
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 gives the Chief Executive Officer - through the delegation of authority - adequate powers and resources in order to implement the strategic guidelines, the RAF and the risk governance policies. The Board of Directors is also 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.

[79] The Chief Executive Officer only intervenes for the appointment of the heads of Internal Audit, Compliance and Risk Control.

The Board of Directors of each Group Company shall implement 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 Companys 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 Groups internal control system [80], identifying possible improvements and defining the steps needed to correct any weaknesses.

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.

The Parent Company sends a report to the Supervisory Authority once a year that contains: i) the audits carried out by Internal Audit and the findings that emerged on the Parent Company and the Group Companies; ii) the shortcomings and related corrective actions for the Internal Control System.
In this context, the Internal Audit Function prepares a “Comprehensive assessment of the Internal Control Systems” which capitalises on the results of the activities carried out by the Control Functions.

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), with a set timing 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;

[80] *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".*

- 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 minimum control objectives foreseen, by proposing organisational and procedural interventions to ensure adequate protection from any risks of non-compliance and monitoring their implementation. This activity is 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 Model 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. They are performed by the production structures themselves (e.g. hierarchical, systematic and random controls), also through units dedicated exclusively to control duties that report to the heads of the operating structures or carried out as part of the back office activities; as far as possible, they are incorporated into IT procedures.

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 the Parent Company and the Group Companies.
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.

In general terms, the Groups internal control system delegates second - and third-level Control Functions of the Italian Group companies to the Parent Company, as laid down in the "Group Guidelines - Internal Control System".
Foreign companies for which the centralised organisational model is partially derogated according to internal regulations or those for which the Board of Directors of the Parent Company approves such a derogation are exceptions to this general principle.
The banks and companies governed by Italian law with Internal Audit Functions, as at the date of this document, have all outsourced the Internal Audit Function to the Parent Company with the exception of Arca Fondi S.p.A. SGR.

Risk Management Function

The Risk Management Function 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 an adequate risk management process.
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 Guidelines - Internal Control System” provide 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 company[81].
The mission of the Risk Management Function is carried out as part of the Parent Companys 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 approach[82] because of the specific nature of the companys 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 subsidiarys 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 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 tools 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 RAF, collaborating in the definition of operating limits for the assumption of various types of risk and constantly verifying their adequacy and compliance, 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 Groups 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, ratifying[83] 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;

[81] *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."*
[82] *Part of the Group since 22 July 2019.*
[83] *Through the Model Validation Office.*

- 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 Functions 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 Companys guidance and coord ination 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 Groups 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 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 Groups 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 Groups 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 Groups 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.

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.
It assists the Corporate Bodies and Organisational Units of the Parent Company and Group Companies in pursuing the objectives of compliance by promoting the spread of a corporate culture based on the principles of integrity, fairness and compliance with the spirit and letter of the regulatory framework, as an essential element for a company to function properly.
It assesses the risk of non-compliance arising from innovative projects that the Group intends to undertake, including the launch of new products or services, and operating in new markets or with new types of customers.
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.
In line with its mission, it extends the scope of its guidance, control and coordination activities to all Group companies. Italian Group companies with this function outsource their regulatory compliance activities to the Parent Company, while the Group bank based in Luxembourg, Arca Holding and Arca Fondi SGR 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 responsibilities:

- 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 minimum control objectives foreseen for the Companies concerned, and verifies that the planning of Compliance activities of the individual companies that did not outsource this function to the Parent Company applies them;
- 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 the guidance and coordination processes and to the processes of the companies that do not have this function, in order to ensure adequate control over the non-compliance risks that have been identified and to monitor that it is carried out.

Line controls

Line controls (so-called "first-level controls") are designed to ensure that operations are carried out properly; these controls also include those that contribute to the creation of an internal accounting control system, understood as a set of controls that form part of the individual administrative and accounting procedures in order to have reasonable assurance that the recording and processing of data and the production of information have been performed correctly. They are performed by the same operating structures (e.g. hierarchical controls) or incorporated into procedures, or carried out as part of back-office activities.

Other control functions

In addition to the levels of control laid down by Supervisory Regulations, the regulations governing self-regulation necessitate the allocation of control duties to specific functions other than corporate control

functions - or to board committees, the activities of which are consistent with the internal control system.
Specifically, the control functions identified within the Group are:

- the Manager responsible for preparing the Companys financial reports;
- Supervisory Bodies pursuant to Legislative Decree 231/2001.

Manager responsible for preparing the Company's financial reports

In compliance with Law 262/2005, which added art. 154-*bis* to Section V bis of Legislative Decree 58/98, the BPER Group has appointed a Manager responsible for preparing the Companys financial reports, whose task pursuant to the above article is to ensure the reliability of the separate and consolidated financial statements, the financial disclosures made, the separate and consolidated reports made to the supervisory authorities and all other financial communications.

For the process of appointing the Manager responsible for preparing the Companys financial reports, reference should be made to the Articles of Association[84], 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 Companys financial reports* ".
Art. 38, 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 38, paragraph 2 of the Articles of Association provides that "The Manager responsible for preparing the Companys financial reports shall be appointed from among the Companys managers who have held management responsibility for accounting and administrative matters for at least three years"

The Manager responsible for preparing the Companys financial reports of the BPER Banca Group is identified inside the Group as a control function and its organisational placement is at the first level of management, so that he/she can report at the same hierarchical level with the other corporate executives; he/she is supported by the Financial Reporting Monitoring Service, a properly-sized unit with respect to the complexity of the company and the group, and independent from the function in charge of preparing the economic and financial reporting.

The Manager responsible for preparing the Companys financial reports has the duty to govern and supervise the "Control Model for Financial Reporting" and the Financial Reporting Monitoring Service, an organisational unit directly reporting to him/her, is in charge of the related planning, implementation and maintenance of the "Control Model for financial reporting" 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, registered or not with the banking Group.

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[84] In order to appoint the Manager responsible for preparing the Companys financial reports, re ference is not made to the provisions contained in Circular 285 of 17 December 2013 - 34th 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

The financial reporting control 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 Companys financia l 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 his/her mission, theManager Responsible for preparing the Companys financial reports makes use of the Financial Reporting Monitoring Office and 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 Companys 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 2021 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 companys 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, Bper Credit Management, Optima SIM, Nadia, Sifà, EmilRo Factor, 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.

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 2021 is 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 and 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 l, as later amended.

The disclosure at 31 December 2021 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.

Section 1 - Risks of consolidation accounting

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		566,150	932,651	94,478	727,648	118,973,985	121,294,912
2. Financial assets measured at fair value through other comprehensive income		17	-	-	-	6,379,345	6,379,362
3. Financial assets designated at fair value		-	-	-	-	125,098	125,098
4. Other financial assets mandatorily measured at fair value		-	106	-	-	157,009	157,115
5. Financial assets held for sale		791	1,382	144	914	87,730	90,961
Total	**31.12.2021**	**566,958**	**934,139**	**94,622**	**728,562**	**125,723,167**	**128,047,448**
Total	**31.12.2020**	**726,749**	**1,293,853**	**109,628**	**460,912**	**83,837,288**	**86,428,430**

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	124,595	486,132	194	74,175	2,319,900

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	4,019,989	2,426,710	1,593,279	376,414	120,161,887	460,254	119,701,633	121,294,912
2. Financial assets measured at fair value through other comprehensive income	22	5	17	-	6,382,104	2,759	6,379,345	6,379,362
3. Financial assets designated at fair value	-	-	-	-	X	X	125,098	125,098
4. Other financial assets mandatorily measured at fair value	106	-	106	-	X	X	157,009	157,115
5. Financial assets held for sale	4,368	2,051	2,317	128	89,290	646	88,644	90,961
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**
Total 31.12.2020	**4,342,967**	**2,212,737**	**2,130,230**	**302,916**	**84,167,823**	**194,165**	**84,298,200**	**86,428,430**

Portfolios/quality	Low credit quality assets		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	3,898	4,900	230,827
2. Hedging derivatives	-	-	178,108
Total 31.12.2021	**3,898**	**4,900**	**408,935**
Total 31.12.2020	**313**	**400**	**274,064**

Details of counterparties	Total write-offs	
	31.12.2021	31.12.2020
Financial companies	16,019	6,304
- of which: financial and non resident companies	-	-
Non-financial companies	342,749	275,200
- of which: non financial and non resident companies		29
Households	17,774	21,412
- of which: non resident households	3	75
Total	**376,542**	**302,916**
- of which: non resident	**3**	**104**

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	
	31.12.2021	31.12.2020
Financial companies	10,252	284
- of which: financial and non resident companies		7
Non-financial companies	156,163	69,061
- of which: non financial and non resident companies	621	114
Households	35,054	35,703
- of which: non resident households	205	64
Public administrations		134
- of which: non resident Public Administrations	-	-
Total	**201,469**	**105,182**
- of which: non resident	**826**	**185**

The amounts shown above are gross of default interest.

B. Information on structured entities (other than securitisation vehicles)

B.1 Consolidated structured entities

At 31 December 2021, 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 Consolidated structured entities for regulatory purpose

At 31 December 2021, 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

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 2021 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	114,450	-	-	114,450	114,450	-
3. Other companies							
	FVOCI	6	-		6	-	(6)
		-	Due to customers	178	(178)		178

Section 2 - Risk of prudential consolidation

1.1 Credit risk

The Groups organisation provides for centralisation of the credit risk control function at the Parent Company.

Qualitative information

1. General aspects

Italy's economic growth in the course of 2021 continued at sustained rates, with GDP up 6.5%, despite the persistence of uncertainties connected with the progress of the vaccination campaigns and the spread of new variants of Covid19.
After the widespread slowdown in economic activities noted in the third quarter, signs of a more stable recovery emerged at the end of last year. However, the resurgence of the pandemic and ongoing bottlenecks in the supply of products and services pose risks for growth. Inflation has increased further almost everywhere, influenced especially by the increases in energy products intermediate supply-chain products and the recovery of internal demand.
On the other hand, GDP sharply decelerated in the euro zone at the turn of the year due to the increase in infections and the ongoing tensions in the supply chain which are hindering the manufacturing industry. Inflation reached its peak since the beginning of the monetary union due to the exceptional increases in the energy component, especially gas which is also being affected in Europe by geopolitical factors. Inflation, however, is projected to decline gradually over the course of 2022, to 3.2% on average this year and 1.8% in 2023-24, down from 4.2% in December.
In Autumn, the increase in loans to non-financial companies was confirmed to be weak, reflecting the low demand for new loans, including on the back of the widespread availability of liquidity set aside in the past two years. The expansion of loans to households continues at a sustained rate. The terms of the lending offer remain accommodative. The impairment rates for banking assets, even though slightly up, are still at very contained levels and the portion of performing loans for which banks have recognised a significant increase in credit risk has fallen.
GDP, which was 1.3 percentage points below pre-pandemic levels at the end of last Summer, is expected to return to pre-pandemic status by around mid-year. Growth is expected to continue at a strong pace, even though less intense than observed following reopening in mid-2021. On average for the year, GDP is set to increase by 3.8% in 2022, 2.5% in 2023 and 1.7% in 2024. Employment levels are expected to grow more gradually and get back to pre-crisis levels byt the end of 2022.
Growth prospects are subject to multiple risks, and are mainly trending downwards. In the short term, the uncertainty surrounding the forecast picture is related to healthcare conditions and tensions in the supply of products and services, which could last longer than expected and have stronger effects on the real economy. In the medium term, the forecasts still depend on full implementation of the spending programmes included in the budget law and the complete and timely implementation of the measures provided for by the PNRR (national recovery and resilience plan).

2. Credit risk management policies

Based on the economic recovery under way at macro-economic level, the expected contribution from the NRRP (national recovery and resilience plan) and the easing of social distancing measures, discussed in the previous paragraph, the BPER Banca Group approved a partial revision to the sectoral guidelines of its credit policy in the summer months of 2021, and therefore its asset allocation targets, with the objective of supporting growth. 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;

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.

In view of the Group’s strategic objectives and operations, the general risk management strategy is 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.

Management objectives and impacts deriving from the Covid-19 pandemic

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, a forward-looking approach was adopted with the aim of:

- incorporating the sectoral and micro-sectoral forecasts for 2021-22;
- assessing the resilience of individual companies finances by applying simulations of stress due to the health crisis;
- extending portfolio segmentation to the various branches of the economy in order to intercept dissimilar micro-sector dynamics within the same business areas;
- favouring the use of state measures and the "consolidation" operations established by the Liquidity Decree;
- 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.).

2.1 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 13[85] creditworthiness classes differentiated by risk segment. All of the Parent Companys 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

[85] Except for the Large Corporate model, which has 9 classes.

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 Groups customers.

The estimation of LGD (Loss Given Default: representing 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).

Major activities carried out in 2021 included:

- following approval of the “Return to Compliance Plan” on 9 April 2021, the Bank sent its application requests to the Supervisory Authority in June for authorisation to use the new AIRB models to calculate capital requirements and their extension to the exposures acquired from UBI Banca;
- in line with the planning agreed with the Supervisory Authority, work continued with a view to resolving the findings contained in the final Decision Letter relating to the “Targeted Review of Internal Models” (TRIM inspection activity started in 2018 and concluded in March 2019);
- updating the IFRS 9 framework by calibrating the IFRS 9 risk parameters on the basis of the New Definition of Default; revision of the PD satellite models and SICR framework;

In addition to indicating the principles of governance, assumption and management of credit risk, the Group Credit Risk Governance Policy defines the BPER Banca Groups 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, Regional Division, 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, 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 Bra[86] 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".

For 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) recognised by the Supervisory Authority. In particular, the Group used the Cerved Rating for "Exposures to companies," the Scope Ratings AG Rating for "Exposures to central administrations or central banks", the Fitch Rating for "Financial Instruments" lodged in guarantee and "Exposures to UCITS" and the Standard & Poor's Rating for "Exposures to securitisation".

2.3 Method 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,

[86] *Subsequently absorbed by BPER Banca in July 2020.*

appropriately modified to ensure that they fully comply with IFRS 9. Information about the impairment models and related risk parameters is provided in 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;
- 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 Group considers the following macroeconomic indicators to be the most useful for calibrating the PD and LGD risk parameters:

- inflation-adjusted GDP, which is the most frequent regressor in the PD satellite model (following the theory that the default rate has a close positive correlation with the related global economic index);
- the home price index, which is a statistically-significant indicator for determining the point-in-time LGD on impaired mortgaged-based exposures;
- the FTSE MIB, which is a statistically-significant indicator for determining the point-in-time LGD on impaired loans measured under IFRS 9 that are assisted by financial guarantees.

Modifications due to Covid-19

In accordance with the considerations already made in Part A.1, section 5 - Other aspects of the Explanatory Notes, given the ongoing uncertainty due to the continuing pandemic emergency situation at the reporting date of 31 December 2021, the Group decided to apply an Overlay approach to update the IFRS 9-related Expected Credit Loss (ECL) including on the basis of the results of the sensitivity analysis carried out on the probability of occurrence of the adverse scenario (adopted in its “extreme adverse” version), weighing it at 100%. This is to capture in the provision made in December 2021 the best estimate of the risk of a deterioration in credit quality inherent in the portfolio due to the economic crisis triggered by the Covid-19 pandemic and not yet fully intercepted by the ordinary monitoring and classification systems used by the BPER Banca Group.

The operational mechanisms to update the ECL as at 31 December 2021, as described in detail in Part A, makes it hardly relevant to present a sensitivity analysis of the impairment provision for changes in the macroeconomic scenarios considered.

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 the CRR (EU Reg. 575/2013). 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 letters of patronage. 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

As part of the update of financial forecasts carried out by the Board of Directors of the Parent Company on 5 August 2020[87], the strategic lines of development already included in the BEST WAY Plan were confirmed, including significant reductions in the portfolio of non-performing loans. This update, confirming the strategic development lines of the original plan, duly took account of the change in the current and prospective macroeconomic scenario resulting from the Covid-19 pandemic and considered the definition of the extraordinary transactions which had not been originally planned.

[87] *A further update of the financial forecasts was approved by the Board of Directors on 29 September 2020, to reflect the most recent forecasts on the timing of execution of the agreements with Intesa Sanpaolo, initially assumed to be by the end of 2020.*

It is also worth noting that 2021 saw the updating of the Groups NPE Plan, as well as important achievements in reducing the NPL portfolio (see paragraph 3.3 - Progress of de-risking in the Report on operations).

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 acquisition of the business units from Ubi Banca and Intesa Sanpaolo, the 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 theneed 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.

During the first half of 2021, the BPER Banca Group updated its analytical valuation policies for NPLs by introducing a more prudential valuation model for guarantees. This was also to take into account the more uncertain conditions for the enforcement of guarantees, as a consequence of the current economic situation.

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-offs"), 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 debtors 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 Groups 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 debtors 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 debtors financial difficulty has been established, the conditions fo r 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).

Please refer to the content of Part A, Section 5 - Other aspects, regarding the accounting treatment of the moratoria granted to customers affected by the economic consequences of the Covid-19 pandemic.

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	383,619	163	4	133,614	163,913	37,261	21,272	64,068	655,915	26,783	25,416	273,654
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	45	-	-	66	626	177	12	70	653	-	66	588
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
Total 31.12.2020	269,413	-	-	113,001	54,599	18,366	19,649	49,583	1,024,048	33,100	49,301	394,252

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	**944**	**72,396**	**3,427**	**72**	**-**	**74,588**	**-**	**112,460**	**1,446**	**209**	**-**	**111,568**
Increases in purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Net impairment losses for credit risk (+/-)	1,216	87,594	(1,006)	-	-	85,481	-	139,626	(1,112)	-	-	138,739
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly through profit or loss	-	(69)	-	-	-	(69)	-	(80)	-	-	-	(80)
Other changes	(838)	12,725	4	94	-	11,985	-	22,164	-	263	-	22,413
Total closing adjustments	**1,322**	**172,646**	**2,425**	**166**	**-**	**171,985**	**-**	**274,170**	**334**	**472**	**-**	**272,640**
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 at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment losses
Total opening adjustments	**-**	**1,587,621**	**8**	**401**	**1,565,380**	**-**	**626,843**	**-**	**1,076**	**122,486**	**500,354**
Increases in purchased or originated financial assets	-	-	-	-	-	-	X	X	X	X	X
Derecognitions other than write-offs	-	(47,637)	-	-	(47,637)	-	(11,998)	-	-	(11,998)	-
Net impairment losses for credit risk (+/-)	-	414,991	(3)	-	412,793	-	121,946	-	-	8,071	113,880
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	(223,915)	-	-	(223,915)	-	(8,810)	-	-	(9,145)	-
Other changes	-	(66,396)	-	476	(58,609)	-	47,502	-	110	(920)	49,207
Total closing adjustments	**-**	**1,664,664**	**5**	**877**	**1,648,012**	**-**	**775,483**	**-**	**1,186**	**108,494**	**663,441**
Recoveries from financial assets subject to write-off	-	7,530	-	-	7,060	-	-	-	-	-	-
Write-offs recognised directly through profit or loss	-	55,764	-	-	55,566	-	4,136	-	-	335	3,801

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	**9,485**	**2,329**	**29,294**	**-**	**2,448,011**
Increases in purchased or originated financial assets	-	-	-	-	-
Derecognitions other than write-offs	-	-	-	-	(59,635)
Net impairment losses for credit risk (+/-)	1,691	2,039	1,997	-	768,979
Contractual modifications without derecognition	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	-	-	-	(232,874)
Other changes	2,722	2,374	5,246	-	26,446
Total closing adjustments	**13,898**	**6,742**	**36,537**	**-**	**2,950,927**
Recoveries from financial assets subject to write-off	-	-	-	-	7,530
Write-offs recognised directly through profit or loss	-	-	-	-	59,900

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		3,474,363	3,024,987	262,132	156,254	255,136	42,115
2. Financial assets measured at fair value through other comprehensive income		2,221	-	106	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees granted		1,091,467	747,174	74,306	23,337	47,592	12,143
Total	**31.12.2021**	**4,568,051**	**3,772,161**	**336,544**	**179,591**	**302,728**	**54,258**
Total	**31.12.2020**	**4,116,651**	**2,813,024**	**250,515**	**120,820**	**245,610**	**55,077**

A.1.3a Prudential consolidation - Loans subject to Covid-19 support measures: transfers between different credit risk stages (gross values)

Portfolios/quality		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
A. Loans measured at amortised cost		**704,104**	**236,252**	**14,552**	**7,559**	**18,360**	**5,304**
A.1 Subject to forbearance measures compliant with GL		39,050	27,688	97	170	157	-
A.2 Subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures		29,193	23,432	889	83	1,989	78
A.3 Subject to other forbearance measures		125,511	-	5,861	719	1,417	-
A.4 New loans		510,350	185,132	7,705	6,587	14,797	5,226
B. 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	**31.12.2021**	**704,104**	**236,252**	**14,552**	**7,559**	**18,360**	**5,304**
Total	**31.12.2020**	**879,219**	**321,960**	**24,334**	**8,652**	**17,611**	**1,637**

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 impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
A.1. ON DEMAND	**600,814**	**600,814**	**-**	**-**	**-**	**1,322**	**1,322**	**-**	**-**	**-**	**599,492**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	600,814	600,814	-	X	-	1,322	1,322	-	X	-	599,492	-
A.2 OTHER	**31,138,028**	**31,103,978**	**34,050**	**-**	**-**	**9,163**	**9,059**	**104**	**-**	**-**	**31,128,865**	**-**
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	2,719	43	2,676	X	-	3	-	3	X	-	2,716	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	31,135,309	31,103,935	31,374	X	-	9,160	9,059	101	X	-	31,126,149	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**31,738,842**	**31,704,792**	**34,050**	**-**	**-**	**10,485**	**10,381**	**104**	**-**	**-**	**31,728,357**	**-**
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1,579,107	1,579,107	-	X	-	92	92	-	X	-	1,579,015	-
TOTAL (B)	**1,579,107**	**1,579,107**	**-**	**-**	**-**	**92**	**92**	**-**	**-**	**-**	**1,579,015**	**-**
TOTAL (A+B)	**33,317,949**	**33,283,899**	**34,050**	**-**	**-**	**10,577**	**10,473**	**104**	**-**	**-**	**33,307,372**	**-**

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	2,013,629	X	-	1,683,035	330,593	1,446,670	X	-	1,206,363	240,307	566,959	376,542
- of which: forborne exposures	353,366	X	-	253,362	100,004	228,771	X	-	166,389	62,382	124,595	62,177
b) Unlikely-to-pay loans	1,883,097	X	-	913,267	969,830	948,958	X	-	428,992	519,966	934,139	-
- of which: forborne exposures	1,000,414	X	-	330,442	669,972	514,282	X	-	153,247	361,035	486,132	-
c) Non-performing past due exposures	127,759	X	-	117,240	10,520	33,138	X	-	30,191	2,947	94,621	-
- of which: forborne exposures	242	X	-	242	-	48	X	-	48	-	194	-
d) Performing past due exposures	745,185	385,434	350,248	X	9,503	19,339	1,646	17,264	X	429	725,846	-
- of which: forborne exposures	80,782	-	78,252	X	2,530	6,607	-	6,506	X	101	74,175	-
e) Other performing exposures	95,127,542	87,211,297	7,594,640	X	321,605	435,157	164,508	257,606	X	13,043	94,692,385	-
- of which: forborne exposures	2,434,879	-	2,267,320	X	167,559	114,979	-	105,826	X	9,153	2,319,900	-
TOTAL (A)	**99,897,212**	**87,596,731**	**7,944,888**	**2,713,542**	**1,642,051**	**2,883,262**	**166,154**	**274,870**	**1,665,546**	**776,692**	**97,013,950**	**376,542**
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	364,255	X	-	364,255	-	41,984	X	-	41,984	-	322,271	-
b) Performing	35,574,945	33,347,909	2,227,036	X	-	47,081	36,692	10,389	X	-	35,527,864	-
TOTAL (B)	**35,939,200**	**33,347,909**	**2,227,036**	**364,255**	**-**	**89,065**	**36,692**	**10,389**	**41,984**	**-**	**35,850,135**	**-**
TOTAL (A+B)	**135,836,412**	**120,944,640**	**10,171,924**	**3,077,797**	**1,642,051**	**2,972,327**	**202,846**	**285,259**	**1,707,530**	**776,692**	**132,864,085**	**376,542**

As at 31 December 2021, 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 77,964 million. Net of portfolio adjustments for Euro 447 million, the net exposure totalled Euro 77,517 million; the average coverage ratio is therefore 0.57%.

At the same date, non-performing loans to customers, limited to the portion measured at amortised cost, amounted to a gross exposure of Euro 4,024 million. lNet of impairment losses for Euro 2,429 million, the net exposure totalled Euro 1,595 million; the average coverage ratio for this cluster of loans is therefore 60.35%.

	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)	**4,019,989**	**2,101,174**	**325,534**	**1,593,280**	**92,663,278**	**452,322**	**92,210,956**
Governments and other public entities	14,675	5,715	908	8,052	14,936,311	8,162	14,928,149
- of which: foreign	3,786	2,358	-	1,428	4,417,184	236	4,416,948
Financial companies	130,485	96,799	1,717	31,969	5,260,514	24,076	5,236,439
- of which: foreign	34,237	34,094	37	106	915,324	621	914,703
Non-financial companies	2,939,768	1,737,573	136,124	1,066,071	38,311,583	280,830	38,030,752
- of which: foreign	15,864	8,147	369	7,348	876,944	1,838	875,106
Privates and households	935,061	261,087	186,785	487,188	34,154,870	139,254	34,015,616
- of which: foreign	23,461	16,264	890	6,307	85,165	394	84,771

The figures in the table above refer to caption 40 b) at 31 December 2021.

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	**46**	**-**	**-**	**31**	**15**	**44**	**-**	**-**	**29**	**15**	**2**	**-**
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	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	6	-	-	6	-	4	-	-	4	-	2	-
d) New loans	40	-	-	25	15	40	-	-	25	15	-	-
B. UNLIKELY TO PAY LOANS	**66,593**	**-**	**-**	**57,265**	**9,328**	**18,607**	**-**	**-**	**16,216**	**2,391**	**47,986**	**-**
a) Subject to forbearance measures compliant with GL	598	-	-	173	425	298	-	-	60	238	300	-
b) Subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	7,581	-	-	7,339	242	3,013	-	-	2,937	76	4,568	-
c) Subject to other forbearance measures	31,499	-	-	28,305	3,194	13,524	-	-	12,369	1,155	17,975	-
d) New loans	26,915	-	-	21,448	5,467	1,772	-	-	850	922	25,143	-
C. NON-PERFORMING PAST DUE LOANS	**6,397**	**-**	**-**	**6,309**	**88**	**247**	**-**	**-**	**247**	**-**	**6,150**	**-**
a) Subject to forbearance measures compliant with GL	81	-	-	81	-	15	-	-	15	-	66	-
b) Subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	410	-	-	410	-	70	-	-	70	-	340	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	5,906	-	-	5,818	88	162	-	-	162	-	5,744	-
D. OTHER PERFORMING PAST DUE LOANS	**48,838**	**7,734**	**40,837**	**-**	**267**	**3,721**	**9**	**3,706**	**-**	**6**	**45,117**	**-**
a) Subject to forbearance measures compliant with GL	17	-	17	-	-	-	-	-	-	-	17	-
b) Subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	874	279	595	-	-	18	3	15	-	-	856	-
c) Subject to other forbearance measures	21,995	-	21,958	-	37	3,568	-	3,565	-	3	18,427	-
d) New loans	25,952	7,455	18,267	-	230	135	6	126	-	3	25,817	-
E. OTHER PERFORMING LOANS	**7,801,524**	**6,382,481**	**1,378,866**	**-**	**40,177**	**37,983**	**5,640**	**30,327**	**-**	**2,016**	**7,763,541**	**-**
a) Subject to forbearance measures compliant with GL	168,557	114,045	54,342	-	170	2,384	467	1,899	-	18	166,173	-
b) Subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	521,224	456,835	57,354	-	7,035	4,704	2,781	1,716	-	207	516,520	-
b) Subject to other forbearance measures	403,162	-	376,166	-	26,996	24,277	-	22,528	-	1,749	378,885	-
d) New loans	6,708,581	5,811,601	891,004	-	5,976	6,618	2,392	4,184	-	42	6,701,963	-
TOTAL (A+B+C+D+E)	**7,923,398**	**6,390,215**	**1,419,703**	**63,605**	**49,875**	**60,602**	**5,649**	**34,033**	**16,492**	**4,428**	**7,862,796**	**-**

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)	**2,076,411**	**2,125,247**	**141,309**
- of which: sold but not derecognised	-	-	-
B. Increases	**1,086,231**	**1,451,480**	**139,421**
B.1 inflows from performing exposures	14,304	537,852	100,919
B.2 inflows from purchased or originated credit impaired financial assets	332,746	332,837	14,275
B.3 transfers from other non-performing exposures	153,337	37,764	2,363
B.4 contractual modifications without derecognition	-	-	-
B.5 other increases	585,844	543,027	21,864
C. Decreases	**1,149,014**	**1,693,630**	**152,970**
C.1 outflows to performing exposures	248	186,795	68,405
C.2 write-offs	201,470	62,758	422
C.3 recoveries	153,414	650,665	34,872
C.4 sales proceeds	238,185	264,595	-
C.5 losses on disposals	23,123	12,787	-
C.6 transfers to other non-performing exposures	192	145,842	47,430
C.7 contractual modifications without derecognition	-	-	-
C.8 other decreases	532,382	370,188	1,841
D. Closing balance (gross amounts)	**2,013,628**	**1,883,097**	**127,760**
- of which: sold but not derecognised	-	-	-

Item B.2 "inflows from purchased or originated credit-impaired financial assets" refers exclusively to the acquisition of the business unit from the Intesa Sanpaolo Group.
During the course of 2021, non-performing loan disposals (explained more fully in para. 3.3 – "Progress of de-risking" in the Consolidated Report on Operations) were completed for an amount of over euro 1 billion.

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)	**1,505,015**	**543,822**
- of which: sold but not derecognised	-	-
B. Increases	**1,122,996**	**2,431,298**
B.1 inflows from performing non-forborne exposures	243,394	2,155,491
B.2 inflows from performing forborne exposures	36,201	X
B.3 inflows from non-performing forborne exposures	X	75,688
B.4 inflows from non-performing non forborne exposure	3	2
B.4 other increases	843,398	200,117
C. Decreases	**1,273,989**	**459,459**
C.1 outflows to performing non-forborne exposures	X	98,149
C.2 outflows to performing forborne exposures	75,688	X
C.3 outflows to non-performing forborne exposures	X	36,201
C.4 write-offs	38,594	-
C.5 recoveries	404,826	324,111
C.6 sales proceeds	409,420	-
C.7 losses on disposal	18,233	-
C.8 other decreases	327,228	998
D. Closing balance (gross amounts)	**1,354,022**	**2,515,661**
- 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 these Consolidated financial statements.

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	**1,349,662**	**192,884**	**831,394**	**417,341**	**31,681**	**1**
- of which: sold but not derecognised	-	-	-	-	-	-
B. Increases	**949,292**	**85,573**	**882,297**	**378,661**	**27,471**	**50**
B.1 impairment losses on purchased or originated impaired financial assets	-	X	-	X	55	X
B.2. other value adjustments	363,401	37,850	532,647	363,302	25,808	2
B.3 losses on disposal	23,123	3,277	12,787	14,956	-	-
B.4 transfers from other non-performing exposure	60,959	9,989	7,682	8	604	2
B.5 contractual modifications without derecognition	-	-	-	-	-	-
B.6 other increases	501,809	34,457	329,181	395	1,004	46
C. Decreases	**852,284**	**49,686**	**764,733**	**281,720**	**26,014**	**3**
C.1 write-backs from assessment	42,800	8,682	215,599	45,250	14,170	2
C.2 write-backs from recoveries	38,680	5,167	32,146	26,799	661	-
C.3 gains on disposal	11,511	270	6,017	-	-	-
C.4 write-offs	201,470	18,198	62,758	20,396	422	-
C.5 transfers to other non-performing exposures	129	7	58,645	9,989	10,471	-
C.6 contractual modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	557,694	17,362	389,568	179,286	290	1
D. Closing balance: total impairment provisions	**1,446,670**	**228,771**	**948,958**	**514,282**	**33,138**	**48**
- 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	5,498,327	4,397,408	10,344,881	2,410,305	190,789	40,950	101,299,214	124,181,874
- Stage 1	5,498,327	4,379,211	10,243,858	2,034,431	150,984	4,951	89,666,769	111,978,531
- Stage 2	-	18,197	93,682	335,091	39,367	16,606	7,349,624	7,852,567
- Stage 3	-	-	4,028	27,823	71	2,514	2,676,488	2,710,924
- purchased or originated credit impaired	-	-	3,313	12,960	367	16,879	1,606,333	1,639,852
B. Financial assets measured at fair value through other comprehensive income	1,986,598	1,220,325	1,183,515	89,429	17,932	-	1,884,327	6,382,126
- Stage 1	1,966,497	1,178,040	1,130,567	89,429	17,932	-	1,884,177	6,266,642
- Stage 2	20,101	42,285	52,948	-	-	-	128	115,462
- Stage 3	-	-	-	-	-	-	22	22
- purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. Financial assets classified as held for sale	-	-	-	499	-	-	93,161	93,660
- Stage 1	-	-	-	125	-	-	78,262	78,387
- Stage 2	-	-	-	374	-	-	10,212	10,586
- Stage 3	-	-	-	-	-	-	2,490	2,490
- purchased or originated credit impaired	-	-	-	-	-	-	2,197	2,197
Total (A + B + C)	**7,484,925**	**5,617,733**	**11,528,396**	**2,500,233**	**208,721**	**40,950**	**103,276,702**	**130,657,660**
D. Commitments to disburse funds and financial guarantees granted	383,952	2,619,887	946,321	1,285,793	16,709	11,412	32,254,233	37,518,307
- Stage 1	383,952	2,603,833	913,881	1,155,748	9,686	505	29,859,412	34,927,017
- Stage 2	-	16,054	30,985	101,612	7,023	650	2,070,712	2,227,036
- Stage 3	-	-	1,455	28,433	-	10,257	324,109	364,254
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	**383,952**	**2,619,887**	**946,321**	**1,285,793**	**16,709**	**11,412**	**32,254,233**	**37,518,307**
Total (A + B + C + D)	**7,868,877**	**8,237,620**	**12,474,717**	**3,786,026**	**225,430**	**52,362**	**135,530,935**	**168,175,967**

The following rating agencies are used: Cerved Group for exposure to companies, Scope Ratings for exposures to central administrations, Fitch Ratings and Standard & Poor's for exposures deriving from securitisations.
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 and there is a reconciliation between the external ratings and the agencies ratings.

Long-term rating for exposures to companies:

Class of creditworthiness	Risk weighting coefficients	ECAI Cerved Group
1	20%	A1.1, A1.2, A1.3
2	50%	A2.1, A2.2, A3.1
3	100%	B1.1, B1.2
4	100%	B2.1, B2.2
5	150%	C1.1
6	150%	C1.2, C2.1

Long-term rating for exposures to securitisations:

Class of creditworthiness	Risk weighting coefficients	ECAI Fitch Ratings
1	20%	from AAA to AA-
2	50%	from A+ to A-
3	100%	from BBB+ to BBB-
4	350%	from BB+ to BB-
5	1250%	less than BB-

Class of creditworthiness	Risk weighting coefficients	ECAI Scope Ratings
1	20%	from AAA to AA-
2	50%	from A+ to A-
3	100%	from BBB+ to BBB-
4	350%	from BB+ to BB-
5	1250%	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							
	1	2	3	4	5	6	7	8
A. Financial assets measured at amortised cost	15,020,887	10,828,298	14,019,284	13,048,763	10,719,204	8,227,031	4,707,514	2,522,579
- Stage 1	14,936,187	10,740,015	13,568,361	12,191,508	9,326,156	6,715,334	3,725,268	1,477,545
- Stage 2	77,277	78,396	419,905	807,738	1,343,030	1,477,595	951,574	996,520
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	7,423	9,887	31,018	49,517	50,018	34,102	30,672	48,514
B. Financial assets measured at fair value through other comprehensive income	637,140	73,382	564,874	614,667	570,135	1,652,980	590,112	326,493
- Stage 1	622,082	73,382	559,776	609,624	563,370	1,640,655	566,916	287,198
- Stage 2	15,058	-	5,098	5,043	6,765	12,325	23,196	39,295
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. Financial assets classified as held for sale	14,591	12,011	13,074	13,936	15,312	6,205	3,064	3,736
- Stage 1	14,379	11,981	12,464	13,429	14,151	5,027	2,407	2,734
- Stage 2	212	30	609	507	1,093	1,011	584	1,002
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	1	-	68	167	73	-
Total (A + B + C)	**15,672,618**	**10,913,691**	**14,597,232**	**13,677,366**	**11,304,651**	**9,886,216**	**5,300,690**	**2,852,808**
D. Commitments to disburse funds and financial guarantees granted	10,940,608	6,887,395	5,560,961	4,957,658	1,925,092	2,905,434	397,660	441,185
- Stage 1	10,936,741	6,871,943	5,323,589	4,524,554	1,618,890	2,328,857	202,049	217,753
- Stage 2	3,867	15,452	237,372	433,104	306,202	576,577	195,611	223,432
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	**10,940,608**	**6,887,395**	**5,560,961**	**4,957,658**	**1,925,092**	**2,905,434**	**397,660**	**441,185**
Total (A + B + C + D)	**26,613,226**	**17,801,086**	**20,158,193**	**18,635,024**	**13,229,743**	**12,791,650**	**5,698,350**	**3,293,993**

(cont.)

Exposures	Internal rating classes					Total
	9	10	11	12	13	
A. Financial assets measured at amortised cost	10,332,359	556,331	585,384	62,713	80,751	90,711,098
- Stage 1	9,956,876	71,298	337,744	-	-	83,046,292
- Stage 2	363,027	462,331	240,910	61,039	78,924	7,358,266
- Stage 3	-	79	-	-	-	79
- Purchased or originated credit impaired	12,456	22,623	6,730	1,674	1,827	306,461
B. Financial assets measured at fair value through other comprehensive income	724,092	121,482	258,780	8,078	11,033	6,153,248
- Stage 1	715,409	121,482	258,780	8,078	11,033	6,037,785
- Stage 2	8,683	-	-	-	-	115,463
- Stage 3	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-
C. Financial assets classified as held for sale	3,265	365	640	349	191	86,739
- Stage 1	1,581	-	-	-	-	78,153
- Stage 2	1,684	356	640	349	191	8,268
- Stage 3	-	-	-	-	-	-
- Purchased or originated credit impaired	-	9	-	-	-	318
Total (A + B + C)	**11,059,716**	**678,178**	**844,804**	**71,140**	**91,975**	**96,951,085**
D. Commitments to disburse funds and financial guarantees granted	61,220	41,731	53,492	2,364	11,540	34,186,340
- Stage 1	25,605	231	37	1	8	32,050,258
- Stage 2	35,615	41,482	50,545	2,363	11,532	2,133,154
- Stage 3	-	18	2,910	-	-	2,928
- Purchased or originated credit impaired	-	-	-	-	-	-
Total (D)	**61,220**	**41,731**	**53,492**	**2,364**	**11,540**	**34,186,340**
Total (A + B + C + D)	**11,120,936**	**719,909**	**898,296**	**73,504**	**103,515**	**131,137,425**

	With internal rating	Unrated	Total
On-balance-sheet exposures	96,951,085	33,706,575	130,657,660
Off-balance-sheet exposures	34,186,340	3,331,967	37,518,307
Total	**131,137,425**	**37,038,542**	**168,175,967**

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 Groups 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)	
							Credit derivatives	
								Other derivatives
			Property - mortgages	Property - Finance leases	Securities	Other collateral	CLN	Central counterparties
1. Guaranteed on-balance sheet credit exposures:	**408,887**	**408,884**	**-**	**-**	**397,804**	**-**	**-**	**-**
1.1 fully guaranteed	408,887	408,884	-	-	397,804	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**59,061**	**59,052**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 fully guaranteed	37,778	37,771	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially guaranteed	21,283	21,281	-	-	-	-	-	-
- 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							
	Banks	Other financial companies	Other entities	Public Administrations	Banks	Other financial companies	Other entities	
1. Guaranteed on-balance-sheet credit exposures:	**-**	**-**	**-**	**9,293**	**-**	**-**	**213**	**407,310**
1.1 fully guaranteed	-	-	-	9,293	-	-	213	407,310
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**20,021**	**-**	**-**	**31,409**	**51,430**
2.1 fully guaranteed	-	-	-	20,021	-	-	17,750	37,771
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	13,659	13,659
- 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)	
							Credit derivatives	
			Property - mortgages	Property - Finance leases	Securities	Other collateral	CLN	Other derivatives
								Central counterparties
1. Guaranteed on-balance sheet credit exposures:	**57,573,090**	**55,590,910**	**34,238,015**	**1,996,589**	**1,189,659**	**2,111,754**	**-**	**-**
1.1 fully guaranteed	49,676,096	47,962,084	33,744,778	1,996,589	887,327	1,960,516	-	-
- of which non-performing	2,607,244	1,230,123	878,101	123,080	6,462	34,113	-	-
1.2 partially guaranteed	7,896,994	7,628,826	493,237	-	302,332	151,238	-	-
- of which non-performing	396,900	160,853	52,790	-	11,769	910	-	-
2. Guaranteed off-balance sheet credit exposures:	**5,650,702**	**5,628,000**	**40,931**	**-**	**247,441**	**305,589**	**-**	**-**
2.1 fully guaranteed	4,820,994	4,800,583	40,419	-	185,392	246,633	-	-
- of which non-performing	76,588	58,611	169	-	2,198	2,889	-	-
2.2. partially guaranteed	829,708	827,417	512	-	62,049	58,956	-	-
- of which non-performing	9,595	7,946	-	-	444	404	-	-

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							
	Banks	Other financial companies	Other entities	Public Administrations	Banks	Other financial companies	Other entities	
1. Secured on-balance sheet credit exposures:	**-**	**-**	**-**	**6,995,105**	**68,054**	**320,401**	**6,849,529**	**53,769,106**
1.1 fully guaranteed	-	-	-	3,136,866	56,032	284,406	5,861,818	47,928,332
- of which non-performing	-	-	-	35,812	10,879	6,344	135,181	1,229,972
1.2 partially guaranteed	-	-	-	3,858,239	12,022	35,995	987,711	5,840,774
- of which non-performing	-	-	-	26,869	-	1,464	37,384	131,186
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**210,352**	**17,504**	**207,344**	**4,303,440**	**5,332,601**
2.1 fully guaranteed	-	-	-	124,927	13,825	195,673	3,995,049	4,801,918
- of which non-performing	-	-	-	849	6,871	1,223	44,412	58,611
2.2. partially guaranteed	-	-	-	85,425	3,679	11,671	308,391	530,683
- of which non-performing	-	-	-	380	-	-	4,999	6,227

A.4 Prudential consolidation - 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	**90,079**	**90,079**	**31,860**	**58,219**	**16,195**
A.1. Used in operations	-	-	-	-	-
A.2. Held for investment	90,079	90,079	31,860	58,219	16,195
A.3. Inventories	-	-	-	-	-
B. Equity instruments and debt securities	-	-	-	-	-
C. Other assets	-	-	-	-	-
D. Non-current assets and disposal groups classified as held for sale	-	-	-	-	-
D.1. Property, plant and equipment	-	-	-	-	-
D.2. Other assets	-	-	-	-	-
Total 31.12.2021	90,079	90,079	31,860	58,219	16,195
Total 31.12.2020	70,466	(70,466)	31,303	39,163	(9,556)

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		1,917	1,389	10,516	56,977	-	6
- of which: forborne exposures		216	185	7,028	11,815	-	-
A.2 Unlikely-To-Pay loans		2,726	3,464	20,943	41,313	-	-
- of which: forborne exposures		191	145	19,250	27,649	-	-
A.3 Non-performing past due exposures		3,409	1,769	510	226	-	-
- of which: forborne exposures		-	-	-	-	-	-
A.4 Performing exposures		15,719,163	8,287	6,597,990	24,866	182,227	203
- of which: forborne exposures		5,731	109	31,694	1,721	-	-
Total (A)		**15,727,215**	**14,909**	**6,629,959**	**123,382**	**182,227**	**209**
B. Off-balance sheet credit exposures							
B.1 Non-performing exposures		37,280	-	24,989	50	-	-
B.2 Performing exposures		1,070,172	263	1,358,676	1,094	60,818	2
Total (B)		**1,107,452**	**263**	**1,383,665**	**1,144**	**60,818**	**2**
Total (A+B)	**31.12.2021**	**16,834,667**	**15,172**	**8,013,624**	**124,526**	**243,045**	**211**
Total (A+B)	**31.12.2020**	**14,609,768**	**18,250**	**7,498,343**	**140,734**	**219,175**	**35**

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		427,562	1,159,313	126,964	228,991
- of which: forborne exposures		89,450	178,858	27,901	37,913
A.2 Unlikely-To-Pay loans		618,773	708,635	291,697	195,546
- of which: forborne exposures		323,956	395,281	142,735	91,207
A.3 Non-performing past due exposures		20,643	6,540	70,059	24,603
- of which: forborne exposures		183	47	11	1
A.4 Performing exposures		39,009,250	281,756	34,091,828	139,587
- of which: forborne exposures		1,706,840	99,521	649,810	20,235
Total (A)		**40,076,228**	**2,156,244**	**34,580,548**	**588,727**
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures		248,201	40,783	11,801	1,151
B.2 Performing exposures		28,632,190	34,993	4,466,826	10,731
Total (B)		**28,880,391**	**75,776**	**4,478,627**	**11,882**
Total (A+B)	**31.12.2021**	**68,956,619**	**2,232,020**	**39,059,175**	**600,609**
Total (A+B)	**31.12.2020**	**43,667,547**	**1,898,812**	**25,321,061**	**390,229**

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		562,280	1,405,286	4,662	40,992	17
A.2 Unlikely-To-Pay loans		925,163	928,457	5,598	16,320	1,948
A.3 Non-performing past due exposures		93,084	32,867	1,521	260	7
A.4 Performing exposures		86,797,209	450,477	6,100,246	3,481	1,587,676
Total (A)		**88,377,736**	**2,817,087**	**6,112,027**	**61,053**	**1,589,648**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures		321,369	41,981	902	3	-
B.2 Performing exposures		35,247,598	46,708	237,658	360	42,115
Total (B)		**35,568,967**	**88,689**	**238,560**	**363**	**42,115**
Total (A+B)	**31.12.2021**	**123,946,703**	**2,905,776**	**6,350,587**	**61,416**	**1,631,763**
Total (A+B)	**31.12.2020**	**83,840,062**	**2,390,225**	**5,120,407**	**53,781**	**1,236,765**

B.2 Prudential consolidation - Breakdown by geographical area of on- and off-balance sheet credit exposures to customers

(cont.)

Exposures/Geographical areas	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	376	-	9	-	7
A.2 Unlikely-To-Pay loans	1,821	1	1	1,429	2,359
A.3 Non-performing past due exposures	5	5	4	4	2
A.4 Performing exposures	383	378,892	103	554,208	52
Total (A)	**2,585**	**378,898**	**117**	**555,641**	**2,420**
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	-	-	-	-	-
B.2 Performing exposures	13	243	-	250	-
Total (B)	**13**	**243**	**-**	**250**	**-**
Total (A+B) 31.12.2021	**2,598**	**379,141**	**117**	**555,891**	**2,420**
Total (A+B) 31.12.2020	**1,370**	**333,145**	**103**	**566,340**	**2,546**

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 exposure	Total impairment provisions	Net exposure	Gross exposure	Total impairment provisions	Net exposure	Gross exposure	Total impairment provisions	Net exposure
Total	**81,009,676**	**(2,808,451)**	**78,201,225**	**808,168**	**(59,947)**	**748,221**	**40,519**	**(2,295)**	**38,224**
Stage 1	68,904,134	(156,703)	68,747,431	722,804	(2,024)	720,780	35,357	(68)	35,289
Stage 2	7,837,924	(273,766)	7,564,158	10,203	(346)	9,857	988	(24)	964
Stage 3	2,675,850	- 1,634,522	1,041,328	29,013	- 26,870	2,143	2,247	- 895	1,352
Purchased or originated credit-impaired financial assets	*1,591,768*	*- 743,460*	*848,308*	*46,148*	*- 30,707*	*15,441*	*1,927*	*- 1,308*	*619*

(cont.)

Exposures/Geographical area	Asia			Rest of the world		
	Gross exposure	Total impairment provisions	Net exposure	Gross exposure	Total impairment provisions	Net exposure
Total	**26,461**	**(76)**	**26,385**	**10,294**	**(2,396)**	**7,898**
Stage 1	26,088	(46)	26,042	6,067	(10)	6,057
Stage 2	354	(16)	338	422	(15)	407
Stage 3	19	(14)	5	3,795	(2,363)	1,432
Purchased or originated credit-impaired financial assets	-	-	-	*10*	*- 8*	*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		71,245	214,627	123,621	314,581	89,060	196,388	278,354	679,690
A.2 Unlikely-To-Pay loans		227,494	216,581	219,489	275,678	182,367	172,533	295,813	263,665
A.3 Non-performing past due exposures		24,423	7,872	15,119	5,804	13,753	5,385	39,789	13,806
A.4 Performing exposures		25,728,888	159,418	21,451,685	85,854	21,190,796	79,431	18,425,840	125,774
Total (A)		**26,052,050**	**598,498**	**21,809,914**	**681,917**	**21,475,976**	**453,737**	**19,039,796**	**1,082,935**
B. Off-balance sheet credit exposures									
B.1 Non-performing exposures		48,497	8,446	163,501	20,559	29,674	8,091	79,697	4,885
B.2 Performing exposures		14,727,459	27,085	10,104,621	10,564	5,413,036	3,554	5,002,482	5,505
Total (B)		14,775,956	35,531	10,268,122	31,123	5,442,710	11,645	5,082,179	10,390
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**
Total (A+B)	**31.12.2020**	**13,046,482**	**335,657**	**30,581,014**	**742,873**	**19,753,906**	**354,568**	**20,458,660**	**957,127**

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 exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely-To-Pay loans		-	-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-	-
A.4 Performing exposures		22,633,738	8,603	7,428,628	1,713	168,320
Total (A)		**22,633,738**	**8,603**	**7,428,628**	**1,713**	**168,320**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures		-	-	-	-	-
B.2 Performing exposures		527,926	5	437,092	38	78,554
Total (B)		**527,926**	**5**	**437,092**	**38**	**78,554**
Total (A+B)	**31.12.2021**	**23,161,664**	**8,608**	**7,865,720**	**1,751**	**246,874**
Total (A+B)	**31.12.2020**	**10,869,390**	**9,494**	**6,538,034**	**3,979**	**212,383**

B.3 Prudential consolidation – Breakdown by geographical area of on- and off-balance sheet credit exposures to banks

(cont.)

Exposures/Geographical areas	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 exposures	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-
A.4 Performing exposures	31	128,333	59	1,369,338	79
Total (A)	**31**	**128,333**	**59**	**1,369,338**	**79**
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	-	-	-	-	-
B.2 Performing exposures	5	451,198	37	84,245	7
Total (B)	**5**	**451,198**	**37**	**84,245**	**7**
Total (A+B) 31.12.2021	**36**	**579,531**	**96**	**1,453,583**	**86**
Total (A+B) 31.12.2020	**36**	**513,867**	**147**	**1,193,534**	**131**

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	2,024,290	2,851	211,017	147	20,394,088	5,605	4,343	-
Total (A)	**2,024,290**	**2,851**	**211,017**	**147**	**20,394,088**	**5,605**	**4,343**	**-**
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	227,933	2	289,640	3	6,295	-	4,058	-
Total (B)	227,933	2	289,640	3	6,295	-	4,058	-
Total (A+B) 31.12.2021	**2,252,223**	**2,853**	**500,657**	**150**	**20,400,383**	**5,605**	**8,401**	**-**
Total (A+B) 31.12.2020	**1,926,107**	**4,282**	**452,046**	**148**	**8,485,591**	**5,064**	**5,546**	**-**

B.4 Large exposures

	31.12.2021	31.12.2020
a) Book value	25,644,186	18,479,039
b) Weighted value	5,074,902	4,590,357
c) Number	14	9

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 2020, there are 14 "large exposures" for an overall amount of € 25,644 million, corresponding to € 5,075 million after CRM and exemptions under art. 400 CRR. Of these, repurchase agreements account for € 5,099 million and € 286.1 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 € 15,143 million, € 1,430 million after CRM and exemptions.
The rest is made up of leading European and world companies/banks (for € 10,502 million - € 3,644 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: 31.12.2021	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

Reference date: 31.12.2020	Amount of the exposure	Amount of the exposure after CRM and exemptions under art. 400 CRR
First 5 exposures	15,267,549	3,430,441
First 10 exposures	19,111,399	4,590,357
First 20 exposures	23,053,667	6,924,512

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 transactions[88] are outstanding at 31 December 2021:

- Sardegna no. 1
- Italian Credit Recycle
- Restart
- 4 Mori Sardegna
- AQUI SPV
- Spring SPV
- Summer SPV
- Grogu SPV (execution of the "Skywalker" sale project)
- Grecale 2015
- Pillarstone
- Sestante no. 2
- Sestante no. 3

The following securitisations were closed in 2021:

- SME Grecale 2017

[88] *The information report provided on the so-called "Self-securitisations" is provided in paragraph 1.4 – Liquidity risk, below*

Sardegna no. 1

The special purpose vehicle has issued three types of bonds, equalling the amount of the assets sold:

Disposal date:	31 December 1997
Seller:	Banco di Sardegna S.p.A.
Special purpose vehicle:	"Sardegna No. 1 Limited", with registered offices in Jersey.
Servicer:	Banco di Sardegna S.p.A.
Issue date of securities	31 December 1997
Type of transaction	Traditional
Organisational structure	The responsible central offices provide a detailed quarterly report on the collections made during the period to Senior Management and the Group secretariat.
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	Mortgage loans, Government securities
Quality of assets securitised	Non-performing
Amount of securitised assets	Mortgage loans of Euro 79.4 million and government securities of Euro 309.9 million, together totalling Euro 389.3 million.
Disposal price of securitised assets	The mortgage loans had a carrying amount of Euro 90.2 million; the difference (Euro 10.8 million) with respect to the disposal price (Euro 79.4 million) was charged to the income statement in the year of disposal.
Guarantees and credit lines granted by the bank	Non-performing loans are guaranteed by voluntary or judgement mortgages and represent a group of similar assets, as required by Art. 58 of the Consolidated Banking Law.
Guarantees and credit lines granted by third parties	-
Ancillary financial transactions	-
Analysis by business sector	Not provided for non-performing loans since this would not be significant given their nature (the businesses concerned may have closed, be bankrupt or subject to other forms of court-supervised arrangements).
Analysis by geographical area	Italy. Coincides with the originator bank that sold the loans, since the operations of the bank are regional.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2021	Rating Moodys	S&P rating
-	Senior	Dec-02	233,600	-	Aa1	AA
XS0083054394	Mezzanine	Dec-03	136,200	-	n.r.	n.r.
XS0083054550	Junior	Dec-20	19,500	-	n.r.	n.r.
Total			**389,300**	**-**		

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
Servicer:	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 31.12.2021
IT0005274565	Senior	Dec-37	22,400	-
IT0005274573	Junior	Dec-37	18,600	10
Total			**41,000**	**10**

The securities were placed with institutional investors on issue and, for a residual part, were subscribed by BPER Banca (€ 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 31.12.2021
IT0005274532	Senior	Dec-37	18,200	1,280
IT0005274540	Junior	Dec-37	14,800	12,570
Total			**33,000**	**13,850**

The securities were placed with institutional investors on issue and, for a residual part, were subscribed by BPER Banca (€ 1.8 million).

4 Mori Sardegna S.r.l. (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	7 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	21 June 2017
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 31.12.2021	Rating DBRS	Rating Scope
IT0005337446	Senior	Jan-37	232,000	160,235	BBB	BBB+
IT0005337479	Mezzanine	Jan-37	13,000	13,000	B	B
IT0005337487	Junior	Jan-37	8,000	8,000	n.r.	n.r.
Total			**253,000**	**181,235**		

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% (€ 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:	2 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 (TV)
Servicer:	Prelios Credit Servicing s.p.a., as Servicer.
Issue date of securities	7 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 31.12.2021	Rating Scope	Rating Moodys
IT0005351330	Senior	Oct-38	544,700	363,713	BBB	Baa3
IT0005351348	Mezzanine	Oct-38	62,900	62,900	n.r.	n.r.
IT0005351355	Junior	Oct-38	10,852	10,852	n.r.	n.r.
Total			**618,452**	**437,465**		

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% (€ 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:	1 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)
Servicer:	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 31.12.2021	Rating Scope	Rating Moodys
IT0005413197	Senior	Sep-40	320,000	194,877	BBB	Baa1
IT0005413213	Mezzanine	Sep-40	20,000	20,000	n.r.	n.r.
IT0005413221	Junior	Sep-40	3,400	3,400	n.r.	n.r.
Total			**343,400**	**218,277**		

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% (€ 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 (TV)
Servicer:	- 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 31.12.2021	Rating Scope	Rating Moodys
IT0005432445	Senior	Oct-40	85,400	71,194	BBB	Baa2
IT0005432452	Mezzanine	Oct-40	10,000	10,000	n.r.	n.r.
IT0005432460	Junior	Oct-40	1,000	1,000	n.r.	n.r.
Total			**96,400**	**82,194**		

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% (€ 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 (TV)
Servicer:	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 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 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 31.12.2021	Rating Scope	Rating Moodys	Rating DBRS
IT0005473852	Senior	Jan-42	460,000	187,680	187,680	BBB+	Baa1	BBB
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**	**188,275**			

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% (€ 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.
BPER Banca does not hold any interest in the companies indicated above.
None of the securities issued by the SPV have a rating.
This loan has been derecognised for financial reporting and prudential supervisory purposes, as the requirements of IFRS 9 (IAS 39 at the time of the transaction) were satisfied.
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 9,259 thousand is equal to the amount of the restructured loan signed 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:	3 December 2004
Seller:	Meliorbanca S.p.a.
Special purpose vehicle:	Sestante Finance s.r.l., based in Via Mario Carucci 131, Rome
Servicer:	Italfondiario Spa
Issue date of securities	3 December 2004
Type of transaction	Traditional
Organisation	Italfondiario 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:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2021
IT0003760136	Senior	Jul-42	575,300	42,600
IT0003760193	Mezzanine	Jul-42	34,400	34,400
IT0003760227	Mezzanine	Jul-42	15,600	15,600
IT0003760243	Mezzanine	Jul-42	21,900	496
IT0003760284	Junior	Jul-42	6,253	6,253
Total			**653,453**	**99,349**

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:	Meliorbanca S.p.a.
Special purpose vehicle:	Sestante Finance s.r.l., based in Via Mario Carucci 131, Rome
Servicer:	Italfondiario Spa
Issue date of securities	16 December 2005
Type of transaction	Traditional
Organisation	Italfondiario 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 31.12.2021
IT0003937452	Senior	Jul-45	791,900	107,165
IT0003937486	Mezzanine	Jul-45	47,350	47,350
IT0003937510	Mezzanine	Jul-45	21,500	21,500
IT0003937569	Mezzanine	Jul-45	30,150	20,652
IT0003937551	Junior	Jul-45	8,610	8,610
Total			**899,510**	**205,277**

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:	SME Grecale RMBS 2015 s.r.l., based in Piazza della Costituzione, 2 Bologna (BO)
Servicer:	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 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 31.12.2021	Rating Fitch	Rating DBRS
IT0005143836	Senior	Dec-67	573,500	56,169	AA+	AAA
IT0005143844	Mezzanine	Dec-67	58,100	58,100	A	A
IT0005143851	Mezzanine	Dec-67	29,000	29,000	BBB	BBB+
IT0005143869	Junior	Dec-67	65,378	65,378	n.r.	n.r.
Total			**725,978**	**208,647**		

Grecale 2017

On 12 November 2021, BPER Banca completed the repurchase of the loan portfolio originally sold to the vehicle company. The repurchase refers to a portfolio of land and mortgage loans for a residual debt of approximately Euro 284 million.
This was announced by publication in the Official Gazette (OG Second Part, no. 137 of 18 November 2021) and to the contracting parties.

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	**977,995**	**1,939**	**5,910**	**-**	**401**	**-**
- performing residential mortgages	1,930	7	323	-	-	-
- non-performing residential mortgages	213,291	422	499	-	154	-
- performing non-residential mortgages						
- non-performing non-residential mortgages	414,609	821	656	-	119	-
- performing leases						
- non-performing leases	23	-	680	-	-	-
- other performing loans						
- other non-performing loans	348,142	689	3,752	-	128	-
- performing securities	-	-	-	-	-	-
- non performing securities	-	-	-	-	-	-
B. Partially derecognised	-	-	-	-	-	-
C. Not derecognised	-	-	-	-	-	-

(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	**2,503**	**14**	**-**	**-**	**-**	**-**
- performing residential mortgages	2,503	14	-	-	-	-
- 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	-	-	-	-	-	-

The table shows the on-balance-sheet exposures assumed by the Group in connection with its own securitisations Sestante, Restart, Italian Credit Recycle, Pillarstone, Aqui, 4 Mori, Spring, Summer and Skywalker.
"Net impairment losses" show the annual flow of impairment losses and write-backs as required by the Bank of Italys 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	25,370	6	1,967	-	-	-
- non-performing residential mortgages	5,939	1	-	-	-	-
- performing non-residential mortgages	-	-	-	-	-	-
- non-performing non-residential mortgages	-	-	-	-	-	-
- performing leases	-	-	-	-	-	-
- non-performing leases	-	-	-	-	-	-
- other performing loans	44,366	-	-	-	-	-
- other non-performing loans	4,357	9	-	-	-	-
- 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 report in these Consolidated financial statements.

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	10%	1,299,166	-	25,231	851,999	-	459,064

C.5 Prudential consolidation - Servicer activities - "own" securitisation: collection of securitised loans and reimbursement of securities issued by securitisation vehicle

Servicer	Securitisation vehicle	Securitised assets (closing balance)		Collections of loans during the year		Percentage of redeemed securities (closing balance)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing assets	Performing assets	Non-performing assets	Performing assets	Non-performing assets	Performing assets
Banco di Sardegna	Sardegna N.1	2,496		362		-	100.00%	56.00%	44.00%	-	-

C.6 Prudential consolidation – Consolidated securitisation vehicles

There are no amounts to report in these Consolidated financial statements.

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	**1,243,037**	**-**	**1,243,037**	**-**	**1,214,019**	**-**	**1,214,019**
1. Debt securities	1,243,037	-	1,243,037	-	1,214,019	-	1,214,019
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**5,277,907**	**307,736**	**4,970,170**	**7,676**	**5,002,480**	**56,169**	**4,946,310**
1. Debt securities	4,837,668	-	4,837,668	-	4,813,406	-	4,813,405
2. Loans	440,239	307,736	132,502	7,676	189,074	56,169	132,905
Total 31.12.2021	**6,520,944**	**307,736**	**6,213,207**	**7,676**	**6,216,499**	**56,169**	**6,160,329**
Total 31.12.2020	**3,623,275**	**718,859**	**2,904,416**	**-**	**3,029,066**	**143,813**	**2,885,253**

D.2 Prudential consolidation - Financial assets sold partially recognised and related financial liabilities: book value

There are no amounts to be reported in these consolidated financial statements.

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 reported in these consolidated financial statements.

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

Overall, in the three-year period 2018-2021, the BPER Banca Group has completed six sales of non-performing loans, classified as unlikely to pay (UTP), to “multi-originator” mutual funds, with simultaneous subscription of units issued by the fund in proportion to the value of the loans transferred.

The sale transactions of the BPER Banca Group still outstanding at 31 December 2021 are therefore as follows:

- Clessidra Restructuring Fund – CRF
- IDeA Corporate Credit Recovery II – CCR II
- RSCT Fund
- Efesto
- Illimity Credit and Corporate Turnaround Fund - iCCT
- Back2Bonis

Sale of non-performing loans to Clessidra Restructuring Fund

The first sale was carried out in September 2019 with the transfer of a portfolio of BPER Banca unlikely to pay (UTP) loans, for a gross carrying amount of Euro 27.7 million, to the purchaser, Clessidra Restructuring Fund ("CRF" or the "Fund") managed by Clessidra SGR. In May 2021, a further contribution of UTP loans to the CRF Fund was made by BPER Banca for a gross book value of Euro 4.1 million. Both sales took place without recourse and, in terms of the counterparties sold, it is possible that they coincide with those sold by the other banks participating in the transaction.

In return for the sale, BPER Banca was assigned a total of 19,131,908 A Units of the Credit Section of the Fund, which have been recognised in the balance sheet at an initial value of Euro 12.8 million. The amounts due for each bank participating in the transaction were determined in proportion to the value of the loans sold by each of them with respect to the total value of the loans sold by the banks participating in the Fund.

CRF is an alternative private, closed-end mutual fund specialised in investing in credit exposures classified as "bad", "unlikely to pay", "past due", "forborne performing and non-performing", and "high risk performing" loans to companies, as well as in lending to debtors for the purpose of restructuring their loans.

The structure and functioning of the transactions are administered and governed in accordance with the Fund Regulations; consistent with these regulations, several classes of units were issued, giving their holders different economic and governance rights; specifically, the following units were issued in the context of this transaction:

- A units: subscribed for solely by the banks that assigned loans (including BPER Banca);
- B units: subscribed for by other "Admissible Investors" and paid for with liquid funds (low yield new finance);
- C units: subscribed for by other "Admissible Investors" and paid for with liquid funds (high yield new finance);
- D units: subscribed for by the SGR, the directors and employees of the SGR and the advisors with which the SGR has a long-term contract for the provision of professional activities in relation to the fund, and paid for with liquid funds.

Consistent with market practice for restructuring operations, the B and C units (subscribed for by investors that contributed new liquidity to the Fund) have seniority over the A units subscribed for by the contributors of the pre-existing credit exposures. In particular, the CRF Regulation recognises that these units have preference on redemption and on the distribution of any income deriving from ownership, as specified in the waterfall envisaged in the Regulation.

The CRF management company, Clessidra SGR, carries out the investment and divestment operations and related negotiations, arranges for collections and exercises all other rights in relation to the loans, arranges for payments and carries out all other Fund administration and risk management activities on behalf of the investors and in compliance with the Fund and sector regulations. The Board of Directors of Clessidra SGR (no members appointed by BPER Banca) is responsible for implementing the investment policy.
The CRF Regulation also requires the Board of Directors to work with a Consultative Committee, which provides advice or binding decisions, without prejudice to the responsibility of the Board of Directors for administering the Fund.
Prior consent from the Consultative Committee (on which BPER Banca has a representative) is required for certain specific non-operating matters.
Like all other investors in the Fund, BPER Banca is also entitled to participate in the Investors Meeting that, in accordance with the Regulation, resolves solely on the following matters: i. replacement of the SGR, ii. early liquidation of the Fund, iii. amendment of the Regulations.

The following significant information is provided about the UTP portfolio sold by BPER Banca in 2019 and 2021, in terms of the type of credit line, economic sector and geographical location of the counterparties, the gross amount sold and the impairment adjustments existing at the disposal date.

(in thousands)

Geographical areas/ Sectors/ Guarantees		Gross exposure	Total impairment provisions
Emilia Romagna		**16,061**	**8,466**
	Diversified Industrial Products	3,816	-
	Secured	*3,816*	-
	Marine Applications	12,245	8,466
	Unsecured	*12,245*	*8,466*
Lombardy		**10,471**	**7,237**
	Consumer Retail	4,206	2,836
	Secured	*2,811*	*1,896*
	Unsecured	*1,395*	*940*
	Iron & Steel	2,190	1,332
	Unsecured	2,190	1,332
	Manufacturing	4,075	3,069
	Unsecured	*4,075*	*3,069*
Veneto		**5,212**	**3,580**
	Food & Beverage	5,212	3,580
	Unsecured	*5,212*	*3,580*
Total		**31,744**	**19,283**

During the sale of the non-performing loans, the conditions required by IFRS 9 to proceed with derecognition of the assets were verified[89], applying the relative "flow chart".
As indicated in Part A4 – Fair Value Information, the financial instruments acquired in the context of the transaction with the Clessidra Restructuring Fund, being (illiquid) unlisted closed-end mutual fund units, have been classified as "Financial assets mandatorily measured at fair value".
Given the characteristics of the instruments, the fair value on initial recognition and subsequent remeasurement was determined using a mark-to-model approach, resulting in a Level 3 fair value. A type of Discounted Cash Flow (DCF) model was used. The fair value at 31 December 2021 was Euro 12.5 million compared with an initial fair value of Euro 12.8 million.

Sale of non-performing loans to IDeA Corporate Credit Recovery II

The sale was carried out in 2020 with the transfer of a portfolio of BPER Banca unlikely to pay (UTP) loans, for a gross carrying amount of Euro 8.7 million, to the purchaser, IDeA Corporate Credit Recovery II ("IDeA CCR II or the "Fund") mutual investment fund, established and managed by Dea Capital Alternative Funds SGR S.p.a. Already in June 2018, BPER Banca had made a first transfer of loans of the same nature to the Fund for a total gross book value of Euro 6.1 million. Both sales took place without recourse and, in terms of the counterparties sold, it is possible that they coincide with those sold by the other banks participating in the transaction.

In return for the sales, BPER Banca was assigned a total of 231 A1 Units of the Credit Section of the Fund, which have been recognised in the balance sheet at a total initial value of Euro 6.8 million. The amounts due for each bank participating in the transaction were determined in proportion to the value of the loans sold by each of them with respect to the total value of the loans sold by the banks participating in the Fund.

IDeA CCR II is a closed-end multi-sector alternative investment fund specialised i) in the acquisition of UTP credits held by the banking system in order to maximise the recovery rate of the positions through a standard, undivided type of management; ii) as well as in the disbursement of new finance in the context of restructuring plans of the companies in the portfolio, through instruments that allow a higher degree

[89] *IFRS 9.3.2.1-3.2.21 and IFRS 9.B3.2.1-B3.2.16.*

of priority in repayment than the financial debt already in place (known as "Debtor-in-Possession Financing").

The structure and functioning of the transactions are administered and governed in accordance with the Fund Regulations.

The Management Regulations of the IDeA CCR II Fund provide that it should be made up of three sub-funds, the Credit Section, the New Finance Section and the Shipping Section. The Banks participating in the operation transfer debt exposures (and/or participating financial instruments) on loan transactions classified as UTPs to the Credit Section and receive units in the Fund in exchange. Third-party investors, on the other hand, finance the New Finance Section through the subscription of units, the purpose of which is to allocate additional resources to the Target Companies of the Credit Section (or to other companies with similar characteristics) to be used in servicing the turnaround. Some of the Funds partner banks transfer UTP debt positions relating to Target Companies operating in the shipping sector to the Shipping Section and receive units in the Fund in exchange.
To be more specific, the units issued by the Fund are as follows:

- A1 units: units in the Credit Section reserved for banks selling loans (including BPER Banca);
- B1 units: units in the Credit Section reserved for the SGR, the members of the Fund Management Team, the Sponsor and other persons identified by the SGRs Board of Directors;
- A2 units: units in the New Finance Section subscribed by investors other than the “Anchor Investors” as defined in the following point;
- A3 units: units in the Nuova Finanza Section subscribed by investors for a minimum initial amount equal to or greater than Euro 15 million (“Anchor Investors”);
- B2 units: units in the Nuova Finanza Section reserved for the SGR, the members of the Management Team of the Fund, the Sponsor and other persons identified by the Board of Directors of the SGR.
- A4 units: units in the Shipping Section reserved for the banks selling loans in this sector (BPER Banca is not one of these);
- B3 units: units in the Shipping Section reserved for the SGR, the members of the Management Team of the Fund, the Sponsor and other persons identified by the Board of Directors of the SGR.

The units in the Credit, New Finance and Shipping Sections are characterised by a different distribution priority of any income that comes from owning them to be allocated to subscribers. More specifically:

- in cases where no new financial resources have been disbursed to Target Companies of the Credit Section (or Shipping Section), the revenues deriving from specific transactions are allocated 100% to the subscribers of that Section.
- in the case of co-investment between the Credit Section (or Shipping Section) and the New Finance Section in the same Target Companies, the Fund Management Regulations provide for a specific waterfall structure of the proceeds deriving from the sale of the investments. In this case, the units issued by the New Finance Section enjoy a privileged seniority with respect to the units issued by the Credit Section (or Shipping Section).

The management company of IDeA CCR II is Dea Capital Alternative Funds SGR, which, in this role, carries out the investment and divestment operations and related negotiations, arranges for collections and exercises all other rights in relation to the loans, arranges for payments and carries out all other Fund administration and risk management activities on behalf of the investors and in compliance with the Fund and sector regulations.

The overall management and strategic supervision function of the Fund lies with the Board of Directors of Dea Capital Alternative Funds SGR (on which there is no representative appointed by the BPER Banca Group).
The Fund Regulation also provides that the Board of Directors avails itself of the collaboration of an Advisory Committee, which expresses preventive and mandatory opinions, which may be binding or non-binding, while the strategic management and responsibility for the management of each Section of the Fund remains with the Board of Directors.
The prior consent of the Advisory Committee (in which BPER Banca also participates with its own representative) is mandatory for any investment or divestment operation or contract or other deed in conflict of interest governed by the Regulations.
Like all other investors in the Fund, BPER Banca is also entitled to participate in the Investors Meeting that, in accordance with the Regulation, resolves on the following matters: i) amendment of the Regulations; ii) early liquidation of the Fund, iii) replacement of the asset management company; iv) revocation of the Servicer; v) increase in the maximum amount of expenses; vi) substantial changes to the Servicing Agreement.

The following significant information is provided about the UTP portfolio assigned by BPER Banca in 2018 and 2020, in terms of the type of credit line, economic sector and geographical location of the counterparties, the gross amount assigned and the impairment adjustments existing at the disposal date.

(in thousands)

Geographical areas/ Sectors/ Guarantees		Gross exposure	Total impairment provisions
Emilia-Romagna		**13,900**	**9,009**
	Manufacturing	13,900	9,009
	Secured	*13,900*	*9,009*
Marche		**916**	**503**
	Manufacturing	163	89
	Unsecured	*163*	*89*
	Wholesale and retail trade	753	414
	Unsecured	*753*	*414*
Total		**14,816**	**9,512**

During the sale of the non-performing loans, the conditions required by IFRS 9 to proceed with derecognition of the assets were verified[90], obtaining a specific accounting opinion from an accredited independent consultant.
As indicated in Part A4 – Fair Value Information, the financial instruments acquired in the context of the transaction with the Idea CCR II, being (illiquid) unlisted closed-end mutual fund units, have been classified as "Financial assets mandatorily measured at fair value".
Given the characteristics of the instruments, the fair value on initial recognition and subsequent remeasurement was determined using a mark-to-model approach, resulting in a Level 3 fair value. A type of Discounted Cash Flow (DCF) model was used. The fair value at 31 December 2021 was Euro 5.6 million compared with an initial fair value of Euro 6.8 million.

[90] *IFRS 9.3.2.1-3.2.21 and IFRS 9.B3.2.1-B3.2.16.*

Sale of non-performing loans to RSCT Fund

The sale was carried out in May 2020 with the transfer of a portfolio of BPER Banca unlikely to pay (UTP) loans, for a gross carrying amount of Euro 45.4 million, to the purchaser, RSCT Fund (the “Fund”), managed by the Irish asset management company (AMC) Davy Global Fund Management Limited, which is linked to Pillarstone Italia S.p.a. In the second quarter of 2021, the portfolio of assets sold was reduced by Euro 2.3 million following the buyback of a loan backed by the European Investment Fund. The sale took place without recourse and, in terms of the counterparties sold, it is possible that they may coincide with those sold by the other banks participating in the transaction.

In return for the sale and net of the position repurchased during the year, BPER Banca was assigned a total of 25,126,391 A1 Units of the Credit Section of the Fund, which have been recognised in the balance sheet at an initial value of Euro 17.4 million. The amounts due for each bank participating in the transaction were determined in proportion to the value of the loans sold by each of them with respect to the total value of the loans sold by the banks participating in the Fund.

RSCT Fund is an alternative investment fund, of the closed-end multi-sector type, specialised in the purchase of loans (and securities representing loans) of debtor Target Companies in a state of financial tension and/or in distress, with the ultimate aim of carrying out investment transactions in the Debtor Company and turnaround and enhancement of the companies in question, also through the investment of new finance according to the methods and limits specified in these Regulations. The loans acquired may possibly be transferred, in whole or in part, from the Fund to the Vehicle Company in order to carry out debt-to-equity swaps or other strategies to maximise the recovery rate of the loans.

The structure and functioning of the transactions are administered and governed in accordance with the Fund Regulations.

The Management Regulations of the RSTC Fund provide that it is made up of two sub-funds, the Credit Section and the New Finance Section. The Banks participating in the operation transfer debt exposures (and/or participating financial instruments) on loan transactions classified as UTPs to the Credit Section and receive units in the Fund in exchange. Third-party investors, on the other hand, finance the New Finance Section through the subscription of units, the purpose of which is to allocate additional resources to the Target Companies of the Credit Section (or to other companies with similar characteristics) to be used in servicing the turnaround.
To be more specific, the units issued by the Fund are as follows:

- A1 units: units in the Credit Section reserved for Professional Investors (banks selling loans, including BPER Banca);
- A2 units: units in the Credit Section reserved exclusively for the SGR, the members of the SGRs Strategic Supervisory Body and the SGRs employees;
- B1 units: units in the New Finance Section reserved for Professional Investors;
- B2 units: units in the New Finance Section reserved exclusively for the SGR, the members of the SGRs Strategic Supervisory Body and the SGRs employees.

The units in the Credit and New Finance Sections are characterised by a different distribution priority of any income that comes from owning them to be allocated to subscribers. More specifically:

- within each Section (or Sub-Fund), the income deriving from specific investment transactions attributable to the Section is allocated to the subscribers according to a specific waterfall structure defined in the Fund Regulations;
- in the case of co-investment by the Loans and Nuova Finanza Sections in the same Target Companies, the Fund Management Regulations provide for an additional specific waterfall structure of the proceeds deriving from the sale of the investments. In this case, the units issued by the New Finance Section enjoy a privileged seniority with respect to the units issued by the Credit Section.

The company that manages the RSTC Fund is Davy Global Fund Management Limited, which manages the Fund through the Strategic Supervisory Body in accordance with Fund Regulations. The goal is to enhance the value of the loans sold by the banks in order to maximise their yield, sustaining management costs through the collection of income deriving from various activities, including investment and divestment transactions, related negotiations, collection activities and the exercise of any other rights relating to loans, disbursements and any other asset management activity of the Fund in compliance with its Regulations, as well as with sector regulations. The Strategic Supervisory Body of the Irish AMC (no members appointed by BPER Banca) is responsible for implementing the investment policy.
In managing the Fund, the Strategic Supervisory Body uses the collaboration of the Advisor Pillarstone Italy S.p.a., a company that provides consulting services through a specific Advisory Committee, in which BPER Banca also participates by appointing its own representative. The non-binding prior agreement by the Advisory Committee is required with regard to specific matters provided for by Fund Regulations, with the Asset Management Company being in charge of the strategic management and administration of the Fund.

Like all other investors in the Fund, BPER Banca is also entitled to participate in the Investors Meeting that, in accordance with the Regulation, resolves on the following specific matters: i) replacement of the AMC, ii) amendment of the Regulations, iii) early liquidation of the Fund.

The following significant information is provided about the UTP portfolio assigned by BPER Banca in 2020 and in the second quarter of 2021, in terms of the type of credit line, economic sector and geographical location of the counterparties, the gross amount assigned and the impairment adjustments existing at the disposal date.

(in thousands)

Geographical areas/ Sectors/ Guarantees		Gross exposure	Total impairment provisions
Emilia-Romagna		**29,597**	**17,147**
	Manufacturing	16,207	9,476
	Secured	16,207	9,476
	Transport and storage	13,390	7,671
	Secured	*13,390*	*7,671*
Veneto		**12,585**	**7,481**
	Wholesale and retail trade	12,585	7,481
	Secured	*12,585*	*7,481*
Total		**42,182**	**24,628**

During the sale of the non-performing loans, the conditions required by IFRS 9 to proceed with derecognition of the assets were verified[91], obtaining a specific accounting opinion from an accredited independent consultant.
As indicated in Part A4 – Fair Value Information, the financial instruments acquired in the context of the transaction with the RSTC Fund, being (illiquid) unlisted closed-end mutual fund units, have been classified as "Financial assets mandatorily measured at fair value".
Given the characteristics of the instruments, the fair value on initial recognition and subsequent remeasurement was determined using a mark-to-model approach, resulting in a Level 3 fair value. A type of Discounted Cash Flow (DCF) model was used. The fair value at 31 December 2021 was Euro 21 million compared with an initial fair value of Euro 17.4 million.

Sale of non-performing loans to Efesto

The first sale transactions were completed in 2020 with the transfer -in multiple tranches- of a portfolio of unlikely to pay (UTP) loans belonging to BPER Banca and Banco di Sardegna, for a total gross book value of Euro 53.9 million (25.1 million from BPER Banca and Euro 28.8 million from Banco di Sardegna) to the buyer, the Efesto mutual investment fund (the “Fund”), established and managed by Finanziaria Internazionale Investments SGR S.p.a. In 2021, further contributions of UTPs to the Efesto Fund were made, likewise in a number of tranches, by BPER Banca and Banco di Sardegna for a gross carrying amount of Euro 127.5 million (Euro 115.5 million by BPER Banca and Euro 15.0 million by Banco di Sardegna). All sales took place without recourse and, in terms of the counterparties sold, it is possible that they coincide with those sold by the other banks participating in the transaction.

In return for the sales, the BPER Banca Group was assigned a total of 98,044,964 single class Units issued by the Fund (of which 69,220,426 to BPER Banca and 28,824,538 to Banco di Sardegna), which have been recognised in the balance sheet at an initial value of Euro 87.8 million (of wich 61.6 million for BPER Banca and Euro 26.2 million for Banco di Sardegna). The amounts due for each bank participating in the transaction were determined in proportion to the value of the loans sold by each of them with respect to the total value of the loans sold by the banks participating in the Fund.

Efesto is a closed-end, reserved alternative investment fund specialised in i) investing in unlikely to pay (UTP) credit exposures towards Target Companies established in an initial phase of contribution (wave 1) of medium/long term credit lines with the possibility of subsequent expansion to working capital lines to be activated in a second phase (wave 2); as well as in ii) the disbursement of new finance to the Target Companies (or to other companies with similar characteristics) in order to facilitate the turnaround and improve the prospects of recovering the debt. The disbursement of new finance will take place through the special purpose vehicle (SPV) and will have priority in the payment of the loans sold compared with the individual debtor by virtue of contractual agreements (the Fund has granted the SPV super seniority).

The structure and functioning of the transactions are administered and governed in accordance with the Fund Regulations; in line with these provisions, in fact, a single class of units was issued which assign the same administrative and capital rights to the holders, in accordance with the Regulations.

[91] *IFRS 9.3.2.1-3.2.21 and IFRS 9.B3.2.1-B3.2.16.*

Efestos management company is Finanziaria Internazionale Investments SGR which, in this role, carries out the investment and divestment operations and related negotiations, arranges for collections and exercises all other rights in relation to the loans, arranges for payments and carries out all other Fund administration and risk management activities on behalf of the investors and in compliance with the Fund and sector regulations. The overall management and strategic supervision function of the Fund lies with the Board of Directors of Finanziaria Internazionale Investments SGR (on which there is no representative appointed by the BPER Banca Group).
The Fund Regulation also provides that the Board of Directors avails itself of the collaboration of an Advisory Committee (in which BPER Banca also participates by appointing its own representative), which expresses preventive, mandatory and binding opinions in the case of transactions in conflict of interest and transactions that take place while waiting for the AMC to be replaced; whereas the Committees opinion is not binding for the revocation and replacement of the Servicer and the early liquidation of the Fund, approval of the Funds first business plan and any subsequent amendments. The Committee can also formulate non-binding proposals to the AMC, such as an assessment of contractual remedies in the event of inadequate performance on the part of the Servicer. The Board of Directors remains responsible for administering the Fund.
Like all other investors in the Fund, BPER Banca is also entitled to participate in the Investors Meeting that, in accordance with the Regulations, resolves exclusively on the following matters;i) amendment of the Regulations; ii) early liquidation of the Fund, iii) replacement of the asset management company; iv) revocation of the Servicer; v) increase in the maximum amount of expenses; vi) substantial changes to the Servicing Agreement.

The following significant information is provided about the overall UTP portfolio sold by the BPER Banca Group in 2020 and 2021, in terms of the type of credit line, economic sector and geographical location of the counterparties, the gross amount assigned and the impairment adjustments existing at the disposal date.

(in thousands)

Geographical areas/ Sectors/ Guarantees	Gross exposure	Total impairment provisions
Campania	**16,316**	**8,397**
Administrative and support service activities	2,109	1,058
Unsecured	*2,110*	*1,058*
Construction	1,840	1,314
Secured	*1,840*	*1,314*
Real estate activities	12,367	6,025
Secured	*12,367*	*6,025*
Emilia-Romagna	**46,545**	**25,516**
Administrative and support service activities	4,843	1,735
Secured	*4,843*	*1,735*
Construction	4,040	487
Secured	*4,040*	*487*
Manufacturing	7,629	6,474
Secured	7,629	6,474
Real estate activities	28,680	15,983
Secured	28,680	15,983
Transport and storage	470	534
Secured	470	534
Other services	883	303
Unsecured	*883*	*303*
Lazio	**18,099**	**10,782**
Construction	3,140	492
Unsecured	*3,140*	*492*
Human health services and social work activities	12,679	9,477
Secured	*12,679*	*9,477*
Other services	2,280	813
Secured	*2,280*	*813*
Lombardy	**30,413**	**19,706**
Administrative and support service activities	923	477
Secured	*923*	*477*
Real estate activities	7,483	4,390
Secured	*7,483*	*4,390*
Other services	16,021	9,928
Unsecured	*16,021*	*9,928*
Professional, scientific and technical activities	5,986	4,911
Unsecured	*5,986*	*4,911*
Marche	**7,319**	**3,869**
Wholesale and retail trade	7,319	3,869
Secured	*7,319*	*3,869*
Tuscany	***6,059***	***3,550***
Construction	6,059	3,550
Secured	*6,059*	*3,550*
Piedmont	***2,610***	***560***
Construction	2,610	560
Secured	*2,610*	*560*
Calabria	**4,036**	**999**
Accommodation and food service activities	2,754	520
Secured	*2,754*	*520*
Construction	1,282	479
Secured	*1,282*	*479*
Abruzzo	**6,210**	**1,851**
Accommodation and food service activities	3,027	544
Secured	*3,027*	*544*
Construction	3,183	1,307
Secured	*946*	*285*
Unsecured	*2,236*	*1,022*
Total BPER BANCA	**137,607**	**75,231**

(cont.) (in thousands)

Geographical areas/ Sectors/ Guarantees	Gross exposure	Total impairment provisions
Lazio	**3,176**	**1,195**
Construction	1,756	698
Secured	*1,756*	*698*
Real estate activities	1,420	497
Secured	*944*	*309*
Unsecured	*476*	*188*
Sardinia	**40,122**	**16,083**
Accommodation and food service activities	4,570	1,341
Secured	795	325
Unsecured	*3,775*	*1,016*
Administrative and support service activities	1,709	436
Secured	*1,709*	*436*
Construction	4,866	1,984
Secured	1,144	455
Unsecured	*3,722*	*1,529*
Financial and insurance activities	2,010	660
Unsecured	*2,010*	*660*
Manufacturing	20,308	9,075
Secured	19,499	8,835
Unsecured	*809*	*240*
Real estate activities	2,754	1,104
Secured	*681*	*528*
Unsecured	*2,073*	*576*
Transport and storage	2,561	639
Secured	2,561	639
Human health services and social work activities	1,344	844
Unsecured	*1,344*	*844*
Umbria	**144**	**40**
Construction	144	40
Unsecured	*144*	*40*
Tuscany	**413**	**139**
Real estate activities	413	139
Secured	*413*	*139*
Total BANCO DI SARDEGNA	**43,855**	**17,457**
Total	**181,462**	**92,688**

During the sale of the non-performing loans, the conditions required by IFRS 9 to proceed with derecognition of the assets were verified[92], obtaining a specific accounting opinion from an accredited independent consultant.

As indicated in Part A4 – Fair Value Information, the financial instruments acquired in the context of the transaction with the Efesto Fund, being (illiquid) unlisted closed-end mutual fund units, have been classified as "Financial assets mandatorily measured at fair value".

Given the characteristics of the instruments, the fair value on initial recognition and subsequent remeasurement was determined using a mark-to-model approach, resulting in a Level 3 fair value. A type of Discounted Cash Flow (DCF) model was used. The fair value at 31 December 2021 is Euro 81.0 million (Euro 55.8 million of BPER Banca and Euro 25.2 million of Banco di Sardegna) against an initial fair value of Euro 87.7 million (Euro 61.5 million of BPER Banca and Euro 26.2 million of Banco di Sardegna).

Sale of non-performing loans to Illimity Credit and Corporate Turnaround Fund - iCCT

The first sale transactions were completed in 2021 with the transfer -in multiple tranches- of a portfolio of unlikely to pay (UTP) loans belonging to BPER Banca and Sardaleasing, for a total gross book value of Euro 54.0 million (Euro 43.3 million from BPER Banca and Euro 10.7 million from Banco di Sardegna) to the buyer, Illimity Credit and Corporate Turnaround Fund ("ICCT" or the “Fund”), established and

[92] *IFRS 9.3.2.1-3.2.21 and IFRS 9.B3.2.1-B3.2.16.*

managed by Illimity SGR S.p.a. Both sales took place without recourse and, in terms of the counterparties sold, it is possible that they coincide with those sold by the other banks participating in the transaction.

In return for the sales, the BPER Banca Group was assigned a total of 41,733,595 single class Units issued by the Fund (of which 33,587,693 referring to BPER Banca and 8,145,902 to Sardaleasing), which have been recognised in the balance sheet at an initial value of Euro 61.8 million (of which 57.5 million for BPER Banca and Euro 4.3 million for Sardaleasing). The amounts due for each bank participating in the transaction were determined in proportion to the value of the loans sold by each of them with respect to the total value of the loans sold by the banks participating in the Fund.

iCCT is a closed-end, reserved alternative investment fund specialised in i) investing in unlikely to pay (UTP) credit exposures towards Target Companies established in an initial phase of contribution (wave 1) of medium/long term credit lines with the possibility of subsequent expansion to working capital lines to be activated in a second phase (wave 2); as well as in ii) the disbursement of new finance to the Target Companies (or to other companies with similar characteristics) in order to facilitate the turnaround and improve the prospects of recovering the debt. The disbursement of new finance will take place through the special purpose vehicle (SPV) and will have priority in the payment of the loans sold compared with the individual debtor by virtue of contractual agreements (the Fund has granted the SPV super seniority).

The structure and functioning of the transactions are administered and governed in accordance with the Fund Regulations; in line with these provisions, in fact, a single class of units was issued which assign the same administrative and capital rights to the holders, in accordance with the Regulations.
The iCCT management company, Illimity SGR, carries out the investment and divestment operations and related negotiations, arranges for collections and exercises all other rights in relation to the loans, arranges for payments and carries out all other Fund administration and risk management activities on behalf of the investors and in compliance with the Fund and sector regulations. The overall management and strategic supervision function of the Fund lies with the Board of Directors of Illimity SGR(on which there is no representative appointed by the BPER Banca Group).
The Fund Regulation also provides that the Board of Directors avails itself of the collaboration of an Advisory Committee (in which BPER Banca also participates by appointing its own representative), which expresses preventive, mandatory and binding opinions in the case of transactions in conflict of interest and transactions that take place while waiting for the AMC to be replaced; whereas the Committees opinion is not binding for the revocation and replacement of the Servicer and the early liquidation of the Fund, approval of the Funds first business plan and any subsequent amendments. The Committee can also formulate non-binding proposals to the AMC, such as an assessment of contractual remedies in the event of inadequate performance on the part of the Servicer. The Board of Directors remains responsible for administering the Fund.
Like all other investors in the Fund, BPER Banca is also entitled to participate in the Investors Meeting that, in accordance with the Regulations, resolves exclusively on the following matters;i) amendment of the Regulations; ii) early liquidation of the Fund, iii) replacement of the asset management company; iv) revocation of the Servicer; v) increase in the maximum amount of expenses; vi) substantial changes to the Servicing Agreement.

The following significant information is provided about the UTP portfolio sold by the BPER Banca Group in 2021, in terms of the type of credit line, economic sector and geographical location of the counterparties, the gross amount assigned and the impairment adjustments existing at the disposal date.

(in thousands)

Geographical areas/ Sectors/ Guarantees		Gross exposure	Total impairment provisions
Emilia-Romagna		**19,540**	**8,512**
	Manufacturing	17,314	7,341
	Secured	*15,597*	*6,778*
	Unsecured	*1,717*	*563*
	Real estate activities	2,226	1,171
	Secured	*2,226*	*1,171*
Lombardy		**11,456**	**4,817**
	Manufacturing	10,330	4,301
	Secured	*5,224*	*1,433*
	Unsecured	*5,106*	*2,868*
	Transport and storage	1,126	516
	Unsecured	*1,126*	*516*
Veneto		**12,321**	**3,586**
	Manufacturing	9,150	2,961
	Secured	*7,587*	*2,275*
	Unsecured	*1,562*	*686*
	Real estate activities	14	-
	Unsecured	*14*	-
	Water supply	3,157	625
	Secured	*3,157*	*625*
Total BPER BANCA		**43,317**	**16,915**
Emilia-Romagna		**8,922**	**1,590**
	Manufacturing	8,922	1,590
	Secured	*8,922*	*1,590*
Veneto		**1,729**	**583**
	Accommodation and food service activities	46	9
	Secured	*46*	*9*
	Manufacturing	1,683	574
	Secured	*1,683*	*574*
Total SARDALEASING		**10,651**	**2,173**
Total		**53,968**	**19,088**

During the sale of the non-performing loans, the conditions required by IFRS 9 to proceed with derecognition of the assets were verified[93], obtaining a specific accounting opinion from an accredited independent consultant.

As indicated in Part A4 – Fair Value Information, the financial instruments acquired in the context of the transaction with the Efesto Fund, being (illiquid) unlisted closed-end mutual fund units, have been classified as "Financial assets mandatorily measured at fair value".

Given the characteristics of the instruments, the fair value on initial recognition and subsequent remeasurement was determined using a mark-to-model approach, resulting in a Level 3 fair value. A type of Discounted Cash Flow (DCF) model was used. The fair value at 31 December 2021 is Euro 33.6 million (Euro 28.1 million of BPER Banca and Euro 5.5 million of Sardalesing) against an initial fair value of Euro 36.2 million (Euro 28.3 million of BPER Banca and Euro 7.9 million of Sardalesing).

Sale of non-performing loans to Back2Bonis

The sale was carried out in May 2021 with the transfer of a portfolio of BPER Banca unlikely to pay (UTP) loans, for a gross carrying amount of Euro 51.6 million, to the purchaser, Back2Bonis mutual fund (the "Fund"), managed by SGR Prelios S.p.a. The sale took place without recourse and, in terms of the

[93] *IFRS 9.3.2.1-3.2.21 and IFRS 9.B3.2.1-B3.2.16.*

counterparties sold, it is possible that they may coincide with those sold by the other banks participating in the transaction.

In return for the sale, BPER Banca was assigned a total of 50 A1 Units of the Credit Section of the Fund, which have been recognised in the balance sheet at an initial value of Euro 24.4 million. The amounts due for each bank participating in the transaction were determined in proportion to the value of the loans sold by each of them with respect to the total value of the loans sold by the banks participating in the Fund.

Back2Bonis is an alternative investment fund, of the closed-end multi-sector type, specialised in the purchase of loans (and securities representing loans) of debtor Target Companies in a state of financial tension and/or in distress, with the ultimate aim of carrying out investment transactions in the Debtor Company and turnaround and enhancement of the companies in question, also through the investment of new finance according to the methods and limits specified in these Regulations. The loans acquired may possibly be transferred, in whole or in part, from the Fund to the Vehicle Company in order to carry out debt-to-equity swaps or other strategies to maximise the recovery rate of the loans.

The structure and functioning of the transactions are administered and governed in accordance with the Fund Regulations.

The Management Regulations of the Back2Bonis Fund provide that it is made up of two sub-funds, the Credit Section and the New Finance Section. The Banks participating in the operation transfer debt exposures (and/or participating financial instruments) on loan transactions classified as UTPs to the Credit Section and receive units in the Fund in exchange. Third-party investors, on the other hand, finance the New Finance Section through the subscription of units, the purpose of which is to allocate additional resources to the Target Companies of the Credit Section (or to other companies with similar characteristics) to be used in servicing the turnaround.
To be more specific, the units issued by the Fund are as follows:

- A1 units: units in the Credit Section reserved for Professional Investors (banks selling loans, including BPER Banca);
- A2 units: units in the Credit Section reserved exclusively for the SGR, the members of the SGRs Strategic Supervisory Body and the SGRs employees;
- B1 units: units in the New Finance Section reserved for Professional Investors;
- B2 units: units in the New Finance Section reserved exclusively for the SGR, the members of the SGRs Strategic Supervisory Body and the SGRs employees.

The units in the Credit and New Finance Sections are characterised by a different distribution priority of any income that comes from owning them to be allocated to subscribers. More specifically:

- within each Section (or Sub-Fund), the income deriving from specific investment transactions attributable to the Section is allocated to the subscribers according to a specific waterfall structure defined in the Fund Regulations;
- in the case of co-investment by the Loans and Nuova Finanza Sections in the same Target Companies, the Fund Management Regulations provide for an additional specific waterfall structure of the proceeds deriving from the sale of the investments. In this case, the units issued

by the New Finance Section enjoy a privileged seniority with respect to the units issued by the Credit Section.

The Back2Bonis management company, Prelios SGR S.p.a., carries out the investment and divestment operations and related negotiations, arranges for collections and exercises all other rights in relation to the loans, arranges for payments and carries out all other Fund administration and risk management activities on behalf of the investors and in compliance with the Fund and sector regulations. The overall management and strategic supervision function of the Fund lies with the Board of Directors of Prelios SGR (on which there is no representative appointed by the BPER Banca Group).
The Fund Regulation also provides that the Board of Directors avails itself of the collaboration of an Advisory Committee (in which BPER Banca also participates by appointing its own representative), which expresses preventive, mandatory and binding opinions in the case of transactions in conflict of interest and transactions that take place while waiting for the AMC to be replaced; whereas the Committees opinion is not binding for the revocation and replacement of the Servicer and the early liquidation of the Fund, approval of the Funds first business plan and any subsequent amendments. The Committee can also formulate non-binding proposals to the AMC, such as an assessment of contractual remedies in the event of inadequate performance on the part of the Servicer. The Board of Directors remains responsible for administering the Fund.
Like all other investors in the Fund, BPER Banca is also entitled to participate in the Investors Meeting that, in accordance with the Regulations, resolves exclusively on the following matters;i) amendment of the Regulations; ii) early liquidation of the Fund, iii) replacement of the asset management company; iv) revocation of the Servicer; v) increase in the maximum amount of expenses; vi) substantial changes to the Servicing Agreement.

The following significant information is provided about the UTP portfolio sold by BPER Banca in 2021, in terms of the type of credit line, economic sector and geographical location of the counterparties, the gross amount sold and the impairment adjustments existing at the disposal date.

(in thousands)

Geographical areas/ Sectors/ Guarantees	Gross exposure	Total impairment provisions
Emilia Romagna	**3,244**	**906**
Accommodation and food service activities	1,363	49
Secured	*1,363*	*49*
Real estate activities	1,881	858
Secured	*1,881*	*858*
Lombardy	**14,984**	**10,927**
Other services	14,984	10,927
Secured	*14,984*	*10,927*
Tuscany	**2,987**	**1,653**
Construction	2,987	1,653
Secured	*2,987*	*1,653*
Molise	**10,585**	**4,604**
Construction	1,281	611
Secured	*1,281*	*611*
Real estate activities	6,422	2,602
Secured	*6,422*	*2,602*
Information and Communication	2,882	1,391
Secured	*2,882*	*1,391*
Piedmont	**16,747**	**6,986**
Construction	16,402	6,757
Secured	*14,338*	*6,328*
Unsecured	*2,064*	*429*
Mining and quarrying	223	123
Unsecured	*223*	*123*
Professional, scientific and technical activities	122	106
Unsecured	*122*	*106*
Abruzzo	**3,021**	**934**
Construction	1,934	675
Secured	*1,934*	*675*
Wholesale and retail trade	1,087	259
Secured	*1,087*	*259*
Total	**51,568**	**26,010**

During the sale of the non-performing loans, the conditions required by IFRS 9 to proceed with derecognition of the assets were verified[94], obtaining a specific accounting opinion from an accredited independent consultant.

As indicated in Part A4 – Fair Value Information, the financial instruments acquired in the context of the transaction with the Efesto Fund, being (illiquid) unlisted closed-end mutual fund units, have been classified as "Financial assets mandatorily measured at fair value".

Given the characteristics of the instruments, the fair value on initial recognition and subsequent remeasurement was determined using a mark-to-model approach, resulting in a Level 3 fair value. A type of Discounted Cash Flow (DCF) model was used. The fair value at 31 December 2021 was Euro 21.9 million compared with an initial fair value of Euro 24.4 million.

[94] *IFRS 9.3.2.1-3.2.21 and IFRS 9.B3.2.1-B3.2.16.*

D. Covered bond transactions

Introduction

Covered Bond or Guaranteed Bank Bond (GBB) issues are foreseen by BPER Banca Groups strategic plan as a means to diversify funding sources, reduce funding costs and extend the maturities of liabilities. In particular, GBB 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 guaranteed bank bonds ("GBB1"), based on a collateralised portfolio of residential mortgage loans pursuant to art. 7-bis of Law 130 of 30 April 1999 ("Law 130/99"), the Ministry of Economy and Finances Decree no. 310 of 14 December 2006 (the "MEF Decree") and the regulatory provisions of the Bank of Italy of 24 March 2010 and subsequent amendments and additions (the "Rules" and, together with Law 130 and the MEF Decree and each subsequent amendment, the "Regulations");
- on 3 March 2015, launched the structuring of a second programme for the issue of guaranteed bank bonds ("GBB2"), based on a collateralised portfolio of residential and commercial mortgage loans, as already mentioned in the Directors report on Group operations.

The basic structure of a guaranteed bank bond issue

Guaranteed Bank Bonds (or "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 Groups Programmes for the issue of Covered Bonds

The BPER Bancas 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 GBB1, and to Estense CPT Covered Bond s.r.l. (the "SPV" or "Estense CPT Covered Bond") for GBB2, initially just by BPER Banca 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 Guaranteed Bank Bonds issued by BPER Banca.

Although they are presented “as Group programmes”, the initial and subsequent transactions only involved BPER Banca 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 GBB1 and of residential and commercial mortgage loans for GBB2, which meet the requirements of the Regulations. These portfolios were identified based on general and specific criteria indicated in the sale agreements. Additional portfolios of Eligible Assets may include mortgage loans that meet the requirements of the Rules and any subsequent additional eligible assets referred to in article 2, paragraph 3, points 2 and 3 of the MEF Decree.
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).
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 two 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 Guaranteed Bank 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 Banks 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 GBB 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 Guaranteed Bank 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 Guaranteed Bank 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 Guaranteed Bank 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 fourth, eighth and ninth issue of the GBB1 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 Guaranteed Bank Bonds by trading them for the expected return on portfolio of loans sold.

The GBB1 Programme

The GBB1 Programme – following the January 2019 update – provides for the issue of Covered Bonds up to a maximum of Euro 7 billion, to be carried out 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).

GBB1 Programme issuances

(in million)

Issue	Issue date	nominal amount of the GBBs issued	repayment date	nominal amount repaid	GBB characteristics	Purpose
I	01.12.2011	750	22.01.2014	750	Floating rate	self-subscribed for the purpose of ECB refinancing
II	25.06.2012	300	22.04.2015(*)	300	Floating rate	self-subscribed for the purpose of ECB refinancing
III	15.10.2013	750	22.10.2018	750	Fixed rate	placed on the national and international market
III(**)	24.02.2014	250	22.10.2018	250	Fixed rate	placed on the national and international market
IV	22.01.2015	750	22.01.2022	750	Fixed rate	placed on the national and international market
V	29.07.2015	750	22.07.2020	750	Fixed rate	placed on the national and international market
VI	31.05.2016	500	22.07.2020	500	Floating rate	self-subscribed for the purpose of ECB refinancing
VII	03.02.2017	540	22.04.2021	540	Floating rate	self-subscribed for the purpose of ECB refinancing
VIII	19.07.2018	500	22.07.2023		Fixed rate	placed on the national and international market
IX	19.03.2019	600	22.04.2026		Fixed rate	placed on the national and international market
X	18.09.2020	1,150	22.10.2024		Floating rate	self-subscribed for the purpose of ECB refinancing
XI	18.05.2021	600	22.04.2025		Fixed rate	self-subscribed for the purpose of ECB refinancing
XII	16.11.2021	400	22.10.2025		Fixed rate	self-subscribed for the purpose of ECB refinancing
Total		**7,840**		**4,590**		

The outstanding debt of the outstanding transactions amounts to Euro 3,250 million, net of the IV° series that was paid back on 22 January 2022.
(*) 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, lower than 80%.

The table below shows the details of all subsequent disposals.

GBB1 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	27.07.2016	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
Total		**9,183**

The subordinated 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 6 billion. Notwithstanding BPER Bancas right to increase the amount of the subordinated loan granted to finance the purchase of additional portfolios (both in connection with new issues or for the purpose of adding to segregated assets) and with a remuneration that guarantees a return to the transferor of the yield on the segregated mortgage loans, albeit residual with respect to payment of the SPVs operating expenses; thus making the sale essentially neutral from an economic standpoint.

Repayment of this loan is linked to the gradual reimbursement of the Guaranteed Bank Bonds that, in turn, will allow the release of the loan portfolio or the cash collections generated thereby.

Repayment of subordinated loan GBB1 Programme

(in million)

Disposal date	amounts paid back
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
Total	**4,192**

The liquidity generated by the portfolio can also be used - within the limits established by law - for suitable investments or deposits, based on BPER Bancas 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 Securitisation Services, either in Italy or the UK, since this is a third party with appropriate rating.

Counterparties involved in the GBB1 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.
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 Securities Services (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 third and fourth issue, NatWest; for the fifth issue, Credit Suisse International; 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 Investors Service Espana S.A.

The *Back UP Services* (*BUS*) figure was added to the above-mentioned structure of the operation in 2012; this role was taken on by Italfondiario S.p.A. The initiative aimed to give greater robustness to the transaction, thereby also including the relevant instructions from the swap counterparties and by the Rating Agency. This further supporting element was removed in May 2021 following the improved rating of BPER in the meantime expressed by Moody's.

The GBB2 Programme

The GBB2 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).

GBB2 Programme issuances

(in millions)

Emissions	Date of Issuance	nominal amount of the GBBs issued	repayment date	nominal amount repaid	GBB characteristics	Purpose
I	16.12.2015	625	28.01.2018(*)	625	Floating rate	self-subscribed for the purpose of ECB refinancing
II	01.08.2016	200	28.10.2020	200	Floating rate	self-subscribed for the purpose of ECB refinancing
III	24.02.2017	240	28.04.2021	240	Floating rate	self-subscribed for the purpose of ECB refinancing
IV	25.01.2018	420	28.10.2021	420	Floating rate	self-subscribed for the purpose of ECB refinancing
V	17.10.2018	1,050	28.04.2022	1,050	Floating rate	self-subscribed for the purpose of ECB refinancing
VI	13.03.2019	200	28.04.2022		Fixed rate	self-subscribed for the purpose of ECB refinancing
VII	10.07.2019	250	28.07.2023		Fixed rate	self-subscribed for the purpose of ECB refinancing
VIII	30.01.2020	200	28.01.2024		Fixed rate	self-subscribed for the purpose of ECB refinancing
IX	30.04.2020	900	28.04.2024		Fixed rate	self-subscribed for the purpose of ECB refinancing
X	12.11.2020	550	28.10.2024		Floating rate	self-subscribed for the purpose of ECB refinancing
XI	12.11.2020	600	28.10.2024		Fixed rate	self-subscribed for the purpose of ECB refinancing
XII	14.05.2021	250	28.04.2025		Floating rate	self-subscribed for the purpose of ECB refinancing
XIII	11.11.2021	700	28.10.2025		Floating rate	self-subscribed for the purpose of ECB refinancing
XIV	11.11.2021	1,000	28.10.2025		Fixed rate	self-subscribed for the purpose of ECB refinancing
Total		**7,185**		**2,535**		

The outstanding debt of the transactions amounts to Euro 4,650 million, net of the IV series that was paid back on 28 April 2022.
(*) 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 eligibilitu 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, up to a maximum of 80% for residential mortgage loans and up to a maximum of 60% for commercial mortgage loans.

The table below shows the details of all subsequent disposals.

Asset disposals under the GBB2 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
Total		**8,395**

The subordinated 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, amounted to Euro 7 billion, notwithstanding BPER Bancas right to increase the amount of the subordinated loan granted t o finance the purchase of additional portfolios (both in connection with new issues or for the purposes of adding to segregated assets) and with a yield that guarantees a return to the transferor of the yield on the segregated mortgage loans within segregated assets, albeit residual with respect to the payment of the SPVs operating expenses; thus making the sale essentially neutral from an economic standpoint.
Repayment of this loan is linked to the gradual reimbursement of the Guaranteed Bank Bonds that, in turn, will allow the release of the loan portfolio or the cash collections generated thereby.

Repayment of subordinated loan GBB2 Programme

(in millions)

	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
Total		**2,275**

The liquidity generated by the portfolio can also be used - within the limits established by law - for suitable investments or deposits, based on BPER Bancas 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 GBB2 Programme is a different structural technique which, in the event of the Parent Companys default and under other circumstances foreseen in the GBB2 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 GBB2 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 Investors Service Espana S.A.

Requirements for the Issuers

According to the Rules, Guaranteed Bank 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 Guaranteed Bank 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 2021, the Own Funds of the BPER Banca Group amount to Euro 7,782 million and the Total Capital Ratio is 17.16%.

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 2021, the Tier 1 Ratio is 14.84% and the Common Equity Tier 1 Ratio is 14.50%.

Organisational structure and procedures

The structuring process for the GBB 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 banks 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 both the SPVs are BPER Banca Groups entities, as the Parent Company has a 60% holding; they are therefore subject to consol idation.
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 GBB1 and GBB2 Programmes involve some financial and other 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 companys 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 Guaranteed Bank 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 counterparties 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 Counterbalancing Capacity (the limit set by the Rules for these assets is 15%).
- Compliance risk. The articulate and accurate external legislation regulating Guaranteed Bank 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 Guaranteed Bank 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, an plan was hypothesised for 7-year, later extended for another 5 years, and 10-year issues for, respectively, the first and second Programme, so as to have sufficient room to top-up the cover pool, if necessary, without affecting the financial position 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 OBG1 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 Guaranteed Bank Bonds
Linklaters and Allen & Overy, both law firms, originally issued reports on the GBB1 and GBB2 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 Guaranteed Bank Bonds by Asset Monitor

Note that, under the regulations, the asset monitor – in this case PricewaterhouseCoopers s.p.a., replacing Deloitte & Touche s.p.a. in July 2017 – performs annual reviews of the Programmes status and issues a report to the Board of Directors, the Board of Statutory Auditors and the Banks Internal Audit Function.

To date, reviews have been performed for 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 without any significant findings emerging.

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 Groups 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 liquidity position.
Arbitrage and short-term speculative activity with regard to listed derivative instruments are marginal with respect to routine trading on own account. 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 Groups 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 Groups proprietary portfolio (banking book and trading book), in line with the Groups 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 Banks 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

The ongoing pandemic in 2021 did not have significant impacts on the market risk profile of the BPER Banca Group; therefore, it was not necessary to uphod the extraordinary safeguards introduced in 2020 as a consequence of the highly volatile situation in the financial markets, which was especially acute in March and April due to the emergence of the Covid-19 pandemic.

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 2021.

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%	-	0.00%
BTP	152	2	1.32%	1	0.66%
CCT	2	-	0.00%	-	0.00%
Other government securities	4,046	47	1.16%	15	0.37%
Bonds	90,904	554	0.61%	176	0.19%
Equities	-	-	0.00%	-	0.00%
Mutual funds and Sicavs		-	0.00%	-	0.00%
Derivatives/Transactions to be settled	89,297	30,152	33.77%	8,273	9.27%
Effect of diversification		(997)		(310)	
Total portfolio 2021	**184,401**	**29,758**	**16.14%**	**8,155**	**4.42%**
Total portfolio 2020	**(388,552)**	**51,336**	**-13.21%**	**15,164**	**-3.90%**

The value of the trading portfolio at 31 December 2021 given a parallel shift of +/- 100 bps (sensitivity analysis) is set out below.

	+100 bps	-100 bps
31 Dec 2021	54,240	(163,279)
31 Dec 2020	41,396	(115,482)

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 2021.

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	87,828	6,690	7.62%	2,116	2.41%
Mutual funds and Sicavs	162	30	18.52%	10	6.17%
Derivatives/Transactions to be settled	(1,496)	5,942	-397.19%	1,879	31.62%
Effect of diversification		(7,139)		(2,258)	
Total portfolio 2021	**86,494**	**5,523**	**6.39%**	**1,747**	**2.02%**
Total portfolio 2020	**61,175**	**5,688**	**9.30%**	**1,785**	**2.92%**

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 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 books 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, that 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 principally 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 principally 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 books 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 Risk Management Department determines the exposure to price risk each day through a specific VaR reporting system.

Impacts resulting from the Covid-19 pandemic
The ongoing pandemic in 2021 did not have significant impacts on the market risk profile of the BPER Banca Group; therefore, it was not necessary to uphod the extraordinary safeguards introduced in 2020 as a consequence of the highly volatile situation in the financial markets, which was especially acute in March and April due to the emergence of the Covid-19 pandemic.

Quantitative Information

2. Banking book: Internal models and other methodologies for the analysis of sensitivity

Below are the year-end figures at 31 December 2021 and their trends (minimum, average, maximum) of the management reporting year relating to the banking books inter est margin, against a parallel shift of 100/-50 bps.

	+100 bps	-50 bps
31 December 2021	**-1,534**	**-93,016**
maximum change	55,364	-94,137
minimum change	-1,534	-72,452
average change	19,567	-84,456
31 December 2020	**32,424**	**(44,739)**

Below are the year-end figures at 31 December 2021 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 2021	**111,667**	**123,843**
maximum change	229,703	374,832
minimum change	30,806	78,117
average change	120,863	190,858
31 December 2020	**124,901**	**508,729**

In relation to the measurement of interest-rate risk, the VaR[95] of the overall securities portfolio (banking and trading) amounts to Euro 255 million (Euro 1,257 million at 31 December 2020) and is principally attributable to the Italian government securities held in the portfolio, which account for approximately 50% of the indicator, Euro 126 million (Euro 726 million at 31 December 2020).

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 2021.

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	278,384	26,879	9.66%	8,500	3.05%
Mutual funds and Sicavs	586,889	14,268	2.43%	4,512	0.77%
Derivatives/Transactions to be settled	-	-	0.00%	-	0.00%
Effect of diversification		(3,760)		(1,189)	
Total portfolio 2021	**865,273**	**37,387**	**4.32%**	**11,823**	**1.37%**
Total portfolio 2020	**846,593**	**146,844**	**17.35%**	**46,435**	**5.49%**

[95] *VaR measured over a time horizon of one month with a confidence interval of 99%.*

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 Parent Companys Financial Risk Department records and monitors the exposure to exchange rate risk daily in a specific VaR report.

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	PLN	JPY	OTHER CURRENCIES
A. Financial assets	**3,954,296**	**612,266**	**218,976**	**-**	**1,924**	**2,154**
A.1 Debt securities	3,597,342	596,563	-	-	-	-
A.2 Equity instruments	28,107	1,187	2,371	-	-	1,140
A.3 Loans to banks	23,706	354	-	-	-	-
A.4 Loans to customers	305,141	14,162	216,605	-	1,924	1,014
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**31,629**	**6,801**	**7,383**	**440**	**5,828**	**21,496**
C. Financial liabilities	**3,686,227**	**406,688**	**22,593**	**3,882**	**7,843**	**41,708**
C.1 Deposits from banks	3,171,623	361,675	409	149	98	87
C.2 Deposits from customers	514,604	45,013	22,184	3,733	7,745	41,621
C.3 Debt securities in issue	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**5,993**	**159**	**7**	**-**	**-**	**2,323**
E. Financial derivatives	**1,120,051**	**256,246**	**262,964**	**19,823**	**51,054**	**103,164**
- Options	-	-	-	-	-	-
+ Long positions	112,465	1,790	-	-	-	3,862
+ Short positions	122,108	437	-	-	6,022	7,713
- Other derivatives	-	-	-	-	-	-
+ Long positions	330,873	13,379	29,031	19,464	25,609	53,100
+ Short positions	554,605	240,640	233,933	359	19,423	38,489
Total assets	**4,429,263**	**634,236**	**255,390**	**19,904**	**33,361**	**80,612**
Total liabilities	**4,368,933**	**647,924**	**256,533**	**4,241**	**33,288**	**90,233**
Net balance (+/-)	**60,330**	**(13,688)**	**(1,143)**	**15,663**	**73**	**(9,621)**

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 2021.

	VaR Time horizon: 10 days Confidence interval: 99%	VaR Time horizon: 1 day Confidence interval: 99%
2021	4,718	1,479
2020	15,624	5,025

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 31.12.2021				Total 31.12.2020			
	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	**-**	**13,619,072**	**650,244**	**-**	**-**	**9,398,825**	**455,605**	**-**
a) Options	-	2,410,767	26,469	-	-	1,683,565	-	-
b) Swaps	-	10,990,991	-	-	-	7,538,770	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	623,775	-	-	-	455,605	-
e) Other	-	217,314	-	-	-	176,490	-	-
2. Equities and stock indexes	**-**	**32,064**	**58,251**	**-**	**-**	**40,314**	**42,765**	**-**
a) Options	-	32,064	534	-	-	40,314	3,449	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	57,717	-	-	-	39,316	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**1,513,934**	**138,308**	**-**	**-**	**978,337**	**104,878**	**-**
a) Options	-	261,477	-	-	-	133,305	-	-
b) Swaps	-	1	-	-	-	-	-	-
c) Forwards	-	1,252,456	138,308	-	-	845,032	104,878	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**2,966**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**15,165,070**	**846,803**	**-**	**-**	**10,417,476**	**606,214**	**-**

A.2 Trading financial derivatives: positive and negative gross fair value - breakdown by product

Types of derivatives	Total 31.12.2021				Total 31.12.2020			
	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	-	12,221	36	-	-	6,652	101	-
b) Interest rate swaps	-	111,871	-	-	-	115,805	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	10,151	451	-	-	5,794	2,166	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	5,630	-	-	-	9,525	-	-
Total	**-**	**139,873**	**487**	**-**	**-**	**137,776**	**2,267**	**-**
2. Negative Fair Value								
a) Options	-	30,220	153	-	-	35,680	82	-
b) Interest rate swaps	-	75,766	-	-	-	117,330	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	12,809	1,907	-	-	10,089	102	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	2,441	-	-	-	6,199	-	-
Total	**-**	**121,236**	**2,060**	**-**	**-**	**169,298**	**184**	**-**

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	650,244	-	-
- positive fair value	X	-	-	-
- negative fair value	X	153	-	-
2) Equities and stock indexes				
- notional value	X	57,995	128	128
- positive fair value	X	1	11	25
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	56,838	80,365	1,105
- positive fair value	X	447	-	3
- negative fair value	X	285	1,616	6
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	-	10,024,345	180,208	3,414,519
- positive fair value	-	66,880	2,081	56,841
- negative fair value	-	99,016	715	3,586
2) Equities and stock indexes				
- notional value	-	-	64	32,000
- positive fair value	-	-	12	-
- negative fair value	-	-	1	-
3) Currencies and gold				
- notional value	-	1,032,640	-	481,294
- positive fair value	-	8,468	-	5,591
- negative fair value	-	10,709	-	7,209
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	5,317,780	6,810,762	2,140,774	14,269,316
A.2 Financial derivatives on equity securities and stock indexes	57,742	32,402	172	90,316
A.3 Financial derivatives on currencies and gold	1,565,880	86,361	-	1,652,241
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2021	**6,941,402**	**6,929,525**	**2,140,946**	**16,011,873**
Total 31.12.2020	**3,793,008**	**4,681,750**	**2,548,932**	**11,023,690**

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 31.12.2021	**-**	**30,000**
Total 31.12.2020	**-**	**30,000**
2. Protection sales		
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2021	**-**	**-**
Total 31.12.2020	**-**	**-**

B.2 Trading credit derivatives: positive and negative gross fair value - breakdown by product

Types of derivatives	Total 31.12.2021	Total 31.12.2020
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	661	612
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**661**	**612**

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	661	-	-
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 31.12.2021	**-**	**30,000**	**-**	**30,000**
Total 31.12.2020	**-**	**30,000**	**-**	**30,000**

B.5 Credit derivatives connected with the fair value option: annual changes

There are no amounts to report in these Consolidated financial statements.

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 bond issues, 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. Using these instruments, the BPER Banca Group pays fixed and receives floating for asset securities, and pays floating and receives fixed for liability securities;
- Futures, listed, generic with underlying bonds (typically German, Italian and US bonds).

Compared with what is shown, micro-hedge accounting is 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. Similarly, they have been qualified as hedges of bonds issued by the Group at a fixed rate.

Hedged risk - Credit / Counterparty Risk
Given the unexpected increase in credit/counterparty risk, the BPER Banca Group uses derivative instruments to reduce the sensitivity of the investment portfolio.
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 German, Italian and US bonds.

Compared with what is shown, the credit risk is hedged only by management, as no Hedge Accounting has been qualified.

Hedged risk – Price risk
The coverage of unwanted changes in fair value also includes transactions involving equity securities.
The derivatives used for this purpose are:

- Total Return Swaps (TRS), traded over the counter, specific for each individual asset including equities and in currencies other than the Euro.

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.
The derivatives used for this purpose are:

- Interest Rate Swaps - IRS, traded over the counter, that are specific for each instrument to be hedged or for multiple instruments with the same maturity. In this case the BPER Banca Group pays floating and receives fixed interest.

With respect to this management approach, the BPER Banca Group has classified a hedging relationship (micro-hedge accounting) solely with a view to minimising the risk of an undesired fluctuation in the rate of inflation of a security indexed to it. An inflation-linked swap is used as a hedging instrument in this case.

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. The derivatives used for this purpose are:

- Cross Currency Swaps - CCS, traded over-the-counter, specific for each issue to be hedged or for multiple issues with the same maturity. The BPER Banca Group pays the cash flows in foreign currency that it receives from the hedged asset and receives Euro.

In this case, the BPER Banca Group has classified a hedging relationship (micro-hedge accounting) achieved by using a CCS derivative contract, under which the BPER Banca Group pays Dollars and collects Euro.

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.

IBOR Reform

As mentioned in the Directors report on operations (in the section on " *Main risks and uncertainties* - IBOR Reform"), following the Financial Stability Boards 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;
- as regards the benchmark rates for other currencies, the most important ones involved in the reform are: EURIBOR, 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)
Interest Rate Swap	Euribor 3M	Fixed rate	27,000	1.71
	Euribor 6M	Fixed rate	9,771,897	7.77
	GBP LIBOR 6M	Fixed rate	29,752	0.33
	USD LIBOR 3M	Uncodified rates	15,919	3.05
		Fixed rate	740,155	4.74
	Fixed rate	Euribor 6M	1,854,392	1.85
		Fixed rate	113,950	4.97
Total			**12,553,065**	**6.65**

** In relation to 2 hedging derivatives, in December 2021, the last contractual flow relating to the "floating leg" was determined using the GBP Libor 6 M parameter, which was later discontinued on 31.12.2021 The derivatives in question will be settled and wound up in April and May 2022 respectively.*

The exposures to critical rates for which 31 December 2021 was identified as the date of discontinuation (mainly Group exposures in EONIA and GBP LIBOR) were gradually reduced until they were completely eliminated in the final months of 2021 thanks to the transition to the new RFR rates promoted by the centralised counterparties (CCPs).

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. As already mentioned in Part A of the Explanatory Notes, the BPER Banca Group has applied 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, IAS 39 and IFRS 7)". 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 2021. 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 31.12.2021				Total 31.12.2020			
	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	**-**	**12,482,700**	**-**	**-**	**-**	**8,260,348**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	12,482,700	-	-	-	8,260,348	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indexes	**-**	**15,919**	**-**	**-**	**-**	**14,693**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	15,919	-	-	-	14,693	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and	**-**	**54,446**	**-**	**-**	**-**	**54,446**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	54,446	-	-	-	54,446	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**12,553,065**	**-**	**-**	**-**	**8,329,487**	**-**	**-**

A.2 Hedging financial derivatives: gross positive and negative fair value - breakdown by product

Type of derivatives	Positive and negative fair value								Change in the value used to calculate hedge effectiveness	
	Total 31.12.2021				Total 31.12.2020				Total 31.12.2021	Total 31.12.2020
	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	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	178,108	-	-	-	53,795	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	3,981	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**178,108**	**-**	**-**	**-**	**57,776**	**-**	**-**	**-**	**-**
2. Negative Fair Value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	248,939	-	-	-	469,240	-	-	-	-
c) Cross currency swaps	-	239	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**249,178**	**-**	**-**	**-**	**469,240**	**-**	**-**	**-**	**-**

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 s included in netting agreements				
1) Debt securities and interest rates				
- notional value	-	12,482,700	-	-
- positive fair value	-	178,108	-	-
- negative fair value	-	247,425	-	-
2) Equities and stock indexes				
- notional value	-	15,919	-	-
- positive fair value	-	-	-	-
- negative fair value	-	1,514	-	-
3) Currencies and gold				
- notional value	-	54,446	-	-
- positive fair value	-	-	-	-
- negative fair value	-	239	-	-
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		1,308,968	4,101,500	7,072,232	12,482,700
A.2 Financial derivatives on equity securities and stock indexes		-	15,919	-	15,919
A.3 Financial derivatives on currencies and gold		-	-	54,446	54,446
A.4 Financial derivatives on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	31.12.2021	1,308,968	4,117,419	7,126,678	12,553,065
Total	31.12.2020	58,138	3,666,378	4,604,971	8,329,487

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)	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:	**2,939,822**	**-**	**(53,306)**	**(118)**	**(63,184)**	**-**
1.1) Debt securities and interest rates	2,923,219	-	(54,129)	(118)	(63,475)	X
1.2) Equities and stock indexes	16,603	-	823	-	291	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortised cost - hedging of:	**7,758,471**	**-**	**(245,864)**	**-**	**(264,834)**	**-**
1.1 Debt securities and interest rates	7,745,355	-	(242,939)	-	(264,027)	X
1.2 Equities and stock indexes	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	13,116	-	(2,925)	-	(807)	X
1.5 Other	-	-	-	-	-	X
Total 31.12.2021	**10,698,293**	**-**	**(299,170)**	**(118)**	**(328,018)**	**-**
Total 31.12.2020	**6,755,217**	**-**	**28,969**	**(182)**	**28,787**	**-**
B. Liabilities						
1. Financial liabilities measured at amortised cost - hedging of:	**1,873,006**	**-**	**1,539**	**(131)**	**(14,582)**	**-**
1.1 Debt securities and interest rates	1,873,006	-	1,539	(131)	(14,582)	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 31.12.2021	**1,873,006**	**-**	**1,539**	**(131)**	**(14,582)**	**-**
Total 31.12.2020	**1,907,449**	**-**	**(6,062)**	**23**	**(6,040)**	**-**

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		-	(1,879)	-
1.1 Debt securities and interest rates		-	-	-
1.2 Equities and stock indexes		-	-	-
1.3 Currencies and gold		-	(1,879)	-
1.4 Loans		-	-	-
1.5 Other		-	-	-
2. Liabilities		-	-	-
1.1 Debt securities and interest rates		-	-	-
1.2 Currencies and gold		-	-	-
1.3 Other		-	-	-
Total (A)	31.12.2021	-	(1,879)	-
Total (A)	31.12.2020	-	(2,348)	-
B. Hedges of foreign investments		X	-	-
Total (A+B)	31.12.2021	-	(1,879)	-
Total (A+B)	31.12.2020	-	(2,348)	-

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	(575)	-	(1,774)	-	-
Changes in Fair Value (effective portion)	-	-	(105)	-	-
Transfer to P&L	575	-	-	-	-
of which: future transactions not expected	575	-	-	-	-
Other changes	-	-	-	-	-
of which: transfer to initial book value	-	-	-	-	-
Final balance	-	-	(1,879)	-	-

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.
The opening balance shows the value of the cash flow hedging reserve at the date of adoption of IFRS 9 Hedge Accounting (1 July 2020).

1.3.3 Other information on derivative instruments (trading and hedging)

At 31 December 2021, the BPER Banca Group does not have any derivatives that satisfy the criteria envisaged in IAS 32.42 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 Groups 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 Groups 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 Groups 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 Groups 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 Groups 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 2021 it was 215.1% calculated as a ratio of Euro 31,951 million of highly liquid assets and Euro 14,857 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 liquid assets and liabilities. As at 31 December 2021, the ratio stood at 142.5%, calculated as the ratio between Euro 104,918 million of available stable funding and Euro 73,623 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

Faced with the Covid-19 pandemic, the Group implemented a broad set of actions to strengthen its liquidity profile and address the potential impacts of a crisis caused by customers' sudden requests for liquidity and volatility in the value of easily marketable assets as a result of unfavourable market conditions; these actions involved both the operational profile (mainly by increasing funding from the European Central Bank and expanding potential sources of funding to draw upon in case of need) and the measurement and monitoring of the risk profile (mainly by increasing the frequency of reports to the

Control and Risk Committee and to Senior Management, intensifying stress tests and monitoring specific risk factors linked to the crisis); during 2021, these actions were calibrated on a time-by-time basis in relation to the evolution of the pandemic and the dynamics of the Groups liquidity profile, which remained at levels well above the minimum values defined internally and the regulatory thresholds. This is why the changes in the relevant internal thresholds (risk appetite, limits and risk tolerance) relating to the liquidity risk indicators were carried out using standard mechanisms only.

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	**7,752,818**	**773,916**	**1,458,769**	**3,211,196**	**5,017,076**
A.1 Government securities	-	-	2,938	90	307,155
A.2 Other debt securities	121	1,399	54,414	67,162	190,020
A.3 UCITS units	589,406	-	-	-	-
A.4 Financing	7,163,291	772,517	1,401,417	3,143,944	4,519,901
- Banks	889,747	249,741	1	4,350	8,729
- Customers	6,273,544	522,776	1,401,416	3,139,594	4,511,172
On balance sheet liabilities	**92,771,681**	**2,038,415**	**179,098**	**1,315,564**	**190,525**
B.1 Deposits and current accounts	91,731,401	8,871	4,618	20,731	76,776
- Banks	318,049	5,929	2,264	12,144	1,112
- Customers	91,413,352	2,942	2,354	8,587	75,664
B.2 Debt securities	19,121	3,057	4,961	761,042	47,530
B.3 Other liabilities	1,021,159	2,026,487	169,519	533,791	66,219
Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	85	25,716	107,669	153,239	279,163
- Short positions	177,439	28,885	87,130	69,028	126,884
C.2 Financial derivatives without exchange of principal					
- Long positions	121,063	-	-	-	-
- Short positions	63,847	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	305,706	-	-	-
- Short positions	-	305,706	-	-	-
C.4 Irrevocable commitments to disburse funds					
- Long positions	1,072,852	-	-	1,395	5,274
- Short positions	2,774,526	-	-	-	-
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
EURO

(cont.)

tems/time bands	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Undefined maturity
On balance sheet assets	**4,391,809**	**7,282,705**	**36,007,857**	**41,159,317**	**20,433,751**
A.1 Government securities	17,446	172,691	3,457,276	7,264,547	-
A.2 Other debt securities	313,959	221,793	4,264,692	6,600,705	682
A.3 UCITS units	-	-	-	-	-
A.4 Loans	4,060,404	6,888,221	28,285,889	27,294,065	20,433,069
- Banks	8,039	11,432	17,999	151,792	20,433,069
- Customers	4,052,365	6,876,789	28,267,890	27,142,273	-
On balance sheet liabilities	**354,498**	**404,880**	**21,086,690**	**2,930,039**	**26**
B.1 Deposits and current accounts	47,633	47,363	131,275	91,058	26
- Banks	21,001	19,920	131,078	90,994	-
- Customers	26,632	27,443	197	64	26
B.2 Debt securities	214,713	266,835	2,083,831	1,400,000	-
B.3 Other liabilities	92,152	90,682	18,871,584	1,438,981	-
Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	33,230	96,747	39,226	54,446	-
- Short positions	89,527	98,154	40,999	-	-
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	5,968	16,462	798,183	176,818	-
- 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	**31,825**	**3,097**	**21,902**	**109,646**	**241,634**
A.1 Government securities	-	-	-	6	468
A.2 Other debt securities	-	-	13,246	15,161	47,879
A.3 UCITS units	285	-	-	-	-
A.4 Loans	31,540	3,097	8,656	94,479	193,287
- Banks	18,277	-	-	2,108	3,497
- Customers	13,263	3,097	8,656	92,371	189,790
On balance sheet liabilities	**626,340**	**167,820**	**496,508**	**750,377**	**2,119,817**
B.1 Deposits and current accounts	626,071	221	27	1,822	4,300
- Banks	4,699	-	-	-	-
- Customers	621,372	221	27	1,822	4,300
B.2 Debt securities	-	-	-	-	-
B.3 Other liabilities	269	167,599	496,481	748,555	2,115,517
Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	-	37,425	87,039	69,070	130,601
- Short positions	316,846	57,738	109,129	153,337	463,420
C.2 Financial derivatives without exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	767	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds					
- Long positions	-	5	5	-	-
- 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

(cont.)

Items/time bands	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Undefined maturity
On balance sheet assets	**87,777**	**283,016**	**2,229,742**	**1,736,876**	**-**
A.1 Government securities	1,245	1,540	164,280	910,669	-
A.2 Other debt securities	62,664	265,692	2,002,955	686,965	-
A.3 UCITS units	-	-	-	-	-
A.4 Loans	23,868	15,784	62,507	139,242	-
- Banks	207	-	-	-	-
- Customers	23,661	15,784	62,507	139,242	-
On balance sheet liabilities	**3,390**	**3,437**	**-**	**-**	**-**
B.1 Deposits and current accounts	3,390	3,437	-	-	-
- Banks	-	-	-	-	-
- Customers	3,390	3,437	-	-	-
B.2 Debt securities	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-
Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	90,837	98,220	41,560	-	-
- Short positions	140,158	96,807	40,059	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 2021.

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 operation 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	Eur	Eur
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 Moodys Rating	Aa2	Unrated
Issue DBRS Rating	AA (low)	Unrated
Current Moodys Rating	Aa3	Unrated
Current DBRS Rating	AA (High)	Unrated

Multi Lease AS self-securitisation

This securitisation was closed out early, in June 2021, with the repurchase of the residual portfolio for about Euro 670 million with economic effect on 31 May 2021. The related notes were settled upon payment of the quarterly coupon on 21 July 2021. The amount of outstanding MultiLease 3 senior notes, with a rating suitable for refinancing transactions with the ECB, had decreased to Euro 298.1 millionfrom an initial value of Euro 794.7 million, an amount considered to be too low to justify the related management costs.

Pursuing the original aim of the initiative, the Company, in agreement with the Parent Company, finalised the preparatory stage for the structuring of a new transaction, called Multi Lease IV, with an underlying portfolio of performing leases; the new securitisation of performing lease receivables "MultiLease 4" (abbreviated to "ML4") was completed in the third quarter of 2021. Almost all of the MultiLease 3 leases (Euro 636.4 million) complying with the corresponding qualitative criteria for the portfolio, also formed part of the new ML4 asset disposal finalised with legal veffect from 1 July 2021, for a total amount of Euro 1,796,045,000.00.
The sale of the ML4 receivables related solely to the periodic lease payments (excluding end-of-lease payments) starting from 1 June 2021 and up to the expiry of the selected contracts. At that reference date, about 27.4% of the receivables benefitted from suspension of payment linked to the Covid-19 moratoria; following the further extension of moratoria (on payment of principal only) until 31 December 2021, pursuant to Law Decree no. 73 of 25 May 2021, , this percentage fell to about 7.7% of the total.
On 30 July 2021, the new ML4 securities were issued, fully subscribed to by our Company ("self-securitisation"), listed with the Stock Exchange of Milan and Dublin and deposited in a securities account at BPER Banca. The senior notes, subject to approval by the European Central Bank (currently in progress) will be used by our Parent Company for refinancing with the ECB.
Following the portfolio assessments carried out by the rating agencies Standard & Poor's and DBRS (similarly involved in the MultiLease 3 securitisation), securities were tranched and the senior notes were rated "A" for approximately 73.5% of the amount of the assets sold and for a nominal value of Euro 1,321 million.
Against the issue of the ML4 new senior notes, the Company obtained new credit facilities from the Parent Company for an amount of Euro 1,200 million at the ECB refinancing rate (currently 0%).
Note that in order to reduce the so-called "negative carry" (i.e. the cost for managing the liquidity transferred to the vehicle accounts is higher than the income earned), the frequency of payment of the coupons was changed from quarterly to monthly, with the exception of the first coupon whose *interest period* was comprised between the date of issue of the securities and 27 September 2021.
The total amount of these notes after the repayment on the payment dates (27/9/2021 – 26/10/2021 - 26/11/2021 – 29/12/2021 - 26/01/2022) – repayment of principal Euro 101,224,002.80 and interest Euro 485,467.50 - is Euro 1,586,561,744.70 made up as follows:

- Class A Senior Notes – Euro 1,111,516,744.70
- Class B Junior Notes – Euro 475,045,000.00

The residual balance of the portfolio at 31 December 2021 amounted to Euro 1,613,004,275.59 for a total of 7,543 contracts, including Euro 13,699.07 of unpaid principal instalments.

Dedalo Finance self-securitisation

On 19 May 2021, BPER Banca repurchased the loan portfolio originally sold by Cassa di Risparmio di Bra to the vehicle company Dedalo Finance, terminating the transaction ahead of schedule. The repurchase refers to a portfolio of land and mortgage loans for a residual debt of approximately Euro 22.9 million.
This was announced by publication in the Official Gazette (OG Second Part no. 61 of 25 May 2021).

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 risk[96]".
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 classified[97].
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 Groups internal control s ystem.

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 Groups 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.

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[96] See (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.
[97] See CRR – Part three, Title III, Chapter 3, art. 317.

In 2015, the Group 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 Groups 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 consortium[98] 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.

Impacts resulting from the Covid-19 pandemic

Faced with the Covid-19 pandemic, the BPER Banca Group implemented a series of activities designed to identify and assess the current and future operational risks that it might involve, also to foresee appropriate mitigation measures.
These activities concerned:

- the collection of operational loss events that took place after the outbreak of Covid-19 event, including the extraordinary costs needed to ensure operational continuity (e.g. health and hygiene expenses);
- a specific exercise to identify and quantify the impacts of operational risk (both actual and expected) linked to the pandemic by applying a scenario analysis approach;
- more frequent reporting dedicated to the Covid-19 scenario to ensure that the Corporate Bodies had timely information.

[98] *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.*

Quantitative Information

The following is the distribution of the number of events and operating losses recorded in 2021, 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

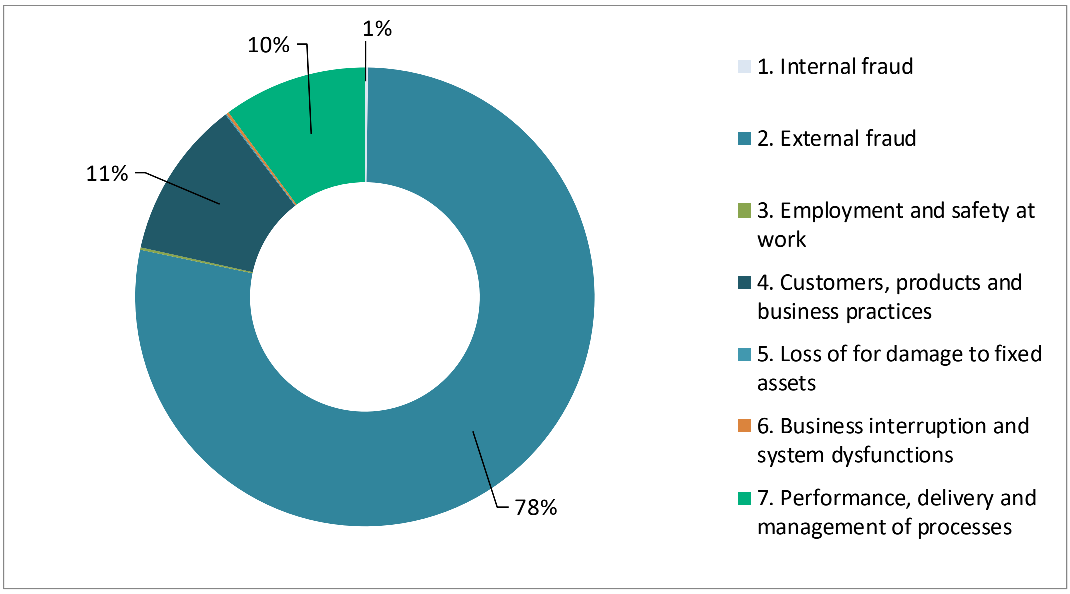
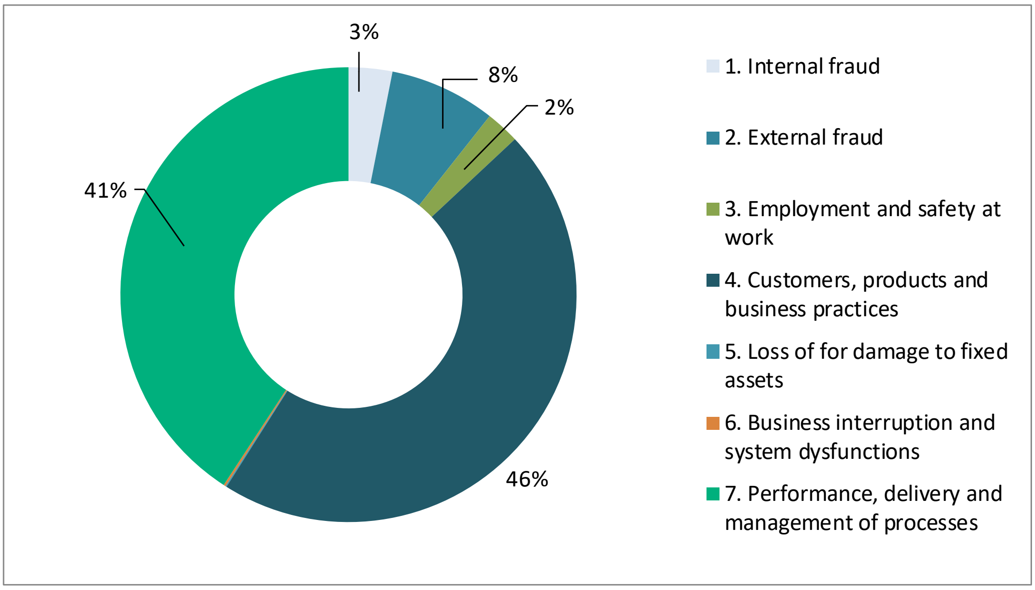


Figure 2 – Breakdown by Gross Actual Loss



An analysis of the graphs shows that the most relevant type of event in terms of frequency is:

- "External fraud" with 78% 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:

- "Customers, products and business practices", with 46% of the total gross loss;
- "Performance, delivery and management of processes", with 41% of the total gross loss.

Reputational risk

Qualitative Information

B. 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 Credit and Operational Risks Office within the Risks Department, with support from the organisational units involved (Reputational Risk Owner) in managing the 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 Groups 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 the 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 Groups 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.

All of these activities have helped to mitigate the financial impact of several major extraordinary transactions, such as the acquisitions of Unipol Banca and Arca Holding, and to maintain adequate capital strength that allowed the acquisition of a going concern consisting of 587 branches of UBI Banca (33 branches of Intesa Sanpaolo were added in June 2021), for which the Parent Company BPER Banca approved an increase in capital of Euro 802.3 million which was implemented in October 2020. For further details about the acquisition from Intesa Sanpaolo, please refer to the chapter of this Report entitled "*Significant events and strategic transactions*".

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 s.p.a., Banco di Sardegna s.p.a. and Bibanca s.p.a. 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 2021 a

50% correction factor has been applied, 70% for 2020), when the provisions recorded will be included in full in the calculation of own funds during the transition to 1 January 2018. 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	2,809,699	-	-	(684,346)	2,125,353
2. Share premium reserve	1,542,232	-	-	(299,287)	1,242,945
3. Reserves	3,599,530	-	-	(1,007,317)	2,592,213
4. Equity instruments	150,000	-	-	-	150,000
5. (Treasury shares)	(9,552)	-	-	-	(9,552)
6. Valuation reserves:	188,534	-	-	10,667	199,201
- Equity instruments designated at fair value through other comprehensive income	91,492	-	-	(1,048)	90,444
- Hedging of equity instruments designated at fair value through other comprehensive income	(1,299)	-	-	1,009	(290)
- Financial assets (no equity instruments) measured at fair value through other comprehensive income	3,192	-	-	3,008	6,200
- Property, plant and equipment	75,632	-	-	-	75,632
- Intangible assets	-	-	-	-	-
- Foreign investment hedges	-	-	-	-	-
- Cash flow hedges	(1,258)	-	-	-	(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)	-	-	-	-	-
- Actuarial gains (losses) on defined benefit plans	(159,928)	-	-	-	(159,928)
- Share of valuation reserves of equity investments valued at equity	-	-	-	7,698	7,698
- Special revaluation laws	180,703	-	-	-	180,703
7. Profit (loss) for the year (+/-) of group and minority interests	603,257	-	-	(44,608)	558,649
Total	**8,883,700**	**-**	**-**	**(2,024,891)**	**6,858,809**

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	24,572	21,380	-	-	-	-	3,998	990	28,570	22,370
2. Equity instruments	102,364	10,872	-	-	-	-	(1,048)	-	101,316	10,872
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2021	**126,936**	**32,252**	**-**	**-**	**-**	**-**	**2,950**	**990**	**129,886**	**33,242**
Total 31.12.2020	**144,208**	**52,744**	**-**	**-**	**-**	**-**	**3,674**	**990**	**147,882**	**53,734**

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	**42,841**	**51,307**	**-**
2. Increases	**38,266**	**43,155**	**-**
2.1 Fair value increases	14,039	3,517	-
2.2 Impairment losses for credit risk	904	X	-
2.3 Reclassification to profit and loss of negative reserves following disposal	75	X	-
2.4 Transfer to other components of shareholders equity (equity instruments)	-	38,819	-
2.5 Other increases	23,248	819	-
3. Decreases	**74,907**	**4,018**	**-**
3.1 Fair value decreases	44,495	463	-
3.2 Write-backs for credit risk	3,019	-	-
3.3 Reclassification to profit or loss of positive reserves: -from disposal	21,761	X	-
3.4 Transfer to other components of shareholders equity (equity instruments)	-	241	-
3.5 Other decreases	5,632	3,314	-
4. Closing balance	**6,200**	**90,444**	**-**

B.4 Valuation reserves about actuarial gains (losses) on defined benefit plans: annual changes

	31.12.2021	31.12.2020
1. Opening balance	**(155,764)**	**(159,949)**
2. Increases	**2,477**	**8,377**
2.1 Actuarial gains	788	8,095
2.2 Other increases	1,689	282
3. Decreases	**6,641**	**4,192**
3.1 Actuarial losses	6,212	1,974
3. 2 Other decreases	429	2,218
4. Closing balance	**(159,928)**	**(155,764)**

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 2021 – 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 2021 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

The acquisition of the going concern, consisting in a network of former UBI Banca and Intesa Sanpaolo branches, referred to in the Agreements signed by BPER Banca with the counterparties starting from 17 February 2020 and better described in chapter 3. "Significant events and strategic transactions", was formalised on 19 February 2021 with the signing of the definitive sale contracts. The contracts provided for the transfer to BPER Banca of the business units of UBI Banca s.p.a. and UBISS s.c.p.a., taking effect for legal purposes on 22 February 2021, whereas the Intesa Sanpaolo Group's business unit was transferred on 21 June 2021.
On the basis of these contracts, the overall consideration agreed for the purchase of the business units is Euro 644 million, of which Euro 23.5 million refers to the unit owned by Intesa Sanpaolo. The amounts were paid by BPER Banca entirely in cash at the transfer effective dates. The difference between assets and liabilities of the entire going concern (identified contractually as being equal to its Common Equity Tier 1) was set at Euro 1,611 million.
For the purposes of this Consolidated Financial Report, the Purchase Price Allocation (PPA) is reported in accordance with IFRS 3. Already finalised as part of the Consolidated Interim Report on Operations at 30 September 2021, the PPA led to the emergence of a "gain from a bargain purchase", or badwill. This result is largely attributable to the fact that the transaction took place in favourable market moment for "buyers"; in fact, one of the reference parameters considered in defining the price, together with other less significant ones, was the relationship between the market price and the book value of the banks selling the going concern.
Considering this result, albeit provisional, the clause contained in the Agreements which provides for deferred adjustment of the consideration to be borne by Intesa Sanpaolo, depending on the fiscal relevance of the badwill for BPER Banca, has been applied in the context of the PPA.

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".
The initial and supplementary agreements signed in 2020 and, most recently, in early 2021, by BPER Banca and Intesa Sanpaolo (later joined by UBI Banca), the contents of which were confirmed by the final contracts signed on 19 February 2021, showed that the subject of the agreements was the transfer of a series of branches, defined as a set of rights, obligations and legal relationships relating to (or connected with): (i) contracts signed with each branch's customers, (ii) employment relationships with the members of staff working in them, (iii) lease and utility contracts related to them, and (iv) ownership of (or real rights over or entitlement to) the movable and immovable property, plant and equipment used by the branch. With respect to the characteristics of the business acquired, it is therefore possible to identify[99]:

- Inputs: contracts with customers (and consequent loans, direct and indirect deposits), employees (as an "organised workforce that has the necessary skills, knowledge or experience") and premises (owned or rented properties) needed for the provision of banking services.

[99] *As required by IFRS 3 B7.*

- Processes: all those connected with the provision of banking services to customers (i.e. processes such as loan disbursement, credit monitoring, provision of payment services, provision of financial and investment services), as well as customer base growth (customer acceptance). These processes are considered "substantive" as intended by IFRS 3 since, being a business unit already "in operation" at the date of the combination, it is carried on by employees who already have the necessary skills, knowledge or experience in the banking sector (also understood as relationships with customers) which cannot be replaced without costs, efforts or significant delays due to the ability to carry on generating "output deriving from the banking activity"[100].
- Output: understood as the ability to generate revenues not only in the form of interest, but also in the form of commissions from banking services provided to customers.

It should also be noted that the "concentration test" envisaged by paras. B7A and B7B of IFRS 3 (in force from 1 January 2020), focusing on gross assets and indicated, in any case, as optional, was not applied as the qualitative analysis reported above regarding the components of the going concern transferred 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 assets acquired; in this case, the acquisition date was identified as the date on which the units were legally transferred (as resulting from the sale contracts). In fact, the preliminary IT migrations for the units acquired from UBI Banca/UBISS and Intesa Sanpaolo had already been carried out by 22 February and 21 June 2021, respectively.

The balance sheet values of the business units acquired on 22 February 2021 and 21 June 2021 following the definitive allocation of the cost are presented below, expressing the fair value of the identifiable and/or contingent assets and liabilities at the acquisition date.

[100] *IFRS 3 B12C: If a set of activities and assets has outputs at the acquisition date, an acquired process (or group of processes) shall be considered substantive if, when applied to an acquired input or inputs, it:*
a) is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process (or group of processes); or
b) significantly contributes to the ability to continue producing outputs and:
i) is considered unique or scarce; or
ii) cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.

Assets		UBI business unit	UBISS business unit	ISP business unit	PPA	Total of going concern acquired
10.	Cash and cash equivalents	115,511	-	8,141	-	123,652
20.	Financial assets measured at fair value through profit or loss	94,489	-	1,286	-	95,775
	a) financial assets held for trading	65,555	-	1,286	-	66,841
	c) other financial assets mandatorily measured at fair value	28,934	-	-	-	28,934
40.	Financial assets measured at amortised cost	28,509,705	939	2,362,429	(103,408)	30,769,665
	a) loans to banks	6,475,766	939	1,005,053	-	7,481,758
	b) loans to customers	22,033,939	-	1,357,376	(103,408)	23,287,907
80.	Property, plant and equipment	601,708	4,251	19,588	(39,594)	585,953
90.	Intangible assets	-	542	-	-	542
	of which: goodwill	-	-	-	-	-
120.	Other assets	2,557,061	-	64,773	10,065	2,631,899
	Total assets	**31,878,474**	**5,732**	**2,456,217**	**(132,937)**	**34,207,486**

Liabilities and shareholders equity		UBI business unit	UBISS business unit	ISP business unit	PPA	Total of going concern acquired
10.	Financial liabilities measured at amortised cost	30,156,380	4,964	2,301,516	(2,573)	32,460,28
	a) due to banks	-	4,964	-	-	4,964
	b) due to customers	30,145,835	-	2,301,516	(2,573)	32,444,778
	c) debt securities issued	10,545	-	-	-	10,545
20.	Financial liabilities held for trading	1,831	-	54	-	1,885
80.	Other liabilities	41,594	179	81,762	-	123,535
90.	Employee termination indemnities	72,967	344	4,928	-	78,239
100.	Provisions for risks and charges	56,672	245	6,095	18,845	81,85
	a) commitments and guarantees granted	17,158	-	335	-	17,493
	c) other provisions for risks and charges	39,514	245	5,760	18,845	64,364
	Total liabilities and shareholders equity	**30,329,444**	**5,732**	**2,394,355**	**16,272**	**32,745,803**

The changes in the balances of the individual balance sheet items acquired on the date of transfer (22 February 2021 for the UBI/UBISS business unit and 21 June 2021 for the ISP business unit) are due to subsequent movements, which occurred during the measurement period (with the most relevant ones being registered in Land and buildings for an amount of € 176 million and Loans to customers for an amount of € 59 million) which, in application of the contractual clauses, did not affect the overall difference between assets and liabilities acquired as against a similar change in interbank deposits (Loans to and Due to banks).

As at 30 September 2021, the balance sheet balances acquired were determined on a definitive basis, measured at fair value with the support of accredited external consultants. More specifically:

- 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;
  - 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 Bancas internal models, an d 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 19 billion. The valuation process led to an overall fair value that was higher than the carrying amount by a total of 234.1 million (Euro 220.1 million for the performing loans of the UBI unit and Euro 14 million for the performing loans of the Intesa Sanpaolo unit). 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 dates 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 hypothetical effects of the Covid-19 crisis. 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 debtors forecast cash flows quantified through a joint analysis of various items in the counterpartys financial statements, subsequently allocating them to cover the exposure in relation to the effective seniority of each position. With regard to UTP and Past Due exposures to counterparties for which there was not even one set of financial statements available in the Centrale Bilanci database, making it impossible to apply the Steady-state approach, an alternative methodology was envisaged, based on Danger Rate and Cure Rate benchmark matrices obtained on the basis of market and financial information.
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 hypothetical effects of the Covid-19 crisis.
Overall, the net carrying amount of non-performing loans, substantially acquired with the UBI unit and subject to valuation, amounted to approximately Euro 959 million. The fair value resulting from these models was lower than this amount by Euro 337.5 million.

- Intangible assets: analyses were carried out to identify any intangibles originating from Customer Relationships, not already recognised in the sellers financial statements. Analyses show that there would not seem to be the conditions for enhancing the value of Core Deposits as the benefit linked to the lower cost of the deposits acquired compared with alternative sources of funding (a.k.a. "mark-down") would be zero. With respect to the measurement of any intangible assets related to the indirect deposits acquired, by using a “Multi-period Excess Earning Method – MEEM”, as per the best market practice, a substantially low value was identified (especially in relation to the volumes of indirect deposits acquired - 0.01%), as such to prompt Management to prudentially maintain these 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 on-site appraisals by the independent expert used by the BPER Banca Group. The results of these activities led to an estimated adjustment to fair value of the property, plant and equipment acquired from the UBI/UBISS and Intesa Sanpaolo business units of Euro -37.1 million;
- Direct deposits: the characteristics of the direct deposits acquired (substantially represented by sight or short-term items) suggest that their fair value is substantially the same as their book value.
- Right-of-Use assets and lease liabilities: for the lease liabilities acquired (mainly for real estate), BPER Banca Group’s valuation methodology was applied at the two dates of the business combination (22 February and 21 June 2021), as required by paragraphs 28A and 28B of IFRS 3. This revaluation had an impact on “*Property, plant and equipment*” (Right-of-Use assets) of Euro -2.5 million and on “*Due to customers*” (lease liabilities) of Euro -2.7 million in relation to the UBI/UBISS business units; the impact was Euro 0.38 million on “Property, plant and equipment” (Right-of-Use assets) and Euro 0.15 million on “Due to customers” (lease liabilities) in relation to the Intesa Sanpaolo business unit;
- Contingent liabilities: identification of any risks implicit in the going concern acquired, as well as the fair value measurement of the contingent liabilities linked to them and the fair value measurement of the legal risks connected with litigation at the branches acquired led to estimate additional contingent liabilities of Euro 8.8 million. This was the increase recorded compared with the funds allocated by the seller on existing disputes, the latter amounting to Euro 10.1 million which, not having been included in the accounting situation of the unit

acquired pending the exclusion of the seller from the judgements pending, they have been quantified as a total of Euro 18.8 million, which has been booked to “Other assets” (Loans to transferor) for the amount owed by the seller (Euro 10.1 million);

- Tax effects: the profit (loss) of the combination (qualifying as the acquisition of a business unit) was considered fiscally relevant for the calculation of direct corporate income taxes (IRES) for the period in line with the Revenue Agencys opinion received on 17 June 2021 in response to the request for an advance ruling made by the Bank on 14 April 2021 concerning the tax regime applicable to the balance sheet and income statement elements arising from the PPA process relative to the acquisition of the business unit. The resulting current tax burden is shown in caption 300. “*Income taxes on current operations for the year” f*or a total amount of Euro 310.2 million.
- Adjustment of the consideration: the matters discussed in the previous paragraphs led to the application of the specific contractual clause which provides for a deferred adjustment of the consideration paid by BPER Banca to Intesa Sanpaolo for the acquisition of the business units, estimating the quota to be reimbursed by Intesa Sanpaolo according to the tax burden referred to in the previous point and therefore equal to Euro 310.2 million.

Depending on the choices made, the difference between the assets and liabilities acquired at 22 February and 21 June 2021 and the price paid is shown below, so as to identify the result of the PPA.

Going concern acquired	UBI	ISP	Total
Difference between assets and liabilities as at 22 February 2021 and 21 June 2021 (A)	1,387,301	74,382	1,461,683
Consideration paid (B)	620,486	23,508	643,994
Adjustement of the consideration (C)	290,861	19,297	310,158
Badwill (A-B+C)	**1,057,676**	**70,171**	**1,127,847**

Details of going concern acquired	UBI	ISP	Total
Difference of assets/liabilities acquired	1,549,030	61,862	1,610,892
Real estate	(35,767)	(1,348)	(37,115)
Rights of use	(2,517)	38	(2,479)
NPE portfolio	(337,503)	-	(337,503)
Performing portfolio	220,095	14,000	234,095
Lease liabilities	2,728	(155)	2,573
Loans to transferor	10,065		10,065
Contingent liabilities	(18,830)	(15)	(18,845)
Difference between assets and liabilities as at 22 February 2021 and 21 June 2021 (A)	**1,387,301**	**74,382**	**1,461,683**
UBI consideration paid	620,486		620,486
UBISS (*) consideration paid			-
ISP consideration paid		23,508	23,508
Consideration paid (B)	**620,486**	**23,508**	**643,994**
Adjustement of the c onsideration (C)	290,861	19,297	310,158
Badwill before tax D= (A-B+C)	**1,057,676**	**70,171**	**1,127,847**
Tax (E)	(290,861)	(19,297)	(310,158)
Badwill after tax F= (D+E)	**766,815**	**50,874**	**817,689**

(*) The price agreed for the transfer of the UBISS branch was € 1, paid by BPER Banca to Intesa Sanpaolo for a zero difference between assets and liabilities.

At the end of the allocation process, the total gross benefit deriving from the acquisition was Euro 1,127.8 million, registered as income in the Income Statement item “Gain on a bargain purchase”.

Since the PPA valuation resulted in badwill, in application of IFRS 3 § 36, 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 Groups auditing firm. The fairness opinion, confirming badwill for an amount of Euro 1,127.8 million, was obtained on 5 November 2021.

In relation to the disclosure required by IFRS 3 § B64 (q) (i) and (ii) – relating respectively to the revenues and profits of the business acquired from the date of acquisition until the date of this Consolidated Financial Report, as well as the presentation of revenues, profits and losses of the entity resulting from said business combination for the current period, assuming that said combination occurred at the start of the reporting period, it should be noted that this information is not available as the business acquired does not represent a separate operating segment and, therefore, is not subject to separate reporting.

1.2 Operations between entities under common control

On 6 November 2020, the Boards of Directors of Nadia s.p.a. and Tholos s.p.a., each to the extent of their sphere of competence, approved the Merger Plan for the absorption of Tholos s.p.a. by Nadia s.p.a. The Shareholders Meetings of the two companies that approved the merger were held on 18 November 2020. Please refer to the Directors Report for further details.
The merger, which qualified as a “*business combination between entities under common control*” and therefore outside the scope of IFRS 3, took effect for accounting and tax purposes on 1 January 2021. It has no effect on the consolidated financial statements.

Section 2 – Transactions subsequent to the year end

2.1. Business combinations

No business combinations have been carried out subsequent to 31 December 2021 and up to the date of approval of these consolidated financial statements.

Part H – Related-party transactions

1. Information on the remuneration of Managers with strategic responsibilities

	Directors	Statutory Auditors	Other managers with strategic responsibilities
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**
short-term benefits (1)	2,860	522	4,654
post-employment benefits (2)	-	-	325
other long-term benefits (3)	199	-	265
indemnities for termination of employment (4)	-	-	408
share-based payments (5)	489	-	388
Total 31.12.2020	**3,548**	**522**	**6,040**

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 (€ 3,262 thousand) consists of their emoluments for the period in accordance with art. 11 of the Articles of Association. More specifically:
- € 1,802 thousand (€ 1,845 thousand at 31 December 2020), comprising the fees payable to the Directors (€ 1,118 thousand), the additional emoluments due to members of the Board committees (€ 506 thousand), as well as the attendance fees payable to the Directors for participating in meetings of the Board of Directors (€ 178 thousand);
- € 365 thousand (unchanged as compared to 31 December 2020) 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;
- € 1,033 thousand (€ 600 thousand at 31 December 2020) 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 € 62 thousand of variable remuneration.
The amounts shown for other Key Management Personnel (the General Manager, 4 Deputy General Managers, the Manager responsible for preparing the companys financial reports and 5 oth er 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 CONSOBs instructions. The item additio nally includes amounts earned for positions held in subsidiaries not paid directly to the Parent Company (€ 21 thousand at 31 December 2021)

(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 during the year for the 2019-2021 Long-Term Incentive Plan.

2. Information on related-party transactions

The following shows the transactions with related parties, identified in application of IAS 24.

	Assets	Liabilities	Guarantees and commitments	Revenues	Costs
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**
Subsidiaries	451,398	8,982	-	1,827	568
Associates	813,332	5,473	67,745	5,317	4,045
Directors, Statutory Auditors and Managers	568	1,856	155	51	2
Other related parties	277,997	1,121,093	100,858	132,314	10,678
Total 31.12.2020	**1,543,295**	**1,137,404**	**168,758**	**139,509**	**15,293**

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 € 432 million (€ 379.6 million at 31 December 2020). The above amount accounts for 0.25% of total cash and endorsement loans.
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.
No provisions or losses were recognised for doubtful loans to associated companies or related parties.

	Assets	Liabilities	Guarantees and commitments	Revenues	Costs
Total reference amounts - 31.12.2021	136,347,873	129,489,064	37,200,969	3,944,603	3,132,334
Total reference amounts - 31.12.2020	93,050,838	86,720,084	23,775,611	2,948,617	2,155,646

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	0.37%	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%**
Subsidiaries	0.49%	0.01%	0.00%	0.06%	0.03%
Associates	0.87%	0.01%	0.28%	0.18%	0.19%
Directors, Statutory Auditors and Managers	0.00%	0.00%	0.00%	0.00%	0.00%
Other related parties	0.30%	1.29%	0.42%	4.49%	0.50%
Total 31.12.2020	**1.66%**	**1.31%**	**0.70%**	**4.73%**	**0.72%**

Part I – Equity-based payments

Qualitative information

1. Description of equity-based payments

On 16 March 2021 the Board of Directors of the Parent Company BPER Banca approved:

- the Report on the Remuneration Policy and Compensation Paid, pursuant to art. 123-ter of Legislative Decree no. 58 of 24 February 1998, relating to the remuneration policies of the BPER Banca Group for 2021 and compensation paid in 2020;
- the Remuneration Plan pursuant to art. 114-bis of Legislative Decree 58 of 24 February 1998, implementing the remuneration policies of the BPER Banca Group for 2021. The Plan covers those employees of the BPER Banca Group identified as "Material Risk Takers (MRTs)" in accordance with the 25th update of Circular 285 "Supervisory provisions for Banks" of 23 October 2018, Title IV, Chapter 2 "Remuneration and incentive policies and practices" and Commission Delegated Regulation (EU) 604 of 4 March 2014.

The above documents were approved by Shareholders' Meeting held on 21 April 2021 in one call.

The remuneration of MRTs consists of a fixed component and a short-term variable component that for some may also be long-term.
The variable component of the bonus is governed by very strict rules, as required by the Bank of Italys rules on the remuneration of MRTs (Circular 285).
In line with the regulatory requirements and the resolutions adopted at the Shareholders' Meeting held in 2020, the ratio between variable and fixed remuneration is set at 2:1 for all MRTs (except for control and similar functions). This is to have the flexibility to make payments ahead or in the event of early termination of employment or term of office and to have available all the operational levers needed to attract external resources in order to achieve the Group's objectives (except for staff of the Group's asset management company (SGR) to which different limits are applicable under the existing regulations).

For the rest of the personnel, a maximum ratio between the components of remuneration of 1:1 is normally adopted, with the exception of key personnel of Corporate Control Functions, whose variable remuneration cannot exceed one third of their fixed remuneration.

Nevertheless, the Group also sets the maximum fixed/variable ratio at 2:1 for all other personnel too (excluding the control Functions once again) in the following limited circumstances:

- to make payments ahead of or upon early severance, within the maximum limits already established in the policies under specific circumstances;
- to have appropriate levers available to manage in a suitable manner the competitive pressures in the job markets for certain, highly profitable business segments and specific professional clusters (Wealth Management and Corporate Banking).

The following table shows the short and long-term variable incentive target and maximum levels defined for MRTs and for Control Functions.

	Short-term target bonus		*Long-term target bonus calculated on an 8-year basis [1]*		Long-term target bonus calculated on a three-year vesting period	
	Target bonus (% fixed remuneration)	Maximum bonus (% fixed remuneration)	*Target bonus (% fixed remuneration)*	*Maximum bonus (% fixed remuneration)*	Target bonus (% fixed remuneration)	Maximum bonus (% fixed remuneration)
CEO and GM	35%	45%	*15%*	*21%*	40%	55%
Key personnel	35%	45%	*12%*	*16%*	32%	45%
Control functions	33%(*)25%	33%	-	-	-	-

** limit set by the law*
(1) For the purpose of calculating the limit to the variable/fixed ratio, the amount of the share is calculated in full in the year it is recognised; however, it is possible to calculate this amount, according to a linear pro-rata criterion, within the limit relating to each year of the long-term incentive plan (also considering the deferral period), this being more than 6 years. In absolute terms, therefore, the figure has to be multiplied by 8 years.

The sustainability of the overall maximum amount of variable remuneration allocated to MRTs (those most responsible for running the company) is assessed in relation to the economic and financial stability of the BPER Banca Group as a whole.
Adoption of this 2:1 ratio between variable and fixed remuneration does not have any effect on the BPER Banca Groups ability to continue complying with the prudential rules on capital, the requirements regarding Own Funds in particular.

Short-term variable component

The incentive system provides for the identification of a bonus pool which represents the maximum amount of bonuses that can be paid. The bonus pool for the Chief Executive Officer and General Manager and for the MRTs is set at Group level (excluding the bonuses deriving from MBOs for Control Functions, which are of limited amount and not related to the Group's results, not even indirectly, and the bonuses for the asset management company, which are part of a specific pool at corporate level). The amount of the bonus pool for the MRTs is correlated to the results achieved, in terms of the Post-Provisions Profit reported by the Group, and constitutes a maximum limit. In order to discourage excessive risk-taking which can lead to a deterioration in the Group's "state of health", also in compliance with the Bank of Italy's regulatory requirements, disbursement of the bonus pool, whatever the amount, is essentially subject to compliance with certain indicators, called "entry gates", which are related to the capital, liquidity and risk-adjusted return ratios.
The entry gates that have been identified are based on the following parameters:

- Common Equity Tier 1 (CET 1) – Pillar 1 consolidated ratio under the transitional arrangement;
- Consolidated Return On Risk-Weighted Assets (RORWA);
- Consolidated Liquidity Coverage Ratio (LCR).

Failure to achieve even only one of the entry gates means not paying any bonus under this scheme.

After checking that the entry gates have been exceeded, the bonus allocation and the extent of the variable remuneration are defined by evaluating individual performances using a process that includes an analysis of various qualitative and quantitative indicators.
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. If the Bonus exceeds a specific amount established by the Board of Directors, the Plan envisages an allocation (which can also be deferred) of part of the total bonus through an assignment of BPER Banca shares.
In particular, this Plan provides for (apart from as provided by the stricter regulations foreseen for the Chief Executive Officer and General Manager of the Parent Company):

Material Risk Takers (MRTs) belonging to top management

- Variable remuneration > Euro 437 thousand (particularly high amount)[101]:
  - 40% is attributed on the date the bonus is granted (up-front portion): 20% cash and 20% through BPER Banca shares subject to a retention period of 1 year;
  - 60% (25% cash and 35% through BPER Banca shares) is deferred in equal annual instalments over the 5 years from that of the grant, subject to a retention period (during which the shares cannot be sold) of one year from the vesting date of each deferred tranche.
- Variable remuneration > Euro 50 thousand (or 1/3 of total annual remuneration) and ≤ 437 thousand:
  - 45% is attributed on the date the bonus is granted (up-front portion): 20% cash and 25% through BPER Banca shares subject to a retention period of 1 year;
  - 55% (25% cash and 30% through BPER Banca shares) is deferred in equal annual instalments over the 5 years from that of the grant, subject to a retention period (during which the shares cannot be sold) of one year from the vesting date of each deferred tranche.
- Variable remuneration ≤ Euro 50 thousand and ≤ 1/3 of total annual remuneration are paid in cash up-front.

Material Risk Takers (MRTs) not belonging to top management

- Variable remuneration > Euro 437 thousand (particularly high amount):
  - 40% is attributed on the date the bonus is granted (up-front portion): 20% cash and 20% through BPER Banca shares subject to a retention period of 1 year;
  - 60% (30% cash and 30% through BPER Banca shares) is deferred in equal annual instalments over the 4 years from that of the grant, subject to a retention period (during which the shares cannot be sold) of one year from the vesting date of each deferred tranche.
- Variable remuneration > Euro 50 thousand (or 1/3 of total annual remuneration) and ≤ 437 thousand:
  - 60% is attributed on the date the bonus is granted (up-front portion): 30% cash and 30% through BPER Banca shares subject to a retention period of 1 year;
  - 40% (20% cash and 20% through BPER Banca shares) is deferred in equal annual instalments over the 4 years from that of the grant, subject to a retention period (during which the shares cannot be sold) of one year from the vesting date of each deferred tranche.
- Variable remuneration ≤ Euro 50 thousand and ≤ 1/3 of total annual remuneration are paid in cash up-front.

[101] *As defined by Bank of Italys Circular 285 (25th update).*

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. Note that there are compensation plans still outstanding for the years 2017, 2018, 2019 and 2020.

Long-term variable component – LTI Plan
In 2019, the BPER Banca Group established a long-term variable incentive system based on a long-term period of performance assessment (2019-2021), consistent with the objectives and duration of the Groups St rategic Plan. The objectives of this system are to:
- recognise an incentive exclusively in BPER Banca ordinary shares, according to methods that comply with the relevant provisions and in line with what is defined in the Business Plan 2019-2021;
- align managements 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 sound, prudent risk management and Corporate Social Responsibility (CSR) sustainability;
- strengthen key persons sense of belonging in order to implement the Groups medium -long term strategy;
- reward virtuous behaviour and positive results while penalizing failure to achieve results and any deterioration in the Groups capital, liquidity and profitability by not paying any bonuses.

The Plan provides clear and predetermined performance conditions, verified during and at the end of the plan, so that the variable remuneration cannot, in any case, be paid before the end of the plan. The bonus is recognised at the end of the performance evaluation period.
The incentive system provides for the identification of a bonus pool, which represents the maximum amount of bonuses that can be paid. The bonus pool for the Chief Executive Officer and General Manager and for the MRTs is set at Group level. The amount of the bonus pool is related to the results achieved and constitutes a maximum limit; its distribution is entirely subject to compliance with certain entry gates, based on indicators of capital strength, liquidity and risk-adjusted profitability. The entry gates for the LTI Plan 2019-2021, all of which have to be achieved at the same time, are in line with those established for the MBO.
Failure to achieve even only one of the entry gates means not paying any bonus under this long-term incentive scheme. If all of these entry gates are achieved, the plan provides for an assessment of the Groups key performance indicators (KPIs) at the end of the three -year vesting period (2021). Continuous monitoring of the indicators is carried out during the three-year period to verify compliance with the objectives of the Strategic Plan.
After checking that the entry gates have been achieved, actual assignment of the bonus and the related amount, within the maximum limits (the theoretical maximum amount of the bonus payable, being the bonus pool, is the sum of the maximum bonuses obtainable at an individual level) established for variable remuneration, are defined through a process of corporate performance assessment that includes an analysis of three indicators (KPIs). For the three-year period 2019-2021, the scorecard of the LTI Plan, which is the same for all beneficiaries, is made up of objectives of operating efficiency, credit quality and profitability of a quantitative nature.

The targets are aligned with the objectives of the 2019-2021 Strategic Plan, of which the LTI Plan forms an integral part (the remuneration policies approved in 2019 and 2020 provided that any changes in the objectives of the strategic plan automatically constitute amendments to the LTI Plan targets).
In this regard, it should be noted that the financial, equity and income metrics of the three-year Strategic Plan (2019-2021) were revised on 5 August 2020, following the definition of the acquisition of the business unit consisting of a network of branches from the Intesa Sanpaolo Group, which necessarily meant integrating the forecasts.
The following September, in conjunction with confirmation of the strategic and industrial rationale underlying the acquisition with a revised phasing, the update of the Group's economic and financial forecasts for 2021 was approved by the Board of Directors on 29 September 2020 and communicated to the financial community on 1 October 2020.
Then, on 9 March 2021, after consulting the Remuneration Committee and the Risks Committee, BPERs Board of Directors aligned the targets of the LTI Plan with the objectives of the Strategic Plan, as updated by the Board on 29 September 2020.
Following the increase in capital, the Board of Directors meeting on 25 February 2021 approved the application of an adjustment parameter to neutralise the technical effects that reduced the price of BPER Bancas shares due to the increase in capital (adjustment for the discount on the theo retical ex-rights price or TERP).
Following the measurement of these KPIs, the performance of the BPER Banca stock is evaluated with respect to a peer group and the achievement of sustainability objectives.
Actual quantification of the bonus earned in 2021 is also subordinated to two further indicators, the first being the TSR (Total Shareholder Return) which functions as a multiplier/demultiplier (by +/-15%); the second being sustainability (the achievement of 3 Environmental, Social, Governance (ESG) objectives), which might involve a curtailment of up to 15% from the bonus earned.
As regards the 2019-2021 LTI Plan, 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 payment structure for the shares provides for a retention period of one year for the up-front portion and for the deferred portions.
The malus and clawback mechanisms may apply under certain circumstances, as described in BPER Banca Groups 2021 Remuneration Policies, and in line with the regulatory framework in force.

In accordance with the instructions contained in Circular 285/2013 (and subsequent updates) and Regulation (EU) 575/2013, the Group provides annual information on Remuneration Policies also in the document "Public disclosure - Pillar 3" which is available, as provided by law, on the institutional website of the Parent Company https://istituzionale.bper.it.

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.
Purchasing the shares is in any case subject to authorisation by the ECB. The application was made again on 20 January 2021 because the previous authorisation, issued in April 2019 for the 2019-2021 LTI Plan, expired before the shares were bought. The required ECB authorisation was reissued on 8 April 2021.

The buy-back programme launched on 15 September 2021 for the free-of-charge allocation of BPER Banca ordinary shares to the employees of the Group ended on 20 September 2021. The buy-back programme is part of the "2019-2021 Long-Term Incentive (LTI) Plan for Material Risk Takers", the 2021 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 21 April 2021. BPER Banca acquired a total of 1,917,353 ordinary shares of BPER Banca S.p.A., equal to 0.14% of share capital, for a total value of Euro 3,422,858.59 at an average purchase price per share of Euro 1.7852.

2. Other information

Determination of the fair value and accounting treatment

Short-term variable component

Variable remuneration for 2021 is currently being determined. With reference to the Compensation Plan for 2020, in the light of the economic and financial results achieved at Group level, it is estimated that 30,182 Phantom Stocks will be allocated for a total consideration of Euro 58 thousand.
Please also note that the same results affect the 2017 Plan allowing the vesting of 3,130 Phantom Stocks for a consideration of Euro 6 thousand, on the 2018 Plan allowing the vesting of 134,809 Phantom Stocks for a consideration of Euro 257 thousand and on the 2019 Plan allowing the vesting of 46,102 Phantom Stocks, for a consideration of Euro 88 thousand.

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.

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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 companys business.
In this sense, paragraph 1 of IFRS 8 states that the objective of the Standard is to provide information to enable users of the financial statements to evaluate the nature and the effects on the financial statements of the various business activities of an entity and the economic contexts 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 captions analysed is based on criteria consistent with the "behavioural model" adopted by the Group for the clustering of customers for commercial purposes, recently adopted to replace the previous "management model”.
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.

The segments identified are covered in the disclosure made, even if their results are quantitatively lower than the thresholds for materiality envisaged, since this is deemed helpful to users of the financial statements.

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 75,000 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 10 million or agreed facilities at Group level of between Euro 75,000 and Euro 4 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. SIM, 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).

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 10 million and Euro 1 billion or agreed facilities at Group level of between Euro 4 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 1 billion 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 assets	Total
Net interest income	942,067	907	310,065	42,434	203,857	1,480	4,552	1,505,362
Net commission income	1,328,054	109,393	140,716	57,302	-	-	6,110	1,641,575
Net interest and other banking income	2,263,266	110,209	438,647	98,707	438,758	1,510	12,155	3,363,252
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**
Net income from financial activities 31.12.2020	**1,132,365**	**73,958**	**143,617**	**12,004**	**425,953**	**124,205**	**11,565**	**1,923,667**
Operating costs	(1,374,725)	(74,016)	(491,719)	(14,942)	(10,191)	(671,261)	(40,079)	(2,676,933)
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**
Profit (Loss) from current operations before tax 31.12.2020	**209,624**	**41,461**	**(68,093)**	**(23,121)**	**412,983**	**(360,117)**	**(9,115)**	**203,622**

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.
Profit (loss) from current operations before tax at 31.12.2021 for the Corporate Center segment was significantly affected by the main non-recurring positive items related to badwill arising from the business combination for an amount of € 1,127.8 million and impairment on goodwill allocated to the BPER Banca CGU for an amount of € 230.4 million.
The figures for the previous year are those published in the Consolidated Financial Statements as at 31 December 2020.

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	187,522	89,720	1,065	1,377	1,136	280,820
of which: placement of securities	*154,376*	*60,396*	*5,726*	*2,407*	-	*222,905*
Collective portfolio management	393,436	-	-	-	-	393,436
Payment services	462,946	4,310	95,679	16,060	400	579,395
of which: current accounts	*277,161*	*1,979*	*16,672*	*2,794*	-	*298,606*
of which: cards	*87,295*	*1,333*	*51,793*	*4,585*	-	*145,006*
of which: bank transfers and other payment instruments	*98,488*	*998*	*27,215*	*8,682*	*400*	*135,783*
Distribution of third-party services	197,699	9,946	(2,843)	1,286	-	206,088
of which: insurance products	*159,164*	*1,460*	*5,991*	*44*	-	*166,659*
Financial guarantees granted	10,331	128	19,543	11,595	66	41,663
Financing operations	134,298	759	78,758	8,165	-	221,980
Other commission income	67,748	4,802	22,408	22,303	4,743	122,004
Total Commission Income 31.12.2021	**1,453,980**	**109,665**	**214,610**	**60,786**	**6,345**	**1,845,386**

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	199,938	-	84,451	-	7,431,478	-	134,565	7,850,432
Loans to banks	-	-	895	-	27,421,993	-	67,788	27,490,676
- debt securities at amortised cost					*5,795,622*	-		*5,795,622*
- loans	-		*895*		*21,626,371*	-	*67,788*	*21,695,054*
Loans to customers	47,292,609	472,012	25,310,709	5,728,365	14,774,912	-	225,629	93,804,236
- debt securities at amortised cost					*14,774,913*		*7,370*	*14,782,283*
- loans	*47,292,608*	*472,012*	*25,310,709*	*5,728,365*	-		*218,259*	*79,021,953*
Other assets	1,323,734	42,777	313,652	8,565	191,443	4,685,765	636,593	7,202,529
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**
Total Assets 31.12.2020	**27,594,834**	**313,789**	**23,267,961**	**3,577,018**	**33,948,567**	**3,537,173**	**811,496**	**93,050,838**
Due to banks	-	-	336,001	-	23,296,776	-	717	23,633,494
Due to customers	68,949,719	6,605,845	15,972,768	4,204,949	-	-	727,331	96,460,612
Debt securities issued	485,982	87,604	4,116,517	68,998	1,304	-	-	4,760,405
Other liabilities and shareholders equity	762,935	9	231,592	2,854	371,517	9,956,559	167,896	11,493,362
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**
Total liabilities 31.12.2020	**39,536,762**	**4,094,570**	**18,036,549**	**1,734,155**	**20,508,814**	**8,101,723**	**1,038,265**	**93,050,838**

Balance sheet information has been allocated to the segments using the criteria adopted for the allocation of the income statement.

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, the BPER Banca Group 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, the BPER Banca Group 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 "190. Administrative expenses" on an accruals basis; for further information about this, see the Explanatory notes - Part C - Income statement, Table 12.5 “Other administrative expenses: breakdown”.

Quantitative information

Rights of use acquired through leases: see the Explanatory notes - Part B - Assets, table 9.1 “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 14.1 “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 31.12.2020	Depreciation of the year	Other changes of the year	Impairment losses of the year	Book value 31.12.2021
a) land	-	-	-	-	-
b) buildings	218,119	(53,655)	128,815	(2,067)	291,212
c) furniture	-	-	-	-	-
d) electronic systems	29,582	(10,978)	7,246	-	25,850
e) other	6,738	(2,643)	2,946	-	7,041
Total	**254,439**	**(67,276)**	**139,007**	**(2,067)**	**324,103**

As regards "Other changes of the year", the impact is mainly linked to the contracts acquired through the business combination with the Intesa Sanpaolo Group (approximately € 92 million), in addition to remeasurement of the rights of use mainly due to ISTAT adjustments, changes in the lease term and the opening and closing of contracts. No changes were made in 2021 due to the renegotiation of contractual terms because of the Covid-19 pandemic.

1.2 Expense and Income relating to leases other than right of use

	Total 31.12.2021	Total 31.12.2020
Costs relating to short-term leases	4,021	1,175
Expense relating to leases of low-value assets (*)	14,523	14,270
Income from finance subleases	1	2

(*) Including VAT

1.3 Lease liabilities: changes

	Lease liabilities 31.12.2020	Interest expense	Lease payments made	Other changes	Book value 31.12.2021
Total lease liabilities	**257,593**	**3,997**	**(69,365)**	**138,133**	**330,358**

As regards "Other changes", the impact is mainly linked to the contracts acquired through the business combination with the Intesa Sanpaolo Group (approximately € 92 million), in addition to remeasurement of lease liabilities mainly due to ISTAT adjustments, changes in the lease term on the opening and closing of contracts. No changes were made in 2021 due to the renegotiation of contractual terms because of the Covid-19 pandemic.

Section 2 - Lessor

Qualitative Information

The lease contracts in which the BPER Banca Group 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 Group 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, the Group 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 16.2 “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	31.12.2021 Lease payments receivable	31.12.2020 Lease payments receivable
Up to 1 year	464,694	607,282
over 1 year up to 2 years	426,195	442,409
over 2 up to 3 years	391,364	393,391
over 3 up to 4 years	332,317	347,238
over 4 up to 5 years	282,566	289,748
over 5 years	1,155,480	1,257,915
Total lease payments receivable	**3,052,616**	**3,337,983**
RECONCILIATION WITH FINANCE LEASES		
Unearned finance income (+)	336,854	410,337
Unguaranteed residual value (-)	-	-
Finance leases	**2,715,762**	**2,927,646**

"Unearned finance income" derives from discounting finance lease payments receivable.

2.2 Other information

2.2.1 Other information about finance leases: type and credit quality

	31.12.2021		31.12.2020	
	Performing	Non-performing	Performing	Non-performing
A - Real estate assets	**1,771,642**	**121,632**	**1,764,432**	**253,551**
Land	-	-	-	-
Buildings	1,771,642	121,632	1,764,432	253,551
B - Operating assets	**448,269**	**15,494**	**411,487**	**22,975**
C - Movable assets	**308,241**	**1,433**	**280,672**	**4,214**
Motor vehicles	144,889	865	118,813	1,637
Aircraft and rolling stock	163,352	563	161,859	2,504
Other	-	5	-	73
D - Intangible assets	**180,765**	**353**	**190,078**	**13**
Trademarks	-	-	-	-
Software	-	-	-	-
Other	180,765	353	190,078	13
Total	**2,708,917**	**138,912**	**2,646,669**	**280,753**

2.2.2 Other information about finance leases: unopted assets, assets returned after termination, other assets

	31.12.2021			31.12.2020		
	Unopted assets	Assets returned after termination	Other assets	Unopted assets	Assets returned after termination	Other assets
A - Real estate assets	**447**	**34,737**	**1,856,182**	**447**	**46,522**	**1,965,337**
Land	-	-	-	-	-	-
Buildings	447	34,737	1,856,182	447	46,522	1,965,337
B - Operating assets	**-**	**1,260**	**462,630**	**-**	**834**	**433,672**
C - Movable assets	**50**	**-**	**309,662**	**50**	**227**	**284,410**
Motor vehicles	-	-	145,747	-	-	120,321
Aircraft and rolling stock	50	-	163,915	50	227	164,089
Other	-	-	-	-	-	-
D - Intangible assets	**-**	**-**	**181,119**	**-**	**-**	**190,092**
Trademarks	-	-	-	-	-	-
Software	-	-	-	-	-	-
Other	-	-	181,119	-	-	190,092
Total	**497**	**35,997**	**2,809,593**	**497**	**47,583**	**2,873,511**

3. Operating leases

3.1 Breakdown of lease payments receivable by time bands

Time bands	31.12.2021 Lease payments receivable	31.12.2020 Lease payments receivable
Up to 1 year	13,159	7,279
>1 to 2 years	12,011	6,977
>2 to 3 years	11,498	5,927
>3 to 4 years	10,789	5,435
>4 to 5 years	9,754	4,860
Over 5 years	46,101	19,819
Total	**103,312**	**50,297**

3.2 Other information

No additional information is deemed necessary to meet the disclosure objective specified in paragraph 92 of IFRS 16.

Attachments

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 2021 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.

(in thousands)

Type of services	Party providing the service	Recipient		Fees
Audit services	Deloitte & Touche s.p.a.	Parent Company BPER Banca		1,090
	Deloitte & Touche s.p.a.	Subsidiaries in Italy		431
	Deloitte Audit S.à r.l.	Subsidiaries in Luxembourg		95
Certification services	Deloitte & Touche s.p.a.	Parent Company BPER Banca	(1a)	480
	Deloitte & Touche s.p.a.	Subsidiaries in Italy	(1b)	69
Other services	Deloitte & Touche s.p.a.	Parent Company BPER Banca	(2a)	105
	Deloitte & Touche s.p.a.	Subsidiaries in Italy	(2b)	23
	Deloitte Consulting s.r.l.	Parent Company BPER Banca	(2c)	2,111
Total				**4,404**

(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 2021 and the separate and consolidated financial statements at 31 December 2021;
- activities performed as part of the covered bond issue programmes and EMTN programme;
- 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 Bank of Italy Regulation 5 December 2019 - Mifid II;
certificate on 2020 advertising expenses for tax credits to be recognised in the 2021 accounts.

(1b) Certification services rendered to Group Companies by Deloitte & Touche s.p.a.:
- activities performed in relation to the translation into English of the independent auditors' report on the separate financial statements;
- Advance fees for Pool Audit activities on Multi Lease IV transaction;
- activities carried out for the purpose of issuing the Report pursuant to art. 23 paragraph 7 Bank of Italy Regulation 5 December 2019 - Mifid II.
(2a) Other services rendered to the Parent Company by Deloitte & Touche s.p.a.:
- activities carried out to verify the conformity of the 2021 tax returns and the supplementary 2020 tax returns;
- Support in document collection for the processing services and merchant acquiring business;
- methodological support for the Sustainability Report.
(2b) Other services rendered to Group companies by Deloitte & Touche s.p.a.:
- activities carried out to verify the conformity of the 2021 tax returns and the supplementary 2020 tax returns
(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 for benchmarking against best practices and recognising user requirements as part of the ongoing evolution of the Contact Centre – Everyday Bank;
- methodological support in the activity of factual recognition of business requirements and sources feeding the CRM and Marketing automation functions;
- methodological support for the Gemini portfolio segmentation;
- methodological support for Marketing Interaction activities.

Public Disclosure - Country by country as at 31 December 2021

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 article 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	2,504,338	13,063	667,148	(124,512)	-
Banco di Sardegna s.p.a.	Italy	Banking	322,450	1,947	(69,197)	21,643	-
Bibanca s.p.a.	Italy	Banking	123,687	144	21,288	(13,619)	-
Sardaleasing s.p.a.	Italy	Leasing	56,750	67	(36,833)	8,403	-
Emilia Romagna Factor s.p.a.	Italy	Factoring	21,675	50	1,254	(397)	-
Optima s.p.a. S.I.M.	Italy	Asset management	1,745	32	9,796	(2,805)	-
Arca Holding s.p.a.	Italy	Holding company	258,369	85	107,342	(28,701)	-
Finitalia s.p.a.	Italy	Consumer credit	62,083	84	10,101	(3,669)	-
BPER Credit Management s.cons.p.a.	Italy	Debt collection consortium	(1)	5	(7)	(6)	-
Numera s.p.a.	Italy	IT services	(1)	45	596	(182)	-
Nadia s.p.a.	Italy	Real estate	(2)	-	(25,553)	11,566	-
Modena Terminal s.r.l.	Italy	Storage and safekeeping warehouse	(1)	29	631	(359)	-
Total Italy			**3,351,092**	**15,551**	**686,566**	**(132,638)**	**-**

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	12,160	21	6,304	(1,584)	-
Total Luxembourg			**12,160**	**21**	**6,304**	**(1,584)**	**-**
Total			**3,363,252**	**15,572**	**692,870**	**(134,222)**	**-**

Key
(a) net interest and other banking income, in thousands of euro, net of inter-company 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 inter-company eliminations where necessary.
(c) income taxes on current operations for the year and on assets classified as held for sale, in thousands of euro, net of inter-company eliminations where necessary.
(d) refers to government grants not considered in the transactions covered by the State aid schedules in Part A of the Notes to the Financial Statements.

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.

As at 31 December 2021, the Investment Committee of the UDF has approved the following loans and all of the resources available have been disbursed.

(in Euro)

	Investment	JESSICA loan	Investment in the capital of JESSICA	Agreement date	Disbursements	
					Loan	Risk capital
		Jessica			Outstanding debt as at 31.12.2021	Paid in and not yet paid back as at 31.12.2021
Purchase of 12 modern trolleybuses Two loans	7,126,000	6,769,700	-	18.12.2013	4,686,019	-
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 08.07.2016	376,895	-
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	684,000	-
Redevelopment of a building owned by the Municipality of Borutta destined to bar diner	265,000	251,750	-	22.06.2015	142,658	-

(in Euro)

	Investment	JESSICA loan Jessica	Investment in the capital of JESSICA	Agreement date	Disbursements Loans Outstanding debt as at 31.12.2021	Disbursements Risk capital Paid in and not yet paid back as at 31.12.2021
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	1,142,186	-
Redevelopment of Alghero Town Hall	600,000	570,000	-	30.10.2015	342,000	-
Construction of the municipal indoor swimming pool in Alghero	2,100,000	1,915,026	-	30.05.2016	1,212,850	-
Redevelopment of the multi-purpose sports area in the Latte Dolce district of Sassari	560,000	532,000	-	24.06.2016	372,400	-
Redevelopment of the multi-purpose sports area in the Monte Rosello district of Sassari	750,000	712,500	-	24.06.2016	498,750	-
Redevelopment of the multi-purpose sports area in the Carbonazzi district of Sassari	600,000	570,000	-	24.06.2016	399,000	-
Redevelopment of the "Roberta Serradimigni" sports hall in Sassari	4,300,000	4,085,000	-	24.06.2016	2,859,500	-
Total	**107,332,863**	**33,512,844**	**4,000,000**		**20,458,358**	**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 2021.

Balance Sheet

(in Euro)

Assets		31.12.2021	31.12.2020
40.	Financial assets measured at amortised cost	12,941,990	4,760,708
	a) loans to banks	12,941,990	4,760,708
	Total assets	**12,941,990**	**4,760,708**

(in Euro)

Liabilities and shareholders equity		31.12.2021	31.12.2020
10.	Financial liabilities measured at amortised cost	12,444,719	4,692,768
	a) due to banks	12,444,719	4,692,768
80.	Other liabilities	73,893	95,753
180.	Profit (loss) for the year	423,378	(27,813)
	Total liabilities and shareholders equity	**12,941,990**	**4,760,708**

Income Statement

(in Euro)

Captions		31.12.2021	31.12.2020
10.	Interest and similar income	899,811	502,222
30.	**Net Interest Income**	**899,811**	**502,222**
50.	Commission expense	(476,433)	(530,035)
60.	**Net commission income**	**(476,433)**	**(530,035)**
300.	**Profit (loss) for the year**	**423,378**	**(27,813)**

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 Education, Universities and Research ("MIUR"), 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 the management of Euro 62 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 26.5 million may be associated under co-financing from Banco di Sardegna or other lenders introduced by that bank.

The Investment Committee has approved 10 loan applications at 31 December 2021 and all of the related contracts have been signed. A further 4 applications are under review.

The following is a simplified accounting report of the loans approved and disbursements made under the NOP Research and Innovation Fund of Funds at 31 December 2021:

(in Euro)

	Investment	R&I Fund Loan	Investment in the capital of the R&I Fund	Agreement date	Disbursements	
					Loan	Risk capital
		Jessica			Outstanding debt as at 31.12.2021	Paid in and not yet paid back as at 31.12.2021
Construction of a testing platform for advanced materials to be used in the aerospace industry	350,000	70,000	-	31.10.2019	41,687	-
Development of software (SW) for the application of Artificial Intelligence (AI) algorithms to SAR satellite images	1,142,540	799,778	-	03.12.2019	637,648	-
Development of diagnostic device on robotic platform for microbiological diagnosis	903,000	632,100	-	05.12.2019	616,119	-

(in Euro)

	Investment	R&I Fund Loan Jessica	Investment in the capital of the R&I Fund	Agreement date	Disbursements Loan Outstanding debt as at 31.12.2021	Disbursements Risk capital Paid in and not yet paid back as at 31.12.2021
Development of a device for extracting water from emulsions, solutions and granulates	1,731,939	1,212,358	-	19.12.2019	584,252	-
Research into new bio-preservation biotechnologies to extend shelf life of baked goods using modern packaging systems	911,303	602,912	-	19.05.2020	-	-
Development of an innovative automatic station to inspect visual quality of industrial products	1,248,028	600,010	-	20.05.2020	600,010	-
Enhancement of innovative STEM technology for electricity production from solar sources	6,335,296	4,434,707	-	29.05.2020	-	-
Development of an AI-based hardware and software system to simplify access to corporate information	1,972,000	1,292,911	-	02.09.2020	-	-
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	649,750	-
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	287,080	-
Total	**17,394,450**	**11,109,370**	**-**		**3,416,546**	**-**

The following is a simplified accounting report of the NOP Research and Innovation-MIUR-EIB Fund of Funds at 31 December 2021.

Balance Sheet

(in Euro)

Assets		31.12.2021	31.12.2020
40.	Financial assets measured at amortised cost	11,951,792	12,824,587
	a) loans to banks	11,951,792	12,824,587
	Total assets	**11,951,792**	**12,824,587**

(in Euro)

Liabilities and shareholders equity		31.12.2021	31.12.2020
10.	Financial liabilities measured at amortised cost	11,929,403	12,794,044
	a) due to banks	11,929,403	12,794,044
80.	Other liabilities	85,487	71,275
180.	Profit (loss) for the year	(63,098)	(40,732)
	Total liabilities and shareholders equity	**11,951,792**	**12,824,587**

Income statement

	Captions	31.12.2021	31.12.2020
			(in Euro)
10.	Interest and similar income	43,259	16,386
30.	**Net Interest Income**	**43,259**	**16,386**
50.	Cmmission expense	(106,357)	(57,118)
60.	**Net commission income**	**(106,357)**	**(57,118)**
300.	**Profit (loss) for the year**	**(63,098)**	**(40,732)**

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 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, the Bank, 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, Banco di Sardegna signed a contractual addendum with the EIB following the Regions allocation of additional funds amounting to Euro 33.34 million, bringing the total available ceiling to Euro 100 million.
As at 31 December 2021, all of the Banco di Sardegna's relevant activities were fully completed. Out of the 142 applications processed, 132 were approved by the Investments Committee for a total of over Euro 97 million. Under these resolutions, 113 loans were stipulated for a total of Euro 85.1 million.

The following is a simplified accounting report of the Enterprise Emergency Fund at 31 December 2021.

Balance Sheet

	Assets	31.12.2021	31.12.2020
			(in Euro)
40.	Financial assets measured at amortised cost	14,715,032	7,105,000
	a) loans to banks	14,715,032	7,105,000
	Total assets	**14,715,032**	**7,105,000**

(in Euro)

	Liabilities and shareholders equity	31.12.2021	31.12.2020
10.	Financial liabilities measured at amortised cost	15,258,703	7,105,000
	a) due to banks	15,258,703	7,105,000
80.	Other liabilities	381,500	18,615
180.	Profit (loss) for the year	(925,171)	(18,615)
	Total liabilities and shareholders equity	**14,715,032**	**7,105,000**

Income statement

(in Euro)

	Captions	31.12.2021	31.12.2020
10.	Interest and similar income	60,142	-
30.	**Net Interest Income**	**60,142**	**-**
50.	Commission expense	(985,313)	(18,615)
60.	**Net commission income**	**(985,313)**	**(18,615)**
300.	**Profit (loss) for the year**	**(925,171)**	**(18,615)**

Jessica Sardinian Urban Development Fund

Following the successful completion of the due diligence by the European Investment Bank 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 2021, Banco di Sardegna has already received the first expressions of interest for an investment value in excess of Euro 65 million.

Sustainable Growth Fund

Banco di Sardegna, in association with Medio Credito Centrale (MCC) and other national banks, was awarded the Contract with the Ministry of Economic Development (MISE) to manage the interventions foreseen by the "Sustainable Growth Fund".

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).

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 2021 22 calls for applications have already been made and the value of the projects examined totals about Euro 9.6 billion.

After the expiry of the afore-mentioned contract, in view of the adoption of new measures under the Fund for Sustainable Growth (FCS) through the allocation of new resources, the Ministry called a new tender to identify a new managing entity on 22 September 2021. Banco di Sardegna, in association with the previous group of companies participated in the new tender which the group was awarded. On 20 December the new contract was signed for a duration of 5 years, with the possibility of renewal for a further 4 years. It is estimated that around Euro 5 billion from national and European funding sources could be allocated to research and development in the 2022-2030 period. The NRRP has already earmarked Euro 1 billion for the Innovation Agreements alone.

Restatement of the BPER Banca Group's consolidated financial statements as at 1 January 2020

The following tables show the Restatement of the balance sheet captions as at 1 January 2020 and 31 December 2020 following the retrospective application of the change in the measurement method of properties held for investment purposes. The changes shown in the first accounting schedule show the impact on the opening balances of the earliest year for which the comparative figures of properties as per IAS 40 have been restated in accordance with IAS 8. A restated income statement as at 31 December 2020 is also provided.

Please refer to paragraph "5 - Other aspects" in Part A of the Explanatory Notes to this Consolidated Report for further details concerning the change in the accounting method and related accounting treatment.

(in thousands)

Assets		01.01.2020	IAS 40 impact	01.01.2020 restated
10.	Cash and cash equivalents	566,924	-	566,924
20.	Financial assets measured at fair value through profit or loss	1,120,111	-	1,120,111
	a) financial assets held for trading	270,374	-	270,374
	b) financial assets designated at fair value	130,955	-	130,955
	c) other financial assets mandatorily measured at fair value	718,782		718,782
30.	Financial assets measured at fair value through other comprehensive income	6,556,202	-	6,556,202
40.	Financial assets measured at amortised cost	65,541,246	-	65,541,246
	a) loans to banks	5,066,379	-	5,066,379
	b) loans to customers	60,474,867		60,474,867
50.	Hedging derivatives	82,185	-	82,185
70.	Equity investments	225,869	-	225,869
90.	Property, plant and equipment	1,368,696	21,526	1,390,222
100.	Intangible assets	669,847	-	669,847
	- goodwill	434,758	-	434,758
110.	Tax assets	2,024,579	(2,184)	2,022,395
	a) current	466,312	-	466,312
	b) deferred	1,558,267	(2,184)	1,556,083
120.	Non-current assets and disposal groups classified as held for sale	97,142	338	97,480
130.	Other assets	780,697	-	780,697
	Total assets	**79,033,498**	**19,680**	**79,053,178**

(in thousands)

	Liabilities and shareholders equity	01.01.2020	IAS 40 impact	01.01.2020 restated
10.	Financial liabilities measured at amortised cost	70,135,262	-	70,135,262
	a) due to banks	12,213,133	-	12,213,133
	b) due to customers	52,087,240	-	52,087,240
	c) debt securities issued	5,834,889	-	5,834,889
20.	Financial liabilities held for trading	165,970	-	165,970
40.	Hedging derivatives	294,114	-	294,114
60.	Tax liabilities	75,737	7,564	83,301
	a) current	5,405	-	5,405
	b) deferred	70,332	7,564	77,896
70.	Liabilities associated with assets classified as held for sale	134,077	-	134,077
80.	Other liabilities	2,069,511	-	2,069,511
90.	Employee termination indemnities	191,120	-	191,120
100.	Provisions for risks and charges	676,160	-	676,160
	a) commitments and guarantees granted	55,995	-	55,995
	b) pension and similar obligations	161,619	-	161,619
	c) other provisions for risks and charges	458,546	-	458,546
120.	Valuation reserves	37,750	-	37,750
140.	Equity instruments	150,000	-	150,000
150.	Reserves	2,035,205	12,024	2,047,229
160.	Share premium reserve	1,002,722	-	1,002,722
170.	Share capital	1,561,884	-	1,561,884
180.	Treasury shares (-)	(7,259)	-	(7,259)
190.	Minority interests (+/-)	131,662	92	131,754
200.	Profit (Loss) for the year (+/-)	379,583	-	379,583
	Total liabilities and shareholders equity	**79,033,498**	**19,680**	**79,053,178**

Reported below are the main accounting impacts due to the change in the measurement method as at 1 January 2020:

- fair value measurement of investment property led to a Euro 21.9 million increase in the value of property, plant and equipment and assets held for sale, as against revaluations for an amount of Euro 26.4 million and writedowns for an amount of Euro 4.5 million;
- the tax effects related to these changes in value are reflected in Euro 7.6 million in increases in DTLs and Euro 2.2 million in reversals of pre-existing DTAs. These effects were determined on the basis of: i. the general assumption that no current tax effects should arise from the change in the measurement method; ii. the accounting policies of the BPER Banca Group, which did not allow the recognition of DTAs on write-downs;
- the overall net balance allocated to equity reserves is therefore equal to Euro 12 million.

Restatement of the BPER Banca Group's consolidated financial statements as at 31 December 2020

(in thousands)

	Assets	31.12.2020	IAS 40 impact	31.12.2020 restated
10.	Cash and cash equivalents	482,192	-	482,192
20.	Financial assets measured at fair value through profit or loss	1,198,601	-	1,198,601
	a) financial assets held for trading	279,009	-	279,009
	b) financial assets designated at fair value	127,368	-	127,368
	c) other financial assets mandatorily measured at fair value	792,224	-	792,224
30.	Financial assets measured at fair value through other comprehensive income	6,269,818	-	6,269,818
40.	Financial assets measured at amortised cost	79,991,505	-	79,991,505
	a) loans to banks	14,352,731	-	14,352,731
	b) loans to customers	65,638,774	-	65,638,774
50.	Hedging derivatives	57,776	-	57,776
70.	Equity investments	225,558	-	225,558
90.	Property, plant and equipment	1,351,480	14,225	1,365,705
100.	Intangible assets	702,723	-	702,723
	of which:			
	- goodwill	434,758	-	434,758
110.	Tax assets	2,007,073	(4,033)	2,003,040
	a) current	418,174	-	418,174
	b) deferred	1,588,899	(4,033)	1,584,866
120.	Non-current assets and disposal groups classified as held for sale	98,714	753	99,467
130.	Other assets	665,398	-	665,398
	Total assets	**93,050,838**	**10,945**	**93,061,783**

(in thousands)

	Liabilities and shareholders equity	31.12.2020	IAS 40 impact	31.12.2020 restated
10.	Financial liabilities measured at amortised cost	83,177,191	-	83,177,191
	a) due to banks	20,180,999	-	20,180,999
	b) due to customers	58,314,002	-	58,314,002
	c) debt securities issued	4,682,190	-	4,682,190
20.	Financial liabilities held for trading	170,094	-	170,094
40.	Hedging derivatives	469,240	-	469,240
60.	Tax liabilities	74,748	7,570	82,318
	a) current	4,797	-	4,797
	b) deferred	69,951	7,570	77,521
70.	Liabilities associated with assets classified as held for sale	144,809	-	144,809
80.	Other liabilities	1,945,822	-	1,945,822
90.	Employee termination indemnities	148,199	-	148,199
100.	Provisions for risks and charges	589,981	-	589,981
	a) commitments and guarantees granted	62,334	-	62,334
	b) pension and similar obligations	148,357	-	148,357
	c) other provisions for risks and charges	379,290	-	379,290
120.	Valuation reserves	118,105	-	118,105
140.	Equity instruments	150,000	-	150,000
150.	Reserves	2,348,691	12,052	2,360,743
160.	Share premium reserve	1,241,197	-	1,241,197
170.	Share capital	2,100,435	-	2,100,435
180.	Treasury shares (-)	(7,259)	-	(7,259)
190.	Minority interests (+/-)	133,935	48	133,983
200.	Profit (Loss) for the year (+/-)	245,650	(8,725)	236,925
	Total liabilities and shareholders equity	**93,050,838**	**10,945**	**93,061,783**

Reported below are the main accounting impacts due to the change in the measurement method as at 31 December 2020:

- the positive change in properties owned (classified as both property, plant and equipment and assets held for sale) is due to the following: i. Net revaluation at 1 January 2020 of Euro 21.9 million, ii. Reversal of amortisation, depreciation and write-downs for the year 2020 of Euro 11.1 million, iii: Net write-down of Euro 17.1 million for fair value adjustment at 31 December 2020, iv. Reversal of gains on disposal realized in 2020 of Euro 0.9 million;
- the tax effects of the changes in value shown above (also considering the changes at 1 January 2020) led to the recognition of increases in DTL for Euro 7.6 million and reversals of DTA for Euro 4 million; on an accrual basis for the year 2020, they affected Taxes for the year for Euro -1.9 million;
- the overall net balance allocated to equity reserves therefore amounted to Euro 12 million;
- the profit/loss impacts after tax, commented on in the first bullet point and shown in the following Income Statement as at 31 December 2020, lead to a change in profit for the year 2020 of Euro -8.7 million.

(in thousands)

Captions		31.12.2020	IAS 40 impact	31.12.2020 restated
10.	Interest and similar income	1,431,109	-	1,431,109
	of which: interest income calculated using the effective interest method	1,422,351	-	1,422,351
20.	Interest and similar expense	(192,233)	-	(192,233)
30.	**Net Interest Income**	**1,238,876**	**-**	**1,238,876**
40.	Commission income	1,246,875	-	1,246,875
50.	Commission expense	(174,361)	-	(174,361)
60.	**Net commission income**	**1,072,514**	**-**	**1,072,514**
70.	Dividends and similar income	18,492	-	18,492
80.	Net income from trading activities	(14,220)	-	(14,220)
90.	Net income from hedging activities	(653)	-	(653)
100.	Gains (Losses) on disposal or repurchase of:	141,182	-	141,182
	a) financial assets measured at amortised cost	130,513	-	130,513
	b) financial assets measured at fair value through other comprehensive income	10,356	-	10,356
	c) financial liabilities	313	-	313
110.	Net income on other financial assets and liabilities measured at fair value through profit or loss	11,856	-	11,856
	a) financial assets and liabilities designated at fair value	(3,683)	-	(3,683)
	b) other financial assets mandatorily measured at fair value	15,539	-	15,539
120.	**Net interest and other banking income**	**2,468,047**	**-**	**2,468,047**
130.	Net impairment losses for credit risk (+/-)	(542,239)	-	(542,239)
	a) financial assets measured at amortised cost	(541,877)	-	(541,877)
	b) financial assets measured at fair value through other comprehensive income	(362)	-	(362)
140.	Gains (Losses) from contractual modifications without derecognition	(2,141)	-	(2,141)
150.	**Net income from financial activities**	**1,923,667**	**-**	**1,923,667**
180	**Net income from financial and insurance activities**	**1,923,667**	**-**	**1,923,667**
190.	Administrative expenses:	(1,687,910)	-	(1,687,910)
	a) staff costs	(960,719)	-	(960,719)
	b) other administrative expenses	(727,191)	-	(727,191)
200.	Net provisions for risks and charges	(21,029)	-	(21,029)
	a) commitments and guarantees granted	(6,329)	-	(6,329)
	b) other net provisions	(14,700)	-	(14,700)
210.	Net adjustments to property, plant and equipment	(118,816)	11,097	(107,719)
220.	Net adjustments to intangible assets	(59,702)	-	(59,702)
230.	Other operating expense / income	169,491	-	169,491
240.	**Operating costs**	**(1,717,966)**	**11,097**	**(1,706,869)**
250.	Gains (Losses) of equity investments	(2,945)	-	(2,945)
260.	Valuation differences on of property and equipment and intangible assets measured at fair value	-	(17,069)	(17,069)
280.	Gains (Losses) on disposal of investments	866	(915)	(49)
290.	**Profit (Loss) from current operations before tax**	**203,622**	**(6,887)**	**196,735**
300.	Income taxes on current operations for the period	67,045	(1,854)	65,191
310.	**Profit (Loss) from current operations after tax**	**270,667**	**(8,741)**	**261,926**
330.	**Profit (Loss) for the year**	**270,667**	**(8,741)**	**261,926**
340.	Profit (Loss) for the year pertaining to minority interests	(25,017)	16	(25,001)
350.	**Profit (Loss) for the period pertaining to the Parent Company**	**245,650**	**(8,725)**	**236,925**

Restatement of the BPER Banca Group's reclassified consolidated financial statements as at 31 December 2020

Below are the Reclassified consolidated balance sheet and income statement of the BPER Banca Group as at 31 December 2020, restated to show the effects of the retrospective application of the change in the accounting method used to measure properties held for investment purposes, which constitutes a voluntary change in accounting policy, to be applied retrospectively pursuant to IAS 8 para. 19 b) Please refer to paragraph "5 - Other aspects" in Part A of the Explanatory Notes to this Consolidated Report for further details concerning the change in the measurement method and related accounting treatment. For additional comments on the effects of the restatement, reference should also be made to the footnotes to the statements above.

The asset and liability balances as at 31 December 2020 were reported in the comparative balances set out in paragraph "6.1 Balance sheet aggregates" of chapter 6 "The BPER Banca Group's results of operations", in the Group's interim report of operations.

(in thousands)

Assets	31.12.2020	IAS 40 impact	31.12.2020 restated
Cash and cash equivalents	482,192	-	482,192
Financial assets	24,661,915	-	24,661,915
a) Financial assets held for trading	279,009	-	279,009
b) Financial assets designated at fair value	127,368	-	127,368
c) Other financial assets mandatorily measured at fair value	765,917	-	765,917
d) Financial assets measured at fair value through other comprehensive income	6,269,818	-	6,269,818
e) Debt securities measured at amortised cost	17,219,803	-	17,219,803
- banks	4,496,133	-	4,496,133
- customers	12,723,670	-	12,723,670
Loans	62,888,784	-	62,888,784
a) Loans to banks	9,856,598	-	9,856,598
b) Loans to customers	53,005,879	-	53,005,879
c) Financial assets measured at fair value	26,307	-	26,307
Hedging derivatives	57,776	-	57,776
Equity investments	225,558	-	225,558
Property, plant and equipment	1,352,690	14,225	1,366,915
Intangible assets	702,723	-	702,723
- of which: goodwill	434,758	-	434,758
Other assets	2,679,200	(3,280)	2,675,920
Total assets	**93,050,838**	**10,945**	**93,061,783**

(in thousands)

Liabilities and shareholders equity	31.12.2020	IAS 40 impact	31.12.2020 restated
Due to banks	20,180,999	-	20,180,999
Direct deposits	63,140,669	-	63,140,669
a) Due to customers	58,458,479	-	58,458,479
b) Debt securities issued	4,682,190	-	4,682,190
Financial liabilities held for trading	170,094	-	170,094
Hedging derivatives	469,240	-	469,240
Other liabilities	2,759,082	7,570	2,766,652
Minority interests	133,935	48	133,983
Shareholders equity pertaining to the Parent Company	6,196,819	3,327	6,200,146
a) Valuation reserves	118,105	-	118,105
b) Reserves	2,348,691	12,052	2,360,743
c) Equity instruments	150,000	-	150,000
d) Share premium reserve	1,241,197	-	1,241,197
e) Share capital	2,100,435	-	2,100,435
f) Treasury shares	(7,259)	-	(7,259)
g) Profit (Loss) for the year	245,650	(8,725)	236,925
Total liabilities and shareholders equity	**93,050,838**	**10,945**	**93,061,783**

(in thousands)

Captions		31.12.2020	IAS 40 impact	31.12.2020 restated
10+20	Net interest income	1,238,876	-	1,238,876
40+50	Net commission income	1,072,514	-	1,072,514
70	Dividends	18,492	-	18,492
80+90+100+110	Net income from financial activities	138,165	-	138,165
230	Other operating expense/income	40,974	-	40,974
	Operating income	**2,509,021**	**-**	**2,509,021**
190 a)	Staff costs	(960,719)	-	(960,719)
190 b)	Other administrative expenses	(499,040)	-	(499,040)
210+220	Net adjustments to property, plant and equipment and intangible assets	(178,518)	11,097	(167,421)
	Operating costs	**(1,638,277)**	**11,097**	**(1,627,180)**
	Net operating income	**870,744**	**11,097**	**881,841**
130 a)	Net impairment losses to financial assets at amortised cost	(541,877)	-	(541,877)
	- loans to customers	*(534,605)*	-	*(534,605)*
	- other financial assets	*(7,272)*	-	*(7,272)*
130 b)	Net impairment losses to financial assets at fair value	(362)	-	(362)
140	Gains (Losses) from contractual modifications without derecognition	(2,141)	-	(2,141)
	Net impairment losses for credit risk	**(544,380)**	**-**	**(544,380)**
200	Net provisions for risks and charges	(32,481)	-	(32,481)
###	Contributions to SRF, DGS, IDPF - VS	(88,182)	-	(88,182)
250+260+270 +280	Gains (Losses) on investments	(2,079)	(17,984)	(20,063)
275	Gain on a bargain purchase	-	-	-
290	**Profit (Loss) from current operations before tax**	**203,622**	**(6,887)**	**196,735**
300	Income taxes on current operations for the year	67,045	(1,854)	65,191
330	**Profit (Loss) for the year**	**270,667**	**(8,741)**	**261,926**
340	Profit (Loss) for the year pertaining to minority interests	(25,017)	16	(25,001)
350	**Profit (Loss) for the year pertaining to the Parent Company**	**245,650**	**(8,725)**	**236,925**

Reconciliation between the consolidated financial statements and the reclassified financial statements as at 31 December 2021

(in thousands)

Circular no. 262/2005 7° update - Assets	31.12.2021	Reclassified balance sheet - Assets: Cash and cash equivalents	Financial assets: 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	e) Debt securities measured at amortised cost - customers	Loans: a) Loans to banks	b) Loans to customers	c) Financial assets measured at fair value	Hedging derivatives	Equity investments	Property, plant and equipment	Intangible assets	- of which: goodwill	Other assets
10. Cash and cash equivalents	1,306,282	1,306,282															
20. Financial assets measured at fair value through profit or loss	1,218,535																
a) financial assets held for trading	323,721		323,721														
b) financial assets designated at fair value	125,098			125,098													
c) other financial assets mandatorily measured at fair value	769,716				714,759						54,957						
30. Financial assets measured at fair value through other comprehensive income	6,631,897					6,631,897											
40. Financial assets measured at amortised cost	121,294,912																
a) loans to banks	27,490,676						5,795,622		21,695,054								
b) loans to customers	93,804,236			-				14,782,283		79,021,953							
50. Hedging derivatives	178,108											178,108					
70. Equity investments	240,534												240,534				
90. Property, plant and equipment	1,945,000	-												1,945,000			
100. Intangible assets	459,197														459,197		
of which:	-																
- goodwill	204,392															204,392	
110. Tax assets	1,784,995																
a) current	410,514																410,514
b) deferred	1,374,481																1,374,481
120. Non-current assets and disposal groups classified as held for sale	97,730									90,961				1,456			5,313
130. Other assets	1,190,683																1,190,683
Total assets	**136,347,873**	**1,306,282**	**323,721**	**125,098**	**714,759**	**6,631,897**	**5,795,622**	**14,782,283**	**21,695,054**	**79,112,914**	**54,957**	**178,108**	**240,534**	**1,946,456**	**459,197**	**204,392**	**2,980,991**

(in thousands)

Circular no. 262/2005 7° update - Assets	31.12.2021	Reclassified balance sheet - Liabilities and shareholders' equity													
			Direct deposits						Shareholders' equity pertaining to the Parent Company						
		Due to banks	a) Due to customers	b) Debt securities issued	Financial liabilities held for trading	Hedging derivatives	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	124,854,511														
a) due to banks	23,633,494	23,633,494													
b) due to customers	96,460,612		96,460,612												
c) debt securities issued	4,760,405			4,760,405											
20. Financial liabilities held for trading	123,957				123,957										
40. Hedging derivatives	249,178					249,178									
60. Tax liabilities	68,502														
a) current	9,598						9,598								
b) deferred	58,904						58,904								
70. Liabilities associated with assets classified as held for sa	173,662		167,123				6,539								
80. Other liabilities	2,961,320						2,961,320								
90. Employee termination indemnities	209,973						209,973								
100. Provisions for risks and charges	847,961														
a) commitments and guarantees granted	97,219						97,219								
b) pension and similar obligations	140,255						140,255								
c) other provisions for risks and charges	610,487						610,487								
120. Valuation reserves	196,370								196,370						
140. Equity instruments	150,000										150,000				
150. Reserves	2,493,508									2,493,508					
160. Share premium reserve	1,240,428											1,240,428			
170. Share capital	2,100,435												2,100,435		
180. Treasury shares (-)	(9,552)													(9,552)	
190. Minority interests (+/-)	162,497							162,497							
200. Profit (Loss) for the year (+/-)	525,123														525,123
Total liabilities and shareholders' equity	**136,347,873**	**23,633,494**	**96,627,735**	**4,760,405**	**123,957**	**249,178**	**4,094,295**	**162,497**	**196,370**	**2,493,508**	**150,000**	**1,240,428**	**2,100,435**	**(9,552)**	**525,123**

(in thousands)

Circular no. 262/2005 7° update - Income statement	31.12.2021	Net interest income	Net commission income	Dividends	Net income from financial activities	Other operating expense/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 - financial assets	Net impairment losses to financial assets at fair value	Gains (Losses) from contractual modifications without derecognition	Net provisions for risks and charges	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
		Reclassified income statement																		
10. Interest and similar income	1,762,746	1,762,746																		
20. Interest and similar expense	(257,384)	(257,384)																		
30. Net interest income	**1,505,362**																			
40. Commission income	1,845,386		1,845,386																	
50. Commission expense	(203,811)		(203,811)																	
60. Net commission income	**1,641,575**																			
70. Dividends and similar income	20,084			20,084																
80. Net income from trading activities	67,491				67,491															
90. Net income from hedging activities	(2,120)				(2,120)															
100. Gains (Losses) on disposal or repurchase of:	100,733																			
a) financial assets measured at amortised cost	85,712				85,712															
b) financial assets measured at fair value through other comprehensive income	15,488				15,488															
c) financial liabilities	(467)				(467)															
110. Net income on financial assets and liabilities measured at fair value through profit or loss	30,127																			
a) financial assets and liabilities designated at fair value	1,576				1,576															
b) other financial assets mandatorily measured at fair value	28,551				28,551															
120. Net interest and other banking income	**3,363,252**																			
130. Net impairment losses for credit risk relating to:	(835,079)																			
a) financial assets measured at amortised cost	(837,194)									(839,068)	1,874									
b) financial assets measured at fair value through other comprehensive income	2,115											2,115								
140. Gains (Losses) from contractual modifications without derecognition	(2,893)												(2,893)							
150. Net income from financial activities	**2,525,280**																			
180 Net income from financial and insurance activities	**2,525,280**																			
190. Administrative expenses:	(2,573,395)																			
a) staff costs	(1,528,240)						(1,528,240)													
b) other administrative expenses	(1,045,155)							(911,456)							(133,699)					
200. Net provisions for risks and charges	(62,148)																			
a) commitments and guarantees granted	(17,389)													(17,389)						
b) other net provisions	(44,759)													(44,759)						
210. Net adjustments to property, plant and equipment	(168,434)								(168,434)											
220. Net adjustments to intangible assets	(111,683)								(111,683)											
230. Other operating expense/income	238,727					25,026		232,298						(18,597)						
240. Operating costs	**(2,676,933)**																			
250. Gains (Losses) of equity investments	10,802															10,802				
260. Valuation differences on property, plant and equipment and intangible assets measured at fair value	(64,455)															(64,455)				
270. Impairment losses on goodwill	(230,366)															(230,366)				
275. Gain on a bargain purchase	1,127,847																1,127,847			
280. Gains (Losses) on disposal investments	696															696				
290. Profit (Loss) from current operations before tax	**692,871**																			
300. Income taxes on current operations for the year	(134,222)																	(134,222)		
310. Profit (Loss) from current operations after tax	**558,649**																			
330. Profit (Loss) for the year	**558,649**																			
340. Profit (Loss) for the year pertaining to minority interests	(33,526)																		(33,526)	
350. Profit (Loss) for the year pertaining to the Parent Company	**525,123**	**1,505,362**	**1,641,575**	**20,084**	**196,231**	**25,026**	**(1,528,240)**	**(679,158)**	**(280,117)**	**(839,068)**	**1,874**	**2,115**	**(2,893)**	**(80,745)**	**(133,699)**	**(283,323)**	**1,127,847**	**(134,222)**	**(33,526)**	**525,123**

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Certifications and other reports

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Certification of the consolidated financial statements at 31 December 2021 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 2021, 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 2021 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. These framework represent 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 2021:
    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, 10 March 2022

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, 2021, 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, 2021, 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, 2021, performing loans to customers measured at amortized cost of BPER Banca Group show a gross amount of Euro 77,964 million, reduced by portfolio adjustments of Euro 447 million, to come to a net amount of Euro 77,517 million, resulting in a coverage ratio of 0.57%.

As more widely described in the explanatory notes, during 2021 the overall macroeconomic and sector framework was still affected by significant uncertainty due to the evolution of the Covid-19 pandemic, and the related containment measures, continuing to require to banks the management of the impacts arising from such situation on credit risk and on relevant financial statement evaluations.

The context has continued to be characterized by new initiatives and concessions introduced by governments and monetary and tax authorities, whose impact on the Group's economic and financial situation are described in the explanatory notes in the following sections:

- Part B - Information on the balance sheet – Section 4 – Financial assets measured at amortised cost, table 4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross values and total impairment losses;

- Part C – Information on the income statement – Section 8 – Net impairment losses for credit risk, table 8.1a Net impairment losses for credit risk related to loans measured at amortized cost subject to measures applied in response to the Covid-19: breakdown;

- Part E – Information on risks and related hedging policies – Section A – Credit quality, table A.1.3a Prudential Consolidation - Loans subject to Covid-19 support measures: transfers between different credit risk stages (gross values) and table A.1.5a Prudential Consolidation - Loans subject to Covid-19 support measures: gross and net values;

as required by the supplement dated December 21, 2021 of the "Circular n. 262 – Banks' financial statements: schemes and compilation rules" issued by Bank of Italy, which introduced a specific disclosure concerning the effects of the Covid-19 pandemic and of the measures to support the economy on risk management strategies, objectives and policies, as well as on the economic and financial situation of banks.

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, 2021, 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 significance of the amount of high-risk performing loans to customers measured at amortized cost recorded in the financial statements and the complexity of the process of classifying them into homogeneous risk categories followed by the Group, 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, 2021.

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, as amended to take account also of the continuing impacts of the Covid-19 pandemic, 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, as well as the contents of the interpretative and supporting documents for the application of the accounting standards in relation to the continuing impacts of the Covid-19 pandemic, issued by the national and European regulatory and supervisory bodies.

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, 2021, non-performing loans to customers measured at amortized cost of BPER Banca Group show a gross amount of Euro 4,024 million, reduced by impairment losses of Euro 2,429 million, resulting in a net amount of Euro 1,595 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, 2021 is equal to 60.35%. 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 567 million and a coverage ratio of 71.84% and unlikely to pay loans for a net value of Euro 934 million and a coverage ratio of 50.40%. 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 significance of the amount of non-performing loans to customers measured at amortized cost recorded in the financial statements, the complexity of the valuation processes adopted by the Group, which entailed a structured action of classification into homogeneous risk categories, as well as the relevance of the discretionary components linked to the estimate of the recoverable amount (such as the estimate of expected cash flows, the time of recovery, the value of the collaterals 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, 2021.

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 derecognition of a portfolio of bad loans following the transfer through GACS-backed securitisation	
Description of the key audit matter	During 2021 BPER Banca Group completed a multi-originator large sale transaction named “Skywalker” of bad loans deriving from the acquisition of a Business Unit from the Intesa Sanpaolo Group. In this transaction, whose contracts were signed on July 28, 2021, there has been, in the first phase, only the transfer of the legal ownership of loans to the securitization vehicle (“Grogu SPV S.r.l.”), for a gross amount as at June 30, 2021 of Euro 569,1 million whereas their accounting derecognition was obtained at the end of the year, in conjunction with the issuing by the securitization vehicle of the ABS and the sale to a third counterparty of junior and mezzanine notes, except for a 5% tranche, which was retained by the originator banks (BPER Banca S.p.A. and Intesa Sanpaolo S.p.A.) in compliance with the retention rule. Thus, the conditions required by IFRS 9 for the accounting derecognition of the transferred loans from the balance sheet of the Bank were met. On the Senior notes the state guarantee GACS has been requested by the Bank. The negative economic impact of the securitisation was Euro 4.3 million. In paragraph “3.3 Progress of de-risking activities” of the Director’s report on Group operations and in the qualitative information on securitisation transactions of part E - Information on risks and the related hedging policies of the consolidated explanatory notes as at December 31, 2021, disclosures are provided on the above-described aspects with reference to the above-mentioned transaction. Given the complexity of the transaction and the significance of the amount of the transferred loans, we considered the accounting derecognition of a portfolio of bad loans following the transfer through GACS-backed securitisation a key audit matter of the consolidated financial statements of BPER Banca Group as at December 31, 2021.
Audit procedures performed	The main procedures carried out as part of our audit work were, among others, as follows: • gaining an understanding of the structure and of the finalization process of the transfer transaction, through securitisation, by obtaining and analysing signed agreements and further available documentation, as well as through interviews with the management of BPER Banca S.p.A.; • gaining an understanding of the processes adopted by BPER Banca S.p.A. with reference to the acknowledgement of the assumptions for the accounting derecognition of the transferred loans and testing the design and implementation of the relevant controls; • analysis of the existence of the conditions required by the international accounting standard IFRS 9 for the accounting derecognition from the

	consolidated balance sheet of the Group of the securitised loans, also supported by specialists belonging to the Deloitte network; • checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.
Impairment test of goodwill	
Description of the key audit matter	As reported in the consolidated financial statements as at December 31, 2021, during the financial year, BPER Banca has entirely impaired the goodwill allocated to the BPER Banca CGU (“Cash generating Unit” - “CGU”) for an amount of Euro 230 million, recorded in caption 270 “Impairment losses on goodwill” of the income statement. Subsequently intangible assets as at December 31, 2021 include goodwill for an amount of Euro 204.4 million allocated to the cash generating units ("CGUs") identified in the individual legal entities (Banco di Sardegna S.p.A., Emilia Romagna Factor S.p.A. and Arca Holding S.p.A.). Under IAS 36 "Impairment of assets", goodwill is not amortized but subjected to an impairment test at least once a year, by comparing the carrying amount with the relevant recoverable amount of each CGU. When preparing the impairment test, the Bank determines the recoverable amount of the CGUs in terms of value in use estimated on the basis of the "Dividend Discount Model". The process of determining the value in use adopted by the Bank is based on assumptions involving, among other things, a forecast of expected cash flows of the CGUs to which goodwill has been allocated, as well as the discount rate to be applied to the expected cash flows and the long-term growth rate. In particular, the Bank has prepared the forecast of expected cash flows taking into account the current market context still influenced by the continuing health emergency due to the spread of the Covid-19 pandemic. On the impairment test carried out, the Bank obtained a fairness opinion of an independent external expert. In Part A – Accounting Policies and in "Section 10 – Intangible Assets” of Part B – Information on the balance sheet of the consolidated explanatory notes, disclosures are provided on these aspects, as well as on the results of the sensitivity analysis performed and on the variables considered relevant by the Bank. Given the subjectivity of the estimates involved in determining the cash flows of the CGUs to which the goodwill has been allocated and the key variables used in the impairment model, we considered the impairment test of goodwill a key audit matter of the consolidated financial statements of BPER Banca Group as at December 31, 2021.

Audit procedures performed

The main procedures carried out as part of our audit work were, among others, as follows:

- gaining an understanding of the process involved in carrying out the impairment test and verifying the implementation and operating effectiveness of the relevant controls identified in relation to that process;
- gaining an understanding, also supported by the specialists belonging to the Deloitte network, of the valuation model and of the assumptions adopted by the Bank to carry out the impairment test;
- verifying the correct determination and accounting recognition of the impairment recorded in caption 270 "Impairment losses on goodwill" of the income statement;
- performing an analysis of reasonableness, carried out also by obtaining information from the Bank, of the main assumptions adopted to estimate cash flows;
- performing an analysis, also supported by the specialists belonging to the Deloitte network, of reasonableness of the key variables adopted in the valuation model, carried out also through in-depth analysis with the independent external expert;
- obtaining and reviewing the fairness opinion issued by the independent external expert, also through discussions with the Bank and the external expert himself;
- performing an analysis of actual figures compared with the original plans, in order to assess the nature of variances and the reliability of the process of determining the forecasts;
- verifying the clerical accuracy of the model used to determine the value in use of the CGUs to which the goodwill has been allocated, also supported by the specialists belonging to the Deloitte network;
- reviewing the sensitivity analysis performed by the Bank;
- checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standard, as well as the contents of the interpretative and supporting documents for the application of the accounting standards in relation to the continuing impacts of the Covid-19 pandemic, issued by the national and European regulatory and supervisory bodies.

Accounting recognition of the acquisition of a business unit from Intesa Sanpaolo (so-called Gemini business unit)	
Description of the key audit matter	As reported in paragraph "3.1 Acquisition of a Business Unit from the Intesa Sanpaolo Group " of the Directors' report on Group operations and in Part G – Business combinations of the explanatory notes, on February 19, 2021 it was finalized the acquisition of the business unit , represented by the assets and liabilities of a business unit owned by UBI Banca S.p.A. (consisting of n. 455 bank branches and from n. 132 points of operation), of a business unit owned by Intesa Sanpaolo (consisting of n. 31 bank branches and n. 2 points of operation) and a business unit owned by UBISS S.c.p.A. (a consortium company controlled by UBI Banca), referred to in the Agreements signed by BPER Banca S.p.A. with the counterparties starting from February 17, 2020. The transfer to BPER Banca S.p.A. of the business units owned by UBI Banca S.p.A. and UBISS S.c.p.A. took effect for legal purposes on February 22, 2021, while the transfer of the business unit owned by Intesa Sanpaolo took effect for legal purposes on June 21, 2021. The overall consideration paid entirely in cash by BPER Banca S.p.A. at the transfer effective date of each business unit was Euro 644 million. 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 and liabilities (including contingent liabilities) involved in the acquisition. 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 1,128 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 and liabilities involved in the acquisition, as well as the significance of the effects recorded in the consolidated income statement, we considered the accounting recognition of the acquisition of Gemini business unit a key audit matter of the consolidated financial statements of BPER Banca Group as at December 31, 2021.

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 income from the gain on a bargain purchase (badwill), also by obtaining information from the Bank and in-depth analysis with the external advisors; • 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, related safeguards.

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, 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 have been prepared in XHTML format and has been marked up, in all material respects, 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 Group operations and the report on corporate governance and ownership structure of BPER Banca Group as at December 31, 2021, 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, 2021 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, 2021 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 28, 2022

This report has been translated into the English language solely for the convenience of international readers.

2021 FINANCIAL STATEMENTS

Directors report on operations

Contents

1. The Bank in 2021

1.1 Introduction

To avoid repetition, the common disclosure along with the Directors' Report on Group operations is not being reproposed. Reference should be made to it as it is substantially valid for the stand-alone plan of the Parent Company as well.
To be more specific, reference is made to the content of the following paragraphs of the consolidated report:

- 1. The macroeconomic context;
- 3. Significant events and strategic transactions (including, in particular, the acquisition of the Business Unit from Intesa Sanpaolo, Progress in de-risking, the BPER Banca Group's Business Plan for 2019-2021:update of financial forecasts, Start of activities in preparation for the 2022-2024 Business Plan, the Offer for the acquisition of Banca CARIGE s.p.a. and the Covid-19 emergency: strategies adopted by the BPER Banca Group);
- 4. Notes on value creation for the stakeholders of the BPER Banca Group;
- 7. 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	Households	Corporates	Personal businesses
31.10.2021	4.32%	3.68%	5.53%	7.35%
30.09.2021	4.29%	3.69%	5.46%	7.28%
31.08.2021	4.33%	3.70%	5.57%	7.34%
31.07.2021	4.37%	3.71%	5.67%	7.38%
30.06.2021	4.39%	3.74%	5.72%	7.40%
31.05.2021	4.25%	3.57%	5.75%	7.01%
30.04.2021	4.26%	3.59%	5.78%	7.01%
31.03.2021	4.24%	3.59%	5.74%	6.97%
28.02.2021	4.23%	3.60%	5.74%	6.44%
31.01.2021	2.48%	1.94%	3.69%	4.68%
31.12.2020	2.49%	1.94%	3.70%	4.68%
30.11.2020	2.43%	1.90%	3.59%	4.60%
31.10.2020	2.46%	1.93%	3.59%	4.63%

Market shares - Lending

Period	Total customers	Households	Corporates	Personal businesses
31.10.2021	3.87%	3.93%	4.87%	6.42%
30.09.2021	3.86%	3.94%	4.77%	6.40%
31.08.2021	3.79%	3.96%	4.71%	6.39%
31.07.2021	3.76%	3.93%	4.68%	6.35%
30.06.2021	3.81%	3.98%	4.69%	6.35%
31.05.2021	3.72%	3.85%	4.69%	6.12%
30.04.2021	3.78%	3.87%	4.70%	6.12%
31.03.2021	3.83%	3.88%	4.87%	6.05%
28.02.2021	3.88%	3.94%	4.90%	5.79%
31.01.2021	2.53%	2.29%	3.05%	4.08%
31.12.2020	2.54%	2.30%	3.09%	4.10%
30.11.2020	2.53%	2.29%	3.04%	4.09%
31.10.2020	2.51%	2.30%	3.05%	4.10%

Source: Market shares - Source: Planus Corp. for supervisory reporting.

Branch network

The number of branches has increased by 506 compared with 2020 due to the merger of the UBI and ISP business units, net of the rationalisation of 104 branches in November 2021.

At 31 December 2021 there were 1,414 branches[1] (including 118 limited service branches).

The Bank has a widespread presence of branches in 18 of Italy's 20 regions (Emilia-Romagna (281), Abruzzo (87), Campania (109), Lazio (79), Calabria (62), Lombardy (334), Apulia (55), Veneto (42), Basilicata (30), Sicily (32), Molise (9), Marche (120), Tuscany (45), Trentino-Alto Adige (4) Umbria (24), Liguria (13), Friuli Venezia Giulia (2) and Pidemont (86)).

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 network in various ways:

- with a top-down logic ("Air actions"), according to a centralised programming model that has allowed the diffusion of a homogeneous approach;
- through bottom-up programming ("Ground actions") identified at branch level;
- through Self actions ("Autoprogramming"), chosen directly by the Portfolio Manager.

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

[1] *Excluding "virtual branches".*

order to ensure that planned initiatives are consistent with the companys 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 companys strategy and objectives;
- ensuring the correct mapping, assessment and management of risks deriving from new operations, in line with BPER Bancas 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.

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 Banca Group has developed a new customer listening system, which provides for continuous monitoring of the entire customer base: the metric chosen is the Net Promoter Score (NPS), an indicator that measures the proportion of "promoters" (customers who would recommend the bank) to "detractors". E-mail is the principal contact channel used, in order to collect as much feedback as possible from customers, with the smallest effort in terms of cost and time, supported by the use of text messages also for customers who do not have an e-mail address. The findings that emerged in the previous years were confirmed in 2021 the levels of customer satisfaction in the Family and Personal segments are aligned, while that of Small Economic Operators (SEO) is lower, albeit still positive.
In 2021, the NPS was also included in the reference metrics for the definition of the strategic objectives (MBO 2021).
The NPS project also seeks to capture customers reaction soon after certain specific activities have taken place. To date, the ones that are active are: underwriting of insurance policies, mortgages and loans, contact centre assistance, opening of current accounts, purchase of payment cards, branch visits, use of ATMs and Smart Web. Customer satisfaction surveys were also conducted for Corporate and Private

Banking customers in October and November 2021. The level of satisfaction for both of these clusters showed an increase compared with the previous survey in 2020.

The contact channels

The BPER Group's Contact Centre answers only from Italy, with a view to encouraging national employment and providing a better customer service. However, in addition to Italian, customer support is available in 6 languages: English, French, Spanish, Romanian, Portuguese and Arabic.
The Contact Centre has obtained the following certifications: ISO 9001 and ISO 18295 (formerly ISO 15838).
WhatsApp is also used as a contact channel. Through integration with the Live Person platform, it enables the Bank to provide an excellent customer relations service remotely, through a certified Business profile. The Digital Loans service, in its Self and Remote Offering components, allows an ever greater number of customers to request a personal loan autonomously, via Smart Web or Mobile App, or with support from a Contact Centre specialist, receiving the final result digitally, 24/7, directly on the move. In addition to significantly improving the customer experience, this activity has made a significant contribution to the achievement of specific business objectives.
Since September 2019, the Smart Web and Smart Mobile Banking 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 innovation introduced on our channels was the Instant Money Transfer, allowing transfers to be made in seconds.

Products and commercial activities

Retail banking

BPER Bank pays constant attention to the needs of customers 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.
During 2021, the following measures in support of retail customers and households during the Covid-19 emergency continued: a Solidarity Fund for first-home mortgages, an ABI moratorium for all Private Customers loans with instalment repayments, an ASSOFIN moratorium for consumer credit.
With the same objective in 2021 too, BPER Banca promoted the development of initiatives to innovate the products and services on offer, introducing a higher level of digitisation, flexibility of use with respect to customer needs and streamlining sales processes.
BPER Banca also continued to provide support to its customers in carrying out the building modernisation works linked to the 110% Superbonus tax deduction for the energy and seismic upgrading of properties. Special pre-financing products have been developed to initiate and complete interventions based on the progress of the project, insurance products and a specialised technical and fiscal consultancy service. BPER Banca also offers its customers to receive liquidity through the sale of the tax credit generated by such projects.
Finally, again with a view to offering households digital solutions that meet the widest range of needs, the new Smart platform BPER Zone was made available to all customers in the course of 2021, along with the new e-commerce and loyalty ecosystem reserved for customers.

Wealth Management

In 2021, 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. The project was leveraged by the reorganisation of Optima SIM (as a single investment centre), thanks to the onboarding of new professionals and significant technological investments through the integration of BlackRocks Aladdin Wealth platform.

The integration of the business unit acquired from the Intesa Sanpaolo Group allowed for a significant leap in size, improving the strategic positioning of the BPER Banca Group and the capillarity of service in the footprint areas. Full operational and customer relationship continuity was ensured in the transaction, partly by adjusting the catalogue of products and services provided.

On the financial advisory side, the commitment to a complete review of the product range continued in order to adapt the proposition to the changed economic context 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 2021, the catalogue included roughly 657 ESG products (51% of total products placed), of which 440 Funds/Sicavs and 117 underlying insurance policies. BPER Banca continued with the process of disclosure on sustainability topics commenced in 2019, producing new “Advisory Tips” training publications for employees and, indirectly, for customers. An internal training process was also launched targeted at specialist personnel. 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 the collaboration with the Polytechnic University of Milan and partner companies, various specialists also took part in dedicated Master’s degree courses. Sustainability issues were also addressed as part of the MIFID training programme. The BPER International SICAV range was further improved, transforming it into a multi-manager SICAV , with the inclusion of new first-class fund managers.

To support customers with advanced medium/long-term planning requirements, the commercial proposition was focused on “container” products such as Portfolio Management and Multi-Branch Insurance Policies. Lastly, the new Avi Take care policy was launched, the Unit-linked policy of Arca Vita International, which offers policyholders the possibility of not only investing their savings but, in particular, to achieve their objectives and those of a loved one (option of dual policyholders).

One of the main lines of activity was to provide customers with constant support during the Covid-19 emergency, further reinforcing the dissemination and use of digital channels for relationships and of digital tools for remote operations. From this perspective, the Remote Proposition and the Qualified Electronic Signature came on stream for higher net worth customers , in order to speed up processes, simplify advisor operations and improve user experience. These services will be extended to all customers in 2022. The Bank also focused on expanding the service proposition for the more advanced segment of Private Banking customers (Private Banking Key Client service), dedicated to Ultra High Net Worth Individuals, with a need for tailor-made solutions. The structure is now made up of a team of 11 professionals with offices in Modena, Milan and Rome.

The Wealth Advisory service was enhanced; thanks to 12 central specialists, it offers constant support to customers and bankers in specific areas such as wealth planning and the generational transfer, succession, tax and real estate analysis and art advisory services (in the latter two cases we have established partnerships with external professionals).

A dedicated communication campaign was further enhanced with the aim of strengthening BPER Bancas positioning in the Wealth Management industry. The aim was to disseminate content to increase training and knowledge of issues related to asset management and wealth planning.

Corporate banking

In 2021, the Corporate banking segment was affected by the extraordinary transaction involving the acquisition of the UBI and ISP business units, which led to a considerable increase in the number of corporate customers managed, up from 69,400 to roughly 143,000 units.

The Bank put in place a proactive commercial proposal for Corporate customers in general, in terms of products/service, which made it possible to retain existing Corporate Customers and expand the range of services offered to all customers.

Note should be taken, in particular,of the support provided to Businesses in 2021 to overcome problems related to the emergency resulting from the Covid-19 health crisis, responsible for a major slump in GDP in 2020. In 2021, BPER Banca carried out this assistance activity, by proposing a number of short-, medium- and long-term financial support measures, largely innovative, designed specifically to help Italian businesses grow and support them in a time of recovery, during which general economic activity started to return to levels comparable to those prior to the pandemic crisis.

The main forms of financing, advisory and assistance services offered are presented below.

Loans with MCC guarantee

A form of financing used extensively in 2021, 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, starting in 2020 and continuing in 2021, 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 important 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 thanks to the appropriate agreements with the guarantor has generated a benefit not only for the Beneficiary Companies, but also for the Bank, in terms of lower capital absorption, favouring even more robust assistance for SMEs in a year, like 2021, marked by the relaunch of economic activity following the most acute phase of the health emergency linked to Covid-19 in 2020.

SACE – Covid-19

Thanks to the provisions of Decree Law 23 of 8 April 2020, BPER Banca introduced new medium-term loans in 2020, with a duration of between 2 and 8 years, backed by a SACE guarantee, in favour of companies hit by Covid-19, the proposition of which continued in 2021.

Fin Next / Fin Next small

As a result of the Agreement between BPER Banca and the European Investment Fund, in 2021, 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. This type of guarantee is part of the overall package of measures agreed upon by the Eurogroup in response to the economic impact of the Covid-19 pandemic.

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 2021, 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 2021, 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.

Global Transaction Banking - International Banking

In 2021, again as part of the efforts to bolster support for Corporate Customers in the CIB, Business and Small Business segments, the perimeter of the Global Transaction Banking Service was redesigned.
The organisational, process and procedural initiatives, and 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 make provision for the establishment of a network of International Banking Specialists throughout the country, close to companies and business centres with central coordination and management; the second pillar was the creation of the International Banking Centres operating throughout the territory in order to offer businesses an efficient local service to support their 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 and International Banking 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 2021, 324 new employees were hired, including no. 28 apprentices; there were also additional entries of 5,090 resources from UBI, ISP and intra-group.
Agreements for contract staff (to meet temporary needs) were in place for 474 persons at the end of 2021 (with an average of 599 during the year).
In 2021, BPER Banca offered internships for 2 undergraduates and graduates from three-year bachelors degree courses and masters degree courses.

During the course of 2021, 445 people terminated their employment with the Bank (including 3 resources due to intragroup transfer)[2]. The number of employees in service at the end of 2021 was 15,326 (excluding 22 who were on leave).
Overall, 166 Bank employees have been seconded to other companies within the Group; conversely, 276 people from other Group companies are on secondment with the Bank.

Industrial relations

In 2021, the methods of discussion and negotiation with the trade unions, in continuity with previous years, confirmed a correct system of trade union relations, based on constructive dialogue between the parties despite the scenario difficulties caused in particular by the effects of the spread of the Covid-19 pandemic.
In the complex scenario described above, an agreement has been reached with the Trade Union Organisations of the Group aimed at promoting a generational and professional change, together with a downsizing of the workforce, which will make it possible to structurally reduce personnel expenses; activities also continued which enabled Bper to adequately manage the integration of staff coming from the UBI/ISP business units.

Of the main agreements reached at Group level, the following are worthy of mention because of their importance:

- Optimisation of the workforce and generational/professional turnover (28 December 2021): the agreement provides for the exit of 1,700 staff, also through retirements and use of the Industry Solidarity Fund. In response to the aforementioned exits, as part of the agreement, 550 new hires were announced, also with specific professional expertise, and 300 fixed-term contracts were established, focussing on the areas where the Group is present;
- Process of regulatory and economic harmonisation (28 December 2021): the first step of the planned harmonisation process was taken with the Trade Union Organisations, with the agreement for the transfer of the UBI/UBISS/ISP units on 30 December 2020. In fact, new provisions were defined regarding supplementary pensions, health assistance, additional insurance cover and regional mobility. In 2022, the Company and the Trade Union Organisations will complete the process of economic and regulatory harmonisation of all level 2 allowances present in the transferring companies and in the transferee; for said reason, various conditions falling under the regulatory/economic background of the personnel transferred to BPER were also retained in 2022;
- Solidarity Time Bank (28 December 2021): the Agreement provides for setting up a Solidarity Time Bank also for 2022 so that members of staff can take leave of absence - donated partly by the Company, partly by the workers - to help those who, for various reasons, need more support at certain times in their lives;
- Rationalisation of the Group's Network of Branches - BPER branches (25 November 2021): following the integration of the UBI/ISP network and the launch of the analysis of the new context of territorial coverage of the distribution 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;
- Merger by absorption of Cassa Risparmio Bra and Cassa Risparmio Saluzzo into BPER Banca (21 January 2021): the agreement defined the methods of managing the effects on staff stemming

[2] *Including those effective from 1 January 2021, i.e. those for whom 31 December 2020 was their last working day.*

from the plan for the merger by absorption into BPER Banca of Cassa Risparmio di Bra and Cassa Risparmio di Saluzzo.

At Parent Company level, rules were defined to govern the variable portion of employee remuneration (first of all 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 most of the Banks training activities.

Protected categories pursuant to Law 68/1999

As regards the obligations under Law 68/1999, for the years 2020 and 2021 BPER Banca obtained a suspension of employment obligations linked to the staff reduction plan. At 31 December 2021 the Bank has 1,034 employees with disabilities or who are in other protected categories.

Welfare Plan

The year 2021 was considerably affected by the Covid-19 health emergency, so the welfare plan was also affected by the pandemic.

During 2021, the welfare plan continued to help the staff deal with the situation, for instance offering the possibility of using the welfare credit, in compliance with current regulations to ask for reimbursement of the cost of buying a computer for their children who had to attend school from home.

The BPER Groups Welfare Plan consists of:

- 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.

Each employee can consult the value of the benefits offered by the company through the My Total Welfare page on the company welfare portal.

As part of the Welfare Plan, the Work Life Balance (WLB) Area was created, which presents all the initiatives implemented by the company to promote a better work-life balance.

This area contains:

- an area dedicated to part-time, maternity/paternity, solidarity time bank, etc.
- a connection to Smart BPER Zone, the new e-commerce platform created in collaboration with Ventis, shopping portal for Fashion, Food and Wine, Home and local services, experiences, specialised in Made In Italy and international excellence, reserved to employees and customers of the BPER Banca Group, with promotions, loyalty programmes, discounted purchase conditions, in some particular areas of interest;
- information pages on the company facilities that support the WLB (hub for children, company cafeterias, library, employees' club).

The Sustainable Mobility Area has been created within the Welfare Plan in order to combine the well-being of our people with attention to the environment of the cities where they live and work, grouping together information, initiatives and agreements relating to mobility. With the launch of the new welfare platform in 2022, the Mobility Area will also be modernised and expanded with additional information on mobility and sustainability.
During 2021, following the health emergency, we went beyond the “Agile work - Hub working” project and, in compliance with the regulatory provisions, agile work (emergency remote work) was activated, which allowed over 9,000 employees to work remotely from their residence or home while reducing the mobility of people and physical presences in the various organisational units.
Moreover, the daily company shuttle service from the Modena Railway Station to the Service Centre in Modena was made more frequent to facilitate the movements of those living outside Modena who use public transport and limit urban traffic into and out of the city.
To spread the culture of the bicycle and encourage its use in the commute from home to work, the "*Piantiamola di inquinare* (Lets stop polluting)" initiative was launched in collaboration with the platform Wecity to support sustainable mobility. The initiative made it possible to cut 12 tons of CO2 emissions into the atmosphere, exceeding the set targets.

BPER Infant Centre

In 2021 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 teaching and educational side of the project is decided in close collaboration with the families concerned; during 2021, the children were followed by the teachers both face to face and at home, using IT support.
The structure consists of spacious and bright rooms, with play areas and "soft" furnishings designed specifically for childrens 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

The constant attention focussed by BPER Banca on the environment was also confirmed in 2021, the year in which major Group strengthening operations made it possible to increase the number of branches that implement building automation systems. The overall coverage rose from 27% to the current 49% of the perimeter of branches. The significant strengthening will make it possible to reduce energy waste, increasing consumption efficiency, and to remotely manage most of the reports and anomalies generated by the systems located in the branches concerned.

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 for the 2021 financial year, as well as to the Directors’ Report on Group operations in relation to the overall ESG objectives achieved in 2021 (paragraph 4.2 “Sustainability targets achieved in 2021”) and risk control in general, including ESG risks (paragraph 7.1 "Identification of risks, the uncertainties that characterise them and the approach to manage 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 Parent Company as at 31 December 2021, compared with the figures at 31 December 2020[3]. Note that this comparison is influenced by the Banks scale -up in size resulting from the acquisition of the business units from the Intesa Sanpaolo Group (i.e. the UBI, UBISS and Intesa business units).

The Bank closed 2021 with a profit before tax of Euro 691.7 million; income taxes totalled Euro 124.5 million, leading to a profit for the year of Euro 567.2 million (Euro 137.6 million at 31 December 2020).

Operating income came to Euro 2,724.1 million, up by 45.62% compared with 31 December 2020 (Euro 1,870.7 million).

Operating costs, amounting to Euro 2,067.9 million, were 60.57% higher than at 31 December 2020 (Euro 1,287.9 million).

Net impairment losses for credit risk amounted to Euro 644.1 million (Euro 445.9 million at 31 December 2020). The cost of credit at 31 December 2021, calculated only on loans to customers, was 93 bps (100 bps at 31 December 2020).

In balance sheet terms, the results at 31 December 2021 can be summarised as follows:

- net loans to customers, just for the portion measured at amortised cost, total Euro 69,185.2 million (+58.73% compared with 31 December 2020);
- direct deposits of Euro 88,941.0 million have increased by 72.80% since 31 December 2020;
- indirect deposits, Euro 123,185.9 million, have increased by 33.26% compared with the previous year (Euro 92,441.0 million at 31 December 2020);
- Shareholders' equity, including profit for the year, amounts to Euro 6,412.8 million, up by 8.52% compared with 2020.

[3] *The comparative ratios as at 31 December 2020 have been restated, with respect to those published in the Directors' report on operations at the same date, to take account of: i) the change in the measurement method of "Property, plant and equipment" consisting in properties held for investment purposes; ii) provisions under the seventh update of Bank of Italy Circular 262/2005; in particular, cash or cash equivalents pursuant to IAS 7 were reclassified from balance sheet asset caption 40 a) to caption10.*

2.2 Performance ratios[4]

Financial ratios	31.12.2021	2020 (*)
Structural ratios		
Net loans to customers/total assets	54.29%	51.75%
Net loans to customers/direct deposits from customers	77.79%	84.68%
Financial assets/total assets	20.81%	27.14%
Gross non-performing loans/gross loans to customers	4.04%	6.62%
Net non-performing loans/net loans to customers	1.63%	3.27%
Texas ratio[5]	36.35%	42.78%
Profitability ratios		
ROE[6]	9.76%	2.65%
ROTE[7]	10.41%	2.91%
ROA[8]	0.45%	0.16%
Cost to income ratio[9]	75.91%	68.84%
Cost of credit risk[10]	0.93%	1.00%

(*) The comparative ratios have been calculated on figures at 31 December 2020 which include the effects of the retrospective application of the change in the measurement method of property, plant and equipment held for investment. For further details on the balance sheet and income statement figures at 31 December 2020 used in determining the ratios, please refer to the paragraphs "Restatement of the reclassified financial statements of BPER Banca as at 31 December 2020" in the "Attachments" section of this Report.

[4] *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 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 the chapters "2.3 Balance sheet aggregates" and "2.4 Income statements aggregates" of this Report.*

[5] *The texas ratio is calculated as total gross non-performing loans on net tangible equity plus impairment provisions for non-performing loans.*

[6] *ROE has been calculated as net profit for the year on average shareholders' equity not including net profit.*

[7] *ROTE has been calculated as net profit for the year on average shareholders' equity not including net profit and intangible assets.*

[8] *ROA has been calculated as net profit for the year on total assets.*

[9] *The Cost to income ratio has been calculated on the basis of the layout 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 82.45% (73.07% at 31 December 2020 taking into account the effects of the retrospective application of the change in the measurement method of property, plant and equipment held for investment).*

[10] *The Cost of credit risk has been calculated as net impairment losses to loans to customers on net loans to customers.*

Prudential supervisory ratios	31.12.2021	2020 (*)
Own Funds (Phased in)[11](in thousands of Euro)		
Common Equity Tier 1 (CET1)	5,947,249	5,669,110
Total Own Funds	7,110,122	6,788,120
Risk-weighted assets (RWA)	38,353,593	26,988,877
Capital and liquidity ratios		
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in	15.51%	21.01%
Tier 1 Ratio (T1 Ratio) - Phased in	15.90%	21.56%
Total Capital Ratio (TC Ratio) - Phased in	18.54%	25.15%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Phased	14.51%	19.03%
Leverage Ratio - Phased in[12]	4.9%	8.0%
Leverage Ratio - Fully Phased[13]	4.6%	7.2%

(*) The comparative ratios have been calculated on figures at 31 December 2020, as per the Financial Statements as at 31 December 2020; they were not restated to take into account the effects of the retrospective application of the change in the measurement method of property, plant and equipment held for investment purposes.

[11] *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. BPER Banca 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.*

[12] *The ratios have been calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by Commission Delegated Regulation (EU) 62/2015.*

[13] *See previous note.*

2.3 Balance sheet aggregates

The most important balance sheet aggregates and captions at 31 December 2021 are presented below on a comparative basis with 31 December 2020, in thousands of Euro, indicating the changes between periods in absolute and percentage terms. Note that this comparison is influenced by the Groups scale up in size resulting from the acquisition of the afore-mentioned business units from the Intesa Sanpaolo Group (i.e. the UBI, UBISS and Intesa Sanpaolo business units – hereinafter also referred to as UBI and ISP business units).
In the following tables, the information on the comparative figures at 31 December 2020 takes into account: i) the effects of the retrospective application of change in the accounting method used to measure properties held for investment purposes (for further details of the restatement, please refer to the paragraph "Restatement of the reclassified consolidated financial statements of the BPER Banca Group at 31 December 2020" in the "Attachments" of this consolidated Report; ii) provisions under the seventh update of Bank of Italy Circular No. 262/2005 (in particular, cash or cash equivalents pursuant to IAS 7 were reclassified from balance sheet asset caption 40 a) to caption10).

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 (caption 40 *"Financial assets measured at amortised cost"*) have been reclassified to caption *"Financial assets"*;
- *"Other assets" include captions 100 "Tax assets", 110 "Non-current assets and disposal groups classified as held for sale" and 120 "Other assets"*;
- *"Other liabilities" include captions 60 "Tax liabilities", 80 "Other liabilities", 90 "Employee termination indemnities" and 100 "Provisions for risks and charges"*;

Assets

(in thousands)

Assets	31.12.2021	31.12.2020	Change	% Change
Cash and cash equivalents	1,338,507	728,420	610,087	83.75
Financial assets	26,518,765	22,855,992	3,662,773	16.03
a) Financial assets held for trading	346,279	310,818	35,461	11.41
b) Financial assets designated at fair value	125,098	123,370	1,728	1.40
c) Other financial assets mandatorily measured at fair value	430,577	523,261	(92,684)	-17.71
d) Financial assets measured at fair value through other comprehensive income	6,424,261	6,051,222	373,039	6.16
e) Debt securities measured at amortised cost	19,192,550	15,847,321	3,345,229	21.11
- banks	5,810,622	4,511,133	1,299,489	28.81
- customers	13,381,928	11,336,188	2,045,740	18.05
Loans	93,445,378	55,157,119	38,288,259	69.42
a) Loans to banks	24,205,255	11,544,480	12,660,775	109.67
b) Loans to customers	69,185,166	43,586,332	25,598,834	58.73
c) Financial assets measured at fair value	54,957	26,307	28,650	108.91
Hedging derivatives	178,108	57,695	120,413	208.71
Equity investments	2,006,574	2,008,146	(1,572)	-0.08
Property, plant and equipment	1,356,461	804,062	552,399	68.70
Intangible assets	239,546	480,782	(241,236)	-50.18
- of which: goodwill	-	230,366	(230,366)	-100.00
Other assets	2,358,386	2,135,272	223,114	10.45
Total assets	**127,441,725**	**84,227,488**	**43,214,237**	**51.31**

Loans to customers

Net loans to customers only include the loan component allocated to captions 40 b) "*Financial assets measured at amortised cost – loans to customers*" in the assets section of the balance sheet.

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% Change
Current accounts	5,923,717	4,697,324	1,226,393	26.11
Mortgage loans	48,617,508	30,544,535	18,072,973	59.17
Repurchase agreements	71,302	-	71,302	n.s.
Leases and factoring	5,482	14,782	(9,300)	-62.91
Other transactions	14,567,157	8,329,691	6,237,466	74.88
Net loans to customers	**69,185,166**	**43,586,332**	**25,598,834**	**58.73**

Loans to customers, net of adjustments, total Euro 69,185.2 million (Euro 43,586.3 million at 31 December 2020) up by Euro 25,598.8 million in all technical forms, except for leasing and factoring. The general increase in the aggregate was influenced by the increase in the Bank's size as a result of the acquisitions of the UBI and ISP business units.

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% Change
Gross non-performing exposures	**2,882,857**	**2,998,231**	**(115,374)**	**-3.85**
Bad loans	1,302,165	1,326,248	(24,083)	-1.82
Unlikely to pay loans	1,503,252	1,618,665	(115,413)	-7.13
Past due loans	77,440	53,318	24,122	45.24
Gross performing exposures	**68,409,115**	**42,283,744**	**26,125,371**	**61.79**
Total gross exposure	**71,291,972**	**45,281,975**	**26,009,997**	**57.44**
Impairment provisions for non-performing exposures	**1,758,445**	**1,574,119**	**184,326**	**11.71**
Bad loans	940,160	902,478	37,682	4.18
Unlikely to pay loans	798,668	659,827	138,841	21.04
Past due loans	19,617	11,814	7,803	66.05
Impairment provisions for performing exposures	**348,361**	**121,524**	**226,837**	**186.66**
Total impairment provisions	**2,106,806**	**1,695,643**	**411,163**	**24.25**
Net non-performing exposures	**1,124,412**	**1,424,112**	**(299,700)**	**-21.04**
Bad loans	362,005	423,770	(61,765)	-14.58
Unlikely to pay loans	704,584	958,838	(254,254)	-26.52
Past due loans	57,823	41,504	16,319	39.32
Net performing exposures	**68,060,754**	**42,162,220**	**25,898,534**	**61.43**
Total net exposure	**69,185,166**	**43,586,332**	**25,598,834**	**58.73**

In detail, the impairment provisions for non-performing loans amounted to Euro 1,758.4 million (Euro 1,574.1 million at 31 December 2020; +11.71%), for a coverage ratio of 61.00% (52.50% at 31 December 2020), while the provisions for performing loans amounted to Euro 348.4 million (Euro 121.5 million at 31 December 2020; +186.66%), reflective of a coverage ratio of 0.51% (0.29% at 31 December 2020).
Considering direct write-offs for an amount of Euro 287.4 million made on bad loans still outstanding (vs. Euro 171.9 million at 31 December 2020), the coverage ratio of non-performing loans has increased to 64.53% (55.08% at 31 December 2020).
The total coverage ratio is therefore 2.96%, down from 3.74% at 31 December 2020 due to the reduction in the incidence of the NPL portfolio on total loans to customers (an effect attributable to the acquisition of the UBI and ISP business units and the derisking measures implemented in 2021). Based on the same considerations made above concerning direct write-offs, the total effective coverage of loans comes to 3.34% (4.11% at 31 December 2020).

Net non-performing loans amount to Euro 1,124.4 million, equal to 1.63% of total net loans to customers (3.27% at 31 December 2020), whereas on a gross basis, the ratio between non-performing loans and loans to customers came to 4.04% (6.62% at 31 December 2020).
More specifically, net bad loans amount to Euro 362.0 million (-14.58% compared with 31 December 2020), net unlikely-to-pay loans amount to Euro 704.6 million (-26.52% compared with 31 December 2020) and net past due loans amount to Euro 57.8 million (+39.32% compared with 31 December 2020).
The level of coverage (61.0%) is up from the 52.50% level registered at the end of 2020.
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 UBI and ISP business units, as well as to the de-risking measures implemented by the Bank in the course of 2021; the change in the corresponding coverage ratio, on the other hand, is attributable not only to the influence of the portfolios of the business units acquired, but mainly to the further adjustments made during the period on the NPL portfolio (both analytical and statistical), as explained in greater detail below in paragraph 2.4 “Income statement aggregates” in the commentary on the cost of credit for 2021.
Net bad loans amount to Euro 362.0 million (-14.58% compared with 31 December 2020), accounting for 0.52% of total net loans to customers (0.97% at 31 December 2020), whereas, on a gross basis, the bad loans on total loans to customers ratio comes to 1.83% (2.93% at 31 December 2020). The coverage of bad loans is 72.20% (68.05% at 31 December 2020).
Net unlikely-to-pay loans total Euro 704.6 million (-26.52% compared with 31 December 2020), representing 1.02% of total net loans to customers (2.20% at 31 December 2020), while on a gross basis

the ratio is 2.11% (3.57% at 31 December 2020). The coverage of unlikely-to-pay loans has settled at 53.13%, compared with 40.76% at 31 December 2020.
The net amount of past due loans of Euro 57.8 million (+39.32% compared with 31 December 2020) represents 0.08% of total net loans to customers (0.10% at 31 December 2020), whereas, on a gross basis, the past due loans on total loans to customers ratio is 0.11% (0.12% at 31 December 2020). The coverage of past due loans is 25.33% (22.16% at 31 December 2020).

The provisions for performing loans, Euro 348.4 million, represent 0.51% of the gross amount of performing loans (0.29% at the end of the previous year).

The table below shows the amount of loan disbursements to resident non-financial companies at the year-end, broken down by the debtors in dustry sector according to the Bank of Italys ATECO classification. The sectors that received the most funding were manufacturing (15.88%), followed by the wholesaling and retailing of cars and motorcycles (8.18%), real estate (4.50%) and construction (3.87%).

(in thousands)

Breakdown of loans to non-financial corporates	31.12.2021	%
A. Agriculture, forestry and fishing	918,302	1.33
B. Mining and quarrying	48,543	0.07
C. Manufacturing	10,998,569	15.88
D. Provision of electricity, gas, steam and air-conditioning	840,677	1.22
E. Provision of water, sewerage, waste management and rehabilitation	540,355	0.78
F. Construction	2,678,461	3.87
G. Wholesaling and retailing, car and motorcycle repairs	5,658,173	8.18
H. Transport and storage	963,958	1.39
I. Hotels and restaurants	1,350,006	1.95
J. Information and communication	916,589	1.32
L. Real estate	3,110,079	4.50
M. Professional, scientific and technical activities	1,345,804	1.95
N. Rentals, travel agencies, business support services	2,003,007	2.90
O. Public administration and defence, compulsory social security	4,719	0.01
P. Education	76,460	0.11
Q. Health and welfare	465,297	0.67
R. Arts, sport and entertainment	159,547	0.23
S. Other services	191,376	0.28
Total loans to non-financial corporates	**32,269,922**	**46.64**
Individuals and other not included above	27,759,161	40.13
Financial corporates	6,922,694	10.01
Governments and other public entities	2,168,203	3.13
Insurance	65,186	0.09
Total loans	**69,185,166**	**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*".

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% Change
Financial assets measured at fair value through profit or loss	901,954	957,449	(55,495)	-5.80
- of which derivatives	*149,455*	*153,911*	*(4,456)*	*-2.90*
Financial assets measured at fair value through other comprehensive income	6,424,261	6,051,222	373,039	6.16
Debt securities measured at amortised cost	19,192,550	15,847,321	3,345,229	21.11
a) banks	5,810,622	4,511,133	1,299,489	28.81
b) customers	13,381,928	11,336,188	2,045,740	18.05
Total financial assets	**26,518,765**	**22,855,992**	**3,662,773**	**16.03**

Financial assets totalled Euro 26,518.8 million (+16.03% compared with 31 December 2020), of which Euro 25,712.9 million (96.96% of the total) are represented by debt securities: of these, Euro 12,029 million refer to the Public Administration, and Euro 9,435.2 million refer to Banks.
Equity instruments come to Euro 343.4 million (1.29% of the total), inclusive of Euro 233.2 million of stable equity investments classified in the FVOCI portfolio, Euro 87.1 million in securities held for trading and Euro 23.1 million in other equity instruments, mandatorily measured at FVTPL. These instruments were down 72.42% compared with 31 December 2020 primarily as a result of the disposal of BPER Banca's entire shareholding in Cedacri s.p.a. to the Ion Investment Group for a total price of Euro 85.1 million. The disposal resulted in a capital gain of Euro 39.8 million.
"Financial assets held for trading" include derivatives of Euro 149.5 million, down since 31 December 2020 (-2.89%), 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).

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% Change
Equity investments	2,006,574	2,008,146	(1,572)	-0.08

"Equity investments", which comprise holdings in banks, subsidiaries and companies over which the Bank has significant influence, amount to Euro 2,006.6 million, up by Euro 1.6 million on 31 December 2020.
The increases mainly refer to:
the purchase of 51,489 ordinary shares of Emilia Romagna Factor s.p.a. for Euro 1.3 million;
the subscription of 2,937,417 shares of Cassa di Risparmio di Savigliano s.p.a. at the time of the share capital increase, for a total outlay of Euro 1.7 million.
The decreases refer primarily to impairment test activities, which determined write-downs on the equity investments in Cassa di Risparmio di Fossano s.p.a. for Euro 3.2 million and Cassa di Risparmio di Savigliano s.p.a. for Euro 1.8 million.

Fixed assets

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% Change
Property, plant and equipment	1,356,461	804,062	552,399	68.70
of which owned land and buildings	*849,723*	*394,366*	*455,357*	*115.47*
of which rights of use acquired through leases	*345,500*	*280,591*	*64,909*	*23.13*

BPER Banca has opted to change the measurement method of its property, plant and equipment from cost to the revaluation model starting from 1 January 2021 with specific reference to properties used in operations, and from cost to fair value for properties held for investment purposes, for which the change in the standard is a voluntary change in accounting standards, governed by IAS 8 with the re-statement of the values of the comparative year.
The increase compared to the previous year is due to property, plant and equipment acquired as part of the UBI and ISP business units.

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% Change
Intangible assets	239,546	480,782	(241,236)	-50.18
of which goodwill	-	*230,366*	*(230,366)*	*-100.00*

The goodwill shown in "Intangible assets" is zeroed if compared with 31 December 2020 due to the complete write-down of the goodwill allocated to the BPER Banca CGU (made for the purpose of preparing the Consolidated Interim Report on Operations at 31 March 2021 and extensively discussed in the Explanatory Notes).

Interbank and liquidity position

(in thousands)

Net interbank position	31.12.2021	31.12.2020	Change	% Change
A. Loans to banks	**24,205,255**	**11,544,480**	**12,660,775**	**109.67**
1. Current accounts and deposits	1,124,614	714,058	410,556	57.50
2. Repurchase agreements	1,795,681	1,413,573	382,108	27.03
3. Other	21,284,960	9,416,849	11,868,111	126.03
B. Due to banks	**28,355,383**	**24,095,097**	**4,260,286**	**17.68**
Total (A-B)	**(4,150,128)**	**(12,188,061)**	**8,037,933**	**-65.95**

Due to banks, Euro 4,150.1 million greater than the loans allocated to caption 40 a) "Loans to banks", includes the accounts with Group banks linked to the centralised management of their liquidity; funds are managed in a careful and dynamic manner, paying particular attention to the overall liquidity ratio, which is managed at Group level.
To these relationships are added the important refinancing operations outstanding with the ECB as at 31 December 2021, complete details of which are provided in the following table. With respect to the prior financial year, taking advantage of the wide range of financial instruments made available by the ECB, the Bank has participated in a tranche of TLTRO-III.

(in millions)

Refinancing operations with the European Central Bank	Currency	Principal	Maturity
1. Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	14,000	28.06.2023
2. Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	2,710	27.09.2023
3. Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	1,670	27.03.2024
Total		**18,380**	

The Bank has therefore subscribed for Euro 18,380 million of TLTRO III loans (Euro 16,710 million of TLTRO II loans at 31 December 2020; +10%), which is 99.99% of its participation limit.

Liabilities

(in thousands)

Liabilities and shareholders equity	31.12.2021	31.12.2020	Change	% Change
Due to banks	28,355,383	24,095,097	4,260,286	17.68
Direct deposits	88,941,024	51,471,778	37,469,246	72.80
a) Due to customers	84,129,452	46,793,064	37,336,388	79.79
b) Debt securities issued	4,811,572	4,678,714	132,858	2.84
Financial liabilities held for trading	132,079	182,981	(50,902)	-27.82
Hedging derivatives	241,370	456,447	(215,077)	-47.12
Other liabilities	3,359,086	2,111,813	1,247,273	59.06
Shareholders' equity	6,412,783	5,909,372	503,411	8.52
a) Valuation reserves	(11,327)	(54,799)	43,472	-79.33
b) Reserves	2,375,590	2,342,238	33,352	1.42
c) Equity instruments	150,000	150,000	-	-
d) Share premium reserve	1,240,428	1,241,197	(769)	-0.06
e) Share capital	2,100,435	2,100,435	-	-
f) Treasury shares	(9,546)	(7,253)	(2,293)	31.61
g) Profit (Loss) for the year	567,203	137,554	429,649	312.35
Total liabilities and shareholders equity	**127,441,725**	**84,227,488**	**43,214,237**	**51.31**

Deposits

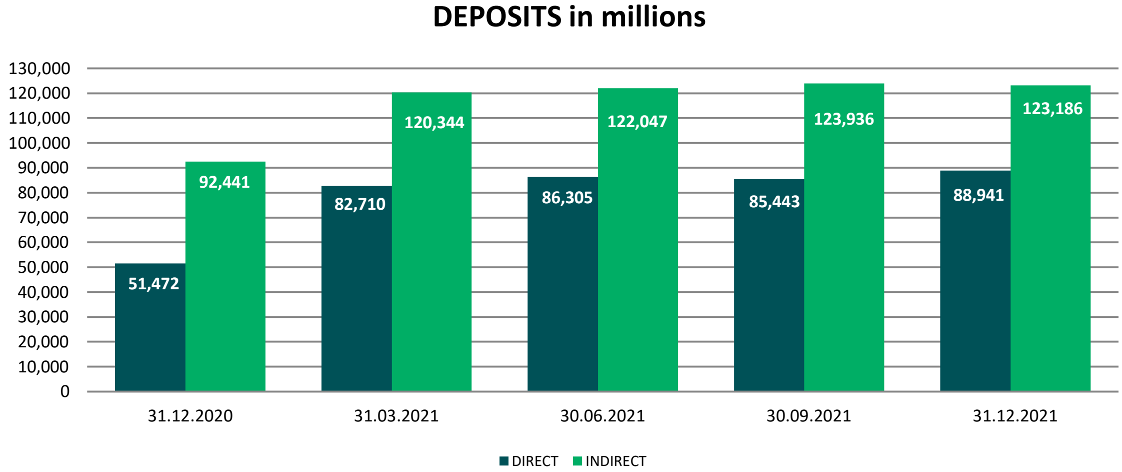
(in thousands)

Captions	31.12.2021	31.12.2020	Change	% Change
Current accounts and demand deposits	79,937,861	43,860,126	36,077,735	82.26
Time deposits	71,365	118,496	(47,131)	-39.77
Repurchase agreements	1,360,188	149,286	1,210,902	811.13
Lease liabilities	333,285	270,044	63,241	23.42
Other short-term loans	2,426,753	2,395,112	31,641	1.32
Bonds	4,742,045	4,430,511	311,534	7.03
- subscribed for by institutional customers	3,894,023	3,565,484	328,539	9.21
- subscribed for by ordinary customers	848,022	865,027	(17,005)	-1.97
Certificates	-	2,175	(2,175)	-100.00
Certificates of deposit	69,527	246,028	(176,501)	-71.74
Direct deposits from customers	**88,941,024**	**51,471,778**	**37,469,246**	**72.80**
Indirect deposits (off-balance sheet figure)	**123,185,847**	**92,440,968**	**30,744,879**	**33.26**
- of which under management	42,385,971	22,090,289	20,295,682	91.88
- of which under administration	80,799,876	70,350,679	10,449,197	14.85
Customer funds under administration	**212,126,871**	**143,912,746**	**68,214,125**	**47.40**
Deposits from banks	28,355,383	24,095,097	4,260,286	17.68
Funds under administration or management	**240,482,254**	**168,007,843**	**72,474,411**	**43.14**

Direct deposits from customers of Euro 88,941.0 million have increased by 72.80% since 31 December 2020. Among the various technical forms, current accounts and demand deposits have seen a significantly positive change compared with 31 December 2020, for Euro 36,077.8 million (+82.26%), mainly due to the effect of acquiring the UBI and ISP business units. Again with respect to 31 December 2020, an increase was also registered in repurchase agreements by Euro 1,210.9 million (+811.13%) and bonds by Euro 311.5 million (+7.03%), the latter on the back of a new issue of "Social Bonds" by the BPER Banca Group in March 2021 subscribed for by institutional investors for a nominal amount of Euro 500 million, partly offset by the repayment at maturity of bonds held by both institutional and retail/corporate customers. On the other hand, compared with 31 December 2020, there has been a decline in term deposits by Euro 47.1 million (-39.77%) and certificates of deposit by Euro 176.5 million (-71.74%).

Indirect deposits from customers, marked to market, come to Euro 123,185.9 million, a considerable increase compared with 31 December 2020 (Euro 30,744.9 million, +33.26%) primarily due to the contribution of the UBI and IISP business units (Euro 28,690.4 million at 31 December 2021) and net assets under management gathered by the Group for an amount of Euro 1,489.9 million during the year.
Total funds under administration or management by the Group, including deposits from banks (Euro 28,355.4 million) amount to Euro 240,482.3 million (+43.14% on 31 December 2020).

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



Direct deposits include subordinated liabilities:

(in thousands)

Captions	31.12.2021	31.12.2020	Change	% Change
Non-convertible subordinated liabilities	926,447	926,443	4	0.00
Total subordinated liabilities	**926,447**	**926,443**	**4**	**0.00**

Subordinated loans outstanding, with a book value of Euro 926.4 million, have remained essentially stable compared with 31 December 2020. In 2021, subordinated loan IT0004699044 came to maturity whose book value was Euro 1.4 million as at 31.12.2020.
As was the case in December 2021, there are no convertible subordinated liabilities at 31 December 2021.

Indirect deposits do not include the placement of insurance policies; the stock of customer assets invested in insurance products has increased by 187.28% since 31 December 2020, mainly driven by the entry of new life insurance policies deriving from the acquisition of the UBI and ISP business units (Euro 10,704.4 million at 31 December 2021) as well as on the back of Euro 658.5 million in net premiums for life insurance policies underwritten during the year.

(in thousands)

Bancassurance	31.12.2021	31.12.2020	Change	% Change
Insurance premiums portfolio	18,500,262	6,439,823	12,060,439	187.28
- of which life	*18,221,380*	*6,343,814*	*11,877,566*	*187.23*
- of which non-life	*278,882*	*96,009*	*182,873*	*190.47*

If life insurance premiums are added to the managed portion of indirect deposits, the total comes to Euro 60,607.4 million, which accounts for 42.86% of the overall total of indirect deposits (assets under administration and assets under management) and life insurance premiums (Euro 141,407.8 million).

2.4 Income statement aggregates

Summary data from the income statement at 31 December 2021 is presented below in thousands of Euro, appropriately compared with the amounts at 31 December 2020. Note that the comparison is influenced by the increase in size of the Bank resulting from the acquisition of the business units from the Intesa Sanpaolo Group.
In the following tables, the information on the comparative figures at 31 December 2020 takes into account the retrospective application of change in the accounting method used to measure properties held for investment purposes (for further details of the restatement, please refer to the paragraph "Restatement of the reclassified Income statement of the BPER Banca at 31 December 2020" in the "Attachments" to this Report).

The accounting schedules envisaged by the 7th update of Bank of Italy Circular no. 262/2005 are presented below on a reclassified basis[14]. The principal reclassifications relate to the following captions:

- *"Net income from financial activities"* includes captions 80, 90, 100 and 110 in the standard reporting format;
- 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 199.7 million at 31 December 2021 and Euro 111.0 million at 31 December 2020);
- *"Net provisions for risks and charges*" include Euro 18.6 thousand relating to the valuation of the profit-sharing clause in the contract for the acquisition of Nuova Carife, allocated to caption 200 "Other operating expense/income" in the accounting schedule;
- *"Net adjustments to property, plant, equipment and intangible assets"* include captions 180 and 190of the accounting schedule;
- "*Gains (Losses) on investments*" include captions 220, 230, 240 and 250 of the accounting schedule;
- *"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 Groups operating costs. In particular, at 31 December 2021, this caption represents the component allocated for accounting purposes to administrative costs in relation to:
  - the 2021 regular contribution to the SRF (European Single Resolution Fund) of Euro 32.1 million;
  - the additional contribution requested by the SRF for 2018 from Italian banks for Euro 10.4 million;
  - the 2020 regular contribution to the DGS (Deposit Guarantee Schemes) for Euro 75.4 million.

[14] *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".*

Reclassified income statement as at 31 December 2021

(in thousands)

Captions		31.12.2021	31.12.2020	Change	% Change
10+20	Net interest income	1,167,289	901,513	265,776	29.48
40+50	Net commission income	1,259,923	754,299	505,624	67.03
70	Dividends	60,201	24,645	35,556	144.27
80+90+100+110	Net income from financial activities	174,159	113,264	60,895	53.76
200	Other operating expense/income	62,491	76,962	(14,471)	-18.80
	Operating income	**2,724,063**	**1,870,683**	**853,380**	**45.62**
160 a)	Staff costs	(1,258,751)	(751,764)	(506,987)	67.44
160 b)	Other administrative expenses	(555,134)	(388,699)	(166,435)	42.82
180+190	Net adjustments to property, plant and equipment and intangible assets	(254,051)	(147,396)	(106,655)	72.36
	Operating costs	**(2,067,936)**	**(1,287,859)**	**(780,077)**	**60.57**
	Net operating income	**656,127**	**582,824**	**73,303**	**12.58**
130 a)	Net impairment losses to financial assets at amortised cost	(643,997)	(443,433)	(200,564)	45.23
	- loans to customers	*(645,470)*	*(436,240)*	*(209,230)*	*47.96*
	- other financial assets	*1,473*	*(7,193)*	*8,666*	*-120.48*
130 b)	Net impairment losses to financial assets at fair value	2,107	(348)	2,455	-705.46
140	Gains (Losses) from contractual modifications without derecognition	(2,162)	(2,076)	(86)	4.14
	Net impairment losses for credit risk	**(644,052)**	**(445,857)**	**(198,195)**	**44.45**
170	Net provisions for risks and charges	(71,066)	(24,513)	(46,553)	189.91
###	Contributions to SRF, DGS, IDPF - VS	(117,933)	(75,310)	(42,623)	56.60
220+230+240+250	Gains (Losses) on investments	(259,207)	(13,392)	(245,815)	--
245	Gain on a bargain purchase	1,127,847	-	1,127,847	n.s.
260	**Profit (Loss) from current operations before tax**	**691,716**	**23,752**	**667,964**	--
270	Income taxes on current operations for the year	(124,513)	113,802	(238,315)	-209.41
300	**Profit (Loss) for the year**	**567,203**	**137,554**	**429,649**	**312.35**

Reclassified income statement by quarter as at 31 December 2021

(in thousands)

Captions	1st quarter 2021	2nd quarter 2021	3rd quarter 2021	4th quarter 2021	1st quarter 2020	2nd quarter 2020	3rd quarter 2020	4th quarter 2020
Net interest income	261,729	301,766	303,635	300,159	216,852	220,798	235,829	228,034
Net commission income	244,169	317,923	345,083	352,748	192,505	175,903	188,196	197,695
Dividends	1,680	52,255	676	5,590	789	18,233	4,526	1,097
Net income from financial activities	53,653	39,599	51,708	29,199	(7,985)	39,225	39,587	42,437
Other operating expense/income	16,664	4,012	17,069	24,746	24,658	20,175	15,876	16,253
Operating income	**577,895**	**715,555**	**718,171**	**712,442**	**426,819**	**474,334**	**484,014**	**485,516**
Staff costs	(250,247)	(300,245)	(265,246)	(443,013)	(200,574)	(196,054)	(168,190)	(186,946)
Other administrative expenses	(161,427)	(125,254)	(120,684)	(147,769)	(86,116)	(91,036)	(93,161)	(118,386)
Net adjustments to property, plant and equipment and intangible assets	(45,236)	(47,583)	(47,868)	(113,364)	(35,141)	(36,953)	(35,934)	(39,368)
Operating costs	**(456,910)**	**(473,082)**	**(433,798)**	**(704,146)**	**(321,831)**	**(324,043)**	**(297,285)**	**(344,700)**
Net operating income	**120,985**	**242,473**	**284,373**	**8,296**	**104,988**	**150,291**	**186,729**	**140,816**
Net impairment losses to financial assets at amortised cost	(362,394)	(131,700)	(100,571)	(49,332)	(123,122)	(124,413)	(96,063)	(99,835)
- loans to customers	*(360,758)*	*(133,609)*	*(99,519)*	*(51,584)*	*(123,464)*	*(120,585)*	*(94,702)*	*(97,489)*
- other financial assets	*(1,636)*	*1,909*	*(1,052)*	*2,252*	*342*	*(3,828)*	*(1,361)*	*(2,346)*
Net impairment losses to financial assets at fair value	761	915	(218)	649	116	(972)	366	142
Gains (Losses) from contractual modifications without derecognition	(551)	(784)	(214)	(613)	(376)	(369)	63	(1,394)
Net impairment losses for credit risk	**(362,184)**	**(131,569)**	**(101,003)**	**(49,296)**	**(123,382)**	**(125,754)**	**(95,634)**	**(101,087)**
Net provisions for risks and charges	(35,507)	(8,515)	(3,215)	(23,829)	(991)	(15,133)	(6,076)	(2,313)
Contributions to SRF, DGS, IDPF - VS	(28,250)	(14,248)	(70,048)	(5,387)	(28,990)	(1,593)	(24,243)	(20,484)
Gains (Losses) on equity investments	(242,483)	(4,967)	233	(11,990)	267	(5,132)	471	(8,998)
Gain on a bargain purchase	1,077,869	72,053	(22,075)	-	-	-	-	-
Profit (Loss) from current operations before tax	**530,430**	**155,227**	**88,265**	**(82,206)**	**(48,108)**	**2,679**	**61,247**	**7,934**
Income taxes on current operations for the year	(137,773)	(46,250)	(23,340)	82,850	13,901	83,130	5,052	11,719
Profit (Loss) for the period	**392,657**	**108,977**	**64,925**	**644**	**(34,207)**	**85,809**	**66,299**	**19,653**

Net interest income

Net interest income amounts to Euro 1,167.3 million, up 29.48% (Euro 901.5 million at 31 December 2020) due to the increase in the size of the Bank as a result of the business combination carried out during the year.

The result includes the upside attributable to participation in the TLTRO-III issues for Euro 182.5 million.

In addition to recalling the dynamics of loans and interest-bearing deposits, already highlighted in paragraph 2.3 *"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 the Bank's lending rates to customers was 1.77% (both performing and non-performing loans), a decrease of around 0.18% compared with the average rate in the previous year;
- the average yield on the securities portfolio is 0.40%, down by 28 bps compared with the previous year as a result of the decline in market rates;
- the average cost of direct deposits from customers was 0.19%, down by about 12 bps compared to 2020 (0.31%);
- total interest-bearing liabilities involved a cost of close to zero, benefitting from the negative rates on interbank funding (it was 0.10% at 31 December 2020);
- the spread between lending and borrowing rates of the Bank's relationships with customers came to 1.58% (1.64% at 31 December 2020);

- 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 1.05% (it was 1.27% at 31 December 2020).

Net commission income

Net commission income, amounting to Euro 1,259.9 million, was +67.03% higher than at 31 December 2020 (Euro 754.3 million). The positive performance was driven by the acquisition of the Intesa Sanpaolo business unit, 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 60.2 million) amounted to a positive Euro 234.4 million, up from the previous year (Euro 137.9 million), positively influenced by substantial proceeds from the disposal of financial assets and the good performance of financial markets.
This net result was determined in particular by:

- gains on the disposal of financial assets for an amount of Euro 174.0 million;
- losses on the disposal of loans for an amount of Euro 12.4 million;
- net capital gains from valuation of financial assets for an amount of Euro 1.6 million;
- other positive elements for Euro 11.0 million.

Operating income

Considering Other operating expense/income of Euro 62.5 million (Euro 77.0 million at 31 December 2020), Operating income came to Euro 2,724.1 million (+45.62% on the previous year).

Operating costs

Operating costs amounted to Euro 2,067.9 million, up 60.57% on 31 December 2020 due to the increase in size of the Bank as a result of the business combination carried out in the first half of the year and provisions for leaving incentives and the Solidarity Fund for a total of Euro 148.4 million, recognised after signing of the agreement with the Trade Unions on 28 December 2021.
The main components of operating costs are reported below.

Staff costs, Euro 1,258.8 million, were up 67.44% on 31 December 2020; in addition to the increase in size of the Bank and provisions for leaving incentives and the Solidarity Fund for a total of Euro 148.4 million, one-off costs were incurred for personnel working alongside colleagues in the newly acquired branches.

Other administrative expenses, shown net of indirect taxes recovered (Euro 199.7 million) and of the contributions paid to the Resolution funds (Euro 117.9 million), amount to Euro 555.1 million, up 42.82% on the previous year. This item is likewise affected by one-off charges relating to the acquisition of the business units, in particular for IT migration, consultancy, advertising, rebranding and reimbursement of staff expenses.

Net adjustments to property, plant and equipment and intangible assets amounted to Euro 254.1 million (Euro 147.4 million as at 31 December 2020) and were influenced by the change in the valuation criteria of the real estate segment as well as by the impairment of assets for which, following the recent extraordinary transactions, the Bank decided to dispose of them ahead of their residual useful life.

In addition to depreciation of Euro 119.9 million, the result from owned assets was affected by the following components:

- net adjustments to properties used in operations for an amount of Euro 10.6 million;
- write-down of other property, plant and equipment used in operations for an amount of Euro 16.3 million;
- write-down of software for an amount of Euro 34.6 million;
- write-down of the "core deposit" intangible asset coming from the PPA of Cassa di Risparmio di Bra for an amount of Euro 3.4 million.

The depreciation of rights of use related to leased assets amounted to Euro 67.3 million (Euro 58.7 million at 31 December 2020), while adjustments due to early termination of contracts totalled Euro 2.0 million (Euro 1.9 million at 31 December 2020).

Net impairment losses for credit risk

Net impairment losses for credit risk amounted to Euro 644.1 million (Euro 445.9 million at 31 December 2020).
More specifically, net impairment losses on financial assets measured at amortised cost totalled Euro 644.0 million (Euro 443.4 million at 31 December 2020); debt securities measured at fair value through other comprehensive income resulted in write-backs for an amount of Euro 2.1 million.
The overall cost of credit at 31 December 2021, calculated only on loans to customers, was 93 bps (100 bps at 31 December 2020). The decrease shown in the cost of credit was affected by the increase in loans to customers as against higher value adjustments due to changes made by BPER Banca to the models for calculating the Expected Credit Loss and the SICR model, as described in the Notes to the accounts (Part A - Accounting Policies), as well as to the analytical valuation of impaired loans (as part of these valuations, the Group updated certain aspects of its valuation policies).

Net provisions for risks and charges

Net provisions for risks and charges total Euro 71.1 million (Euro 24.5 million at 31 December 2020). Net impairment adjustments on guarantees and commitments come to Euro 14.6 million, whereas "Other provisions for risks and charges" amount to Euro 56.5 million. These include the adjustment of the "profit sharing" element payable to the National Resolution Fund under the agreements for the acquisition of Nuova Carife s.p.a. (Euro 18.6 million payable to the seller following the recovery of prior-year tax losses), in addition to other provisions relating to legal risks on disputes.

Contributions to SRF, DGS, IDPF - VS

The total amount of contributions paid during the year was Euro 117.9 million (Euro 75.3 million at 31 December 2020). This amount comprises the regular contribution for 2021 paid to the SRF (European Single Resolution Fund), equal to Euro 32.1 million (Euro 23.2 million at 31 December 2020), the additional contribution requested by the SRF for 2019, Euro 10.4 million (Euro 7.3 million at 31 December 2020) and the regular contribution paid to the DGS (Deposit Guarantee Scheme), Euro 75.4 million (Euro 33.8 million at 31 December 2020).

Gains (Losses) on investments

This caption shows a negative balance of Euro 259.2 million (Euro 13.4 million negative at 31 December 2020), mainly affected by:

- Euro 230.4 million in impairment losses on goodwill;
- Euro 24.4 million in write-downs due to the fair value measurement of properties;

- impairment losses on equity investments in Cassa di Risparmio di Fossano (Euro 3.2 million) and Cassa di Risparmio di Savigliano (Euro 1.8 million);
- Euro 0.5 million positive result from disposal of investments;

Gain on a bargain purchase

This caption includes the badwill - i.e. the positive capital difference - generated by the acquisition of the Intesa Sanpaolo business units, amounting to Euro 1,127.8 million.

Net profit

Profit from current operations before tax amounted to Euro 691.7 million (Euro 23.8 million at 31 December 2020).

"Income taxes for the year", Euro 124.5 million, were determined by applying the regulations in force at 31 December 2021 and, therefore, considering the changes introduced by the "August Decree" (Decree Law no. 104 of 14 August 2020), in particular the provision that recognises the possibility, for entities that adopt international accounting standards, to realign for tax purposes any higher carrying amounts of property, plant and equipment, intangible assets and equity investments, even if they are not subsidiaries or associates. The impact on the income statement is reflected in the recognition of Euro 2.7 million worth of substitute tax, the reversal of deferred tax liabilities for Euro 2.9 million and the recognition of deferred tax assets for an amount of Euro 2.5 million. Tax is also influenced by the Bank's decision to change the measurement method of properties held for investment purposes from cost to fair value and the fact that, in line with its own accounting policy, at 31 December 2021, the requirements for accounting for DTAs potentially recognisable as a result of such a change have not been met; again following the change in the valuation method, DTAs were reversed for Euro 14 million. This caption also includes the current tax burden on the badwill originating from the PPA recognised at 31 December 2021 following the acquisition of the UBI and ISP business units for an aggregate amount of Euro 310.2 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 (2022-2026). In addition, following the test, deferred tax assets were recognised on tax losses from the IRES (corporate income tax) surcharge and ACE (aid for economic growth) for an amount of Euro 6 million.

The profit for the year after tax amounted to Euro 567.2 million (Euro 137.6 million at 31 December 2020).

Services provided and work statistics

Added to the difficult scenario that has persisted since last year, there is also the wave of economic difficulties caused by the pandemic, which is still not over; another not insignificant factor was the acquisition of former UBI and ISP branches. Despite these premises, which have tested the Banks resilience, it continues to make a huge effort to monitor customer relationships in the most effective and appropriate way.

The main work statistics for 2021 are shown below, together with comparative figures for the previous year:

- the number of operating current accounts is 2,867,862 (+71.77%); 208,707 new accounts were opened in 2021, while 230,747 were closed;
- a total of 534.4 million current account transactions were carried out (+85.47% y/y);
- 39 million bills and notes were presented for collection, totalling Euro 45.9 billion (+82.20% y/y);
- self-liquidating advances against Italian invoices amounted to Euro 53.5 billion (+69,99%);

- 11.5 million bills and notes were paid at branches, totalling Euro 35.3 billion (respectively +80.37% and +102.84%);
- endorsement credits and financial and commercial guarantees amounted to Euro 5.1 billion;
- 50,758 mortgages were granted (-44.13%), for a total of Euro 9.1 billion (+25.86%);
- loans granted (personal, business and fifth-of-salary backed loans) numbered 59,897, for a total of Euro 1,763 million (+70.97% and +112.91% respectively);
- about 44.3 million standing order instructions were carried out on behalf of customers, for a total of Euro 9 billion (+93.42% and +103.41% respectively);
- bank transfers made totalled Euro 251.7 billion (+49.60%), while those received from third parties amounted to Euro 269.5 billion (+59.64%);
- 1,804 Bancomat ATMs were operational at the end of 2021 (1,151 in 2020) and they were used to make 42.3 million withdrawals (+61.98%) for a total of Euro 8.7 billion (+68.16%);
- commercial foreign exchange transactions outside the SEPA totalled Euro 19.9 billion (+70.74%);
- there are now 130,426 POS terminals installed in shops or public service locations (37,472 more than in 2020, a growth of 40.31%) and they were used for 190 million transactions (+77.98%) for a total of Euro 10.46 billion (+55.06%);
- the active connections relating to the Corporate Banking service have risen to 174,918 (41,394 more than in 2020, up 31%);
- a total of 1,666,133 Internet banking contracts (+84.03%) have been signed for the provision of information and/or the placement of instructions;
- BPER Cards issued to customers of the Bank now number 627,032 (+40.81%).

2.5 Shareholders' equity and capital ratios

2.5.1 Shareholders equity

At the end of the previous year the Banks shareholders equity, excluding the profit (loss) for the year, amounted to Euro 5,771.7 million. As a result of the effects of the retroactive application of the change in the measurement method of investment properties, the initial equity was redetermined at Euro 5,771.8 million. It increased by Euro 73.8 million during the year, due to the following changes:

- Euro +81 million following the allocation of 2020 profit;
- Euro +41.1 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 +4.6 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 -38.1 million on the disposal of financial assets measured at fair value through other comprehensive income;
- Euro -2.6 million to adjust the reserve for actuarial gains or losses, net of the tax effect;
- Euro -12.2 million, for the recognition of other changes.

Shareholders' equity therefore comes to Euro 5,845.6 million, up by 1.28% on 31 December 2020. Taking into account the profit for the year 2021 (Euro 567.2 million), shareholders' equity comes to Euro 6,412.8 million (up 8.52% on the figure at 31 December 2020).

As at 31 December 2021, the share capital stood at Euro 2,100,435,182.40, corresponding to 1,413,263,512 shares; of these, 2,176,328 are allocated to the proprietary portfolio, different in number with respect to December 2020 as BPER Banca acquired a total of 1,917,353 ordinary shares of BPER Banca S.p.A. following the conclusion of the buyback of ordinary treasury shares for the free-of-charge allocation of BPER Banca ordinary shares to the Group's employees as part of the "2019-2021 Long-Term Incentive Plan (ILT) for Material Risk Takers", the 2021 MBO incentive system and any severance payments due. In the course of the year, treasury shares were also sold 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 2020 amounted to Euro 6,744.9 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 2021 comes to Euro 17,550.0 thousand.

2.5.2 Own funds and capital ratios

(in thousands)

	31.12.2021 Phased in	31.12.2020 Phased in	Change	% Change
Common Equity Tier 1 capital - CET1	**5,947,249**	**5,669,110**	**278,139**	**4.91**
Additional Tier 1 capital (AT1)	150,000	150,000	-	-
Tier 1 capital (Tier 1)	**6,097,249**	**5,819,110**	**278,139**	**4.78**
Tier 2 capital (Tier 2 - T2)	1,012,873	969,010	43,863	4.53
Total Own Funds	**7,110,122**	**6,788,120**	**322,002**	**4.74**
Total Risk-weighted assets (RWA)	**38,353,593**	**26,988,877**	**11,364,716**	**42.11**
CET1 Ratio (CET1/RWA)	**15.51%**	**21.01%**	**-550 bps**	
Tier 1 Ratio (Tier 1/RWA)	**15.90%**	**21.56%**	**-566 bps**	
Total Capital Ratio (Total Own Funds/RWA)	**18.54%**	**25.15%**	**-661 bps**	
RWA/Total assets	**30.10%**	**32.04%**	**-194 bps**	

3. Principal risks and uncertainties

3.1 Identification of risks, the uncertainties that characterise them 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:			**11,548,015**	**11,635,206**	**11,724,776**	**4,474**	**96.74%**
Italy	BBB		**7,111,523**	**7,277,009**	**7,351,843**	**3,681**	**60.50%**
		FVTPLT	3,175	2,897	2,897	#	
		FVO	100,000	122,447	122,447	#	
		FVTPLM	-	-	-	#	
		FVOCI	202,500	213,912	213,912	3,681	
		AC	6,805,848	6,937,753	7,012,587	#	
Spain	A-		**1,591,400**	**1,618,985**	**1,642,973**	**(29)**	**13.46%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	11,000	10,973	10,973	(29)	
		AC	1,580,400	1,608,012	1,632,000	#	
U.S.A.	AAA		**890,000**	**770,674**	**738,932**	**-**	**6.41%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	890,000	770,674	738,932	#	
Germany	AAA		**664,501**	**678,828**	**675,900**	**-**	**5.64%**
		FVTPLT	1	2	2	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	664,500	678,826	675,898	#	
European Stability Fund	AA		**305,000**	**324,672**	**330,621**	**1,393**	**2.70%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	105,000	114,342	114,342	1,393	
		AC	200,000	210,330	216,279	#	

(in thousands)

Issuer	Rating	Cat.	Nominal value	Book value	Fair Value	OCI Reserves	%
China	A+		**224,000**	**202,732**	**208,854**	**(349)**	**1.69%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	49,000	47,099	47,099	(349)	
		AC	175,000	155,633	161,755	#	
Other	-		**761,591**	**762,306**	**775,653**	**(222)**	**6.34%**
		FVTPLT	3,091	2,977	2,977	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	5,000	4,782	4,782	(222)	
		AC	753,500	754,547	767,894	#	
Other public entities:			**408,400**	**393,776**	**392,690**	**(113)**	**3.27%**
Italy	-		**16,000**	**15,888**	**15,836**	**45**	**0.13%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	6,000	6,079	6,079	45	
		AC	10,000	9,809	9,757	#	
France	-		**333,400**	**318,520**	**317,486**	**(233)**	**2.65%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	83,000	79,595	79,595	(233)	
		AC	250,400	238,925	237,891	#	
Other	-		**59,000**	**59,368**	**59,368**	**75**	**0.49%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	59,000	59,368	59,368	75	
		AC				#	
Total debt securities			**11,956,415**	**12,028,982**	**12,117,466**	**4,361**	**100.00%**

The ratings indicated are those of Fitch Ratings at 31 December 2021.

Loans

(in thousands)

Issuer	Rating	Cat.	Nominal value	Book value	Fair Value	OCI Reserves	%
Governments:			**1,913,640**	**1,913,640**	**2,334,904**	**-**	**88.26%**
Italy	BBB+		**1,913,640**	**1,913,640**	**2,334,904**	**-**	**88.26%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	1,913,640	1,913,640	2,334,904	#	
Other public entities:			**254,562**	**254,562**	**289,365**	**-**	**11.74%**
Italy	-		**254,562**	**254,562**	**289,365**	**-**	**11.74%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	254,562	254,562	289,365	#	
Total loans			**2,168,202**	**2,168,202**	**2,624,269**	**-**	**100.00%**

The ratings indicated are those of Scope Ratings at 31 December 2021.

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

(in thousands)

	on demand	until 1 year	1 to 5 years	over 5 years	Total
Debt securities	-	430,952	3,130,977	8,467,053	12,028,982
Loans	157,148	1,135	12,775	1,997,144	2,168,202
Total	**157,148**	**432,087**	**3,143,752**	**10,464,197**	**14,197,184**

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

3.3 IBOR Reform

After carrying out an assessment in 2020 concerning the exposures and the potential impacts of the transition, starting from 2021 the BPER Group has activated a project aimed at implementing the mitigation actions necessary to allow the transition to the new risk-free rates and at integrating their forecast in the fallback clauses, thus complying with regulatory requirements.
As required by the regulations and in accordance with the guidelines defined by the Working Groups of the various jurisdictions, the replacement activities relating to the LIBOR and EONIA benchmarks for which the definitive divestment date had been set for the end of 2021 (GBP, CHF and JPY) were completed.
As regards EURIBOR, adjustment and preparation for possible future divestment are being completed.

In relation to the accounting impacts deriving from the IBOR Reform, the BPER Banca Group applied Regulation (EU) 2020/34 (amendments to IFRS 9, IFRS 7 and IAS 39), which allows for the implementation of the changes introduced by the IASB on hedge accounting with the aim of avoiding the interruption of existing hedges due to the uncertainty of the amount and timing of the cash flows deriving from the rate reform.

4. Other information

4.1 Corporate events

Shareholders' Meeting of the Parent Company:

- *Shareholders' Meeting of 29 January 2021*

On 29 January 2021, the Shareholders Meeting, which met in an extraordinary session, approved draft amendments to the Articles of Association, prepared by the Board of Directors on 5 August 2020 and authorised by the European Central Bank on 15 December 2020. The purpose of the amendments was mainly to align the rules of composition of the Board with BPER Bancas transformation into a joint -stock company and the subsequent evolution of the Banks ownership structure.

In this perspective, while maintaining the fixed number of Directors at 15 (fifteen), the amendments involved:

- adopting a proportional method of electing the Board of Directors based on "quotients", the aim being to give adequate representation to the various components of the shareholder structure, encouraging the participation of minority shareholders and without contemplating limits on the maximum number of Directors eligible from each list;
- an "access to allotment" threshold designed to ensure stability and cohesion in the functioning of the administrative body, in such a way that, without prejudice to the legal requirement to ensure the possibility for the first minority list to express at least one Director, the other minority lists are able to run for seats on the Board if they have obtained votes equal to at least 5% of the voting capital;
- the introduction of limits on the connection between lists, strengthened with respect to those applicable according to the law, in order to ensure effective representation of minority shareholders on the Board of Directors, while at the same time avoiding the situation whereby minority lists connected to each other can express a majority due to the proportional system.

The reform also introduced an exemption from this proportional system if the list with the highest number of votes has obtained the favourable vote of more than half the voting capital, providing it contains a number of candidates equal to or greater than the majority of Directors to be elected. In this case, a similar rule will be applied to that foreseen in the current Articles of Association of BPER Banca with consequent extraction from the first list of a number of Directors between twelve (12) and fourteen (14) and the possibility for the second list that is not connected in any way to the first to appoint one (1) to three (3) Directors based on the ratio between the number of votes obtained by it and the number of votes obtained by the first list.
In line with the choice to leave decisions relating to the composition of the Board of Directors to the Shareholders, the faculty of the outgoing Board to present a list of candidates for the election of the Administrative Body has been done away with.
Other minor changes concerned, among other things:

- elimination of the role of Honorary Chair;
- modification of the structure of the Executive Bodies, making the appointment of the Executive Committee optional and leaving this decision to the Board of Directors;
- reduction in the number of standing members of the Board of Statutory Auditors from 5 (five) to 3 (three).

- *Shareholders Meeting of 21 April 2021*

- Allocation of the Parent Companys profit for 2020

The Shareholders Meeting held in ordinary session on 21 April 2021 approved the draft financial statements and the consolidated financial statements for 2020, allocation of the profit for the year and the distribution of a dividend of Euro 0.04 per share, for a maximum total amount of Euro 56,530,540.48, allocating Euro 6,744,944.91 to the restricted reserve pursuant to Legislative Decree 38/2005 (art. 6, paragraph 1, letter a), and Euro 6,855,391.59 to the legal reserve.

- Corporate bodies: new appointments

The same Shareholders Meeting appointed the Boa rd of Directors and the Board of Statutory Auditors for the three-year period 2021-2023.
The following were elected as Directors pursuant to art. 17 of the Articles of Association: Silvia Elisabetta Candini (independent), Flavia Mazzarella (independent), Alessandro Robin Foti (independent), Riccardo Barbieri, Piero Luigi Montani, Marisa Pappalardo (independent), Gianni Franco Papa (independent), Alessandra Ruzzu (independent), Elena Beccalli (independent), Maria Elena Cappello (independent), Gianfranco Farre (independent), Gian Luca Santi, Roberto Giay, Monica Pilloni (independent), Cristiano Cincotti (independent).
The independence requirement for non-executive Directors pursuant to art. 17, paragraph 4, of the Articles of Association - i.e. in compliance with art. 148, paragraph 3, of Legislative Decree 58 of 24 February 1998 (Consolidated Law on Finance), art. 26 of Legislative Decree no. 385 of 1 September 1993 (Consolidated Law on Banking), and Ministerial Decree 169/2020, as well as the Corporate Governance Code - was verified by the Board of Directors on 21 April 2021, based on the documentation produced when submitting the lists.
The following Statutory Auditors were appointed pursuant to art. 30 of the Articles of Association: (i) as Standing Auditors: Mr. Paolo De Mitri and Nicola Bruni as the Chair of the Board of Statutory Auditors; (ii) as Alternate Auditors: Patrizia Tettamanzi and Andrea Scianca, with the clarification that Patrizia Tettamanzi has taken on the role of Standing Auditor until the following Shareholders Meeting (held on 23 june 2021 as detailed below), due to the need to complete the Supervisory Body, in compliance with the will expressed by the Shareholders Meeting in application of art. 33, paragraph 2 of the Articles of Association.
At its meeting on 21 April 2021, the Board of Directors appointed Flavia Mazzarella as Chair and Piero Luigi Montani as Chief Executive Officer, while at the meeting on 23 April 2021, the Board appointed Riccardo Barbieri as Deputy Chair and set up the various Board Committees.
For further details on the appointments, please refer to the press releases published on the Banks website on 21 April 2021.

Verification of the requirements of the Banks representatives

On 20 May 2021, the Board of Directors and the Board of Statutory Auditors of BPER Banca S.p.A., on the basis of the declarations made and the information available to the company, ascertained, as a result of separate processes activated by each body and in compliance with the prescribed term of thirty days from the appointment, the possession of the requisites envisaged by the applicable legislation in force and by the Articles of Association by each of the respective members in office.
With reference, in particular, to the independence requirements of the Directors, as a result of the verification by the Board of Directors, the Chair, Flavia Mazzarella, and the Directors Elena Beccalli, Silvia Elisabetta Candini, Maria Elena Cappello, Cristiano Cincotti, Gianfranco Farre, Alessandro Robin Foti, Gianni Franco Papa, Marisa Pappalardo and Monica Pilloni were found to be independent, pursuant to

article 17 paragraph 4 of the Articles of Association, and therefore in accordance with (i) Decree no. 169/2020 of the Ministry of Economy and Finance, (ii) Legislative Decree no. 58 of 1998 and (iii) the recommendations contained in the Corporate Governance Code .
Ten Directors are therefore in possession of the independence requirements defined by article 17 paragraph 4 of the Articles of Association, more than the minimum number set by the applicable supervisory regulations in force, referred to in article 17, paragraph 3, of the Articles of Association, and the minimum number recommended by the Corporate Governance Code.
With regard to the independence requirements for Statutory Auditors, at the outcome of the verification by the Board of Statutory Auditors, all the members of the supervisory body were found to be independent pursuant to Legislative Decree no. 58 of 1998, Decree no. 169/2020 of the Ministry of Economy and Finance and the recommendations of the Corporate Governance Code.
The Board of Directors and the Board of Statutory Auditors also considered their respective composition adequate with reference to both quantitative and qualitative aspects required by current legislation and verified its compliance with that identified as optimal.

- *Shareholders' Meeting of 23 June 2021*

- Corporate bodies: new appointments

The Ordinary Shareholders' Meeting, held on 23 June 2021, filled the vacancies in the Board of Statutory Auditors and Board of Directors for the remaining part of the three-year period 2021-2023 by appointing:

- for the Board of Statutory Auditors, pursuant to art. 33 of the Articles of Association:
  - Daniela Travella as Chair,
  - Patrizia Tettamanzi as Standing Auditor,
  - Sonia Peron, as Alternate Auditor, to replace Patrizia Tettamanzi, resigning from office due to her being appointed as Standing Auditor.
- for the Board of Directors, pursuant to art. 17 of the Articles of Association: Elisa Valeriani as Director, to replace the independent director Alessandra Ruzzu who had ceased to hold office.

For further details on the appointments, please refer to the press release published on the Bank's website on 23 June 2021 and to the other documents made available on the Bank's website www.bper.it – Sito Istituzionale - Governance - Shareholders' Meetings.

Changes to General Management

On 4 August 2021 termination of the employment relationship with General Manager Alessandro Vandelli was mutually agreed, effective 5 August 2021. This consensual termination occurred through the stipulation of an agreement, whose contents were approved by the Bank's Board of Directors, based on a prior favourable reasoned opinion from the Remuneration and Related Parties Committees.
While expressing its sincere gratitude to Alessandro Vandelli for the commitment, dedication and contribution he made to value creation over the years at the helm of the Bank and the Group, the Board of Directors -for the purpose of appointing the new General Manager- decided not to activate the process for the selection of potential candidates to the role of General Manager set forth in BPER's Succession Plan, as it deemed it appropriate to appoint the Bank's CEO, Piero Luigi Montani, to this position, after having verified - subject to the prior involvement and favourable opinion of the Nomination Committee and having consulted the Board of Statutory Auditors - that the CEO's requisites correspond to the ideal profile of General Manager defined in the Succession Plan.

The agreement governing this specific appointment, which falls within the exemptions from the rules of the Internal Related-Party Transaction Policy as it is a smaller amount transaction relating to the remuneration of executives with strategic responsibilities entered into in accordance with the remuneration policy in force - was submitted to the Remuneration Committee for the aspects under its remit. The Committee issued a favourable opinion on the subject.
Since 5 August 2021, Piero Luigi Montani has accordingly held the position of General Manager in addition to his role as Chief Executive Officer.

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 Explanatory Notes.

In accordance with CONSOBs 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, BPER Banca approved 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 Italys 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 and subsequent updates.
The document is published on BPER Bancas website (www.bper.it, in the “Information & Regulations” / “Associated Persons” 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 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.

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	Funds renewal	625,500	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
2	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
3	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

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 company.

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.

4.3 Information on atypical, unusual or non-recurring transactions

In the course of 2021 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.

For further details, please refer to the "Directors report on Group operations" contained in the consolidated financial statements.

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 Banks 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

No quotas or shares in the Bank are held through trust companies or other third parties; furthermore, such parties were not used during the period to buy or sell shares or quotas in the Bank.
The buy-back programme for the free-of-charge allocation of BPER Banca ordinary shares to the employees of the Group ended on 20 September 2021. The buy-back programme was part of the "2019-2021 Long-Term Incentive (LTI) Plan for Material Risk Takers", the 2021 MBO incentive plan and any severance payments due. BPER Banca acquired a total of 1,917,353 ordinary shares of BPER Banca S.p.A., equal to 0.14% of share capital, for a total value of Euro 3,422,858.59 at an average purchase price per share of Euro 1.7852.
In the course of the year, 196,843 treasury shares were also sold to employees upon their termination of employment, in line with the provisions of the Remuneration Policies.

Shares of BPER Banca S.p.A.	Number of shares	Total par value
Total as at al 31.12.2021	2,176,328	9,546,273
Total as at 31.12.2020	455,458	7,253,180

4.6 Application of MiFID

On 10 March 2021, CONSOB published resolution no. 21755 which makes changes to the Intermediaries Regulation regarding the requirements of technical knowledge and skills of personnel involved in providing investment services. The resolution came into effect on 31 March 2021. In particular, from that date it is left to the independent determination of the intermediaries to set up the most suitable internal organisational processes to ensure quality training and professional refresher courses for their employees. This is without prejudice to all of the safeguards regarding the technical knowledge and skills of personnel foreseen in the MiFID II regulation, to ensure the protection of investors. The BPER Banca Group promptly initiated activities to incorporate the above changes in terms of technical knowledge and skills.

Delegated Regulation (EU) 2021/1253 and Delegated Directive (EU) 2021/1269 were published in the Official Journal of the European Union on 2 August 2021.
The regulation supplements Directive MiFID II, introducing the obligation for intermediaries to carry out an evaluation of the sustainability preferences of their customers and integrate sustainability factors in their organisational requirements and in the adequacy evaluation, as well as in the identification and management of conflicts of interest.
The delegated directive instead makes provision for supplementary amendments to Directive MiFID II, as regards the integration of sustainability factors in the governance obligations of intermediaries that produce and distribute financial instruments.
The BPER Banca Group launched analyses for the adjustment of the two regulatory sources cited above, bearing in mind that these will enter into force on 2 August 2022 and 22 November 2022 respectively.

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 Bank received from CONSOB a letter of convocation of the Chief Executive Officer and the Head of the Compliance function, assisted by other managers (pursuant to art. 7, paragraph 1, letter a) of Legislative Decree no. 58/1998), 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 are carried out as part of a dedicated project. The outcomes of said analyses, which include the project assumptions identified by the work group, also in light of the new protection model which will be adopted in the first quarter of 2022, were presented in advance to the Board of Directors on 21 December 2021 and, subsequently, on 23 December 2021, they formed the object of discussions with CONSOB.

Following said meeting, CONSOB reserved the right to conduct a detailed analysis of the contents of the feedback provided by the Bank, as well as to formulate any requests for clarification. The Bank sent the document to the Supervisory Authorities on 25 February 2022, based on prior sharing of said document with the Board of Directors.

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.
Arca Holding s.p.a., Arca Fondi SGR s.p.a. and Finitalia s.p.a. became members of the BPER Banca VAT Group with effect from 1 January 2020. In fact, BPER Banca had acquired control over these companies, as defined in art. 2359, para. 1, of the Italian Civil Code during 2019. 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.
The option is valid for three years and therefore expires on 31 December 2021, with automatic renewal from year to year, unless revoked.

4.8 Change in the measurement method of BPER Banca 's properties

BPER Banca has opted to change the measurement method of "Property, plant and equipment" starting from 1 January 2021 and limiting to properties. The change involves:

- changing from the cost model to that of remeasurement for the subsequent value of properties used in operations, based on the requirements of IAS 16 Property, plant and equipment;
- changing the accounting treatment from cost to fair value for properties held for investment purposes, based on the requirements of IAS 40 Investment property.

The change in the measurement method of properties is a voluntary change in accounting policy, as governed by IAS 8 Accounting policies, changes in accounting estimates and errors, according to which a voluntary change should only be made if it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entitys financial position, financial performance or cash flows.
Changing from cost to fair value pursues this objective, as it allows:

- better information, ensuring a single current point of view in the measurement of the Bank's real estate assets, regardless of when or why the individual property was recognised: in fact, compared with cost, fair value makes it possible to provide current information that is more in-keeping with the characteristics of the properties being valued;
- greater homogeneity of comparison between years, both in the balance sheet and in the income statement: in fact, the expression at current values improves the relevance and quality of the information, above all by updating the valuation periodically;
- constant alignment of the carrying amounts of the assets with their market values;
- an improvement in comparability with the financial statements of the other top Italian banks in terms of size;
- a more immediate understanding of the financial implications of the Bank's strategies for the management of its properties;
- greater alignment of financial disclosures with future property management strategies.

Please refer to the Explanatory Notes to these Financial Statements for further details.

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 21 April 2021 established that the amount of fees payable to Directors, in accordance with art. 11 of the Articles of Association, for the 2021 financial year 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. Excluded, however, were Directors' attendance fees for participation at meetings of the Board of Directors and the 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 was 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 1,623.7 thousand (Euro 1,673.8 thousand at 31 December 2020), 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 1,118.2 thousand (Euro 1,124 thousand at 31 December 2020), the fees due to members of the Executive Committee of Euro 51.7 thousand (Euro 170 thousand at 31 December 2020), the fees for participation in various Internal Committees set up to meet the obligations of Corporate Governance of Euro 453.8 thousand (Euro 379.8 thousand at 31 December 2020).
In addition to these amounts, there were also attendance fees for Directors taking part in meetings of the Board of Directors of Euro 177.7 thousand (Euro 171.6 thousand at 31 December 2020), additional emoluments payable to the Chair and Deputy Chair of Euro 365 thousand (the same as at 31 December 2020) and to the Chief Executive Officer of Euro 1,033.3 thousand (Euro 600 thousand at 31 December 2020).
The total amount is therefore Euro 3,199.7 thousand, compared with Euro 2,810.4 thousand for 2020.

Having highlighted the fees determined for 2021, in continuity with the remuneration established by the Shareholders' Meeting of 21 April 2021, for the financial years 2022 and 2023 and until expiry of the current mandate, the determination of the total annual fee below is proposed:

- Euro 1,700 thousand, of which Euro 1,125 thousand to be allocated to the remuneration of members of the Board of Directors and Euro 575 thousand to be assigned to the supplementary remuneration of members of the internal board committees; in addition to an
- attendance fee for individual participation in each meeting of the Board, equal to Euro 500.

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 567,203,194.42, 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. 41 (paragraph 2) of the Articles of Association, of Euro 15,478,691.00, 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 551,724,503.42 to be allocated, comprising an allocation of Euro 27,586,225.17 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 and in line with the communications issued thereby concerning dividend distribution policy, we submit to you the proposed payment of a dividend of Euro 0.06 for each of the 1,413,263,512 shares representing the share capital, excluding those held in portfolio at the ex-dividend date (there were 2,176,328 at 31 December). The total amount allocated for dividends therefore comes to Euro 84,795,810.72, i.e. 14.95% of the profit for the year.

The residual amount of profits, amounting to Euro 439,342,467.53, is allocated to the extraordinary reserve.

On the whole, the share of profit for the year to be allocated to shareholders' equity, less the part to be distributed to shareholders, is therefore Euro 482,407,383.70.

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:

		(EUR/units)
Profit for the year	**Euro**	**567,203,194.42**
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	15,478,691.00
Residual profit to be distributed	**Euro**	**551,724,503.42**
- to the legal reserve (5%)	Euro	27,586,225.17
- to the extraordinary reserve	Euro	439,342,467.53
- to the Shareholders as a dividend of Euro 0.06 for the 1,413,263,512 shares making up the share capital	Euro	84,795,810.72

According to Borsa Italiana s.p.a.'s calendar, the dividend will be paid as of 25 May 2022 (payment date), with date of detachment of coupon (ex-date) on Monday, 23 May 2022 and date of entitlement to payment under art. 83-terdecies of the Consolidated Law on Finance (record date) on Tuesday, 24 May 2022.

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 formed with profits produced from 1 January 2008 up to the year in course at 31 December 2016.

7. Outlook for operations

The growth outlook for the euro area, which was compiled by Eurozone experts in December 2021 and which pointed to an acceleration of economic activity in the course of 2022 after the slowdown experienced in the last months of last year, is weighed down by high uncertainties related to the currently difficult-to-quantify repercussions of Russias armed invasion of Ukraine, followed by a series of historic sanctions imposed by Europe on Russias financial and business sectors. In the short term, rising pressures on energy, wheat and metal prices could push current inflation levels up further, fuelling risks of a slowdown in economic activity not only in the euro area. The extent of these effects will depend on the evolution of the conflict, the impact of current sanctions and any further measures taken against Moscow. The ECBs new baseline projections, which take into account an initial assessment of the implications of the conflict in Ukraine, have been revised downwards in the short term, indicating GDP growth in the euro area of 3.7% in 2022.

Against this background, the Bank’s operations will continue to focus on expanding the core business, which will benefit from the stronger competitive position achieved last year.

Revenues are expected to increase, driven primarily by fees and commissions, as well as by lending to customers, which is projected to trend upwards during the year, partly expedited by the upside deriving from the NRRP.

On the cost side, efforts to improve efficiency and rationalise spending will continue, helping to mitigate the impacts of inflation and offset the cost of the investments to be earmarked under the new 2022-2024 Business Plan. The quality of credit will continue to be the focus of particular attention, also in the light of the uncertainty that characterises the evolution of the macro context. Nonetheless, the capital position is expected to remain robust.

8. Acknowledgements

Shareholders,
I believe that in many respects the past year can be described as a turning point for our Bank. First and foremost, I am thinking of the activities that have taken us a long time to complete, with constant attention to the quality of service and the enhancement of talent, the acquisition of an important line of business that has enabled BPER to expand into strategic areas and to increase its size considerably, particularly in terms of the number of branches and total deposits. The aim now is to preserve and strengthen the network of stakeholders that has been acquired, confirming the Banks approach to relations with households, businesses and institutions.

However, this path of growth, thanks to which we present ourselves to the market with a strengthened competitive position, has not only quantitative aspects. During 2021, we continued with determination the initiatives launched to integrate ESG (environmental, social and *governance*) factors into the Groups business, combining *business* development and financial strength with social and environmental sustainability. Our strong commitment to these issues has produced important results: in particular, the creation of an endowed Board Sustainability Committee, the inclusion of BPER Banca in Borsa Italianas MIB ESG index and its recent membership in the *Net Zero Banking Alliance*. We are convinced that directing private capital towards more sustainable investments requires a structural change in the way the financial system operates. That is why we work hard to amplify the positive impacts on society, reduce the negative impacts on the environment and support businesses in their growth and innovation.

The 2021 financial year closed with a significant profit, a further improvement in credit quality, thanks in particular to *performance* in the asset management and *bancassurance* segments, and confirmation of the Banks capital strength. The activities were carried out by the Institutes structures and functions with great commitment and dedication, despite the period still marked by the health emergency; this required changes in *business* and service models and different ways of working. During the year, the implementation of the 2019-2021 Business Plan was completed, and a series of IT-related measures increased the efficiency of digital procedures.
The geopolitical *escalation* in early 2022 triggered a further increase in volatility in global markets, with growth prospects dampened by the severe repercussions of the Russia-Ukraine conflict, due to rising energy and commodity supply costs.
The Bank wanted to be close to the Ukrainian population with various initiatives, including a fundraising campaign involving all internal resources. Donations were made to the Italian Red Cross, which immediately took action in the areas affected by the emergency.
In this complex situation, the Bank continues to demonstrate dynamism and a willingness to develop, including through external lines, as evidenced by the activities in full swing for the acquisition of Banca Carige.

We are being called upon to face more challenges, but with these positive premises I am sure that we will be up to the task.
In addressing its numerous commitments, the BPER Banca Group has been able to count on the contribution of a wide range of players, most importantly shareholders and customers. I would also like to thank the members of the Board of Directors and the Board of Statutory Auditors for their always passionate and competent commitment. I express my esteem and gratitude to the Chief Executive

Officer and the entire General Management, and I thank the Chairmen, Directors, Auditors and members of the General Management of the Groups banks and companies. I would like to express my heartfelt gratitude and esteem for all those who went into retirement during the year.
We are now looking to the future with renewed commitment, with the firm will to continue on the successful path of development.

Modena, 10 March 2022

The Board of Directors
The Chair
Flavia Mazzarella

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Financial statements

Balance sheet figures as at 31 December 2020, which are reported for comparative purposes, have been restated compared with those that were published at the reference date, due to the change in the measurement method of properties held for investment, which constitutes a voluntary change in accounting policy, to be applied retrospectively pursuant to IAS 8 para. 19-b). In addition, as required by IAS 1 para. 40A and 40B, comparative values as at 1 January 2020 are also shown.
Income statement figures as at 31 December 2020, which are reported for comparative purposes, have likewise been restated compared with those that were published at the reference date, due to the change in the measurement method of properties held for investment.
The comparative balance sheet balances as at 31 December 2020 and 1 January 2020 were further restated in accordance with the provisions of the 7th update of Bank of Italy Circular 262/2005; specifically, assets in the nature of cash and cash equivalents pursuant to IAS 7 were reclassified from caption 40. a) to caption 10.
The cash flows at 31 December 2020, presented for comparative purposes in the statement of cash flows, have also been restated for the same changes.

Balance sheet as at 31 December 2021

(in Euro)

	Assets	31.12.2021	31.12.2020	01.01.2020
10.	Cash and cash equivalents	1,338,507,305	728,420,164	1,185,532,693
20.	Financial assets measured at fair value through profit or loss	956,910,545	983,755,711	939,798,981
	a) financial assets held for trading	346,278,608	310,818,252	311,680,510
	b) financial assets designated at fair value	125,098,096	123,369,539	126,947,304
	c) other financial assets mandatorily measured at fair value	485,533,841	549,567,920	501,171,167
30.	Financial assets measured at fair value through other comprehensive income	6,424,260,753	6,051,221,746	6,202,400,784
40.	Financial assets measured at amortised cost	112,582,971,474	70,978,132,986	55,377,412,512
	a) loans to banks	30,015,877,140	16,055,613,335	7,612,710,809
	b) loans to customers	82,567,094,334	54,922,519,651	47,764,701,703
50.	Hedging derivatives	178,107,687	57,695,357	81,869,065
70.	Equity investments	2,006,573,800	2,008,145,615	2,138,421,477
80.	Property, plant and equipment	1,356,460,525	804,061,861	804,737,032
90.	Intangible assets	239,545,876	480,782,016	438,238,711
	of which:			
	- goodwill	-	230,366,046	225,791,895
100.	Tax assets	1,473,022,219	1,687,225,246	1,643,743,296
	a) current	387,987,782	402,665,798	456,289,901
	b) deferred	1,085,034,437	1,284,559,448	1,187,453,395
110.	Non-current assets and disposal groups classified as held for sale	4,898,001	3,716,650	3,465,160
120.	Other assets	880,467,084	444,329,775	534,741,143
	Total assets	**127,441,725,269**	**84,227,487,127**	**69,350,360,854**

(in Euro)

	Liabilities and shareholders equity	31.12.2021	31.12.2020	01.01.2020
10.	Financial liabilities measured at amortised cost	117,296,407,108	75,566,875,570	61,608,915,532
	a) due to banks	28,355,382,758	24,095,097,223	15,749,541,579
	b) due to customers	84,129,451,892	46,793,064,024	40,300,601,766
	c) debt securities issued	4,811,572,458	4,678,714,323	5,558,772,187
20.	Financial liabilities held for trading	132,079,449	182,980,703	176,218,890
40.	Hedging derivatives	241,369,571	456,447,398	283,792,394
60.	Tax liabilities	37,811,425	49,646,907	46,144,114
	a) current	1,955,242	-	81
	b) deferred	35,856,183	49,646,907	46,144,033
80.	Other liabilities	2,475,348,693	1,500,564,108	1,594,540,569
90.	Employee termination indemnities	174,109,611	107,415,766	123,302,176
100.	Provisions for risks and charges	671,816,779	454,185,916	520,563,838
	a) commitments and guarantees granted	81,380,577	49,251,375	46,067,687
	b) pension and similar obligations	139,744,113	147,828,970	159,719,757
	c) other provisions for risks and charges	450,692,089	257,105,571	314,776,394
110.	Valuation reserves	(11,327,095)	(54,799,474)	(135,730,150)
130.	Equity instruments	150,000,000	150,000,000	150,000,000
140.	Reserves	2,375,590,004	2,342,237,492	2,039,825,661
150.	Share premium reserve	1,240,427,621	1,241,196,867	1,002,721,965
160.	Share capital	2,100,435,182	2,100,435,182	1,561,883,844
170.	Treasury shares (-)	(9,546,273)	(7,253,180)	(7,253,180)
180.	Profit (Loss) for the year (+/-)	567,203,194	137,553,872	385,435,201
	Total liabilities and shareholders equity	**127,441,725,269**	**84,227,487,127**	**69,350,360,854**

Income Statement as at 31 December 2021

(in Euro)

	Captions	31.12.2021	31.12.2020
10.	Interest and similar income	1,425,207,258	1,096,963,446
	of which: interest income calculated using the effective interest method	1,415,690,835	1,088,006,801
20.	Interest and similar expense	(257,917,775)	(195,450,471)
30.	**Net Interest Income**	**1,167,289,483**	**901,512,975**
40.	Commission income	1,352,547,978	817,033,871
50.	Commission expense	(92,624,964)	(62,735,302)
60.	**Net commission income**	**1,259,923,014**	**754,298,569**
70.	Dividends and similar income	60,200,631	24,645,402
80.	Net income from trading activities	65,618,862	(14,884,143)
90.	Net income from hedging activities	(2,254,670)	(577,359)
100.	Gains (Losses) on disposal or repurchase of:	81,371,616	117,312,506
	a) financial assets measured at amortised cost	66,441,300	108,076,515
	b) financial assets measured at fair value through other comprehensive income	15,397,537	8,920,230
	c) financial liabilities	(467,221)	315,761
110.	Net income on other financial assets and liabilities measured at fair value through profit or loss	29,423,542	11,412,672
	a) financial assets and liabilities designated at fair value	1,576,392	(3,683,690)
	b) other financial assets mandatorily measured at fair value	27,847,150	15,096,362
120.	**Net interest and other banking income**	**2,661,572,478**	**1,793,720,622**
130.	Net impairment losses for credit risk relating to:	(641,890,106)	(443,780,324)
	a) financial assets measured at amortised cost	(643,997,282)	(443,432,821)
	b) financial assets measured at fair value through other comprehensive income	2,107,176	(347,503)
140.	Gains (Losses) from contractual modifications without derecognition	(2,161,851)	(2,075,560)
150.	**Net income from financial activities**	**2,017,520,521**	**1,347,864,738**
160.	Administrative expenses:	(2,131,469,219)	(1,326,775,565)
	a) staff costs	(1,258,750,709)	(751,763,706)
	b) other administrative expenses	(872,718,510)	(575,011,859)
170.	Net provisions for risks and charges	(52,469,419)	(13,061,694)
	a) commitments and guarantees granted	(14,638,364)	(3,036,447)
	b) other net provisions	(37,831,055)	(10,025,247)
180.	Net adjustments to property, plant and equipment	(147,775,853)	(92,950,367)
190.	Net adjustments to intangible assets	(106,275,022)	(54,445,791)
200.	Other operating expense / income	243,547,464	176,511,810
210.	**Operating costs**	**(2,194,442,049)**	**(1,310,721,607)**
220.	Gains (Losses) on equity investments	(5,004,470)	(3,268,845)
230.	Valuation differences on property, plant and equipment and intangible assets measured at fair value	(24,370,418)	(10,267,627)
240.	Impairment losses on goodwill	(230,366,046)	-
245.	Gain on a bargain purchase	1,127,846,548	-
250.	Gains (Losses) on disposal of investments	532,562	145,111
260.	**Profit (Loss) from current operations before tax**	**691,716,648**	**23,751,770**
270.	Income taxes on current operations for the year	(124,513,454)	113,802,102
280.	**Profit (Loss) from current operations after tax**	**567,203,194**	**137,553,872**
300.	**Profit (Loss) for the year**	**567,203,194**	**137,553,872**

	Earnings per share (Euro) 31.12.2021	Earnings per share (Euro) 31.12.2020
Basic EPS	0.402	0.203
Diluted EPS	0.392	0.188

Statement of other comprehensive income

(in Euro)

	31.12.2021	31.12.2020
10. Profit (loss) for the year	**567,203,194**	**137,553,872**
Other comprehensive income, after tax, that will not be reclassified to profit or loss	**76,742,851**	**68,681,809**
20. Equity instruments measured at fair value through other comprehensive income	38,114,002	65,758,540
40. Hedging of equity instruments designated at fair value through other comprehensive income	85,818	(1,385,292)
50. Property, plant and equipment	41,110,708	-
70. Defined benefit plans	(2,567,677)	4,308,561
Other comprehensive income, after tax, that may be reclassified to profit or loss	**(33,270,472)**	**14,885,159**
120. Cash-flow hedges	314,187	(358,239)
140. Financial assets (no equity instruments) measured at fair value through other comprehensive income	(33,584,659)	15,243,398
170. Total other comprehensive income after tax	**43,472,379**	**83,566,968**
180. Total other comprehensive income (Captions 10+170)	**610,675,573**	**221,120,840**

Statement of changes in shareholders' equity

(in thousands)

	Balance as at 31.12.20	Changes in opening balances	Balance as at 1.1.20	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes during the year: Changes in reserves	Transactions on shareholders' equity: 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	Shareholders' equity 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)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**43,472**	**(11,327)**
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**	**567,203**
Shareholders' equity	**5,909,372**	**-**	**5,909,372**	**-**	**(56,513)**	**(47,689)**	**361**	**(3,423)**	**-**	**-**	**-**	**-**	**610,675**	**6,412,783**

	Balance as at 31.12.19	Changes in opening balances	Balance as at 1.1.20	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes during the year: Changes in reserves	Transactions on shareholders' equity: 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 31.12.20	Shareholders' equity as at 31.12.20
Share capital:	**1,561,884**	**-**	**1,561,884**	**-**	**-**	**-**	**538,551**	**-**	**-**	**-**	**-**	**-**	**-**	**2,100,435**
a) ordinary shares	1,561,884	-	1,561,884	-	-	-	538,551	-	-	-	-	-	-	2,100,435
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**1,002,722**	**-**	**1,002,722**	**-**	**-**	**-**	**238,475**	**-**	**-**	**-**	**-**	**-**	**-**	**1,241,197**
Reserves:	**2,039,723**	**103**	**2,039,826**	**385,435**	**-**	**(82,185)**	**(838)**	**-**	**-**	**-**	**-**	**-**	**-**	**2,342,238**
a) from profits	1,539,867	103	1,539,970	385,435	-	(65,192)	-	-	-	-	-	-	-	1,860,213
b) other	499,856	-	499,856	-	-	(16,993)	- 838	-	-	-	-	-	-	482,025
Valuation reserves	**(135,730)**	**-**	**(135,730)**	**-**	**-**	**(2,636)**	**-**	**-**	**-**	**-**	**-**	**-**	**83,567**	**(54,799)**
Equity instruments	**150,000**	**-**	**150,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**150,000**
Treasury shares	**(7,253)**	**-**	**(7,253)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,253)**
Profit (Loss) for the year	**385,435**	**-**	**385,435**	**(385,435)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**137,554**	**137,554**
Shareholders' equity	**4,996,781**	**103**	**4,996,884**	**-**	**-**	**(84,821)**	**776,188**	**-**	**-**	**-**	**-**	**-**	**221,121**	**5,909,372**

Statement of cash flows as at 31 December 2021

Indirect method

(in thousands)

A. OPERATING ACTIVITIES	31.12.2021	31.12.2020
1. Operations	**1,008,723**	**765,634**
profit (loss) for the year (+/-)	567,203	137,554
- gains/losses from financial assets held for trading and financial assets/liabilities measured at fair value through profit and loss (-/+)	(66,957)	(33,440)
- gains (losses) from hedging activities (-/+)	2,256	577
- impairment losses/write-backs for credit risk (+/-)	940,436	541,915
- impairment losses/write-backs to property, plant and equipment and intangible assets (+/-)	278,422	157,665
- net provisions for risks and charges and other expense/income (+/-)	227,971	30,787
- unsettled taxes (+/-)	182,238	(73,615)
- other adjustments (+/-)	(1,122,846)	4,191
2. Cash generated/absorbed by financial assets	**(9,378,313)**	**(14,654,274)**
- financial assets held for trading	116,093	23,219
- financial assets designated at fair value	(152)	(106)
- other financial assets mandatorily measured at fair value	73,985	(28,395)
- financial assets measured at fair value through other comprehensive income	(445,841)	492,329
- financial assets measured at amortised cost	(11,792,146)	(15,257,949)
- other assets	2,669,748	116,628
3. Cash generated/absorbed by financial liabilities	**9,703,254**	**12,837,170**
- financial liabilities measured at amortised cost	9,269,245	13,113,953
- financial liabilities held for trading	(52,787)	6,033
- other liabilities	486,796	(282,816)
Net cash generated/absorbed by operating activities	**1,333,664**	**(1,051,470)**

B. INVESTMENT ACTIVITIES	31.12.2021	31.12.2020
1. Cash generated by	**56,026**	**26,471**
- disposal of equity investments	-	272
- dividends collected on equity investments	40,229	6,280
- disposal of property, plant and equipment	15,797	19,919
2. Cash absorbed by	**(719,679)**	**(205,613)**
- purchase of equity investments	(3,286)	(14,344)
- purchase of property, plant and equipment	(102,242)	(94,288)
- purchase of intangible assets	(93,809)	(96,981)
- purchase of business lines	(520,342)	-
Net cash generated/absorbed by investment activities	**(663,653)**	**(179,142)**

C. FUNDING ACTIVITIES	31.12.2021	31.12.2020
- issue/purchase of treasury shares	(3,062)	773,313
- distribution of dividends and other scopes	(56,513)	-
Net cash generated/absorbed by funding activities	**(59,575)**	**773,313**
Net cash generated/absorbed in the year	**610,436**	**(457,299)**

Key
(+) generated
(-) absorbed

Reconciliation

Captions	31.12.2021	31.12.2020
Cash and cash equivalents at the beginning of the year	728,420	1,185,533
Total net cash generated/absorbed in the year	610,436	(457,299)
Cash and cash equivalents: effect of changes in exchange rates	(349)	186
Cash and cash equivalents at the end of the year	**1,338,507**	**728,420**

Explanatory notes

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

Part A – Accounting policies

A.1 – General information

Section 1 - Declaration of compliance with international financial accounting standards

The separate financial statements for the year ended 31 December 2021 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 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 Bank 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 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 2021.

EC Approval Regulation	Title	In force from years beginning
2097/2020	Commission Regulation (EU) 2020/2097 of 15 December 2020 adopting amendments to International Financial Reporting Standard 4 (IFRS 4) was published in the Official Journal of the European Union on 16 December 2020. The amendments to IFRS 4 aim to address the temporary accounting consequences of the different effective dates of IFRS 9 "Financial Instruments" and the forthcoming IFRS 17 "Insurance Contracts". In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17.	1 January 2021
25/2021	Commission Regulation (EU) 2021/25 of 13 January 2021 adopts "Interest Rate Benchmark Reform" - Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16" was published in the Official Journal of the European Union on 14 January 2021 (L 11).	1 January 2021
1421/2021	Commission Regulation (EU) No 2021/1421 of 30 August 2021, adopting Covid-19-Related Rent Concessions beyond 30 June 2021 (amendment to IFRS 16) was published in the Official Journal of the European Union L 305 on 31 August 2021. The amendment to International Financial Reporting Standard (IFRS) 16 Leases extends the optional, temporary COVID-19-related operational relief for lessees for lease contracts with payment relief and payments originally due before, or on 30 June 2021 to lease contracts with payment relief and payments originally due before, or on 30 June 2022. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic.	1 April 2021

With respect to the above Regulations, following the changes that came into force on 1 January 2021, the Bank has not identified any significant impacts on the accounting schedules at 31 December 2021.
For Regulation (EU) 2021/1421, no retroactive application was required as the amendment was introduced to deal specifically with the situation created following the Covid-19 pandemic; this change did not have significant effects on the Bank, as it did not make any changes to the passive lease contracts either in 2020 or in 2021, due to the spread of the pandemic.

The following table shows the new international accounting standards or amendments to standards already in force, whose application is mandatory from 1 January 2022 or later date.

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
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.	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

The Bank has not availed itself of the option of early application of the Regulation in force from 1 January 2022, given that these amendments are not expected to have significant impacts on the Bank's balance sheet and income statement.

At the date of approval of these financial statements, the endorsement process by the competent bodies of the European Union necessary for the adoption of the following amendments had not yet been completed:

- "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12" (the amendments are expected to become effective on 1 January 2023);

The possible effects of introducing the above amendments are being assessed.

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 document[15].

[15] *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.*

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 applicable[16].

Where not already included in these documents mentioned above, Italian laws on the financial statements of companies[17] and the Italian Civil Code have been taken into consideration.

The financial statements consist of the balance sheet, the income statement, the statement of other comprehensive income, drawn up in Euro, the statement of changes in shareholders' equity, the statement of cash flows 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 Euro[18].

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

- *Going Concern:* 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 and in accordance with the matching principle, 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

[16] *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 and ESMA public statement of 29 October 2021 "European Common Enforcement Priorities for 2021 Annual Financial Reports".*

[17] *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.*

[18] *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.*

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. In this regard, please refer to the following paragraph in Section 4 - Other aspects, *"Change in the measurement method of the BPER Banca Group's properties"*, as well as to the introductory note to the accounting schedules in which the reclassification made for the application of the 7th update of Bank of Italy Circular No. 262/2005 is highlighted.

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 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;
- 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.

The estimates and assumptions used to prepare these financial statements may be subject to amendment when new and potentially more reliable information gradually becomes available about the impacts deriving from the spread of Covid-19 and geopolitical tensions between Russia and Ukraine. These amendments could affect, in particular, quantification of the impairment losses recognised in relation to loans and financial assets, determination of the fair value of financial instruments, the results of the impairment test of goodwill and the considerations made regarding the recoverability of deferred tax assets.
With reference *inter alia* to the IASB document dated 27 March 2020[19], the usual measurement models adopted by the Bank (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 will continue in 2021, due to the continuing effects of the Covid-19 pandemic, the balance sheet valuations as at 31 December 2021 have also been carried out using alternative approaches (also known as the "Overlay approach") as long as they also comply with the relevant IAS/IFRS. As regards the approach taken in preparing this

[19] *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".*

Report, please refer to Section 4 - Other aspects, in the paragraph “Risks, uncertainties and impacts of the Covid-19 pandemic”.

Going concern[20]

In preparing these financial statements for the year ended 31 December 2021, 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 2021, 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 emergency.

Inspections and audits

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

Section 3 - Events after the reporting period

These separate financial statements were approved on 10 March 2022 by BPER Bancas Board of Directors, which authorised their publication.
In relation to the events subsequent to the end of the 2021 financial year commented on in the Directors’ Report on Group Operations and referring in particular to the possible transactions of: i. acquisition (Carige Group), and ii. reorganisation of the Group’s banking business (payment services and related agreements with commercial partners), it should be noted that the preliminary agreements referring to them and entered into prior to approval of the separate financial statements by the Board of Directors did not have any impact on the financial statements.
It is also noted that, with regard to the international framework, Russias armed invasion of Ukraine on 24 February 2022, followed by harsh financial and trade sanctions against Moscow, including the selective expulsion of some Russian banks from the SWIFT circuit, could severely affect the growth prospects of the eurozone economy. The repercussions on the global macroeconomic framework, already characterised by tensions in global supply chains, are likely to affect the European economy in terms of increased volatility (mainly due to the potential increase in energy costs for a prolonged period of time) with consequent impacts on manufacturing activities. The Bank considers these events to have taken place after the Reporting Period, with no adjustment required pursuant to IAS 10 (non-adjusting event).
In view of the current rapidly evolving situation and the uncertainty regarding the duration and outcome

[20] *As required by document No. 2 issued with joint signature by the Bank of Italy, CONSOB and ISVAP (now IVASS) on 6 February 2009.*

of the ongoing conflict, it is not considered possible at present to provide an overall quantitative estimate of the potential impact that geopolitical tensions could have on the Banks and the Groups economic and financial situation (there are many determinants that are still unknown and undefined, relevant in particular to "indirect risks"). BPER Bancas credit risk as at 31 December 2021 for direct credit exposures to customers and banks resident in Russia, Belarus and Ukraine amounted to Euro 32.7 million in respect of cash exposures and Euro 31.4 million in respect of guarantees given (unsecured loans, some of which had already been revoked at the date of approval of these financial statements).
Finally, it should be noted that Decree Law 17/2022 - the Energy Decree - made a further change to the system of tax deduction of past loan losses (for periods prior to 2015), postponing the portion pertaining to 2021 to the three-year period 2022-2025. This regulatory change occurred after the reporting date of the 2021 financial statements, which were prepared on the basis of the previous legislation. This subsequent event also falls within the scope of non-adjusting events pursuant to IAS 10 and, in any case, is estimated to have an absolutely insignificant impact on BPER Bancas balance sheet and income statement.

Section 4 – Other aspects

Risks, uncertainties and impacts of the Covid-19 pandemic

For an analysis of the effects of the pandemic on the risks and uncertainties to which the BPER Banca Group is exposed, please refer to Chapter 7 - "*Principal risks and uncertainties*" of the Directors Report on Group operations.

As already highlighted in the comments of the Consolidated Report on Operations, the general and sector macroeconomic framework, still affected by significant uncertainty induced by the evolution of the Covid-19 pandemic and related containment measures, continues to require banks to manage the impact of this situation on credit risk and related balance sheet valuations.
In this regard, even in 2021 the Parent Company continued to monitor the situation with 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).
BPER Banca had already implemented the various instructions issued by the Italian government[21] (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[22].
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 separate financial statements as at 31 December 2021, to which reference was made to direct the consequences of the Covid-19 pandemic. An explanation is also provided of the method of

[21] *Decree Law no. 18 of 17 March 2020; Liquidity Decree no. 23 of 8 April 2020; Relaunch Decree of 13 May 2020.*
[22] *For quantitative information on the moratoria granted by the BPER Banca Group and still in existence at the balance sheet date, please refer to Part B - Assets, Section 4 of the Explanatory Notes.*

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, BPER Banca 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 and by IFRS 2, deeming the effects of the Covid-19 pandemic on these measurements 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 BPER Banca 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 Bank has regulated internally, with appropriate circular letters, the methods of analysing counterparties requesting a moratorium or its renewal, with timely updates of EBAs 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.
In line with the assessments already carried out on previous moratorium extensions, new moratoria granted 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, 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 “Covid-19-Related Rent Concessions”, extended until 30 June 2022, did not have significant effects on BPER Banca, as it did not make any Covid-19-related rent concessions in 2020 or 2021.

Accounting estimates - Overlay approach applied in credit risk assessment

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

The actions taken as a result of the contingency caused by the Covid-19 pandemic on the SICR model adopted by the Bank and the BPER Banca Group involved the "expert" identification of the economic sectors most affected by the crisis ("vulnerable sectors") and analysis of borrowers whose intrinsic risk, as evidenced by internal ratings, is higher than the average for the sector, and who are considered more likely to be in financial difficulty on the basis of reasonable assumptions and also taking into account the possible granting of Covid-19 moratoria.

It should also be noted that the corrections made to the SICR interception process were extended in 2021 to the positions acquired with the UBI and ISP business units.

2) Measurement of expected losses

Performing

As part of the ECL model used by BPER Banca in preparing the financial statements as at 31 December 2021, a number of macroeconomic scenarios were adopted at Parent Company level that made reference to the up-to-date forecasts provided by the specialised company usually consulted by the Bank. The scenarios were characterised by a higher degree of positivity, even compared to the previous calculations published in the course of 2021.

In order to contain the pro-cyclical effects of the expected economic recovery, 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% (it was 0.003% as at 31 December 2020). The probability of occurrence of the "baseline" scenario was also set at 50% (it was 96.503% at 31 December 2020), leading to the absence of impact of the remaining "best" scenario - probability of occurrence equal to 0% (it was 3.494% at 31 December 2020);
- the application of a prudential correction factor on the ECL, downstream of the models findings, in order to take into account the likelihood of customers experiencing financial difficulties, also in view of fears of negative effects on life and the economy from the fourth pandemic wave, the explosion of energy and raw material costs, as well as related inflationary growth; the quantification of this correction factor also took into account the results of the sensitivity analysis carried out on the probability of occurrence of the extreme adverse scenario, assuming it to be 100%.

Moreover, again from a prudential point of view, within the scope of the Covid-19 moratoria still outstanding at 31 December 2021, safeguards were applied to prevent any improvements in rating class with respect to the situation of the individual positions at the time the moratoria were granted.

The “top down” overlays described above, aimed at including in BPER Banca’s ECL calculation model specific safeguards for the uncertainty still linked to the Covid-19 contingency, were applied to the results of the Parent Companys ECL model, which in 2021 underwent some parameter finetuning (mainly PD and SICR), described in greater detail in Part A.2, paragraph “22. *Methods for determining the extent of impairment losses*” and Part E of these notes.

During 2021, an update was also carried out, as part of BPER Bancas IFRS 9 framework, of the criteria for identifying the presence of a significant increase in credit risk, as well as of the PD parameter used within the "satellite models", which will be better described below, within Part A.2 of the Notes to the Financial Statements, paragraph "22. *Method for determining the extent of impairment*”.

Non-performing

With regard to the analytical assessment applied to the non-performing portfolio, specifically to the categories of Bad Loans and Unlikely-To-Pay exposures, BPER Banca further updated its analytical assessment policies for NPLs by introducing a more prudential valuation model for guarantees in 2021. This was also to take into account the more uncertain conditions for the enforcement of guarantees, as a consequence of the current economic situation.

Effects of Management Overlays and methodological finetuning adopted in 2021

The summary of the effects produced by the Overlays and the methodological finetuning described in the previous paragraphs is represented by an increase in Net loan adjustments in 2021 of approximately Euro 192 million, of which Euro 108 million are due to voluntary changes in the Groups estimation processes in accordance with IAS 8 (measured at the date of the policy change).

Change in the measurement method of BPER Banca’s properties

BPER Banca has opted to change the measurement method of “Property, plant and equipment” starting from 1 January 2021 and limiting to properties. The change involves:

- changing from the cost model to that of remeasurement for the subsequent value of properties used in operations, based on the requirements of IAS 16 *Property, plant and equipment*;
- changing the accounting treatment from cost to fair value for properties held for investment purposes, based on the requirements of IAS 40 *Investment property*.

The change in the measurement method of properties is a voluntary change in accounting policy, as governed by IAS 8 *Accounting policies, changes in accounting estimates and errors*, according to which a voluntary change should only be made if it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entitys financial position, financial performance or cash flows.

Changing from cost to fair value pursues this objective, as it allows:

- better information, ensuring a single current point of view in the measurement of the Parent Company’s properties, regardless of when or why the individual property was recognised: in fact,

compared with cost, fair value makes it possible to provide current information that is more in-keeping with the characteristics of the properties being valued;
- greater homogeneity of comparison between years, both in the balance sheet and in the income statement: in fact, the expression at current values improves the relevance and quality of the information, above all by updating the valuation periodically;
- constant alignment of the carrying amounts of the assets with their market values;
- an improvement in comparability with the financial statements of the other top Italian banks in terms of size;
- a more immediate understanding of the financial implications of the Bank's strategies for the management of its properties;
- greater alignment of financial disclosures with the Banks future property manag ement strategies.

As a general rule, IAS 8 provides that voluntary changes to accounting policies must be represented retrospectively, starting from the earliest date on which this is feasible, restating:
- the opening balances of the most remote comparative year;
- the figures of comparative years.

This rule, which is fully applicable under IAS 40, allows an exception to be made for properties used in operations: in fact, according to paragraph 17 of IAS 8, for the purpose of measuring IAS 16 properties, the transition from cost to remeasurement of the carrying amount has to be shown prospectively as a normal continuous application of the new valuation method, so without having to adjust opening balances and comparative figures.

Change in the measurement method of properties held for investment purposes (IAS 40)
In compliance with the provisions of IAS 8, BPER Banca has carried out a restatement of the comparative figures starting with the balances at 1 January 2020. In particular:
- at individual property level, the differences between the fair value at 1 January 2020 and the carrying amount at the same date were recognised in shareholders equity under caption 140 *"Reserves"*;
- the effects on the 2020 income statement of measuring these properties at cost (i.e. depreciation charges and write-downs) were cancelled and the change in fair value between 1 January 2020 and 31 December 2020 was recorded in the restated 2020 income statement with the overall impact being recorded in caption 140 "*Reserves - Retained earnings*";
- the profit and loss effects of the sales that took place in 2020 were recalculated, recording the impact in the restated 2020 income statement and again under caption 140 "*Reserves - Retained earnings*".

For further details concerning the impacts on the restated captions of the balance sheet and income statement, please refer to the "Attachments" of these financial statements.

Change in the measurement method of properties used in operations (IAS 16)
Since 1 January 2021, the date of the change in the measurement method, BPER Banca has measured properties used in operations according to the so-called revaluation model envisaged by IAS 16.

As a consequence of the prospective application of the change in measurement method, the difference between the fair value and the net carrying amount*,* determined at the individual property level at the date of transition to the new measurement model, the following was recognised at 1 January 2021:

- if negative, in the income statement for 2021, with recognition in caption 230 *"Gains (Losses) on property, plant and equipment and intangible assets measured at fair value*";
- if positive, in shareholders equity, with recognition in the specific reserve to be entered under caption 110 "*Valuation reserves*", except for previous write-downs in the income statement (in this case, the positive difference between the fair value and the net carrying amount must be recognised in the income statement under item 180 "*Net adjustments to property, plant and equipment*" as a positive component of income, for an amount equal to the write-downs recognised previously).

Treatment of the rights of use of properties used and not-used in operations

With reference to the rights of use of properties used in operations, recorded under property, plant and equipment on the basis of IFRS 16 (paragraphs 30 and 35), BPER Banca has chosen to continue measuring them at cost, without making use of the option to use the revaluation model (this option is only allowed if the lessee applies the revaluation model to the properties that it owns).

With reference to the rights of use that meet the definition of property held for investment, application of the fair value method in accordance with IAS 40 implies use of the same method for rights of use as well, according to paragraph 34 of IFRS 16. However, this case does not apply to the Parent Company at 1 January 2021, as there is no right of use acquired with the lease classified as property held for investment. Although the case does not apply at 1 January 2021, BPER Banca has decided that the fair value of the rights of use as per IAS 40 is approximately the same as the value obtained using the cost method.

Method for estimating the fair value of properties

For the purpose of determining the fair value of the real estate assets at the date of change in method, BPER Banca hired a qualified appraisal company, which was asked to update its:

- “full" appraisals, according to which the fair value is determined on the basis of all information relating to the business, including on-site inspections;
- “desktop" appraisals, according to which the fair value is determined on the basis of the average value of comparable properties, without any on-site inspection. [23]

Effects of change in the measurement method of properties

The effects, gross and net of the tax effect, on the Income Statement and Shareholders Equity (item by item) of BPER Banca at 1 January 2021 are summarised below[24]:

[23] *The internal policy for measuring the fair value of properties is described in greater detail in the following paragraph “Methods and frequency of identifying the fair value for owned properties".*

[24] *With regard to the restatement of the balance sheet and profit and loss account balances relating to Property, plant and equipment used for investment purposes (IAS 40), specifically as at 01.01.2020 and 31.12.2020, the Annexes to the Financial Statements contain details on the "Restatement of the financial statements of BPER Banca".*

Items breakdown		Impact before tax			Impact after tax		
		Income statement	Reserves	Total	Income statement	Reserves	Total
Property used in operations – IAS 16	A	(10,568)	76,195	**65,627**	(11,160)	50,998	**39,838**
Investment property – IAS 40	B	-	(1,800)	**(1,800)**	-	(1,172)	**(1,172)**
Total consolidated impact	**C = A+B**	**(10,568)**	**74,395**	**63,827**	**(11,160)**	**49,826**	**38,666**
Impact reflected in the following captions of the Income statement and Shareholders' equity							
Caption 260 "Valuation differences on property, plant and equipment and intangible assets measured at fair value"		(12,359)	-	**(12,359)**	(12,359)	-	**(12,359)**
Caption 210 "Net adjustments to property, plant and equipment"		1,791	-	**1,791**	1,791	-	**1,791**
Caption 300 "Income taxes on current operations for the year"					(592)	-	**(592)**
Caption "120. Valuation reserves:"		-	76,195	**76,195**	-	50,998	**50,998**
Caption "150. Reserves"		-	(1,800)	**(1,800)**	-	(1,172)	**(1,172)**

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 Bibanca s.p.a., Sardaleasing s.p.a. and Sifà - Società Italia Flotte Aziendali s.p.a. expired on 31 December 2020 and was renewed for the three-year period 2021-2023 when the consolidating company submitted its tax return on 30 November 2021.

Consolidated companies	2019	2020	2021	2022	2023
Bibanca s.p.a.			x	x	x
Banco di Sardegna s.p.a.	x	x	x		
Optima s.p.a. SIM	x	x	x		
Emilia Romagna 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	x		
Nadia s.p.a.	x	x	x		
Finitalia s.p.a.		x	x	x	
Arca Fondi SGR s.p.a.		x	x	x	
Arca Holding s.p.a.		x	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 125[25] 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 disbursement[26].
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, 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 2021 by BPER Banca and by the subsidiaries by way of "grants, contributions, remunerated offices and economic advantages of any type" are listed below.

BPER Banca Group companies	Type of grants	Amounts received in 2021
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 *de minimis* aid scheme pursuant to EC regulation 1407/2013	1,395
BPER Banca s.p.a.	Cinematographic productions	433
BPER Banca s.p.a.	Grants for photovoltaic incentives	11
BPER Banca s.p.a.	Company nursery/kindergarten contributions	3

Audit

The financial statements of BPER Banca s.p.a. as at 31 December 2021 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.

[25] *Paragraph expanded by art. 35 of Law Decree 34/2019. Paragraphs 126 to 129 not amended.*
[26] *As stated in Assonime Circular 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 Banks 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 manage 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 Groups 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 & 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 banks;
- 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 assignors 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 v ariability 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 transferors 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 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 Italys supervisory regulations, in line with IAS/IFRS and European supervisory regulations[27]. 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 22 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.

[27] 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. BPER Banca 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.*

- 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 paragraph 22 “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 the 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 BPER Banca, 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 as at 30 June 2021, based on the sectors that had already been identified as vulnerable as they were more heavily exposed to the pandemic.
In application of the policy of BPER Banca, 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 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 income statement caption 140. "*Gains (Losses) from contractual modifications without derecognition*".

4. Hedging transactions

BPER Banca has adopted Chapter 6 Hedge Accounting of IFRS 9.

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.

In application of the standard, 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.

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 operation is terminated early;
- 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 companys financial statements should be measured either at cost, the solution t hat 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 paragraph 22 "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 Companys 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) on 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 BPER Banca for its use (initial recognition date), the related right of use is recognised.

In identifying the rights of use, the Bank 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 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, starting from 1 January 2021, 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 from 1 January 2020, are measured retroactively 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 paragraph 22. "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.

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 investees ability to generate income in the future (goodwill).
If the difference is negative (badwill) or the goodwill is not justified by the investees 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

Bank 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 Bank 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 paragraph 22. "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 fair 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 paragraph 22 "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.

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 2021, 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 and tax losses. BPER Banca 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.

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 22. Method for determining the extent of impairment.

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 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 2020. 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 Bank, 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;
- 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 Bank and 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 A.4 - "Information on fair value" of these Explanatory 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";
- 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.

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 negative elements of income represented by interest are recorded in the interest captions of the income statement on an accruals basis.

The results of the assessment (for components other than the creditworthiness of the issuer) are booked to the 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*", as are the gains or losses arising on their settlement.

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 closing rate for the period;
- 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 have been 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 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 Bank 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 Bank 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 Bank has identified types of revenue linked to services provided to customers only as regards the content of "Commission income".
BPER Banca 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 "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 Bank 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 BPER Banca 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 16. 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 Bank and 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 managements 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 Groups medium -long term strategy;

Implementation of the Plan is subject to achieving predetermined access conditions that guarantee not only profitability, but also the Groups 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 ECBs 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 will be 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 will apply as compared to the rate on deposits with the central bank. With the ECBs decision of December 2020, this reduction will also be 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.

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 BPER Banca in accounting for such transactions is to refer to IFRS 9, given that the funding to which banks have access through the ECBs 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 measurement of the loan at amortised cost.
In relation to the methods of determining the IRR, likening the refinancing operations to loans at variable rates has led BPER Banca to apply different rates over the life of the operation, depending on the economic conditions expected at any given time.
Moreover, the conditions under which the interest develops depend on the likelihood of the net lending benchmark being achieved[28].

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, BPER Banca has decided to offer itself as the assignee of tax credits to its customers.
The transferee bank may 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:

[28] This accounting choice is consistent with the Public Statement issued by ESMA on 6 January 2021 dedicated to "[...] the third series of the ECBs Targeted Longer -Term Refinancing Operations (TLTRO III)"

- 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 BPER Banca is to refer by analogy to the indications of IFRS 9[29], 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.

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[29] *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.*

The treatment described is consistent with paragraph B5.4.6 of IFRS 9[30], 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. Method for determining the extent of impairment [31]

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 Banks 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 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:

$$LtEL_t = \sum_{t=1}^{T} PDF_t \text{ x } LD\ _t \text{ x } EaD_t \text{ x } D_t$$

[30] 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 instruments 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.

[31] As required by document No. 2 issued with joint signature by the Bank of Italy, CONSOB and ISVAP (now IVASS) on 6 February 2009.

where,

- PDFt is the Probability of Default between 1 and t,
- LGDt is the Loss Given Default at a forward default event between 1 and t,
- EaDt is the Exposure at Default at time t,
- Dt 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 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:

$$EL = EaD \times LD \quad \times PD \times D$$

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 Banks internal regulations for analytical assessment, a statistical write-down is applied using the following formula:

$$LtEL_t = EaD \times LD$$

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 BPER Banca is based on the use of risk parameters estimated for regulatory purposes (the disclosure of which is given in Part E of the Explanatory Notes, to which reference should be made), appropriately amended to guarantee complete 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.

As at 31 December 2021, 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:

1. "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;
2. 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 an operational management choice made by the Bank and the BPER Banca Group depending on the observed evolution of the macroeconomic context and the consequent perceived risk of the loan portfolio. As of 31 December 2021, the Bank and the Group have decided to activate these components.

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 (“down turn” and indirect costs) and the conditioning to the economic cycle of elements such as the value of the property guarantees and, via satellite models ("Merton method"), the loss rate of unsecured bad positions and migrations between default states.

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 Banks 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 Bank and the Group have decided to use the same scenarios used by the Banks 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[32].

In the context of the performing loan portfolio and the related impairment model adopted by BPER Banca, 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 pro-active management, BPER Banca 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 recovery processes of non-performing assets which also envisage realisation through sale on the market, the impairment model has integrated a sales scenario (“Disposal Scenario), in line with the NPE management and reduction plans defined in the Parent Company’s “2021-2023 NPE Strategy”NPE Strategy" as a possible way to recover exposures and as an alternative to internal recovery (so-called "Workout Scenario").

When envisaged, 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, BPER Banca has adopted a model for calculating the multi-scenario net value of impaired financial assets, which considers the following parameters:

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[32] Please refer to what was said above in Section 4 - Other aspects of the Explanatory Notes for more details on the approach taken when preparing the separate financial statements as at 31 December 2021 (application of the overlay approach as a result of the contingent situation linked to the consequences of the Covid-19 pandemic).

$$NBV_{Multiscenario} = FMV \text{ x Disposal Scenario } \% + NBV_{Workout} \text{ x } (1\text{-Disposal Scenario } \%)$$

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 objectives established in the current NPE Strategy of the Parent Company. 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 the management of BPER Banca; 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 the Parent Company's 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 Parent Company 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 Parent Company 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 has been in use to identify the changes in PD and related thresholds since 31 December 2021, which makes reference to the Lifetime PD curves[33]. The SICR thresholds defined are differentiated by counterparty risk segment, residual maturity cluster of the financial instrument and source rating class;
- 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;

[33] *The new approach replaces the former rating downgrade system, based on a comparison of rating classes at origination with rating classes at the measurement date (notching between rating classes).*

- 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, BPER Banca has not envisaged the possibility of 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).

For a homogeneous application of the impairment model between portfolios of BPER Banca, 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 Parent Company 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.
BPER Banca 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, BPER Banca 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 separate and consolidated financial statements, BPER Banca 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 Banks 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 assets 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.
As regards property, plant and equipment, impairment is only recognised if their carrying amount exceeds their fair value less costs to sell or, if greater, their value in use.
In relation to the methods for determining the fair value, please refer to the following paragraph in Part A.4 - "Information on fair value", highlighting that the "full" valuation of the individual property is required to qualify the impairment.

In order to identify a unique identification criterion, the circumstances that trigger the impairment (and not just the restatement), in the presence of a market value lower than the net carrying amount, reference thresholds have been identified, which, if exceeded, lead to the need to write down the asset.

- Properties used in operations: if the comparison of the above values - at the level of the building (ground up or otherwise) - reveals negative differences exceeding 10% of the net carrying amount, a check is made to ensure that they also exceed the sum of 5 years of depreciation;
- particular complexes: the valuation requires an expert appraisal confirmed by a specific Board resolution.

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.

23. 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 3[34], a specific analysis to identify the characteristics of "Companys 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 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)

[34] *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".*

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 and 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 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 BPER Banca 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 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, BPER Bancas 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 and 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.

Equity instruments

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 instruments 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 underlyings 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 underlying[35] 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).

[35] *Fair market value included, for example, in the EVCA reports.*

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

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, BPER Banca 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 BPER Banca Groups 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 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 BPER Banca, 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 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 BPER Banca 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, BPER Banca and the entire Group use 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, including:

- 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 and the Group request 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 Bank and the Group provide 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).

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*"[36];
- 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	(44)	-50 bps	45
Investments in Real Estate Funds	Financial charges**	+50 bps	(273)	-50 bps	273
Investments in Non-Performing Loan Funds	Financial charges**	+50 bps	(745)	-50 bps	745

** 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

[36] *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.*

example, the companys equity figures) and for which it is not reasonably conceivable to provide alternative amounts.

A.4.3 Fair value hierarchy

BPER Banca 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.
BPER Banca has set out:

- 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 entitys financial statements to assess the following:

a) 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;
b) 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."

BPER Banca 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.

BPER Banca 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	31.12.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	256,353	336,564	363,994	248,636	391,879	343,241
a) Financial assets held for trading	170,442	138,562	37,275	125,579	158,254	26,985
b) Financial assets designated at fair value	-	124,430	668	-	122,702	668
c) Other financial assets mandatorily measured at fair value	85,911	73,572	326,051	123,057	110,923	315,588
2. Financial assets measured at fair value through other comprehensive income	5,794,272	396,772	233,217	5,412,193	404,070	234,959
3. Hedging derivatives	-	178,108	-	-	57,695	-
4. Property, plant and equipment	-	-	849,723	-	-	77,256
5. Intangible assets	-	-	-	-	-	-
Total	6,050,625	911,444	1,446,934	5,660,829	853,644	655,456
1. Financial liabilities held for trading	153	108,339	23,587	9	174,527	8,445
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	241,370	-	-	456,447	-
Total	153	349,709	23,587	9	630,974	8,445

Transfers of assets from Level 2 to Level 1 of the fair value hierarchy during the period amounted to € 140.3 million and those from Level 1 to Level 2 amounted to € 24.4 million.
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 a reduction in the number of contributors below the minimum threshold.
BPER Banca has opted to change the measurement method of its property, plant and equipment from cost to fair value for properties held for investment purposes and to the revaluation model for properties used in operations starting from 1 January 2021. This change constitutes a voluntary change in accounting policy under IAS 8, requiring the restatement of comparative periods for commercial properties. For further information, please refer to the section Accounting Policies.

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	**343,241**	**26,985**	**668**	**315,588**	**234,959**	**-**	**77,256**	**-**
2. Increases	**242,333**	**16,366**	**-**	**225,967**	**4,060**	**-**	**890,126**	**-**
2.1. Purchases	167,287	-	-	167,287	1,504	-	446,055	-
2.2. Gains recognised to:	14,429	4	-	14,425	1,999	-	118,127	-
2.2.1. Profit or Loss	14,429	4	-	14,425	-	-	37,609	-
- of which capital gains	14,429	4	-	14,425	-	-	-	-
2.2.2. Shareholders equity	-	X	X	X	1,999	-	80,518	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	60,617	16,362	-	44,255	557	-	325,944	-
3. Decreases	221,580	6,076	-	215,504	5,802	-	117,659	-
3.1. Sales	155,041	-	-	155,041	1,444	-	5,575	-
3.2. Refunds	18,501	263	-	18,238	3,367	-	-	-
3.3. Losses recognised to:	46,666	5,813	-	40,853	436	-	92,059	-
3.3.1. Profit or Loss	46,666	5,813	-	40,853	-	-	74,569	-
- of which capital losses	46,666	5,813	-	40,853	-	-	12,460	-
3.3.2. Shareholders equity	-	X	X	X	436	-	17,490	-
3.4. Transfers from other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	1,372	-	-	1,372	555	-	20,025	-
4. Closing balance	**363,994**	**37,275**	**668**	**326,051**	**233,217**	**-**	**849,723**	**-**

Line 2.4 shows the value of property, plant and equipment used in operations following the change in the measurement method mentioned above.

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 designated at fair value	Hedging derivatives
1. Opening balance	**8,445**	**-**	**-**
2. Increases	**16,362**	**-**	**-**
2.1 Issues	-	-	-
2.2. Losses recognised to:	-	-	-
2.2.1 Profit or loss	-	-	-
- of which capital losses	-	-	-
2.2.2. Shareholders' equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	16,362	-	-
3. Decreases	**1,220**	**-**	**-**
3.1. Refunds	-	-	-
3.2. Repurchases	-	-	-
3.3. Profits recognised to:	1,220	-	-
3.3.1. Profit or loss	1,220	-	-
- of which capital gains	1,220	-	-
3.3.2. Shareholders' equity	X	-	-
3.4. Transfers from other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balance	**23,587**	**-**	**-**

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	31.12.2021				31.12.2020			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	112,582,971	18,267,632	285,756	99,764,978	70,978,133	15,345,450	298,221	59,787,119
2. Investment property, plant and equipment held for investment	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups classified as held for sale	4,898	-	-	4,898	3,716	-	-	3,716
Total	**112,587,869**	**18,267,632**	**285,756**	**99,769,876**	**70,981,849**	**15,345,450**	**298,221**	**59,790,835**
1. Financial liabilities measured at amortised cost	117,296,407	3,857,256	962,427	112,554,362	75,566,875	3,410,099	1,141,413	71,134,189
2. Liabilities associated with assets classified as held for sale	-	-	-	-	-	-	-	-
Total	**117,296,407**	**3,857,256**	**962,427**	**112,554,362**	**75,566,875**	**3,410,099**	**1,141,413**	**71,134,189**

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 2021 between the value of transactions and their corresponding fair values.

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Part B – Information on the balance sheet

Assets

Section 1 – Cash and cash equivalents Caption 10

1.1 Cash and cash equivalents: breakdown

	Total 31.12.2021	Total 31.12.2020
a) Cash	590,938	365,864
b) Current accounts and on demand deposits with Central Banks	-	-
c) Current accounts and on demand deposits with banks	747,569	362,556
Total	**1,338,507**	**728,420**

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 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	86,801	22,730	-	66,644	29,993	-
1.1 Structured securities	40,698	1,561	-	37,763	1,562	-
1.2 Other debt securities	46,103	21,169	-	28,881	28,431	-
2. Equity instruments	83,462	3,634	35	58,923	1,315	32
3. UCITS units	162	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**170,425**	**26,364**	**35**	**125,567**	**31,308**	**32**
B. Derivative instruments						
1. Financial derivatives	17	112,198	37,240	12	126,946	26,953
1.1 trading	17	112,198	37,240	12	126,946	26,953
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)	**17**	**112,198**	**37,240**	**12**	**126,946**	**26,953**
Total (A+B)	**170,442**	**138,562**	**37,275**	**125,579**	**158,254**	**26,985**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to these Financial Statements.

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 31.12.2021	Total 31.12.2020
A. Cash assets		
1. Debt securities	109,531	96,637
a) Central Banks	-	-
b) Public Administrations	5,876	4,017
c) Banks	38,458	33,640
d) Other financial companies	57,415	52,661
of which: Insurance companies	-	481
e) Non-financial companies	7,782	6,319
2. Equity instruments	87,131	60,270
a) Banks	18,738	14,414
b) Other financial companies	7,266	4,298
of which: Insurance companies	1,877	717
c) Non financial companies	61,127	41,558
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)	**196,824**	**156,907**
B. Derivative instruments	-	-
a) Central counterparties	-	-
b) Other	149,455	153,911
Total (B)	**149,455**	**153,911**
Total (A+B)	**346,279**	**310,818**

2.3 Financial assets designated at fair value: breakdown by product

Description/Amounts	Total 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1.Debt securities	**-**	**124,430**	**668**	**-**	**122,702**	**668**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	124,430	668	-	122,702	668
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
Total	**-**	**124,430**	**668**	**-**	**122,702**	**668**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to these Financial Statements.

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 31.12.2021	Total 31.12.2020
1. Debt securities	**125,098**	**123,370**
a) Central Banks	-	-
b) Public Administrations	122,447	120,711
c) Banks	1,983	1,991
d) Other financial companies	-	-
of which: Insurance companies	-	-
e) Non-financial companies	668	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	**125,098**	**123,370**

2.5 Other financial assets mandatorily measured at fair value: breakdown by product

Description/Amounts	Total 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**45,321**	**49,324**	**-**	**110,923**	**52,672**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	45,321	49,324	-	110,923	52,672
2. Equity instruments	**2,415**	**-**	**20,657**	**1,808**	**-**	**81,857**
3. UCITS units	**83,496**	**-**	**229,364**	**121,249**	**-**	**154,752**
4. Loans	**-**	**28,251**	**26,706**	**-**	**-**	**26,307**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	28,251	26,706	-	-	26,307
Total	**85,911**	**73,572**	**326,051**	**123,057**	**110,923**	**315,588**

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 31.12.2021	Total 31.12.2020
1. Equity instruments	**23,072**	**83,665**
of which: banks	19	22,020
of which: other financial companies	11,681	7,715
of which: non-financial companies	11,372	53,930
2. Debt securities	**94,645**	**163,595**
a) Central Banks	-	-
b) Public Administrations	-	65,816
c) Banks	29,750	29,792
d) Other financial companies	64,895	67,987
of which: Insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	**312,860**	**276,001**
4. Loans	**54,957**	**26,307**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	26,707	26,307
of which: Insurance companies	26,707	26,307
e) Non-financial companies	27,941	-
f) Households	309	-
Total	**485,534**	**549,568**

2.6 bis UCITS units breakdown

Description	31.12.2021	31.12.2020
1. Equities	22,383	17,249
2. Property - closed end	26,149	25,092
3. Equities - open end	20,464	20,686
4. Balanced - open end	7,382	7,180
5. Bonds - open end	4,467	4,358
6. Equities closed end	34,317	33,112
7. Speculative securities	3,916	3,120
8. Bonds - short term	-	-
9. Bonds - long term	9,785	10,899
10. Other	183,997	154,305
Total	**312,860**	**276,001**

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 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**5,792,332**	**394,378**	**4,357**	**5,410,871**	**401,827**	**7,695**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	5,792,332	394,378	4,357	5,410,871	401,827	7,695
2. Equity instruments	**1,940**	**2,394**	**228,860**	**1,322**	**2,243**	**227,264**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**5,794,272**	**396,772**	**233,217**	**5,412,193**	**404,070**	**234,959**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to these Financial Statements.

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 31.12.2021	Total 31.12.2020
1. Debt securities	**6,191,067**	**5,820,393**
a) Central Banks	-	-
b) Public Administrations	536,150	546,574
c) Banks	3,554,389	3,554,571
d) Other financial companies	1,199,291	1,078,100
of which: Insurance companies	50,595	42,580
e) Non-financial companies	901,237	641,148
2. Equity instruments	**233,194**	**230,829**
a) Banks	28,846	27,519
b) Other issuers:	204,348	203,310
- other financial companies	168,656	168,685
of which: Insurance companies	143,900	143,900
- non financial companies	35,650	34,619
- other	42	6
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	**6,424,261**	**6,051,222**

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		6,078,286	-	115,462	22	-	2,364	334	5	-	-
Loans		-	-	-	-	-	-	-	-	-	-
Total	**31.12.2021**	**6,078,286**	**-**	**115,462**	**22**	**-**	**2,364**	**334**	**5**	**-**	**-**
Total	**31.12.2020**	**5,476,770**	**-**	**348,408**	**26**	**-**	**3,357**	**1,446**	**8**	**-**	**-**

At 31 December 2021 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 31.12.2021						Total 31.12.2020					
	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	**20,310,134**	**-**	**-**	**-**	**-**	**20,310,134**	**8,353,243**	**-**	**-**	**-**	**-**	**8,353,243**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	20,310,134	-	-	X	X	X	8,353,243	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	**9,705,743**	**-**	**-**	**5,666,128**	**178,193**	**3,895,121**	**7,702,370**	**-**	**-**	**4,460,005**	**152,222**	**3,191,237**
1. Loans	3,895,121	-	-	-	-	3,895,121	3,191,237	-	-	-	-	3,191,237
1.1.Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	1,124,614	-	-	X	X	X	714,058	-	-	X	X	X
1.3. Other loans:	2,770,507	-	-	X	X	X	2,477,179	-	-	X	X	X
- Repurchase agreements	1,795,681	-	-	X	X	X	1,413,573	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	974,826	-	-	X	X	X	1,063,606	-	-	X	X	X
2. Debt securities	5,810,622	-	-	5,666,128	178,193	-	4,511,133	-	-	4,460,005	152,222	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	5,810,622	-	-	5,666,128	178,193	-	4,511,133	-	-	4,460,005	152,222	-
Total	**30,015,877**	**-**	**-**	**5,666,128**	**178,193**	**24,205,255**	**16,055,613**	**-**	**-**	**4,460,005**	**152,222**	**11,544,480**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to these Financial Statements.

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 31.12.2021						Total 31.12.2020					
	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	**67,831,767**	**656,357**	**697,042**	**-**	**-**	**74,774,650**	**41,978,327**	**761,255**	**846,750**	**-**	**-**	**47,547,532**
1.1. Current accounts	5,773,995	75,137	74,585	X	X	X	4,453,541	117,194	126,589	X	X	X
1.2. Repurchase agreements	71,302	-	-	X	X	X	83,949	-	-	X	X	X
1.3. Mortgage loans	47,622,255	460,464	534,789	X	X	X	29,436,958	494,216	613,361	X	X	X
1.4. Credit cards, personal loans and assignments of one-fifth of salary	1,226,873	11,330	5,605	X	X	X	615,526	5,392	3,861	X	X	X
1.5. Finance leases	3,747	316	-	X	X	X	4,825	4,522	9	X	X	X
1.6. Factoring	1,353	66	-	X	X	X	3,177	2,249	-	X	X	X
1.7. Other loans	13,132,242	109,044	82,063	X	X	X	7,380,351	137,682	102,930	X	X	X
2. Debt securities	**13,381,928**	**-**	**-**	**12,601,504**	**107,563**	**785,073**	**11,336,188**	**-**	**-**	**10,885,445**	**145,999**	**695,107**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	13,381,928	-	-	12,601,504	107,563	785,073	11,336,188	-	-	10,885,445	145,999	695,107
Total	**81,213,695**	**656,357**	**697,042**	**12,601,504**	**107,563**	**75,559,723**	**53,314,515**	**761,255**	**846,750**	**10,885,445**	**145,999**	**48,242,639**

The sub-item "Other loans", limited to the performing component (consisting of Stage 1 and 2 equal to € 13,133 million, as well as the portion of POCI assets classified in Stage 2, equal to € 7 million), is composed as follows: € 9,343 million of bullet loans (+87.50%), € 2,376 million of advances on invoices and bills subject to collection (+43.39%), € 1,031 million of import/export advances (+81.51%), € 37 million of credit assignments (+60.87%) and € 353 thousand of other miscellaneous items (+129.22%).
An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to these Financial Statements.

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 31.12.2021			Total 31.12.2020		
	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	**13,381,928**	**-**	**-**	**11,336,188**	**-**	**-**
a) Public Administrations	11,364,509	-	-	9,679,553	-	-
b) Other financial companies	1,576,087	-	-	1,345,874	-	-
of which: Insurance companies	30,857	-	-	15,016	-	-
c) Non financial companies	441,332	-	-	310,761	-	-
2. Loans:	**67,831,767**	**656,357**	**697,042**	**41,978,327**	**761,255**	**846,750**
a) Public Administrations	2,166,111	2,089	2	2,027,459	504	2,747
b) Other financial companies	6,954,090	8,028	25,762	6,190,932	22,040	70,398
of which: Insurance companies	65,186	-	-	40,236	-	-
c) Non financial companies	31,436,806	396,539	436,578	18,298,153	546,552	558,181
d) Households	27,274,760	249,701	234,700	15,461,783	192,159	215,424
Total	**81,213,695**	**656,357**	**697,042**	**53,314,515**	**761,255**	**846,750**

The classification of loans to customers between Stage 1 and Stage 2 is shown below, analysed by type of product and 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	**57,294**	**(1,189)**	**56,105**	**2,170,212**	**(13,092)**	**2,157,120**
of which Stage 1	25,814	(140)	25,674	2,148,607	(10,313)	2,138,294
of which Stage 2	29,004	(325)	28,679	18,763	(410)	18,353
of which Stage 3	2,471	(721)	1,750	1,074	(929)	145
of which: purchased or originated credit impaired	5	(3)	2	1,768	(1,440)	328
Repurchase agreements	**-**	**-**	**-**	**66,554**	**-**	**66,554**
of which Stage 1	-	-	-	66,554	-	66,554
of which Stage 2	-	-	-	-	-	-
of which Stage 3	-	-	-	-	-	-
of which: purchased or originated credit impaired	-	-	-	-	-	-
Mortgage loans	**2,025,904**	**(1,817)**	**2,024,087**	**1,384,719**	**(23,757)**	**1,360,962**
of which Stage 1	2,008,660	(1,309)	2,007,351	1,307,976	(2,099)	1,305,877
of which Stage 2	16,842	(323)	16,519	42,687	(1,252)	41,435
of which Stage 3	402	(185)	217	20,963	(14,265)	6,698
of which: purchased or originated credit impaired	-	-	-	13,093	(6,141)	6,952
Other loans	**89,091**	**(1,081)**	**88,010**	**3,467,499**	**(64,255)**	**3,403,244**
of which Stage 1	86,044	(25)	86,019	3,348,664	(2,286)	3,346,378
of which Stage 2	2,781	(912)	1,869	38,346	(1,147)	37,199
of which Stage 3	266	(144)	122	37,214	(36,029)	1,185
of which: purchased or originated credit impaired	-	-	-	43,275	(24,793)	18,482
Total	**2,172,289**	**(4,087)**	**2,168,202**	**7,088,984**	**(101,104)**	**6,987,880**

(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	**3,283,005**	**(384,759)**	**2,898,246**	**881,768**	**(69,522)**	**812,246**	**5,923,717**
of which Stage 1	2,309,717	(10,147)	2,299,570	621,472	(4,784)	616,688	5,080,226
of which Stage 2	501,374	(20,487)	480,887	173,376	(7,526)	165,850	693,769
of which Stage 3	246,186	(188,072)	58,114	46,934	(31,806)	15,128	75,137
of which: purchased or originated credit impaired	225,728	(166,053)	59,675	39,986	(25,406)	14,580	74,585
Repurchase agreements	**4,748**	**-**	**4,748**	**-**	**-**	**-**	**71,302**
of which Stage 1	-	-	-	-	-	-	66,554
of which Stage 2	4,748	-	4,748	-	-	-	4,748
of which Stage 3	-	-	-	-	-	-	-
of which: purchased or originated credit impaired	-	-	-	-	-	-	-
Mortgage loans	**20,522,676**	**(741,670)**	**19,781,006**	**25,779,367**	**(327,914)**	**25,451,453**	**48,617,508**
of which Stage 1	16,591,992	(39,664)	16,552,328	23,094,576	(31,645)	23,062,931	42,928,487
of which Stage 2	2,770,303	(102,090)	2,668,213	2,027,986	(60,385)	1,967,601	4,693,768
of which Stage 3	583,095	(343,137)	239,958	375,273	(161,682)	213,591	460,464
of which: purchased or originated credit impaired	577,286	(256,779)	320,507	281,532	(74,202)	207,330	534,789
Other loans	**10,003,820**	**(417,897)**	**9,585,923**	**1,555,315**	**(59,853)**	**1,495,462**	**14,572,639**
of which Stage 1	8,727,198	(16,361)	8,710,837	1,313,420	(2,695)	1,310,725	13,453,959
of which Stage 2	740,437	(20,214)	720,223	154,050	(3,085)	150,965	910,256
of which Stage 3	396,942	(298,475)	98,467	53,904	(32,922)	20,982	120,756
of which: purchased or originated credit impaired	139,243	(82,847)	56,396	33,941	(21,151)	12,790	87,668
Total	**33,814,249**	**(1,544,326)**	**32,269,923**	**28,216,450**	**(457,289)**	**27,759,161**	**69,185,166**

4.4 Financial assets measured at amortised cost: gross value and total impairment provisions

	Gross value					Total impairment provisions				
	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	Overall partial write-offs
Debt securities	19,198,796	-	-	-	-	6,246	-	-	-	-
Loans	85,859,954	-	6,523,374	1,764,723	1,355,857	128,146	218,160	1,108,366	658,815	287,397
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**
Total 31.12.2020	**65,107,188**	**-**	**4,397,208**	**1,838,075**	**1,346,133**	**53,084**	**81,184**	**1,076,820**	**499,383**	**171,882**

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				
	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	Overall partial write-offs
1. Loans subject to forbearance measures compliant	111,033	-	53,494	254	595	389	1,894	75	256	-
2. Loans subject to outstanding moratoria that are not compliant with GL and do not qualify as forbearance measures	257,840	-	30,772	7,405	1,817	1,314	873	2,905	138	-
3. Loans subject to other forbearance measures	-	-	223,892	26,896	19,834	-	15,903	11,816	1,995	-
4. New loans	5,343,864	-	804,978	25,457	10,723	2,127	3,611	1,010	886	-
Total 31.12.2021	**5,712,737**	**-**	**1,113,136**	**60,012**	**32,969**	**3,830**	**22,281**	**15,806**	**3,275**	**-**
Total 31.12.2020	**7,359,934**	**-**	**1,375,136**	**47,519**	**67,055**	**5,712**	**16,737**	**9,654**	**2,825**	**-**

Section 5 – Hedging derivatives
Caption 50

5.1 Hedging derivatives: breakdown by type of hedge and hierarchy level

	FV 31.12.2021			NV	FV 31.12.2020			NV
	L1	L2	L3	31.12.2021	L1	L2	L3	31.12.2020
A. Financial derivatives								
1. Fair Value	-	178,108	-	7,264,140	-	53,714	-	1,926,422
2. Cash flows	-	-	-	-	-	3,981	-	54,446
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair Value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**178,108**	**-**	**7,264,140**	**-**	**57,695**	**-**	**1,980,868**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to these Financial Statements.

Key
NV = 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
	Specific						General	Specific	General	
	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	124	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	151,486	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	151,610	-	-	-	-	-	-	-	-	-
1. Financial Liabilities	26,498	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	26,498	-	-	-	-	-	-	-	-	
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 head office	Operational head office	% held	% Available votes
A. Wholly-owned companies				
Direct:				
1 Adras s.p.a.	Milan	Milan	100.000	
2 Arca Holding s.p.a.	Milan	Milan	57.061	
3 Bibanca s.p.a.	Sassari	Sassari	78.575	
4 BPER Bank Luxembourg S.A.	Luxembourg	Luxembourg	100.000	
5 Banco di Sardegna s.p.a.	Cagliari	Sassari	99.200	100.000
6 BPER Credit Management s.cons.p.a.	Modena	Modena	70.000	
7 BPER Trust Company s.p.a.	Modena	Modena	100.000	
8 Emilia Romagna Factor s.p.a.	Bologna	Bologna	100.000	
9 Estense Covered Bond s.r.l.	Conegliano	Conegliano	60.000	
10 Estense CPT Covered Bond s.r.l.	Conegliano	Conegliano	60.000	
11 Finitalia s.p.a.	Milan	Milan	100.000	
12 Italiana Valorizzazioni Immobiliari s.r.l.	Milan	Milan	100.000	
13 Modena Terminal s.r.l.	Campogalliano	Campogalliano	100.000	
14 Nadia s.p.a.	Modena	Modena	68.339	
15 Optima s.p.a. S.I.M.	Modena	Modena	100.000	
16 Sardaleasing s.p.a.	Sassari	Milan	52.741	
17 SIFA - Società Italiana Flotte Aziendali s.p.a.	Trento	Milan/Reggio Emilia	100.000	
B. Companies subject to joint control				
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 Cassa di Risparmio di Fossano s.p.a.	Fossano	Fossano	23.077	
4 Cassa di Risparmio di Savigliano s.p.a.	Savigliano	Savigliano	31.006	
5 CAT Progetto Impresa Modena s.c.r.l.	Modena	Modena	20.000	
6 Immobiliare Oasi nel Parco s.r.l.	Milan	Milan	36.800	
7 Lanciano Fiera - Polo Fieristico dAbruzzo Consorzio	Lanciano	Lanciano	33.333	
8 Resiban s.p.a.	Modena	Modena	20.000	
9 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 companys 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 information disclosed in the Consolidated financial statements.

7.4 Non-significant equity investments: accounting information

Please refer to information disclosed in the Consolidated financial statements.

Impairment tests of equity investments

As required by IAS/IFRS, the carrying amount of each equity investment was subjected to impairment testing 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 or check that it was reasonable with respect to its recoverable value. In the presence of signs of impairment, the recoverable value is determined, represented by the greater of the fair value less costs to sell and the value in use, and if the latter is lower than the carrying amount, impairment is recognised.

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 results of said evaluations involved the need to make value adjustments primarily relating to the equity investment in CR Fossano (for Euro 3.2 million). In preparing the interim financial statements as at 30 June 2021, the need emerged to write-down the equity investment held in CR Savigliano for Euro 4.2 million. The verification was rendered necessary on completion of the share capital increase targeted at the entry of other economic players and the subsequent capital strengthening of the bank; the share capital increase, which BPER Banca subscribed for the portion within its competence, took place at a value per share lower than the carrying amount of the equity investment recognised in BPER Banca’s financial statements. However, the impairment test carried out at 31 December 2021 highlighted the possibility of a partial recovery of this write-down as a result of the updated financial forecasts of the associate, which acknowledged the expected improvement in the economic environment, in line with evidence from external information providers. Therefore, the final write-down of the equity investment in CR Savigliano came to Euro 1.8 million, with respect to the carrying amount at 31 December 2020 following the share capital increase.

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, estimated at equal to the value in use, given that each individual entity has the autonomous capacity to generate cash flows. The tests conducted did not identify any critical elements, actually confirming the carrying amounts.

“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 the principal subsidiaries and associates.

7.5 Equity investments: annual changes

	Total 31.12.2021	Total 31.12.2020
A. Opening balance	**2,008,146**	**2,138,421**
B. Increases	**3,433**	**14,793**
B.1 Purchases	3,286	14,344
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other increases	147	449
C. Decreases	**5,005**	**145,068**
C.1 Sales	-	272
C.2 Impairment losses	5,001	3,519
C.3 Depreciations	-	-
C.4 Other decreases	4	141,277
D. Closing balance	**2,006,574**	**2,008,146**
E. Total revaluations	**-**	**-**
F. Total adjustments	**251,590**	**246,589**

The Increases (caption B.1) mainly refer to:
- the purchase of 51,489 ordinary shares of Emilia Romagna Factor s.p.a. for € 1.3 million. BPER Banca now holds 100% of the company's shareholders' equity;
- the purchase of 2,937,417 ordinary shares of Cassa di Risparmio di Savigliano s.p.a. for € 1.7 million;
- the purchase of 39,265 preference shares of Banco di Sardegna for € 0.3 million;

"Impairment losses" (caption C.2) refer to:
- impairment carried out on the investee Cassa di Risparmio di Fossano s.p.a.(€ 3.2 million);
- impairment carried out on the investee Cassa di Risparmio di Savigliano s.p.a.(€ 1.8 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 31.12.2021	Total 31.12.2020
1. Assets owned	**161,238**	**447,882**
a) land	-	92,285
b) buildings	-	226,492
c) furniture	36,469	23,757
d) electronic systems	44,025	52,446
e) other	80,744	52,902
2. Rights of use acquired through leases	**345,500**	**278,924**
a) land	-	-
b) buildings	317,263	250,005
c) furniture	-	-
d) electronic systems	23,357	24,729
e) other	4,880	4,190
Total	**506,738**	**726,806**
of which: arising from the enforcement of guarantees received	-	-

The BPER Banca Group has opted to change the measurement method of its property, plant and equipment from cost to the revaluation model starting from 1 January 2021, with specific reference to properties used in operations. For further information, please refer to Part A - Accounting Policies of these Explanatory notes.
All other property, plant and equipment is measured at cost.

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 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Assets owned	**-**	**-**	**745,862**	**-**	**-**	**-**
a) land	-	-	328,775	-	-	-
b) buildings	-	-	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	**-**	**-**	**745,862**	**-**	**-**	**-**
of which: arising from the enforcement of guarantees received	-	-	-	-	-	-

8.4 Property, plant and equipment held for investment: breakdown of assets measured at fair value

Description/Amounts	Total 31.12.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Assets owned	**-**	**-**	**103,861**	**-**	**-**	**77,256**
a) land	-	-	38,737	-	-	22,574
b) buildings	-	-	65,124	-	-	54,682
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**103,861**	**-**	**-**	**77,256**
of which: arising from the enforcement of guarantees received	-	-	-	-	-	-

BPER Banca has opted to change the measurement method of its property, plant and equipment from cost to fair value starting from 1 January 2021, with specific reference to properties held for investment purposes. This change constitutes a voluntary change in accounting policy under IAS 8, requiring the restatement of comparative periods.
For further information, please refer to Part A - Accounting Policies of these Explanatory notes.

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	**92,285**	**719,179**	**181,384**	**194,146**	**326,915**	**1,513,909**
A.1 Total net value adjustments	-	242,682	157,627	116,971	269,823	787,103
A.2 Net opening balance	**92,285**	**476,497**	**23,757**	**77,175**	**57,092**	**726,806**
B. Increases:	**248,144**	**438,017**	**16,083**	**45,870**	**50,631**	**798,745**
B.1 Purchases	195,169	358,575	15,958	37,667	48,004	655,373
- of which: business combinations	195,169	316,084	12,931	18,592	16,650	559,426
B.2 Capitalised expenditure on improvements	-	5,785	-	-	-	5,785
B.3 Write-backs	902	1,024	-	-	-	1,926
B.4 Positive changes in fair value allocated to	51,867	55,371	-	-	-	107,238
a) shareholders equity	25,007	53,583	-	-	-	78,590
b) profit or loss	26,860	1,788	-	-	-	28,648
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from property, plant and equipment held for investment	206	834	-	-	-	1,040
B.7 Other increases	-	16,428	125	8,203	2,627	27,383
C. Decreases	**11,654**	**180,164**	**3,371**	**55,663**	**22,099**	**272,951**
C.1 Sales	-	6,162	18	3,933	109	10,222
C.2 Depreciation	-	70,139	3,228	26,144	19,366	118,877
C.3 Impairment losses allocated to	2,961	11,537	-	16,327	-	30,825
a) shareholders equity	-	-	-	-	-	-
b) profit or loss	2,961	11,537	-	16,327	-	30,825
C.4 Negative changes in fair value allocated to	3,384	59,202	-	-	-	62,586
a) shareholders equity	-	17,490	-	-	-	17,490
b) profit or loss	3,384	41,712	-	-	-	45,096
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	5,308	12,904	-	-	-	18,212
a) property, plant and equipment held for investment	5,308	12,904	-	-	-	18,212
b) non-current assets and groups of assets held for sale	-	-	-	-	-	-
C.7 Other decreases	1	20,220	125	9,259	2,624	32,229
D. Net closing balance	**328,775**	**734,350**	**36,469**	**67,382**	**85,624**	**1,252,600**
D.1 Total net value adjustments	(46,424)	146,170	159,969	175,493	287,282	722,490
D.2 Gross closing balance	**282,351**	**880,520**	**196,438**	**242,875**	**372,906**	**1,975,090**
E. Carried at cost	**284,720**	**722,845**	**-**	**-**	**-**	**1,007,565**

The measurement with the revaluation model of the real estate assets used in operations at 31 December 2021, the update of which was carried out by an independent expert, made it necessary to write down some real estate units for a value of € 12.5 million. The other impairment losses refer for € 16.3 million to hardware for which the useful life was deemed terminated in advance and for € 2 million to rights of use acquired through leases, for early closure of some branches.

8.7 Property, plant and equipment held for investment: annual changes

	Total	
	Land	Buildings
A. Opening balance	**22,574**	**54,682**
B. Increases	**23,003**	**32,592**
B.1 Purchases	10,550	16,487
- of which: business combinations	10,443	16,084
B.2 Capitalised expenditure on improvements	206	1,177
B.3 Increases in fair value	6,939	2,024
B.4 Write-backs	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from property, plant and equipment used in operations	5,308	12,904
B.7 Other increases	-	-
C. Decreases	**6,840**	**22,150**
C.1 Sales	1,458	4,117
C.2 Depreciation	-	-
C.3 Decreases in fair value	3,726	13,287
C.4 Impairment losses	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers to:	1,656	4,746
a) property, plant and equipment used in operations	206	834
b) non-current assets and groups of assets held for sale	1,450	3,912
C.7 Other decreases	-	-
D. Closing balance	**38,737**	**65,124**

The opening balances have been restated with respect to those published in the separate financial statements as at 31 December 2020, following the change in the measurement method of Property, plant and equipment represented by properties held for investment purposes.

Useful life of the main fixed asset categories

Category	Useful life
Land	not depreciated
Property used in operations	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 Caption

9.1 Intangible assets: breakdown by asset type

Description/Amounts	Total 31.12.2021		Total 31.12.2020	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	X	-	X	230,366
A.2 Other intangible assets	**239,546**	-	**250,416**	-
of which Software	211,672	-	214,023	-
A.2.1 Assets measured at cost	239,546	-	250,416	-
a) intangible assets generated internally	-	-	-	-
b) other assets	239,546	-	250,416	-
A.2.2 Assets measured at fair value	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	239,546	-	250,416	230,366

"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 for € 27.8 million, of which € 21.2 million relating to the acquisition of Unipol Banca.
The impairment test, carried out in accordance with IAS 36, made it necessary to completely write down goodwill and the "core deposit" intangible asset coming from the PPA of Cassa di Risparmio di Bra, later merged into BPER Banca, for € 3.4 million, in addition to € 34.5 million worth of software whose useful life was deemed to have reached the end of its useful life ahead of time.

Impairment test on goodwill

Over the last few years, BPER Banca has been subject to a series of internal restructuring operations, including the merger by absorption of some former subsidiary banks (the latest being the former Cassa di Risparmio di Bra S.p.a and former Cassa di Risparmio di Saluzzo S.p.a.). These mergers meant that any goodwill previously recognised in the individual legal entity being recognised in the separate financial statements of BPER Banca as part of the "Goodwill" shown under "Intangible assets".

The characteristics of the individual business units merged, which were fully absorbed by BPER Bancas organisation and its structure, in terms of both the commercial network and risk management, led to the identification of the Bank as a whole as a single CGU, being the lowest level at which Management checks the profitability of an investment. In addition, planning processes and reporting systems are managed at the level of individual legal entity.

The goodwill recognised in the Bank's assets for a total of Euro 230 million is therefore verified on the basis of cash flows potentially distributable by the CGU BPER Banca. Accordingly, the goodwill that was previously verified at individual entity level is now tested as a whole with reference to the Bank's post-merger perimeter. During the first quarter of 2021 the purchase of the carve-out consisting in 587 former UBI Banca branches from the Intesa Sanpaolo Group was finalised by the BPER Banca Group on 22 February 2021. This transaction significantly changed the accounting scope of the BPER Banca CGU, and also exerted an impact on the estimated future cash flows that the CGU will be able to generate after the transaction. This circumstance called for the value of goodwill to be tested for impairment as at the interim date of 31 March 2021, as the increase in the net book value of the assets following the business combination might not have led to an equivalent increase in the recoverable value of the entire entity, which would have meant that there was an impairment of goodwill. In light of this evidence and the provisions of the international accounting standards, the Bank devised a process for analysing the recoverability of goodwill, updating the verification process at 31 March 2021. On conclusion of the activity, the need to fully write down goodwill for Euro 230 million emerged.

In addition, the need was recognised to fully write down the residual value of the intangible assets originating from core deposits, allocated to BPER Banca following the merger by absorption of the investee CR Bra CGU.

For further information, please see "Section 10 – Intangible assets" of the consolidated Explanatory Notes.

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**	**-**	**-**	**376,566**	**-**	**661,376**
A.1 Total net value adjustments	54,444	-	-	126,150	-	180,594
A.2 Net opening balance	**230,366**	**-**	**-**	**250,416**	**-**	**480,782**
B. Increases	**-**	**-**	**-**	**95,405**	**-**	**95,405**
B.1 Purchases	-	-	-	94,351	-	94,351
- of which: business combinations	-	-	-	542	-	542
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	-	-	-	1,054	-	1,054
C. Decreases	**230,366**	**-**	**-**	**106,275**	**-**	**336,641**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	230,366	-	-	106,275	-	336,641
- Depreciation	X	-	-	68,326	-	68,326
- Impairment losses	230,366	-	-	37,949	-	268,315
- shareholders' equity	X	-	-	-	-	-
- profit or loss	230,366	-	-	37,949	-	268,315
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	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**239,546**	**-**	**239,546**
D.1 Total net value adjustments	284,810	-	-	232,425	-	517,235
E. Gross closing balance	**284,810**	**-**	**-**	**471,971**	**-**	**756,781**

All intangible assets are measured at cost.
The impairment test, carried out in accordance with IAS 36, made it necessary to completely write down goodwill and the "core deposit" intangible asset coming from the PPA of Cassa di Risparmio di Bra for € 3.4 million, in addition to € 34.5 million worth of software whose useful life was deemed to have reached the end of its useful life ahead of time.

Key:
FIN: finite useful life
INDEFIN: Indefinite useful life

9.3 Intangible assets: other information

There is no information 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 31.12.2021	Total 31.12.2020
Impairment losses on loans to customers	453,130	43,716	496,846	583,704
Impairment losses on equity investments and securities	10,053	3,190	13,243	12,352
Goodwill convertible into tax credits	136,528	27,971	164,499	181,041
Non-convertible goodwill	44,501	9,013	53,514	56,225
Personnel provisions	104,597	13,385	117,982	76,993
Endorsement credits, clawback action during bankruptcy proceedings and outstanding lawsuits	58,773	4,814	63,587	56,201
Impairment losses on loans to customers FTA IFRS 9	113,913	23,073	136,986	136,986
Non-convertible tax losses	4,784	-	4,784	17,814
Tax losses convertible into tax credits	-	10,656	10,656	94,897
ACE (Aid for Economic Growth) benefit carried forward	1,196	-	1,196	30,364
Property, plant and equipment and intangible assets	6,169	1,157	7,326	-
Other deferred tax assets	13,904	511	14,415	37,983
Total	**947,548**	**137,486**	**1,085,034**	**1,284,560**

“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 tax assets under Law 214/2011 for an amount of € 672 million.
The other deferred tax assets, € 413 million, relate to temporary differences for an amount of € 407 million, non-convertible tax losses for an amount of € 4.8 million and ACE (Aid for Economic Growth) surpluses for € 1.2 million; these were recognised following the outcome of the probability test carried out as required by IAS 12. The time horizon used for the forecasts is 5 years; the future taxable income considered is consistent with the financial forecasts last updated in 2021.
The increase in the caption “Personnel provisions” is due to the recognition of deferred tax assets following the incentive-based early retirement scheme for € 40.8 million
The caption in deferred tax assets for “Tax losses convertible into tax credits” refers to IRAP tax losses of the current year, as they derive from the reversal during the year of the deferred tax assets pursuant to Law 214/2011.
As at 31 December 2021, tax losses were also present on which no deferred tax assets were recognised for an amount of € 363.8 million, to which a 3.5% surcharge is applicable and that correspond to DTAs for € 12.7 million. With regard to ACE, deferred tax assets of € 24.1 million were not recorded, to which the surcharge of 3.5% is applicable and which reflect DTAs for an amount of € 0.8 million. In addition, deferred tax assets have not been recognised in relation to the portions of the IFRS 9 FTA recoverable beyond the time horizon for the probability test, amounting to € 159 million, that would result in DTA of € 52.6 million. No deferred tax assets were recognised on the realignment of goodwill on taxable amounts of € 67.8 million, that would result in taxes of € 22.4 million.

10.2 Deferred tax liabilities: breakdown

	IRES	IRAP	Total 31.12.2021	Total 31.12.2020
Gains from equity instruments and debt securities	535	45	580	38,202
Staff costs	1,578	-	1,578	1,578
Gains from the sale of property, plant and equipment	-	-	-	2,898
Property, plant and equipment and intangible assets	-	-	-	1,142
Goodwill	-	-	-	2,106
Real estate	11,925	2,415	14,340	2,512
Other deferred taxes	11,614	7,744	19,358	1,210
Total	**25,652**	**10,204**	**35,856**	**49,648**

"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 other deferred taxes mainly refer to valuations on non-current securities for € 11.3 million
At 31 December 2021, 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 be recognised.

10.3 Changes in deferred tax assets (through profit or loss)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	**1,239,654**	**1,135,795**
2. Increases	**151,478**	**273,683**
2.1 Deferred tax assets recognised in the year	151,478	236,567
a) related to previous years	33,106	27,492
b) due to changes in accounting criteria	-	-
c) value recoveries	-	-
d) other	118,372	209,075
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	37,116
3. Decreases	**349,134**	**169,824**
3.1 Deferred tax assets derecognised in the year	256,604	169,824
a) reversals	248,322	167,464
b) write-offs	-	-
c) due to changes in accounting criteria	-	1,884
d) other	8,282	476
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	92,530	-
a) conversion into tax credit under Law no. 214/2011	92,530	-
b) other	-	-
4. Final amount	**1,041,998**	**1,239,654**

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 2026 and recognised during the year after passing the probability test.
Caption d) "Other" increases mainly includes deferred tax assets on convertible tax losses for € 10.6 million, non-convertible tax losses for € 4.8 million, provisions on legal disputes and endorsement credits for € 23.6 million, ACE (Aid for Economic Growth) for € 1.2 million, goodwill aligned for an amount of € 2.5 million, impairment on goodwill for € 6 million, provisions for employee benefits € 61 million and provisions for impairment of hardware and software for € 7.3 million.
The amount in 3.1 a) Decreases in "Reversals" includes DTAs referring to reversals of deferred tax assets pursuant to Law 214/2011 related to impairment losses on loans and goodwill for € 105.7 million, DTAs on the impairment recorded at the FTA of IFRS 9 for € 27.4 million, DTAs on the provision for risks and charges for € 15.7 million, provisions for employee benefits of € 20.2 million and DTAs on properties for € 14 million.
The amount recognised in caption 3.3 a) for € 92.5 million refers to the conversion of the portion of tax losses in 2020 into tax credits, pursuant to Law 214/2011.

10.3 bis Changes in deferred tax assets pursuant to Law 214/2011 (with offsetting entry to profit and loss)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	**859,642**	**831,571**
2. Increases	**13,023**	**122,967**
- of which: business combinations	-	-
3. Decreases	**200,662**	**94,896**
3.1 Reversals	108,132	94,896
3.2 Conversion into tax credit	92,530	-
a) from losses for the year	-	-
b) from tax losses	92,530	-
3.3 Other decreases	-	-
4. Final amount	**672,003**	**859,642**

Law 214/2011 also introduced the chance to transform into tax credits any DTAs recognised in the financial statements for the part of IRES tax losses arising from (and to the extent of) the deduction of impairment losses on loans under art. 106 of the Consolidated Income Tax Law (TUIR) and goodwill during the year.
Subsequently, Law 214/2013 (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 this category of DTAs (called "noble").
The amount under item "2. Increases", refers mainly to the DTAs on the portion of the IRAP (regional business tax) loss attributable to the deductions of impairment losses 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 goodwill.

10.4 Changes in deferred tax liabilities (through profit or loss)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	**19,221**	**20,787**
2. Increases	**59**	**9,628**
2.1 Deferred tax liabilities recognised in the year	59	7,905
a) related to previous years	-	595
b) due to changes in accounting criteria	-	2,512
c) other	59	4,798
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	1,723
3. Decreases	**17,451**	**11,194**
3.1 Deferred tax liabilities derecognised in the year	17,451	11,194
a) reversals	17,427	1,730
b) due to changes in accounting criteria	-	-
c) other	24	9,464
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**1,829**	**19,221**

Caption "3.1 a) Decreases - reversals" refers primarily to the effects of the realignment of properties and IAS 16 - property, plant and equipment, which had an impact of € 3.7 million, to the reversal of intangible assets of the Purchase Price Allocation of Cassa di Risparmio di Bra for € 1.1 million, and the reversal of taxes on securities for € 10.4 million.

10.5 Changes in deferred tax assets (through shareholders' equity)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	**44,906**	**52,018**
2. Increases	**10,642**	**5,724**
2.1 Deferred tax assets recognised in the year	10,642	4,727
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	10,642	4,727
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	997
3. Decreases	**12,512**	**12,836**
3.1 Deferred tax assets derecognised in the year	12,512	12,836
a) reversals	12,512	11,586
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	-	1,250
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**43,036**	**44,906**

Caption 2.1 c) Increases "other" mainly refers to the valuation of securities, € 10.2 million.
Among Decreases, caption 3.1 a) "reversals" is primarily made up of DTAs referring to the valuation of investment securities for € 2.7 million and application of the accounting standards on properties under IAS 16 and IAS 40 for € 9.2 million.

10.6 Changes in deferred tax liabilities (through shareholders' equity)

	Total 31.12.2021	Total 31.12.2020
1. Initial amount	**30,427**	**22,846**
2. Increases	**26,313**	**16,459**
2.1 Deferred tax liabilities recognised in the year	26,313	16,261
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	26,313	16,261
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	198
3. Decreases	**22,713**	**8,878**
3.1 Deferred tax liabilities derecognised in the year	22,713	8,878
a) reversals	22,713	7,316
b) due to changes in accounting criteria	-	-
c) other	-	1,562
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**34,027**	**30,427**

Caption 2.1 c) Increases "other" refers to the DTAs recognised on the valuation of investment securities for € 4.1 million; in addition, the accounting standards on properties IAS 16 and IAS 40 had an impact of € 22.2 million.
Caption 3.1 a) Decrease in "reversals" refers to the valuation of investment securities for € 12.4 million and the impact of the accounting standards on properties IAS 16 and IAS 40 for € 7.1 million.

10.7 Other information

Current tax assets

	31.12.2021	31.12.2020
IRAP advances	-	95
Surcharge advances	-	150
Other assets and withholdings	478,939	403,665
Gross current tax assets	**478,939**	**403,910**
Offset with current tax liabilities	90,951	1,244
Net current tax assets	**387,988**	**402,666**

Current tax liabilities

	31.12.2021	31.12.2020
Tax debt for IRES	92,037	375
Tax debt for IRAP	869	869
Gross current tax liabilities	**92,906**	**1,244**
Offset with current tax assets	90,951	-
Net current tax liabilities	**1,955**	**1,244**

Changes in gross current tax liabilities

	31.12.2021	31.12.2020
Balance at the end of the prior year	**1,244**	**2,747**
Decreases	**-**	**2,696**
- uses for payment of income taxes	-	1,485
- other decreases	-	1,211
Increases	**91,662**	**1,193**
- income taxes: parent company	53,808	-
- income taxes: members of domestic tax group	37,854	-
- other increases	-	1,193
Total gross current tax liabilities	**92,906**	**1,244**

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

	31.12.2021	31.12.2020
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	4,898	3,716
of which: arising from the enforcement of guarantees received	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**4,898**	**3,716**
of which measured at cost	-	3,716
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	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.)

	31.12.2021	31.12.2020
C. Liabilities associated with assets classified as held for sale		
C.1 Due to banks/customers	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
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	-	-
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	-	-

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

	31.12.2021	31.12.2020
Taxes withheld on interest, withholdings and tax credits on dividends, advance taxation	54,965	110,236
Sundry amounts to be charged to customers	220,951	71,656
Bank charges to be debited to customers or banks	90,749	72,571
Cheques being processed	45	19
Cheques drawn on other banks	112,510	89,109
Items relating to securities transactions	7,620	5,697
Leasehold improvement expenditure	12,279	5,581
Gold, silver and precious metals	7,257	1,517
Accrued income and prepaid expenses	5,429	8,567
Other items for sundry purposes	309,142	71,707
Credit for tax consolidation	59,519	7,670
Total	**880,466**	**444,330**

From the analysis carried out for the purposes of IFRS 15, no contract assets have been identified.
Caption "Other items for sundry purposes" includes € 268.1 million of tax credits acquired under the Relaunch Decree 34/2020.
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.
Despite the complexity of the regulatory scenario described, in light of 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 essentially remains exposed 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. In this case, it is exposed to the risk of making a loss (not due to counterparty risk, but because it would be impossible to recover all of the credits due to the rules on tax compensation) equal to the amount of the credit purchased and not offset.

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 31.12.2021				Total 31.12.2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Due to Central Banks	**18,116,683**	X	X	X	**16,873,779**	X	X	X
2. Due to banks	**10,238,700**	X	X	X	**7,221,318**	X	X	X
2.1 Current accounts and demand deposits	4,985,232	X	X	X	4,093,958	X	X	X
2.2 Time deposits	187,662	X	X	X	129,701	X	X	X
2.3 Loans	5,036,867	X	X	X	2,980,975	X	X	X
2.3.1 Repurchase agreements	4,949,868	X	X	X	2,866,239	X	X	X
2.3.2 Other	86,999	X	X	X	114,736	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	18,908	X	X	X	12,334	X	X	X
2.6 Other payables	10,031	X	X	X	4,350	X	X	X
Total	**28,355,383**	**-**	**-**	**28,355,383**	**24,095,097**	**-**	**-**	**24,095,097**

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 31.12.2021				Total 31.12.2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	79,937,861	X	X	X	43,860,126	X	X	X
2. Time deposits	71,365	X	X	X	118,496	X	X	X
3. Loans	3,186,687	X	X	X	2,011,525	X	X	X
3.1 Repurchase agreements	1,360,188	X	X	X	149,286	X	X	X
3.2 Other	1,826,499	X	X	X	1,862,239	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	333,285	X	X	X	270,044	X	X	X
6. Other liabilities	600,254	X	X	X	532,873	X	X	X
Total	**84,129,452**	**-**	**-**	**84,129,452**	**46,793,064**	**-**	**-**	**46,793,064**

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 31.12.2021				Total 31.12.2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	4,742,045	3,857,256	962,427	-	4,430,511	3,410,099	1,139,221	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	4,742,045	3,857,256	962,427	-	4,430,511	3,410,099	1,139,221	-
2. other securities	69,527	-	-	69,527	248,203	-	2,192	246,028
2.1 structured	-	-	-	-	2,175	-	2,192	-
2.2 other	69,527	-	-	69,527	246,028	-	-	246,028
Total	**4,811,572**	**3,857,256**	**962,427**	**69,527**	**4,678,714**	**3,410,099**	**1,141,413**	**246,028**

"Bonds" include € 926.4 million of subordinated loans, none of which 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 31.12.2021	Nominal value 31.12.2021	Book Value 31.12.2020	Nominal value 31.12.2020
BPER Banca Tier II subordinated non-convertible bond 4.60%, 2016-2026 callable	12,024	12,000	12,024	12,000
BPER Banca EMTN Tier II subordinated non-convertible bond 5.125%, 2017-2027 callable	513,665	500,000	513,490	500,000
BPER Banca EMTN Tier II subordinated non-convertible bond 3.625%, 2020-2030 callable	400,758	400,000	399,513	400,000
Cassa di Risparmio di Bra s.p.a. Lower Tier II subordinated bond fixed-rate, 2011-2021 with amortising nominal 7,000,000	-	-	1,416	1,400
Total non-convertible bonds	**926,447**	**912,000**	**926,443**	**913,400**
Total bonds	**926,447**	**912,000**	**926,443**	**913,400**

There are no convertible subordinated bonds outstanding at 31 December 2021 (as was the case in December 2020).

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 31.12.2021	Present value 31.12.2020
Up to 3 months	17,629	13,884
over 3 months up to 1 year	49,626	40,102
over 1 year up to 5 year	181,021	165,974
over 5 years	103,917	62,418
Total	**352,193**	**282,378**

Section 2 - Financial liabilities held for trading Caption 20

2.1 Financial liabilities held for trading: breakdown by product

Type of transaction/Amounts	Total 31.12.2021					Total 31.12.2020				
	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	-	-	-	-	-	-	-	-	-	-
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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives	X	153	107,678	23,587	X	X	9	173,915	8,445	X
1.1 Trading	X	153	85,872	23,587	X	X	9	155,499	8,445	X
1.2 Connected with the fair value option	X	-	21,456	-	X	X	-	18,333	-	X
1.3 Other	X	-	350	-	X	X	-	83	-	X
2. Credit derivatives	X	-	661	-	X	X	-	612	-	X
2.1 Trading	X	-	661	-	X	X	-	612	-	X
2.2 Connected with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**153**	**108,339**	**23,587**	**X**	**X**	**9**	**174,527**	**8,445**	**X**
Total (A+B)	**X**	**153**	**108,339**	**23,587**	**X**	**X**	**9**	**174,527**	**8,445**	**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:
NV = nominal or notional 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 this report.

2.3 Breakdown of "Financial liabilities held for trading": structured debts

There are no amounts to be disclosed in this report.

Section 3- Financial liabilities designated at fair value through profit or loss
Caption 30

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 31.12.2021			NV	Fair value 31.12.2020			NV
	L1	L2	L3	31.12.2021	L1	L2	L3	31.12.2020
A. Financial derivatives	**-**	**241,370**	**-**	**5,207,747**	**-**	**456,447**	**-**	**6,256,205**
1) Fair value	-	241,131	-	5,153,301	-	450,462	-	6,206,205
2) Cash flows	-	239	-	54,446	-	5,985	-	50,000
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**241,370**	**-**	**5,207,747**	**-**	**456,447**	**-**	**6,256,205**

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:
NV = Nominal value
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair Value							Cash flows		Foreign investments
	Specific						General	Specific	General	
	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	105,204	-	-	1,514	X	X	X	-	X	X
2. Financial assets measured at amortised cost	134,360	X	-	-	X	X	X	239	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	53	-	-	-	-	-	X	-	X	-
Total assets	**239,617**	**-**	**-**	**1,514**	**-**	**-**	**-**	**239**	**-**	**-**
1. Financial Liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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

There are no amounts to be disclosed in these Financial Statements.

Section 6 – Tax liabilities
Caption 60

Please refer to the information provided in section 10 of Assets.

Section 7 – Liabilities associated with assets classified as held for sale
Caption 70

Please refer to the information provided in section 11 of Assets.

Section 8 - Other liabilities Caption 80

8.1 Other liabilities: breakdown

	31.12.2021	31.12.2020
Amounts due to banks	17,096	11,140
Amounts due to customers	694,859	523,976
Net adjustments on collection of receivables for third parties	857,865	416,472
Staff emoluments and related social contributions	64,570	40,967
Amounts due to third parties for coupons, securities and dividends to be collected	51,911	5,319
Amounts due to the tax authorities on behalf of customers and personnel	221,023	127,116
Bank transfers for clearance	28,104	21,056
Advances for the purchase of securities	-	243
Due to suppliers	158,313	143,349
Third-party payments as surety for loans	137	132
Accrued expenses and deferred income	53,924	11,978
Other liabilities to third parties	297,701	173,033
Liabilities due to members of the tax group	29,845	25,782
Total	**2,475,348**	**1,500,563**

From the analysis carried out for the purposes of IFRS 15, a single type of contract liability has been identified, amounting to € 15.1 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

	31.12.2021	31.12.2020
A. Opening balance	**107,416**	**123,302**
B. Increases	**81,608**	**7,114**
B.1 Provisions for the year	22	417
B.2 Other increases	81,586	6,697
- of which: business combinations	78,239	-
C. Decreases	**14,914**	**23,000**
C.1 Benefits paid	8,625	21,141
C.2 Other decreases	6,289	1,859
D. Closing balance	**174,110**	**107,416**
Total	**174,110**	**107,416**

The caption "Other increases" (B.2) includes actuarial losses for € 2.8 million, in addition to the portion of termination indemnities acquired from the business combination of the business units of the Intesa Sanpaolo Group (€ 78.2 million).
The caption "Other decreases" (C.2) includes the portion of termination indemnities transferred to complementary pension funds (€ 6.3 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	31.12.2021	31.12.2020
A. Opening balance	**107,416**	**123,302**
B. Increases	**81,608**	**7,114**
1. Current service cost	-	-
2. Financial charges	22	417
3. Contribution to the plan by employees	-	-
4. Actuarial losses	2,833	997
5. Exchange differences	-	-
6. Past service cost	-	-
7. Other increases	78,753	5,700
C. Decreases	**14,914**	**23,000**
1. Benefits paid	8,625	21,141
2. Past service cost	-	-
3. Actuarial gains	-	-
4. Exchange differences	-	-
5. Curtailments	-	-
6. Settlement	-	-
7. Other decreases	6,289	1,859
D. Closing balance	**174,110**	**107,416**

The caption "Other increases" (B.7) includes the portion of termination indemnities acquired from the business combination of the business units of the Intesa Sanpaolo Group (€ 78.2 million).
The caption "Other decreases" (C.7) includes the portion of termination indemnities transferred to complementary pension funds (€ 6.3 million).

9.2.2 Description of the main actuarial assumptions

Main actuarial assumptions/Percentages	31.12.2021	31.12.2020
Discount rates	0.41%	0.02%
Expected increase in remuneration	n/a	n/a
Turnover	1.99%	1.99%
Inflation rate	1.75%	0.80%
Interest rate adopted for the calculation of interest cost	0.02%	0.36%

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 1.75% 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 Companys liability, a probability table for the release o f 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	31.12.2021	31.12.2020	31.12.2019	31.12.2018
1. Present value of provisions (+)	174,110	107,416	123,302	114,024
2. Fair value of assets servicing the plan (-)	-	-	-	-
3. Plan deficit (surplus) (+/-)	174,110	107,416	123,302	114,024
4. Adjustments to plan liabilities based on historical experience - actuarial (gains)/losses	2,833	997	5,076	247
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 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	31.12.2021	+50 bps	-50 bps
	DBO	DBO	DBO
discount rates	174,110	169,696	178,735
inflation rate	174,110	171,913	176,303

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 2021, as shown in the following table:

Employee termination indemnities	1st year	2nd year	3rd year	4th year	5th year
Future cash-flows	12,722	12,329	12,520	13,964	13,323

Section 10 – Provisions for risks and charges Caption 100

10.1 Provisions for risk and charges: breakdown

Description/Amounts	31.12.2021	31.12.2020
1. Impairment provisions for credit risk related to commitments and financial guarantees granted	46,882	33,229
2. Impairment provisions related to other commitments and guarantees granted	34,499	16,022
3. Provisions for pension and similar obligations	139,744	147,829
4. Other provisions for risk and charges	450,692	257,106
4.1 legal and fiscal disputes	133,504	112,693
4.2 personnel charges	288,202	122,234
4.3 other	28,986	22,179
Total	**671,817**	**454,186**

10.2 Provisions for risks and charges: annual changes

	Impairment provisions related to other commitments and guarantees granted	Provisions pension and similar obbligations	Other provisions for risk and charges	Total
A. Opening balance	**16,022**	**147,829**	**257,106**	**420,957**
B. Increases	**22,171**	**370**	**299,545**	**322,086**
B.1 Provisions for the year	14,868	-	228,897	243,765
B.2 Time value changes	-	370	89	459
B.3 Changes due to discount-rate adjustments	-	-	3,154	3,154
B.4 Other increases	7,303	-	67,405	74,708
- of which: business combinations	7,303	-	64,364	71,667
C. Decreases	**3,694**	**8,455**	**105,959**	**118,108**
C.1 Use during the year	3,694	6,754	75,439	85,887
C.2 Changes due to discount rate adjustments	-	658	-	658
C.3 Other decreases	-	1,043	30,520	31,563
D. Closing balance	**34,499**	**139,744**	**450,692**	**624,935**

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 caption "Provisions for the year", referring to "Other provisions for risks and charges", includes provisions for leaving incentives and the solidarity fund for a total of € 148.4 million; the agreement with the Trade Unions was entered into on 28 December 2021.
The caption "Other increases" refers to liabilities acquired with the business combination of the business units from the Intesa Sanpaolo 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 and/or originated credit impaired	Total
1. Commitments to disburse funds	10,368	2,711	-	-	13,079
2. Financial guarantees granted	1,916	1,734	30,153	-	33,803
Total	**12,284**	**4,445**	**30,153**	**-**	**46,882**

10.4 Provisions for other commitments and other guarantees granted

This section does not show significance requirements.

10.5 Provisions for pension with defined-benefits

10.5.1. Features of provisions and related risks

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 Italys Circular 262/2005.

10.5.2 Changes in the year of net liabilities (assets) with defined-benefits and redemption rights

Description/Amounts	31.12.2021	31.12.2020
Opening balance	**147,829**	**159,720**
A. Increases	**370**	**2,538**
1. Current service cost	-	-
2. Financial charges	370	1,132
3. Contribution to the plan by employees	-	-
4. Actuarial losses	-	-
5. Exchange differences	-	-
6. Past service cost	-	-
7. Other increases	-	1,406
B. Decreases	**8,455**	**14,429**
1. Benefits paid	6,754	6,788
2. Pension cost of prior work	-	-
3. Actuarial gains	658	7,627
4. Exchange differences	-	-
5. Curtailments	-	-
6. Settlement	-	-
7. Other decreases	1,043	14
Closing balance	**139,744**	**147,829**

Actuarial gains are determined by gains from experience due to the change in the fund's collective members following the adhesion by many to the staff retirement plan (€ 2.1 million), and by losses from changes in financial assumptions (€ 1.4 million) primarily due to the increasing rate of inflation.

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	31.12.2021	31.12.2020
Discount rates	0.82%	0.27%
Expected increase in remuneration	n/a	n/a
Turn Over	n/a	n/a
Inflation rate	1.75%	0.80%
Interest rate adopted for the calculation of interest cost	0.26%	0.72%

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 was used;
- Inflation rate: a fixed rate of 0.8% was used
- Net 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	31.12.2021	+50 bps	-50 bps
	DBO	DBO	DBO
Fund Section A	139,759	131,469	148,939

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 2021, as shown in the following table:

Funds	1st year	2nd year	3rd year	4th year	5th year
Fund Section A	7,426	7,308	7,180	7,045	6,902

10.5.6 Multi-employer plans

At 31 December 2021 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 2021 there were no plans of this type.

10.6 Provisions for risks and charges - other provisions

10.6.1 Legal disputes

	31.12.2021	31.12.2020
A. Opening balance	**112,693**	**122,422**
B. Increases	55,470	29,671
Provisions for the year	36,181	18,839
Other increases	19,289	10,832
C. Decreases	34,659	39,400
Other decreases	20,012	24,701
Uses for the year	14,647	14,699
D. Closing balance	**133,504**	**112,693**

Provisions for legal and tax disputes amounted to Euro 131.3 million and Euro 3.2 million respectively.
As regards the provisions set aside for legal disputes, these are mainly to do with relationships with customers arising in the context of banking services (the main types of dispute include compound interest rates, usury, application of the conditions, clawback actions and tax litigation).
In relation to existing disputes for which no provision has been made, an update of the main risk situations is presented below.

- BPER Banca (former Cassa di Risparmio dell'Aquila) - Investigation into what the media have labelled the "Truffa dei Parioli"

As regards what the media have labelled the "Truffa dei Parioli", in the civil case brought by the alleged victims, the Bank is defended by a special team of lawyers formed and coordinated by Prof. Francesco Astone of Rome. At present, there are 18 judgements in first instance pending before the Court of Rome, while for other 59 judgements the sentence has already been issued. With the first ruling, in chronological order, BPER Banca was sentenced to pay limited damages of Euro 16 thousand. Against this decision, the reasons for which appear to be groundless, an appeal was filed by the Bank to have it reversed. The Rome Court of Appeal, in its ruling on this case, upheld the appeal filed by the Bank in 2021, reversing the unfavourable first instance sentence. The additional rulings have all rejected the applications with, in some cases, the plaintiffs being required to pay the litigation expenses incurred by the Bank. The respective plaintiffs have appealed to the Civil Court of Appeal of Rome against 23 rulings that were in favour of the Bank. In this regard, it should be noted that the Rome Court of Appeal has already sentenced in favour of the Bank on three of the appeals, completely rejecting the claims of other party and confirming the orientation taken by the Judge of first instance who maintained that BPER Banca was not liable for the claims made by investors who felt they had been defrauded.

- 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 - fiscal year 2012

The dispute, currently pending in the appeal stage, concerns, , the alleged omitted taxation, for IRAP purposes, of the proceeds from fast-track credit facility fees and rental income (principle of matching costs and revenues: Article 6 of Legislative Decree 446/97) and transfer pricing on interest expense.
Overall, the tax claim amounts to Euro 600 thousand, of which Euro 374 thousand in higher tax amounts due and Euro 226 thousand worth of fines. The Provincial Tax Commission, in a ruling dated 3 July 2019, rejected the Banks appeal; the appeal still awaits a date to be set for the hearing. In the interim, pending judgment the payments were made.
As a result of the review carried out by an external lawyer, the tax risk for the Bank pursuant to IAS 37, hitherto classified as remote, may currently be defined as "probable", in consideration of the Court of Cassation ruling which considered "manifestly unfounded the question of constitutional legitimacy of Article 1, paragraph 281, of law No. 147 of 2013, which extended the application of the "transfer pricing" rules to tax periods prior to its entry into force, qualifying as a rule of authentic interpretation that allowed the application of the provisions referred to in Article 110, paragraph 7 of the Consolidated Income Tax Law (TUIR), for the tax period from 2008 onwards".

As regards the finding on the fast-track credit facility fees, it should be noted that the first instance judgement had an unfavourable outcome.
In light of the foregoing, Euro 554 thousand was provisioned (the Bank, pending the appeal, acquiesced to a finding).

- BPER Banca: subsidised loans "Abruzzo earthquake" - fiscal years 2010-2011-2012

The dispute concerns the reclassification for tax purposes, in the three-year period 2010-2012, of the subsidised non-repayable loans granted for the reconstruction and purchase of properties used as a main residence which were damaged by the earthquake of April 6, 2009, provided for by Legislative Decree No. 39/2009, converted into law with amendments by Article 1, paragraph 1 of Law 77/2009 (so-called "earthquake loans").
The appeal brought before the Abruzzo Regional Tax Commission aimed at challenging the unfavourable first degree sentences had a negative outcome. The Bank therefore filed an appeal with the Court of Cassation, which is still pending. At the date of drawing up the present financial statements, the provisions for risks and charges amounted to Euro 1.4 million.

10.6.2 Personnel charges

Description/Amounts	Other personnel provisions	
	31.12.2021	31.12.2020
Opening balance	**122,234**	**159,865**
Change in opening balances	-	-
A. Increases	**229,951**	**22,750**
1. Current service cost	181,487	16,903
2. Financial charges	89	131
3. Contribution to the plan by employees	-	-
4. Actuarial losses	3,157	1,050
5. Exchange differences	-	-
6. Past service cost	-	-
7. Other increases	45,218	4,666
B. Decreases	**63,983**	**60,381**
1. Benefits paid	58,317	59,202
2. Pension cost of prior work	-	-
3. Actuarial gains	-	-
4. Exchange differences	-	-
5. Curtailments	-	-
6. Settlement	-	-
7. Other decreases	5,666	1,179
Closing balance	**288,202**	**122,234**

The caption "Current service cost" includes provisions for leaving incentives and the Solidarity Fund for a total of € 148.4 million; the agreement with the trade unions was reached on 28 December 2021.
The "Actuarial losses" relate to the "25-year Service Award", € 1.3 million, the "Special long-service payment on termination", € 1.4 million, the "Provision for additional death cover", € 0.4 million and the "Special one-time long-service payment on termination", € 0.1 million.
The caption "Other increases" includes the provisions for personnel deriving from the business combination with the Intesa Sanpaolo Group (€ 39.6 million, mainly regarding provisions to the Solidarity Fund).

10.6.3 Other provisions

Captions	31.12.2021		31.12.2020	
	Other provisions	Provision for charitable donations	Other provisions	Provision for charitable donations
A. Opening balance	**22,161**	**18**	**32,431**	**58**
B. Provisions	14,125	-	1,713	-
C. Uses	(7,318)	-	(11,983)	(40)
D. Closing balance	**28,968**	**18**	**22,161**	**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 2021, the share capital amounts to Euro 2,100,435 thousand, corresponding to 1,413,263,512 ordinary shares fully paid-up and with no par value; of these, 2,176,328 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 (-)	(455,458)	-
A.2 Shares outstanding: opening balance	**1,412,808,054**	**-**
B. Increases	**"196,483**	**-**
B.1 New issues	-	-
- against payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- for free:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sales of treasury shares	196,483	-
B.3 Other increases	-	-
C. Decreases	**1,917,353**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	1,917,353	-
C.3 Business disposal transactions	-	-
C.4 Other decreases	-	-
D. Shares outstanding: closing balance	**1,411,087,184**	**-**
D.1 Treasury shares (+)	2,176,328	-
D.2 Final number of shares	1,413,263,512	-
- fully paid-in	1,413,263,512	-
- not fully paid-in	-	-

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: i. the buy-back programme functional for the free-of-charge allocation of BPER Banca ordinary shares to the employees of the Group as part of the "2019-2021 Long-Term Incentive (LTI) Plan for Material Risk Takers", ii. the 2021 MBO incentive plan and iii. any severance payments due.
Further information about these 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 2,176,328 treasury shares.

12.4 Reserves from profits: other information

Nature and description of shareholders equity		Amount	(1) portion available for:		
			Cover losses	Increase in share capital	Allocation
Share capital		**2,100,435**			
Share capital reserves:		**1,722,894**	**1,873,086**	**1,873,086**	**1,873,086**
share premium		1,240,428	1,240,428	1,240,428	1,240,428
other reserves		482,466	632,658	632,658	632,658
- differences of shareholders equity		(25,377)	-	-	-
- surplus/deficit from mergers		521,446	602,658	602,658	602,658
- reserve for reserved share capital increase		(43,612)	-	-	-
reserve for call option premium on AT1 equity instruments		30,000	30,000	30,000	30,000
- reserve art. 55 Decree 917/86		9	-	-	-
Reserves from profits:		**1,893,124**	**2,671,253**	**2,332,155**	**2,326,293**
ordinary / legal reserve		325,720	325,720	-	-
other reserves		1,567,404	2,345,533	2,332,155	2,326,293
- extraordinary reserve		1,979,935	1,979,935	1,979,935	1,979,935
- reserve for other risks		1,808	1,808	1,808	1,808
- taxed reserve (Law 823/73)		2,872	2,872	2,872	2,872
- concentration reserve (art. 6 Law 461/1998)		45,711	45,711	45,711	45,711
- concentration reserve Law 218/1990 (Amato)		1,207	1,207	1,207	1,207
- concentration reserve (Decree 124/93)	(2)	963	963	963	-
- reserve of dividends on treasury shares in portfolio		9,524	9,524	9,524	9,524
- non-allocatable reserve - gains from FV or SE	(3)	17,549	17,549	-	-
- reserve from gains on FVO securities - available portion		234,572	234,572	234,572	234,572
- 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	-	-	-
- FTA reserves		35,733	35,733	35,733	35,733
- IAS profit (loss) for 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		(6,196)	-	-	-
- reserve for Stock Option plan		4,171	-	4,171	-
- interest on AT1 equity instruments		(25,159)	-	-	-
- other reserves	(4)	(5,930)	-	-	-
Valuation reserves:		**(11,327)**	**-**	**-**	**-**
- valuation reserves of financial assets measured at fair value through other comprehensive income		82,252	-	-	-
- hedging of equity instruments designated at fair value through other comprehensive income		(1,299)	-	-	-
- fair value valuation reserve for property, plant and equipment		41,111	-	-	-
- reserve for cash flow hedges		(1,258)	-	-	-
- reserve for actuarial gains (losses)		(132,187)	-	-	-
- reserve for revaluations		54	-	-	-
Treasury shares		**(9,546)**	**-**	**-**	**-**
Equity instruments		**150,000**	**-**	**-**	**-**
Total shareholders' equity		**5,845,580**	**4,544,339**	**4,205,241**	**4,199,379**

(1) There have been no utilisations in the past 3 years.
(2) The tax-deferred reserves are not available for distribution.
(3) 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.
(4) 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 and the deferred tax assets recorded on the impact of the FTA of 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	Eur	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

	Nominal value on commitments and financial guarantees granted				Total 31.12.2021	Total 31.12.2020
	Stage 1	Stage 2	Stage 3	Purchased and originated credit impaired		
1. Commitments to disburse funds	**27,951,102**	**1,622,069**	**221,634**	**-**	**29,794,805**	**18,362,594**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	859,784	40,719	37,280	-	937,783	481,046
c) Banks	1,175,775	-	-	-	1,175,775	1,130,239
d) Other financial companies	2,478,633	30,426	24,968	-	2,534,027	2,181,422
e) Non-financial companies	21,702,191	1,382,139	152,459	-	23,236,789	13,583,205
f) Households	1,734,719	168,785	6,927	-	1,910,431	986,682
2. Financial guarantees granted	**653,772**	**49,666**	**39,467**	**-**	**742,905**	**1,066,049**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	1,186	-	-	-	1,186	249
c) Banks	344	-	-	-	344	342
d) Other financial companies	299,674	83	71	-	299,828	309,571
e) Non-financial companies	311,090	45,623	37,658	-	394,371	719,006
f) Households	41,478	3,960	1,738	-	47,176	36,881

2. Other commitments and other guarantees granted

	Nominal value	
	31.12.2021	31.12.2020
Other guarantees granted	**4,443,145**	**2,288,672**
of which: non-performing	73,000	57,440
a) Central Banks	-	-
b) Public Administrations	16,183	1,711
c) Banks	227,845	184,006
d) Other financial companies	94,503	62,053
e) Non-financial companies	3,975,079	1,948,880
f) Households	129,535	92,022
Other commitments	**17,400**	**7,000**
of which: non-performing	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	17,400	7,000
f) Households	-	-

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount 31.12.2021	Amount 31.12.2020
1. Financial assets measured at fair value through profit or loss	124,430	203,521
2. Financial assets measured at fair value through other comprehensive income	3,832,352	3,929,470
3. Financial assets measured at amortised cost	28,986,269	25,419,786
4. Property, plant and equipment	-	-
of which: inventories of property, plant and equipment	-	-

Type of assets pledged as collateral of own liabilities and commitments

	31.12.2021	31.12.2020
1. Assets sold as part of Covered Bonds operations	2,128,880	2,276,065
2. Securities and deposits pledged as collateral for derivative transactions	841,939	932,487
3. Securities pledged as collateral for securitisations	307,736	718,859
4. Securities pledged as collateral for treasury transactions	9,785,687	10,051,448
5. Loans pledged as collateral for treasury transactions	12,945,270	11,723,771
6. Securities guaranteeing the issue of bankers' drafts	-	-
7. Securities and deposits pledged as collateral for repurchase agreements	6,359,442	3,033,908
8. Loans pledged as collateral for the related funding	88,596	244,989
9. Securities pledged as collateral for the subsidised loans funding	485,500	571,250

The amounts indicated in point 5 "Loans pledged as collateral for treasury transactions" include, in addition to A.BA.CO operations, € 8,367,839 thousand relating to mortgage loans sold as part of covered bond issues.
Operationally, the instruments provided as collateral are represented by the Senior Notes originated by the transactions.

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. Custody and administration of securities	**213,151,522**
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	90,672,775
1. securities issued by the Bank preparing the financial statements	2,884,247
2. other securities	87,788,528
c) third party securities deposited with third parties	89,609,352
d) own portfolio securities deposited with third parties	32,869,395
4. Other transactions	**20,006,828**

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) 31.12.2021	Net amount (f=c-d-e) 31.12.2020
					Financial instruments (d)	Cash deposit pledged as collateral (e)		
1. Derivatives		261,671	-	261,671	230,540	1,000	**30,131**	**34,178**
2. Repurchase agreements		1,866,983	-	1,866,983	1,866,983	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-
Total	31.12.2021	2,128,654	-	2,128,654	2,097,523	1,000	30,131	X
Total	31.12.2020	1,646,056	-	1,646,056	1,610,627	1,251	X	34,178

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 amounts in question do not meet the requirements of paragraph 42 of IAS 32.
The gross amounts (a) shown in the table relating to Derivatives are recorded under caption 20 a) “Financial assets measured at fair value through profit or loss - Financial assets held for trading” for € 83,563 thousand and under caption 50 “Hedging derivatives” for € 178,108 thousand;
the related financial instruments (d) consist of opposite sign 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 10 b) “Due to customers”.
The gross amounts (a) shown in the table relating to repurchase agreement transactions are recorded under caption 40 a) “Financial assets measured at amortised cost - Loans to banks” for an amount of € 1,795,681 thousand and caption 40 b) “Financial assets measured at amortised cost - Loans to customers” for an amount of € 71,302 thousand. The related financial instruments (d) represent the value of the securities pertaining to the transactions, whereas cash deposits received (e) are recorded under caption 10 a) "Due to banks" and 10 b) "Due to customers".

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) 31.12.2021	Net amount (f=c-d-e) 31.12.2020
					Financial instruments (d)	Cash deposit pledged as collateral (e)		
1. Derivatives		314,441	-	314,441	230,540	80,150	**3,751**	**4,893**
2. Repurchase agreements		6,310,056	-	6,310,056	6,268,380	20,352	**21,324**	**2,514**
3. Securities lending		-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-
Total	**31.12.2021**	**6,624,497**	**-**	**6,624,497**	**6,498,920**	**100,502**	**25,075**	**X**
Total	**31.12.2020**	**3,633,861**	**-**	**3,633,861**	**3,124,461**	**501,993**	**X**	**7,407**

None of the amounts shown has been offset in the financial statements as the amounts in question do not meet the requirements of paragraph 42 of IAS 32.
The amount shown in column (a) relates to derivatives recognised under item 20 "Financial liabilities held for trading", totalling EUR 82,744 thousand, and item 40 "Hedging derivatives", in the amount of € 231,697 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".
The gross amounts (a) shown in the table relating to repurchase agreement transactions are recorded under caption 10 a) "Due to banks" for an amount of € 4,949,868 thousand and under caption 10 b) "Due to customers" for an amount of € 1,360,188 thousand;
the related financial instruments (d) represent the value of the securities pertaining to the transactions, whereas cash deposits made (e) are recorded under caption 40 a) Loans to banks and 40 b) Loans to customers.

7. Securities lending transactions

Type of lender/ Use	As collateral of own financing operations	Sold	Subject to repurchase agreements	Other	31.12.2021
a) Banks	828,068	-	-	-	**828,068**
b) Public Entities		-	-	-	-
c) Non-financial companies		-	-	-	-
d) Financial companies	1,142,473	-	-	-	**1,142,473**
e) Insurance companies		-	-	-	-
f) Other	-	-	-	-	-
Total	**1,970,541**	**-**	**-**	**-**	**1,970,541**

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 31.12.2021	Total 31.12.2020
1. Financial assets measured at fair value through profit or loss:	**7,366**	**400**	**-**	**7,766**	**8,081**
1.1 Financial assets held for trading	2,036	-	-	2,036	1,738
1.2 Financial assets designated at fair value	3,413	-	-	3,413	3,307
1.3 Other financial assets mandatorily measured at fair value	1,917	400	-	2,317	3,036
2. Financial assets measured at fair value through other comprehensive income	**31,434**	**-**	**X**	**31,434**	**52,484**
3. Financial assets measured at amortised cost:	**100,837**	**1,136,117**	**X**	**1,236,954**	**961,221**
3.1 Loans to banks	22,588	9,114	X	31,702	33,221
3.2 Loans to customers	78,249	1,127,003	X	1,205,252	928,000
4. Hedging derivatives	**X**	**X**	**(40,605)**	**(40,605)**	**(31,588)**
5. Other assets	**X**	**X**	**1,454**	**1,454**	**431**
6. Financial Liabilities	**X**	**X**	**X**	**188,204**	**106,334**
Total	**139,637**	**1,136,517**	**(39,151)**	**1,425,207**	**1,096,963**
of which: interest income on impaired financial assets	1	66,574	-	66,575	71,397
of which: interest income on finance lease	X	181	X	181	165

Caption "6. Financial liabilities" includes the benefit deriving from the application of negative rates to the funds obtained from the ECB under the TLTRO III programme, € 182.5 million. The latter component reflects the accrued interest calculated by applying the rate set by the ECB at -1%, i.e. equal to the prevailing rate of the main refinancing operations during the respective TLTRO-III, to which a further reduction of 50 bps was applied, as the Bank has achieved the objectives set as of 31 December 2021 in terms of new eligible loans (or "lending performance").

1.2 Interest and similar income: other information

1.2.1 Interest income on foreign currency financial assets

Captions	31.12.2021	31.12.2020
Interest income on foreign currency financial assets	(8,111)	(4,082)

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 31.12.2021	Total 31.12.2020
1. Financial liabilities measured at amortised cost	94,233	80,468	X	174,701	184,824
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	13,488	X	X	13,488	23,792
1.3 Due to customers	80,745	X	X	80,745	78,689
1.4 Debt securities issued	X	80,468	X	80,468	82,343
2. Financial liabilities held for trading	4	-	1,853	1,857	1,607
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	(2,456)	(2,456)	(6,156)
6. Financial assets	X	X	X	83,816	15,175
Total	**94,237**	**80,468**	**(603)**	**257,918**	**195,450**
of which: interest expense on lease liabilities	4,185	X	X	4,185	2,435

Caption "6. Financial assets" includes the interest calculated by applying negative interest rates on the excess liquidity deposited with the ECB for € 74.6 million.

1.4. Interest and similar expense: other information

1.4.1 Interest expense on foreign currency liabilities

Captions	31.12.2021	31.12.2020
Interest expense on foreign currency liabilities	6,403	14,950

1.5 Spreads on hedging transactions

Captions	Total 31.12.2021	Total 31.12.2020
A. Positive spreads on hedging transactions	79,148	56,784
B. Negative spreads on hedging transactions	(117,297)	(82,216)
C. Balance (A-B)	**(38,149)**	**(25,432)**

Section 2 – Commissions Captions 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	Total 31.12.2021	Total 31.12.2020
a) Financial instruments	339,992	201,191
1. Placement of securities	289,055	159,227
1.1 Through underwriting and/or on a firm commitment basis	-	-
1.2 Without a firm commitment basis	289,055	159,227
2. Reception and transmission of orders and execution of orders on behalf of customers	16,492	12,059
2.1 Reception and transmission of orders for one or more financial instruments	-	-
2.2. Execution of orders on behalf of customers	16,492	12,059
3. Other commission income related to activities connected to financial instruments	34,445	29,905
of which: dealing on own account	-	4
of which: portfolio management	34,444	29,901
b) Corporate Finance	1,946	1,845
1. Mergers and acquisitions advisory	94	549
2. Treasury services	-	-
3. Other commission income related to corporate finance services	1,852	1,296
c) Investment advice	845	429
d) Clearing and settlement	-	-
e) Custody and administration	38,318	35,771
1. Depositary bank	-	-
2. Other commission income related to custody and administration services	38,318	35,771
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary services	-	-
h) Payment services	469,004	291,297
1. Current accounts	256,044	157,683
2. Credit cards	-	-
3. Debit cards and other payment cards	82,582	47,279
4. Bank transfers and other payment orders	76,712	46,357
5. Other commission income related to payment services	53,666	39,978
j) Distribution of third-party services	232,386	100,555
1. Collective portfolio management	3,711	2,307
2. Insurance products	149,006	62,359
3. Other products	79,669	35,889
of which: individual portfolio management	9,426	-
j) Structured finance	7,408	2,652
k) Securitisation servicing	96	66
l) Commitments to disburse funds	-	-
m) Financial guarantees granted	39,651	28,300
of which: credit derivatives	-	-
n) Financing transactions	168,815	124,037
of which: factoring transactions	-	-
o) Currency dealing	11,242	6,901
p) Commodities	-	-
q) Other commission income	42,845	23,990
of which: management of multilateral trading facilities	-	-
of which: management of organised trading facilities	-	-
Total	**1,352,548**	**817,034**

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 the Bank of Italys Circular 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 banks 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

Type of service/Amounts	Total 31.12.2021	Total 31.12.2020
a) at own branches:	**555,885**	**289,683**
1. portfolio management	34,444	29,901
2. securities placement	289,055	159,227
3. third party services and products	232,386	100,555
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 31.12.2021	Total 31.12.2020
a) Financial instruments	15,990	13,239
of which: trading in financial instruments	1,875	1,151
of which: placement of financial instruments	1,315	917
of which: individual portfolio management	12,800	11,171
- Own portfolios	-	-
- Third party portfolios	12,800	11,171
b) Clearing and settlement	-	-
c) Custody and administration	4,940	4,089
d) Collection and payment services	43,976	22,523
of which: credit cards, debit cards and other payment cards	37,556	17,732
e) Securitisation servicing	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	3,323	2,591
of which: credit derivatives	-	-
h) “Out-of-branch” offer of financial instruments, products and services	9,506	9,245
i) Currency dealing	-	4
j) Other commission expense	14,890	11,044
Total	**92,625**	**62,735**

Section 3 – Dividends and similar income Caption 70

3.1 Dividends and similar income: breakdown

Captions/Income	Total 31.12.2021		Total 31.12.2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	2,261	1	462	-
B. Other financial assets mandatorily measured at fair value	88	5,730	935	5,348
C. Financial assets measured at fair value through other comprehensive income	11,892	-	11,620	-
D. Equity investments	40,229	-	6,280	-
Total	**54,470**	**5,731**	**19,297**	**5,348**

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	**17,616**	**7,602**	**(4,351)**	**(3,061)**	**17,806**
1.1 Debt securities	4,436	2,426	(2,012)	(2,289)	2,561
1.2 Equity instruments	13,180	5,146	(2,326)	(772)	15,228
1.3 UCITS units	-	30	(13)	-	17
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	**65,018**
4. Derivative instruments	**116,077**	**130,510**	**(109,647)**	**(102,150)**	**(17,205)**
4.1 Financial derivatives:	116,077	130,421	(109,615)	(101,660)	(16,772)
- on debt securities and interest rates	115,730	126,964	(108,239)	(88,595)	45,860
- on equities and stock indexes	347	981	(1,376)	(10,704)	(10,752)
- on currency and gold	X	X	X	X	(51,995)
- other	-	2,476	-	(2,361)	115
4.2 Credit derivatives	-	89	(32)	(490)	(433)
of which: natural hedges connected with the fair value option	X	X	X	X	-
Total	**133,693**	**138,112**	**(113,998)**	**(105,211)**	**65,619**

Section 5 – Net income from hedging activities Caption 90

5.1 Net income from hedging activities: breakdown

Income items/Amounts	Total 31.12.2021	Total 31.12.2020
A. Income from:		
A.1 Fair value hedging derivatives	323,965	20,204
A.2 Hedged financial assets (fair value)	1,421	214,279
A.3 Hedged financial liabilities (fair value)	14,523	825
A.4 Cash-flow hedging derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging activity (A)	**339,909**	**235,308**
B. Charges from:		
B.1 Fair value hedges	15,726	218,482
B.2 Hedged financial assets (fair value)	326,438	754
B.3 Hedged financial liabilities (fair value)	-	16,649
B.4 Cash-flow hedging derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedging activity (B)	**342,164**	**235,885**
C. Net income from hedging activities (A-B)	**(2,255)**	**(577)**
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 31.12.2021			Total 31.12.2020		
	Gains	Losses	Net result	Gains	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	96,311	(29,870)	66,441	132,268	(24,191)	108,077
1.1 Loans to banks	-	(147)	(147)	6,398	(1)	6,397
1.2 Loans to customers	96,311	(29,723)	66,588	125,870	(24,190)	101,680
2. Financial assets measured at fair value through other comprehensive income	15,474	(76)	15,398	9,233	(313)	8,920
2.1 Debt securities	15,474	(76)	15,398	9,233	(313)	8,920
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**111,785**	**(29,946)**	**81,839**	**141,501**	**(24,504)**	**116,997**
Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities issued	2	(469)	(467)	1,425	(1,109)	316
Total liabilities (B)	**2**	**(469)**	**(467)**	**1,425**	**(1,109)**	**316**

The net result from "Financial assets measured at amortised cost" relating to customers includes the net profit on the sale of debt securities, € 79 million, and net losses on the disposal of loans, € 12.4 million.
The gains realised on the FVOCI portfolio mainly relate to the disposal of debt securities classified in the HTC&S portfolio.

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	**1,650**	**-**	**(74)**	**-**	**1,576**
1.1 Debt securities	1,650	-	(74)	-	1,576
1.2 Loans	-	-	-	-	-
2. Financial Liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities issued	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	X	X	X	X	-
Total	**1,650**	**-**	**(74)**	**-**	**1,576**

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	**21,476**	**47,718**	**(41,164)**	**(888)**	**27,142**
1.1 Debt securities	3,239	2,879	(4,767)	(541)	810
1.2 Equity instruments	3,425	39,889	-	(203)	43,111
1.3 UCITS units	14,812	4,950	(36,397)	(144)	(16,779)
1.4 Loans	-	-	-	-	-
2. Foreign currency financial assets: exchange differences	X	X	X	X	705
Total	**21,476**	**47,718**	**(41,164)**	**(888)**	**27,847**

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	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					31.12.2021	31.12.2020
A. Loans to banks	**(1,527)**	**(3)**	**-**	**-**	**-**	**-**	**3,237**	**-**	**-**	**-**	**1,707**	**(5,650)**
- Loans	(1,280)	(3)	-	-	-	-	2,280	-	-	-	997	(4,947)
- Debt securities	(247)	-	-	-	-	-	957	-	-	-	710	(703)
B. Loans to customers	**(72,228)**	**(115,088)**	**(48,560)**	**(507,135)**	**(3,801)**	**(154,539)**	**752**	**-**	**210,686**	**44,209**	**(645,704)**	**(437,783)**
- Loans	(71,243)	(115,088)	(48,560)	(507,135)	(3,801)	(154,539)	1	-	210,686	44,209	(645,470)	(436,240)
- Debt securities	(985)	-	-	-	-	-	751	-	-	-	(234)	(1,543)
Total	**(73,755)**	**(115,091)**	**(48,560)**	**(507,135)**	**(3,801)**	**(154,539)**	**3,989**	**-**	**210,686**	**44,209**	**(643,997)**	**(443,433)**

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	Total
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired			
			Write-offs	Other	Write-offs	Other	31.12.2021	31.12.2020
1. Loans subject to forbearance measures compliant with GL	(387)	(1,887)	-	(75)	-	(320)	**(2,669)**	**(14,719)**
2. Loans subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	(1,096)	(799)	-	(1,410)	-	(107)	**(3,412)**	**(168)**
3. Loans subject to other forbearance measures	-	(13,793)	-	(8,118)	-	(1,456)	**(23,367)**	**151**
4. New loans	(753)	(2,673)	-	(981)	-	(280)	**(4,687)**	**(2,570)**
Total 31.12.2021	**(2,236)**	**(19,152)**	**-**	**(10,584)**	**-**	**(2,163)**	**(34,135)**	**(17,306)**
Total 31.12.2020	**300**	**(9,715)**	**-**	**(7,178)**	**-**	**(713)**	**(17,306)**	**-**

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					31.12.2021	31.12.2020
A. Debt securities	-	-	-	-	-	-	2,107	-	-	-	2,107	(348)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	2,107	-	-	-	2,107	(348)

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 forborne 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” qualified for BPER Banca.
The impact calculated on this perimeter is added to the impairment losses envisaged by the Bank in application of its own policies for the assessment of performing and non-performing loans and adds, for the two types of exposures, to Euro 308 thousand and Euro 1,854 thousand respectively.

Section 10 – Administrative expenses Caption 160

10.1 Staff costs: breakdown

Type of costs/Amounts	Total 31.12.2021	Total 31.12.2020
1) Employees	**1,216,091**	**732,626**
a) wages and salaries:	777,441	532,534
b) social security charges	202,378	140,175
c) termination indemnities	42,882	30,779
d) pension expenses	-	-
e) provision for employee termination indemnities	22	417
f) provision for pension and similar commitments:	368	1,111
- defined contribution plan	-	-
- defined benefit plans	368	1,111
g) payments to external supplementary pension funds:	22,901	15,322
- defined contribution plan	22,901	15,322
- defined benefit plans	-	-
h) costs from share-based payments	3,025	(280)
i) other employee benefits	167,074	12,568
2) Other not-retired employees	**32,831**	**6,077**
3) Directors and Statutory Auditors	**4,749**	**4,507**
4) Retired employees	**65**	**86**
5) Recovery of costs for employees seconded to other companies	**(15,733)**	**(14,821)**
6) Refund of costs for third-party employees seconded to the company	**20,748**	**23,289**
Total	**1,258,751**	**751,764**

The caption “Other employee benefits” includes provisions for leaving incentives and the solidarity fund for a total of € 148.4 million, as a result of the agreement entered into with the Trade Unions on 28 December 2021. This estimate was made by taking into account the pool of potential participants, quantified on the basis of Ecocert pension data collected for prior schemes, and applying an average opt-in percentage, likewise inferred from previous similar schemes.

10.2 Average number of employees by category

	31.12.2021	31.12.2020
Employees:	**14,020**	**10,056**
a) Managers	198	175
b) Middle managers	5,124	3,500
c) Remaining employees	8,698	6,381
Other personnel	**599**	**95**

10.2 bis Final number of employees by category

	31.12.2021	31.12.2020
Employees:	**15,326**	**10,355**
a) Managers	242	193
b) Total 3rd and 4th level middle managers	2,140	1,419
c) Total 1st and 2nd level middle managers	3,525	2,104
d) Remaining employees	9,419	6,639
Other personnel	**474**	**147**

The number of employees does not include staff on leave.

10.3 Defined benefit company pension funds: costs and revenues

Type of costs/Amounts	31.12.2021	31.12.2020
Provisions for defined-benefit pension plans	368	1,111

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	31.12.2021	31.12.2020
Other employee benefits	167,074	12,568

The caption "Other employee benefits" at 31 December 2021 mainly includes provisions for leaving incentives and the solidarity fund for a total of € 148.4 million, as a result of the agreement entered into with the Trade Unions on 28 December 2021, in addition to insurance premiums to cover the professional liability of staff.

10.5 Other administrative expenses: breakdown

Captions	31.12.2021	31.12.2020
Indirect taxes and duties	**225,234**	**119,734**
Stamp duty	188,582	104,411
Other indirect taxes with right of recourse	12,084	7,135
Municipal property tax	8,951	4,621
Other	15,617	3,567
Other costs	**647,485**	**455,278**
Maintenance and repairs	107,092	66,398
Rental expense	24,902	19,257
Post office, telephone and telegraph	14,851	11,261
Data transmission fees and use of databases	51,768	37,776
Advertising	27,673	15,506
Consulting and other professional services	98,853	89,397
Lease of IT hardware and software	61,627	31,519
Insurance	8,834	4,857
Cleaning of office premises	16,844	11,435
Printing and stationery	5,460	5,832
Energy and fuel	16,079	12,641
Transport	10,331	7,235
Staff training and expense refunds	10,507	6,127
Information and surveys	10,632	8,652
Security	8,634	6,920
Administrative services	27,863	15,868
Use of external data gathering and processing services	2,940	6,987
Membership fees	7,087	5,976
Condominium expenses	4,575	4,575
Contribution to SRF, DGS, IDPF-VS	117,933	75,310
Sundry other	13,000	11,749
Total	**872,719**	**575,012**

The caption "Contributions to SRF, DGS, IDPF-VS" includes the 2021 regular contribution to the SRF (European Single Resolution Fund) of € 32.1 million, the additional contribution of € 10.4 million requested by the same fund for 2019 and the 2021 regular contribution of € 75.4 million to the DGS (Deposit Guarantee Scheme).

Section 11 – Net provisions for risks and charges Caption 170

11.1 Net provisions for credit risk on commitments to disburse funds and financial guarantees granted: breakdown

Type of risks and charges	Impairment losses				Write-backs				31.12.2021	31.12.2020
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
Commitments to disburse funds	(690)	(694)	-	-	73	-	-	-	(1,311)	(451)
Financial guarantees granted	(23)	-	(9,841)	-	-	85	7,625	-	(2,154)	4,151
Total	**(713)**	**(694)**	**(9,841)**	**-**	**73**	**85**	**7,625**	**-**	**(3,465)**	**3,700**

11.2 Net provisions on other commitments and other guarantees granted: breakdown

Type of risks and charges	Impairment losses	Write-backs	31.12.2021	31.12.2020
Other guarantees granted	(10,400)	-	(10,400)	(7,000)
Other commitments	(4,467)	3,694	(773)	264
Total	**(14,867)**	**3,694**	**(11,173)**	**(6,736)**

11.3 Net provisions for other risks and charges: breakdown

Type of risks and charges	31.12.2021	31.12.2020
A. Provisions	**(47,410)**	**(20,342)**
1. for legal disputes	(36,181)	(18,839)
2. other	(11,229)	(1,503)
B. Write-backs	**9,579**	**10,317**
1. for legal disputes	8,894	10,215
2. other	685	102
Total	**(37,831)**	**(10,025)**

Section 12 – Net adjustments to property, plant and equipment
Caption 180

12.1. 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	(118,877)	(30,825)	1,926	(147,776)
- Owned	(51,603)	(28,788)	1,926	(78,465)
- Rights of use acquired through leases	(67,274)	(2,037)	-	(69,311)
2. Held for investment	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leases	-	-	-	-
3. Inventories	X	-	-	-
Total	**(118,877)**	**(30,825)**	**1,926**	**(147,776)**

The change in the measurement method of property, plant and equipment from cost to the revaluation model for properties used in operations resulted in impairment losses for an amount of € 12.5 million and write-backs on prior periods' adjustments for an amount of € 1.9 million.
Other impairment losses on property, plant and equipment used in operations refer, for an amount of € 16.3 million, to hardware whose useful life is deemed to have reached the end of its useful life ahead of time and, for an amount of € 2 million, to rights of use acquired through leases deriving from the early closure of some 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	(63,184)	(34,572)	-	(97,756)
A.1 Owned	(68,326)	(37,949)	-	(106,275)
- Generated internally by the company	-	-	-	-
- Other	(68,326)	(37,949)	-	(106,275)
A.2 Rights of use acquired through leases	-	-	-	-
B. Assets held for sale	X	-	-	-
Total	**(68,326)**	**(37,949)**	**-**	**(106,275)**

The impairment test, carried out in accordance with IAS 36, made it necessary to completely write down the "core deposit" intangible asset coming from the PPA of Cassa di Risparmio di Bra for € 3.4 million, in addition to € 34.5 million worth of software whose useful life was 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	31.12.2021	31.12.2020
Amortisation of leasehold improvement expenditure	3,994	2,730
Other expense	62,916	42,412
Total	**66,910**	**45,142**

The caption "Other expense" includes losses on clawbacks and lawsuits (€ 19.2 million), losses on loss data collection (€ 0.9 million), operating costs of SPVs (€ 7.9 million) and charges for the profit-sharing clause contained in the contract for the purchase of Nuova Carife (€ 18.6 million).

14.2 Other operating income: breakdown

Description/Amounts	31.12.2021	31.12.2020
Rental income	3,480	2,760
Recovery of taxes	199,652	111,003
Other income	107,324	107,892
Total	**310,456**	**221,655**

The caption "Other income" includes recoveries for service provided to Group companies (€ 50.8 million), the fast-track credit processing fee (€ 11.8 million), write-backs from collection of lawsuits and clawbacks (€ 12 million), recoveries on complaints and lawsuits (€ 3.3 million), recoveries of previous years' expenses (€ 4.3 million), and income from debt positions paid out and closed (€ 6.7 million).

Section 15 –Gains (Losses) on equity investments Caption 220

15.1 Gains (Losses) on equity investments: breakdown

Income items/Amounts	Total 31.12.2021	Total 31.12.2020
A. Gains	**-**	**250**
1. Revaluations	-	-
2. Gains on disposals	-	250
3. Write-backs	-	-
4. Other income	-	-
B. Losses	**(5,004)**	**(3,519)**
1. Write-downs	-	-
2. Impairment losses	(5,000)	(3,519)
3. Losses from disposals	(4)	-
4. Other charges	-	-
Net result	**(5,004)**	**(3,269)**

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 Cassa di Risparmio di Fossano s.p.a. (€ 3.2 million) and Cassa di Risparmio di Savigliano s.p.a. (€ 1.8 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
			Positive	Negative	
	(a)	(b)	(c)	(d)	(a-b+c-d)
A. Property, plant and equipment	**3,908**	**(28,278)**	**-**	**-**	**(24,370)**
A.1 Used in operations:	227	(16,675)	-	-	(16,448)
- Owned	227	(16,675)	-	-	(16,448)
- Rights of use acquired through leases	-	-	-	-	-
A.2 Held for investment	3,681	(11,603)	-	-	(7,922)
- Owned	3,681	(11,603)	-	-	(7,922)
- Rights of use acquired through leases	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
A. Intangible assets	**-**	**-**	**-**	**-**	**-**
B.1 Owned	-	-	-	-	-
B.1.1 Generated internally by the company	-	-	-	-	-
B.1.2 Other	-	-	-	-	-
B.2 Rights of use acquired through leases	-	-	-	-	-
Total	**3,908**	**(28,278)**	**-**	**-**	**(24,370)**

Section 17 – Impairment losses on goodwill Caption 240

Impairment testing carried out in accordance with IAS 36 identified the need to fully write down the goodwill recognised among the Bank's assets 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 9 - Intangible Assets in these Explanatory Notes.

Section 17 bis - Gain on a bargain purchase Caption 245

Reported under "Gain on a bargain purchase" (or "Badwill") is the difference between the purchase price and the fair value of the assets and liabilities purchased with the acquisition of the business units of the Intesa Sanpaolo Group. The amount determined at the end of the Purchase Price Allocation (PPA) process amounted to Euro 1,127.8 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 31.12.2021	Total 31.12.2020
A. Real estate	265	175
- Gains on disposal	424	318
- Losses on disposal	(159)	(143)
B. Other assets	268	(30)
- Gains on disposal	971	39
- Losses on disposal	(703)	(69)
Net Profit	**533**	**145**

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 31.12.2021	Total 31.12.2020
1. Current tax (-)	(57,931)	(10,930)
2. Change in current taxes of previous years (+/-)	21,152	(1,854)
3. Reduction in current taxes of the year (+)	-	52,971
3. bis Reductions in current taxes of the year pursuant to Law 214/2011 (+)	92,530	-
4. Changes in deferred tax assets (+/-)	(197,656)	65,149
5. 5.Changes in deferred tax liabilities (+/-)	17,392	8,466
6. Tax for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(124,513)**	**113,802**

"Income taxes for the year" were determined by applying the regulations in force at 31 December 2021.
This caption also includes current tax on the badwill originating from the PPA recognised at 31 December 2021 following the acquisition of the UBI and ISP business units for an aggregate amount of € 310.2 million.
Tax is also influenced by the Group's decision to change the measurement method of properties from cost to fair value and the fact that, in line with its own accounting policy, at 31 December 2021, the requirements for accounting for DTAs potentially recognisable as a result of such a change have not been met.
During the year, there was a reduction in current taxes following the conversion of tax losses into tax credits under Law No. 214/2011 for € 92.5 million, offset in the income statement by the reversal of deferred tax assets recognised for the same amount.
Caption "Change in current tax of prior years" refers to the payment of tax losses from the previous year, transferred to tax consolidation for € 19.2 million.

19.2 Reconciliation of theoretical and actual tax charges

IRES	31.12.2021
Profit (loss) from current operations before tax	**691,717**
Negative components of the gross result definitively considered not relevant (+)	**314,083**
Non-deductible taxes (other than on income)	3,909
Administrative expenses of limited deductibility	7,241
Other non-deductible costs and expenses	4,541
Impairment of property, plant and equipment and intangible assets (from write-down of properties)	274,591
Impairment of equity investments	5,204
Other	18,597
Positive components of the gross result definitively considered not relevant (-)	**(70,526)**
Non-relevant portion of dividends	(48,777)
Gains on securities under participation exemption (PEX)	(15,322)
Other definitive changes	(6,427)
Definitive increases not linked to elements of the gross result (+)	**856**
Definitive decreases not linked to elements of the gross result (-)	**(12,680)**
Basis of calculation of IRES shown in the income statement	**923,450**
A.C.E. deduction	(47,646)
Basis of calculation	**875,804**
IRES tax rate	*27.50%*
Effective IRES	**240,846**
Tax Rate IRES	*34.82%*

IRAP	31.12.2021
Profit (loss) from current operations before tax	**691,717**
Negative components of the gross result definitively considered not relevant (+)	**627,329**
Non-deductible portion of depreciation/amortisation on assets used in business	22,515
Other non-deductible administrative expenses	79,770
Staff costs net of permitted deductions	185,293
Net provisions for risks and charges	52,470
Losses of equity investments	5,208
Unified Municipal Tax (IMU)	8,056
Other (Impairment of property, plant and equipment and intangible assets)	274,017
Positive components of the gross result definitively considered not relevant (-)	**(1,175,274)**
Non-relevant portion of dividends	(27,235)
Other operating income	(12,385)
Gain on a bargain purchase	(1,127,846)
Other net impairment losses (caption 130 of the income statement)	(7,808)
Definitive decreases not linked to elements of the gross result (-)	**(213,002)**
Other (negative net production value effect)	(213,002)
Basis of calculation of IRAP shown in the income statement	**(69,230)**
Weighted average nominal rate of IRAP	5.57%
Effective IRAP	**(3,856)**
Tax Rate IRAP	-0.56%

Out-of-period IRES and IRAP tax rates and other taxes	31.12.2021
Total impact	**(112,476)**
Impacts of tax losses	(79,868)
Change in IRES and IRAP - deferred tax assets/deferred tax liabilities	(45,613)
Real estate Fair Value impact	10,291
Other (substitute tax on tax alignment)	2,714
Out-of-period IRES and IRAP tax rates and other taxes	-16.26%

Total tax on gross result	31.12.2021
IRES + IRAP + other taxes	**124,514**
Overall tax rate	18.00%

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,
- 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.

	31.12.2021			31.12.2020		
	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)
Basic EPS	567,203	1,412,323,581	0.402	137,554	679,015,111	0.203
Diluted EPS	567,203	1,448,037,867	0.392	134,404	714,729,397	0.188

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)

	31.12.2021	31.12.2020
Weighted average number of outstanding ordinary shares for Base EPS calculation	1,412,323,581	679,015,111
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	1,448,037,867	714,729,397

22.2 Other information

	31.12.2021	31.12.2020
Profit (Loss) for the year	567,203	137,554
Allocations not attributable to the shareholders	-	-
Net profit for Basic EPS calculation	567,203	137,554
Change in income and charges deriving from conversion	-	(3,150)
Net profit for diluted EPS calculation	567,203	134,404

Part D – Other comprehensive income

Detailed statement of other comprehensive income

	Captions	31.12.2021	31.12.2020
10.	**Profit (Loss) for the year**	**567,203**	**137,554**
	Other comprehensive income that will not be reclassified to profit or loss	**76,743**	**68,682**
20.	Equity instruments measured at fair value through other comprehensive income	40,535	70,309
	a) change in fair value	2,082	13,437
	b) transfer to other components of shareholders' equity	38,453	56,872
30.	Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)	-	-
	a) change in fair value	-	-
	b) transfer to other components of shareholders' equity	-	-
40.	Hedge of equity instruments measured at fair value through other comprehensive income:	86	(1,490)
	a) change in fair value (hedged instrument)	291	532
	b) change in fair value (hedging instrument)	(205)	(2,022)
50.	Property, plant and equipment	61,102	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(3,038)	6,083
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	(21,942)	(6,220)
	Other comprehensive income that may be reclassified to profit or loss	**(33,271)**	**14,885**
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:	469	(535)
	a) changes in fair value	469	(535)
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	of which: net result of 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	(50,178)	22,707
	a) changes in fair value	(27,379)	23,427
	b) reclassification to profit or loss	(22,799)	(720)
	- impairment losses for credit risk	(2,107)	347
	- gains/losses on disposal	(20,692)	(1,067)
	c) other changes	-	-
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	16,438	(7,287)
190.	**Total other comprehensive income**	**43,472**	**83,567**
200.	**Other comprehensive income (Captions 10+190)**	**610,675**	**221,121**

Part E - Information on risks and related hedging policies

Introduction

The following is a summary of how the Groups risk governance is organised, with its related processes and key functions that are also involved in the overall control system, highlighting the ways in which the spread of a "risk culture" is guaranteed in the BPER Banca Group. The role of the corporate bodies in the supervision of the corporate culture are explained, as are the objectives of the risk culture included in the corporate policies.
The Groups 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.

The Board of Directors of the Parent Company[37] has defined the principles governing the process for the development of the BPER Banca Group's internal control system (the "internal control system) by issuing and implementing the "Guidelines for the Group internal control system"[38], in line with the Regulations for the prudential supervision of banks (Bank of Italy Circular 285 of 17 December 2013 – "Supervisory Instructions for Banks" and subsequent updates).

Risk management (RAF)

The Risk Appetite Framework - RAF, forms part of the Groups internal control system and acts as a frame of reference, in terms of methodologies, processes, policies, controls and systems, designed to establish, communicate and monitor the Groups risk appetite, this being understood as the set of values that reflect the Groups risk objectives (or "risk appetite"), tolerance thresholds (or "risk tolerance"), as well as the related operational limits, in both ordinary and stress conditions, which the Group intends to respect in pursuing its strategic guidelines, defining consistency levels and the maximum risk that it is able to take on ("risk capacity").
The BPER Group identifies the Risk Appetite Framework (RAF) as the strategic guidance tool to guide the synergistic governance of risk strategic planning, management and control activities, constituting a reference framework for the monitoring of the risk profile that the Group intends to assume in the implementation of its business strategies.

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. It is also a key element to:

- strengthen the ability to govern business risks, facilitating the development and dissemination of an integrated risk culture;
- ensure alignment between strategic guidelines and the levels of risk assumed, through the formalisation of consistent objectives and limits;
- developing a rapid and effective monitoring and communication system for the risk profile assumed.

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[37] 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.
[38] Last update approved by Board of Directors of the Parent Company on 29 November 2016.

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

Lastly, 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 and, if appropriate, handle the necessary communications to the Corporate Bodies and subsequent remedies.

The Groups risk appetite is expressed:

- in specific areas of analysis defined in accordance with the Supervisory Provisions (capital adequacy, liquidity and measures that reflect risk capital or economic capital) and the expectations and interests of other Group stakeholders;
- through summary indicators (RAF metrics) that represent regulatory constraints and the risk profile defined in accordance with the capital adequacy verification process and risk management processes. The RAF metrics are defined at Group level and can be adapted to individual risks of strategic importance for the Bank and other relevant analysis axes identified in the strategic planning process.

The process of preparing and updating the RAF defines the roles and responsibilities of the corporate bodies and functions involved, adopting coordination mechanisms that ensure the effective inclusion of risk appetite within operational activities. In particular, the Group reconciles the RAF, business model, strategic plan, ICAAP and budget in a consistent manner via a complex system of coordination mechanisms.

In line with the structure of the RAF process, at its meeting on 16 March 2021, the Parent Company's Board of Directors defined the Risk Appetite Statement of the BPER Group. This formalises the risk appetite at an overall Group level through quantitative indicators that are consistent with the processes of assessing capital adequacy and the adequacy of the Group's liquidity, and with the risk management processes and qualitative indications for risks that are subject to specific frameworks of assessment.

Subsequently, a check of the consistency of the RAF thresholds was carried out compared to the most updated forecasts which consider, inter alia, the results of the first quarter, more analytical information on the Gemini branch and the update of the applicable macroeconomic scenario. Following said assessment, the Board of Directors of the Parent Company, at the meeting of 8 July 2021, decided on certain changes to the calibration of the thresholds in place for 2021, while simultaneously confirming the structure of the set of indicators included in the RAF.

The RAF is periodically updated and reviewed according to the evolution of the risk and business strategy and of the regulatory and competitive context in which the Group operates.

Development of the internal control system

The Parent Company manages the Groups internal control system through a cyclical 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 Bodies[39].

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[39] *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").*

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 threshold (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.

More specifically, the Board of Directors of the Parent Company, with the assistance of the Control and Risks Committee and on proposal of BPER Bancas CEO, establishes and approves for the Group as a whole and for its components:

- the business model;
- the Corporate Control Functions and other control functions,
- 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 corporate 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 process for approving new products and services, the launch of new activities, entering new markets (known collectively as Product Approval);
- Group policy for outsourcing business functions.

The Parent Companys 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.

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 companys financial reports, after consultation with the Control and Risk Committee, the Nominations Committee, the Board of Statutory Auditors and the Chief Executive Officer[40].

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.

[40] *The Chief Executive Officer only intervenes for the appointment of the heads of Internal Audit, Compliance and Risk Control.*

Implementation of the internal control system

The Board of Directors of the Parent Company gives the Chief Executive Officer - through the delegation of authority - adequate powers and resources in order to implement the strategic guidelines, the RAF and the risk governance policies. The Board of Directors is also 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 Board of Directors of each Group Company shall implement 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 Companys 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 Groups internal control system [41], identifying possible improvements and defining the steps needed to correct any weaknesses.

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.

The Parent Company sends a report to the Supervisory Authority once a year that contains: i) the audits carried out by Internal Audit and the findings that emerged on the Parent Company and the Group Companies; ii) the shortcomings and related corrective actions for the Internal Control System.
In this context, the Internal Audit Function prepares a “Comprehensive assessment of the Internal Control Systems” which capitalises on the results of the activities carried out by the Control Functions.

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.

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[41] *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".*

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), with a set timing 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 minimum control objectives foreseen, by proposing organisational and procedural interventions to ensure adequate protection from any risks of non-compliance and monitoring their implementation. This activity is 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 Model 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. They are performed by the production structures themselves (e.g. hierarchical, systematic and random controls), also through units dedicated exclusively to control duties that report to the heads of the operating structures or carried out as part of the back office activities; as far as possible, they are incorporated into IT procedures.

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 the Parent Company and the Group Companies.
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.

In general terms, the Groups internal control system delegates second - and third-level Control Functions of the Italian Group companies to the Parent Company, as laid down in the "Group Guidelines - Internal Control System".
Foreign companies for which the centralised organisational model is partially derogated according to internal regulations or those for which the Board of Directors of the Parent Company approves such a derogation are exceptions to this general principle.
The banks and companies governed by Italian law with Internal Audit Functions, as at the date of this document, have all outsourced the Internal Audit Function to the Parent Company with the exception of Arca Fondi S.p.A. SGR.

Risk Management Function

The Risk Management Function 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 an adequate risk management process.

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 Guidelines - Internal Control System" provide 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 company[42].

The mission of the Risk Management Function is carried out as part of the Parent Companys 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 approach[43] because of the specific nature of the companys 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 subsidiarys 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 tools 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 RAF, collaborating in the definition of operating limits for the assumption of various types of risk and constantly verifying their adequacy and compliance, 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 Groups Recovery Plan;

[42] *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."*

[43] *Part of the Group since 22 July 2019.*

- 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, ratifying[44] 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 Functions 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 Companys 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 Groups 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

[44] *Through the Model Validation Office.*

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 Italys 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 Groups 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 Groups 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 Groups 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.

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.

It assists the Corporate Bodies and Organisational Units of the Parent Company and Group Companies in pursuing the objectives of compliance by promoting the spread of a corporate culture based on the principles of integrity, fairness and compliance with the spirit and letter of the regulatory framework, as an essential element for a company to function properly.

It assesses the risk of non-compliance arising from innovative projects that the Group intends to undertake, including the launch of new products or services, and operating in new markets or with new types of customers.

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.

In line with its mission, it extends the scope of its guidance, control and coordination activities to all Group companies. Italian Group companies with this function outsource their regulatory compliance activities to the Parent Company, while the Group bank based in Luxembourg, Arca Holding and Arca Fondi SGR 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 responsibilities:

- 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 minimum control objectives foreseen for the Companies concerned, and verifies that the planning of Compliance activities of the individual companies that did not outsource this function to the Parent Company applies them;
- 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 the guidance and coordination processes and to the processes of the companies that do not have this function, in order to ensure adequate control over the non-compliance risks that have been identified and to monitor that it is carried out.

Line controls

Line controls (so-called "first-level controls") are designed to ensure that operations are carried out properly; these controls also include those that contribute to the creation of an internal accounting control system, understood as a set of controls that form part of the individual administrative and accounting procedures in order to have reasonable assurance that the recording and processing of data and the production of information have been performed correctly. They are performed by the same operating structures (e.g. hierarchical controls) or incorporated into procedures, or carried out as part of back-office activities.

Other control functions

In addition to the levels of control laid down by Supervisory Regulations, the regulations governing self-regulation necessitate the allocation of control duties to specific functions other than corporate control functions - or to board committees, the activities of which are consistent with the internal control system.

Specifically, the control functions identified within the Group are:

- the Manager responsible for preparing the Companys financial reports;
- Supervisory Bodies pursuant to Legislative Decree 231/2001.

Manager responsible for preparing the Company's financial reports

In compliance with Law 262/2005, which added art. 154-*bis* to Section V bis of Legislative Decree 58/98, the BPER Group has appointed a Manager responsible for preparing the Companys financial reports, whose task pursuant to the above article is to ensure the reliability of the separate and consolidated financial statements, the financial disclosures made, the separate and consolidated reports made to the supervisory authorities and all other financial communications.

For the process of appointing the Manager responsible for preparing the Companys financial reports, reference should be made to the Articles of Association[45], 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 Companys financial reports ".*

Art. 38, 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 38, paragraph 2 of the Articles of Association provides that "The Manager responsible for preparing the Companys financial reports shall be appointed from among the Companys managers who have held management responsibility for accounting and administrative matters for at least three years".

[45] In order to appoint the Manager responsible for preparing the Companys financial reports, reference is not made to the provisions contained in Circular 285 of 17 December 2013 - 34th 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

The Manager responsible for preparing the Companys financial reports of the BPER Banca Group is identified inside the Group as a control function and its organisational placement is at the first level of management, so that he/she can report at the same hierarchical level with the other corporate executives; he/she is supported by the Financial Reporting Monitoring Service, a properly-sized unit with respect to the complexity of the company and the group, and independent from the function in charge of preparing the economic and financial reporting.

The Manager responsible for preparing the Companys financial reports has the duty to govern and supervise the "Control Model for Financial Reporting" and the Financial Reporting Monitoring Service, an organisational unit directly reporting to him/her, is in charge of the related planning, implementation and maintenance of the "Control Model for financial reporting" 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, registered or not with the banking Group.

The financial reporting control 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 Companys 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 his/her mission, the Manager Responsible for preparing the Companys financial reports makes use of the Financial Reporting Monitoring Office and 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 Companys 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 2021 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 companys 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, Bper Credit Management, Optima SIM, Nadia, Sifà, EmilRo Factor, 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.

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 2021 is 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 and 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 l, as later amended.

The disclosure at 31 December 2021 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.

Section 1 – Credit risk

Qualitative Information

The Groups 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

Italy's economic growth in the course of 2021 continued at sustained rates, with GDP up 6.5%, despite the persistence of uncertainties connected with the progress of the vaccination campaigns and the spread of new variants of Covid19.
After the widespread slowdown in economic activities noted in the third quarter, signs of a more stable recovery emerged at the end of last year. However, the resurgence of the pandemic and ongoing bottlenecks in the supply of products and services pose risks for growth. Inflation has increased further almost everywhere, influenced especially by the increases in energy products intermediate supply-chain products and the recovery of internal demand.
On the other hand, GDP sharply decelerated in the euro zone at the turn of the year due to the increase in infections and the ongoing tensions in the supply chain which are hindering the manufacturing industry. Inflation reached its peak since the beginning of the monetary union due to the exceptional increases in the energy component, especially gas which is also being affected in Europe by geopolitical factors. Inflation, however, is projected to decline gradually over the course of 2022, to 3.2% on average this year and 1.8% in 2023-24, down from 4.2% in December.
In Autumn, the increase in loans to non-financial companies was confirmed to be weak, reflecting the low demand for new loans, including on the back of the widespread availability of liquidity set aside in the past two years. The expansion of loans to households continues at a sustained rate. The terms of the lending offer remain accommodative. The impairment rates for banking assets, even though slightly up, are still at very contained levels and the portion of performing loans for which banks have recognised a significant increase in credit risk has fallen.
GDP, which was 1.3 percentage points below pre-pandemic levels at the end of last Summer, is expected to return to pre-pandemic status by around mid-year. Growth is expected to continue at a strong pace, even though less intense than observed following reopening in mid-2021. On average for the year, GDP is set to increase by 3.8% in 2022, 2.5% in 2023 and 1.7% in 2024. Employment levels are expected to grow more gradually and get back to pre-crisis levels by the end of 2022.
Growth prospects are subject to multiple risks, and are mainly trending downwards. In the short term, the uncertainty surrounding the forecast picture is related to healthcare conditions and tensions in the supply of products and services, which could last longer than expected and have stronger effects on the real economy. In the medium term, the forecasts still depend on full implementation of the spending programmes included in the budget law and the complete and timely implementation of the measures provided for by the PNRR (national recovery and resilience plan).

2. Credit risk management policies

Based on the economic recovery under way at macro-economic level, the expected contribution from the NRRP (national recovery and resilience plan) and the easing of social distancing measures, discussed in the previous paragraph, the BPER Banca Group approved a partial revision to the sectoral guidelines of its credit policy in the summer months of 2021, and therefore its asset allocation targets, with the objective of supporting growth. 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;

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.

In view of the Group’s strategic objectives and operations, the general risk management strategy is 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.

Management objectives and impacts deriving from the Covid-19 pandemic

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, a forward-looking approach was adopted with the aim of:

- incorporating the sectoral and micro-sectoral forecasts for 2021-22;
- assessing the resilience of individual companies finances by applying simulations of stress due to the health crisis;
- extending portfolio segmentation to the various branches of the economy in order to intercept dissimilar micro-sector dynamics within the same business areas;
- favouring the use of state measures and the "consolidation" operations established by the Liquidity Decree;
- 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.).

2.1 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 13[46] creditworthiness classes differentiated by risk segment. All of the Parent Companys 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

[46] *Except for the Large Corporate model, which has 9 classes.*

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 Groups customers.

The estimation of LGD (Loss Given Default: representing 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).

Major activities carried out in 2021 included:

- following approval of the “Return to Compliance Plan” on 9 April 2021, the Bank sent its application requests to the Supervisory Authority in June for authorisation to use the new AIRB models to calculate capital requirements and their extension to the exposures acquired from UBI Banca;
- in line with the planning agreed with the Supervisory Authority, work continued with a view to resolving the findings contained in the final Decision Letter relating to the “Targeted Review of Internal Models” (TRIM inspection activity started in 2018 and concluded in March 2019);
- updating the IFRS 9 framework by calibrating the IFRS 9 risk parameters on the basis of the New Definition of Default; revision of the PD satellite models and SICR framework;

In addition to indicating the principles of governance, assumption and management of credit risk, the Group Credit Risk Governance Policy defines the BPER Banca Groups 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, Regional Division, 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, 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 Bra[47] 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".

For 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) recognised by the Supervisory Authority. In particular, the Group used the Cerved Rating for “Exposures to companies,” the Scope Ratings AG Rating for “Exposures to central administrations or central banks”, the Fitch Rating for “Financial Instruments” lodged in guarantee and "Exposures to UCITS" and the Standard & Poor's Rating for "Exposures to securitisation".

[47] *Subsequently absorbed by BPER Banca in July 2020.*

2.3 Methods for determining impairment losses

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. Information about the impairment models and related risk parameters is provided in Part A of these explanatory notes.

Update of macroeconomic scenarios and ECL sensitivity

As stated in Part A.1, Section 4 and Part A.2 of these Explanatory Notes, BPER Banca 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;
- Baseline Scenario;
- Best Scenario.

Development of the scenarios is outsourced to a leading company that carries out economic research, which provides BPER Banca with short and medium-term forecasts for the Italian and international economies and long-term forecasts for the Italian economy.

The Group considers the following macroeconomic indicators to be the most useful for calibrating the PD and LGD risk parameters:

- inflation-adjusted GDP, which is the most frequent regressor in the PD satellite model (following the theory that the default rate has a close positive correlation with the related global economic index);
- the home price index, which is a statistically-significant indicator for determining the point-in-time LGD on impaired mortgaged-based exposures;
- the FTSE MIB, which is a statistically-significant indicator for determining the point-in-time LGD on impaired loans measured under IFRS 9 that are assisted by financial guarantees.

Modifications due to Covid-19

In accordance with the considerations already made in Part A.1, section 4 - Other aspects of the Explanatory Notes, given the ongoing uncertainty due to the continuing pandemic emergency situation at the reporting date of 31 December 2021, the Bank decided to apply an Overlay approach to update the IFRS 9-related Expected Credit Loss (ECL) including on the basis of the results of the sensitivity analysis carried out on the probability of occurrence of the adverse scenario (adopted in its "extreme adverse" version), weighing it at 100%. This is to capture in the provision made in December 2021 the best estimate of the risk of a deterioration in credit quality inherent in the portfolio due to the economic crisis triggered by the Covid-19 pandemic and not yet fully intercepted by the ordinary monitoring and classification systems used by BPER Banca.

The operational mechanisms to update the ECL as at 31 December 2021, as described in detail in Part A, makes it hardly relevant to present a sensitivity analysis of the impairment provision for changes in the macroeconomic scenarios considered.

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 the CRR (EU Reg. 575/2013). 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 letters of patronage. 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

As part of the update of financial forecasts carried out by the Board of Directors of the Parent Company on 5 August 2020[48], the strategic lines of development already included in the BEST WAY Plan were confirmed, including significant reductions in the portfolio of non-performing loans. This update,

[48] A further update of the financial forecasts was approved by the Board of Directors on 29 September 2020, to reflect the most recent forecasts on the timing of execution of the agreements with Intesa Sanpaolo, initially assumed to be by the end of 2020.

confirming the strategic development lines of the original plan, duly took account of the change in the current and prospective macroeconomic scenario resulting from the Covid-19 pandemic and considered the definition of the extraordinary transactions which had not been originally planned.
It is also worth noting that 2021 saw the updating of the Groups NPE Plan, as well as important achievements in reducing the NPL portfolio (see paragraph 3.3 - Progress of de-risking in the Report on operations).

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 acquisition of the business units from Ubi Banca and Intesa Sanpaolo, the 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 theneed 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.

During 2021, the BPER Banca Group updated its analytical valuation policies for NPLs by introducing a more prudential valuation model for guarantees. This was also to take into account the more uncertain conditions for the enforcement of guarantees, as a consequence of the current economic situation.

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-offs"), 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 debtors 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 Groups 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 debtors 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 debtors 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).

Please refer to the content of Part A, Section 4 - Other aspects, regarding the accounting treatment of the moratoria granted to customers affected by the economic consequences of the Covid-19 pandemic.

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		362,005	704,584	57,820	531,191	110,927,371	112,582,971
2. Financial assets measured at fair value through other comprehensive income		17	-	-	-	6,191,050	6,191,067
3. Financial assets designated at fair value		-	-	-	-	125,098	125,098
4. Other financial assets mandatorily measured at fair value		-	106	-	-	149,496	149,602
5. Financial assets held for sale		-	-	-	-	-	-
Total	**31.12.2021**	**362,022**	**704,690**	**57,820**	**531,191**	**117,393,015**	**119,048,738**
Total	**31.12.2020**	**423,788**	**958,838**	**41,504**	**269,281**	**75,780,943**	**77,474,354**

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	98,416	394,717	190	67,167	1,789,318	2,349,808

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	2,882,856	1,758,447	1,124,409	287,397	111,819,849	361,287	111,458,562	112,582,971
2. Financial assets measured at fair value through other comprehensive income	22	5	17	-	6,193,748	2,698	6,191,050	6,191,067
3. Financial assets designated at fair value	-	-	-	-	X	X	125,098	125,098
4. Other financial assets mandatorily measured at fair value	106	-	106	-	X	X	149,496	149,602
5. Financial assets held for sale	-	-	-	-	-	-	-	-
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**
Total 31.12.2020	**2,998,257**	**1,574,127**	**1,424,130**	**171,882**	**75,878,960**	**142,008**	**76,050,224**	**77,474,354**

Details of counterparties	Total write-offs	
	31.12.2021	31.12.2020
Financial companies	16,000	6,283
- of which: financial and non resident companies	-	-
Non-financial companies	258,941	159,567
- of which: non financial and non resident companies	-	29
Households	12,456	6,032
- of which: non resident households	-	75
Total	**287,397**	**171,882**
- of which: non resident	**3**	**104**

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	
	31.12.2021	31.12.2020
Financial companies	10,209	239
- of which: financial and non resident companies	-	7
Non-financial companies	120,615	47,357
- of which: non financial and non resident companies	621	114
Households	25,487	21,811
- of which: non resident households	-	64
Total	**156,311**	**69,407**
- of which: non resident	**621**	**185**

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		3,898	4,899	254,087
2. Hedging derivatives		-	-	178,108
Total	31.12.2021	3,898	4,899	432,195
Total	31.12.2020	313	400	307,843

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		268,889	-	-	118,141	121,828	14,387	18,823	34,760	444,396	24,830	22,724	246,557
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-	-	-	-	-	-	-
Total	31.12.2021	268,889	-	-	118,141	121,828	14,387	18,823	34,760	444,396	24,830	22,724	246,557
Total	31.12.2020	124,961	-	-	96,026	39,212	5,245	12,386	42,223	557,266	30,393	45,928	332,561

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	**853**	**53,084**	**3,357**	**-**	**-**	**57,294**	**-**	**81,183**	**1,446**	**-**	**-**	**82,629**
Increases in purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Net impairment losses for credit risk (+/-)	1,280	68,485	(993)	-	-	68,772	-	115,091	(1,112)	-	-	113,980
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	(853)	12,823	-	-	-	11,970	-	21,886	-	-	-	21,885
Total closing adjustments	**1,280**	**134,392**	**2,364**	**-**	**-**	**138,036**	**-**	**218,160**	**334**	**-**	**-**	**218,494**
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	**-**	**1,076,821**	**8**	**-**	**1,076,829**	**-**	**499,383**	**-**	**-**	**-**	**499,383**
Increases in purchased or originated financial assets	-	-	-	-	-	-	X	X	X	X	X
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	-	-
Net impairment losses for credit risk (+/-)	-	291,406	(3)	-	291,403	-	110,331	-	-	-	110,331
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly through profit or loss	-	(208,132)	-	-	(208,132)	-	-	-	-	-	-
Other changes	-	(51,729)	-	-	(51,728)	-	49,101	-	-	-	49,101
Total closing adjustments	**-**	**1,108,366**	**5**	**-**	**1,108,372**	**-**	**658,815**	**-**	**-**	**-**	**658,815**
Recoveries from financial assets subject to write-off	-	6,338	-	-	6,338	-	-	-	-	-	-
Write-offs recognised directly through profit or loss	-	48,560	-	-	48,560	-	3,801	-	-	-	3,801

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				Total
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees granted, purchased or originated credit impaired	
Total opening adjustments	**9,076**	**1,463**	**22,691**	**-**	**1,749,365**
Increases in purchased or originated financial assets	-	-	-	-	-
Derecognitions other than write-offs	-	-	-	-	-
Net impairment losses for credit risk (+/-)	640	609	2,216	-	587,950
Contractual modifications without derecognition	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-
Write-offs not recognised directly through profit or loss	-	-	-	-	(208,132)
Other changes	2,568	2,373	5,246	-	41,415
Total closing adjustments	**12,284**	**4,445**	**30,153**	**-**	**2,170,598**
Recoveries from financial assets subject to write-off	-	-	-	-	6,338
Write-offs recognised directly through profit or loss	-	-	-	-	52,361

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		3,278,686	2,869,305	235,870	122,881	209,322	28,566
2. Financial assets measured at fair value through other comprehensive income		2,221	-	106	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees granted		1,080,060	742,016	74,264	23,321	47,422	12,060
Total	**31.12.2021**	**4,360,967**	**3,611,321**	**310,240**	**146,202**	**256,744**	**40,626**
Total	**31.12.2020**	**3,216,357**	**2,438,206**	**215,035**	**90,119**	**202,233**	**35,740**

A.1.5a Loans subject to Covid-19 support measures: transfers between different credit risk stages (gross values)

Portfolios/quality		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
A. Loans measured at amortised cost		**598,258**	**219,097**	**12,426**	**6,313**	**17,297**	**4,846**
A.1 Subject to forbearance measures compliant with GL		38,197	24,987	97	170	157	-
A.2 Subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures		16,348	17,262	816	83	1,989	-
A.3 Subject to other forbearance measures		77,501	-	4,562	459	1,053	-
A.4 New loans		466,212	176,848	6,951	5,601	14,098	4,846
B. 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	31.12.2021	598,258	219,097	12,426	6,313	17,297	4,846
Total	**31.12.2020**	**662,150**	**169,704**	**17,136**	**7,360**	**13,646**	**1,099**

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	**748,849**	**748,849**	**-**	**-**	**-**	**1,280**	**1,280**	**-**	**-**	**-**	**747,569**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	748,849	748,849	-	X	-	1,280	1,280	-	X	-	747,569	-
A.2 OTHER	**33,649,568**	**33,615,518**	**34,050**	**-**	**-**	**9,111**	**9,007**	**104**	**-**	**-**	**33,640,457**	**-**
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	2,719	43	2,676	X	-	3	-	3	X	-	2,716	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	33,646,849	33,615,475	31,374	X	-	9,108	9,007	101	X	-	33,637,741	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**34,398,417**	**34,364,367**	**34,050**	**-**	**-**	**10,391**	**10,287**	**104**	**-**	**-**	**34,388,026**	**-**
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1,667,303	1,667,303	-	X	-	92	92	-	X	-	1,667,211	-
TOTAL (B)	**1,667,303**	**1,667,303**	**-**	**-**	**-**	**92**	**92**	**-**	**-**	**-**	**1,667,211**	**-**
TOTAL (A+B)	**36,065,720**	**36,031,670**	**34,050**	**-**	**-**	**10,483**	**10,379**	**104**	**-**	**-**	**36,055,237**	**-**

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	1,302,188	X	-	1,047,523	254,665	940,166	X	-	760,617	179,549	362,022	287,397
- of which: forborne exposures	269,006	X	-	191,842	77,164	170,590	X	-	124,428	46,162	98,416	62,142
b) Unlikely-to-pay loans	1,503,358	X	-	644,976	858,382	798,668	X	-	329,674	468,994	704,690	-
- of which: forborne exposures	852,655	X	-	256,340	596,315	457,938	X	-	128,174	329,764	394,717	-
c) Non-performing past due exposures	77,438	X	-	72,354	5,084	19,618	X	-	18,081	1,537	57,820	-
- of which: forborne exposures	237	X	-	237	-	47	X	-	47	-	190	-
d) Performing past due exposures	545,774	270,234	267,222	X	8,318	17,299	1,388	15,539	X	372	528,475	-
- of which: forborne exposures	73,407	-	71,102	X	2,305	6,240	-	6,148	X	92	67,167	-
e) Other performing exposures	84,202,380	77,635,408	6,337,565	X	229,407	337,575	126,351	202,853	X	8,371	83,864,805	-
- of which: forborne exposures	1,873,757	-	1,755,160	X	118,597	84,439	-	78,936	X	5,503	1,789,318	-
TOTAL (A)	**87,631,138**	**77,905,642**	**6,604,787**	**1,764,853**	**1,355,856**	**2,113,326**	**127,739**	**218,392**	**1,108,372**	**658,823**	**85,517,812**	**287,397**
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	334,098	X	-	334,098	-	41,801	X	-	41,801	-	292,297	-
b) Performing	33,323,360	31,344,210	1,979,150	X	-	39,487	31,584	7,903	X	-	33,283,873	-
TOTAL (B)	**33,657,458**	**31,344,210**	**1,979,150**	**334,098**	**-**	**81,288**	**31,584**	**7,903**	**41,801**	**-**	**33,576,170**	**-**
TOTAL (A+B)	**121,288,596**	**109,249,852**	**8,583,937**	**2,098,951**	**1,355,856**	**2,194,614**	**159,323**	**226,295**	**1,150,173**	**658,823**	**119,093,982**	**287,397**

As at 31 December 2021, the performing loans to customers, limited to the portion measured at amortised cost, amounted to a gross exposure of € 68,409 million. Net of portfolio adjustments for € 348 million, the net exposure totalled € 68,061 million; the average coverage ratio is therefore 0.51%.

At the same date, non-performing loans to customers, limited to the portion measured at amortised cost, amounted to a gross exposure of € 2,883 million. Net of impairment losses for € 1,758 million, the net exposure totalled € 1,124 million; the average coverage ratio for this cluster of loans is therefore 61.00%.

	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)	**2,882,857**	**1,486,598**	**271,848**	**1,124,412**	**81,796,078**	**353,396**	**81,442,683**
Governments and other public entities	3,143	901	151	2,091	13,536,592	5,971	13,530,621
- of which: foreign	-	-	-	-	4,417,184	236	4,416,948
Financial companies	113,445	81,732	1,622	30,091	8,553,410	19,534	8,533,876
- of which: foreign	25,118	25,117	1	-	802,451	459	801,992
Non-financial companies	2,049,765	1,213,061	116,901	719,803	32,206,131	214,680	31,991,452
- of which: foreign	12,628	7,011	368	5,249	644,477	752	643,725
Privates and households	716,504	190,904	153,174	372,427	27,499,945	113,211	27,386,734
- of which: foreign	23,172	16,252	777	6,144	62,926	327	62,599

The figures in the table above refer to caption 40 b) at 31 December 2021.

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	**40**	**-**	**-**	**25**	**15**	**40**	**-**	**-**	**25**	**15**	**-**	**-**
a) Subject to forbearance measures compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
bSubject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	40	-	-	25	15	40	-	-	25	15	-	-
B. UNLIKELY TO PAY LOANS	**61,922**	**-**	**-**	**54,192**	**7,730**	**17,376**	**-**	**-**	**15,549**	**1,827**	**44,546**	**-**
a) Subject to forbearance measures compliant with GL	598	-	-	173	425	299	-	-	61	238	299	-
b) Subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	7,274	-	-	7,032	242	2,913	-	-	2,837	76	4,361	-
b) Subject to other forbearance measures	28,885	-	-	26,896	1,989	12,494	-	-	11,816	678	16,391	-
d) New loans	25,165	-	-	20,091	5,074	1,670	-	-	835	835	23,495	-
C. NON-PERFORMING PAST DUE LOANS	**5,880**	**-**	**-**	**5,795**	**85**	**232**	**-**	**-**	**232**	**-**	**5,648**	**-**
a) Subject to forbearance measures compliant with GL	81	-	-	81	-	15	-	-	15	-	66	-
b) Subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	373	-	-	373	-	67	-	-	67	-	306	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	5,426	-	-	5,341	85	150	-	-	150	-	5,276	-
D. OTHER PERFORMING PAST DUE LOANS	**46,040**	**7,218**	**38,555**	**-**	**267**	**3,668**	**7**	**3,655**	**-**	**6**	**42,372**	**-**
a) Subject to forbearance measures compliant with GL	17	-	17	-	-	-	-	-	-	-	17	-
b) Subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	335	131	204	-	-	7	1	6	-	-	328	-
c) Subject to other forbearance measures	21,610	-	21,573	-	37	3,542	-	3,539	-	3	18,068	-
d) New loans	24,078	7,087	16,761	-	230	119	6	110	-	3	23,959	-
E. OTHER PERFORMING LOANS	**6,804,972**	**5,705,519**	**1,074,581**	**-**	**24,872**	**23,876**	**3,823**	**18,626**	**-**	**1,427**	**6,781,096**	**-**
a) Subject to forbearance measures compliant with GL	164,680	111,033	53,477	-	170	2,300	389	1,893	-	18	162,380	-
bSubject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	289,852	257,709	30,568	-	1,575	2,243	1,313	867	-	63	287,609	-
c) Subject to other forbearance measures	220,127	-	202,319	-	17,808	13,678	-	12,364	-	1,314	206,449	-
d) New loans	6,130,313	5,336,777	788,217	-	5,319	5,655	2,121	3,502	-	32	6,124,658	-
TOTAL (A+B+C+D+E)	**6,918,854**	**5,712,737**	**1,113,136**	**60,012**	**32,969**	**45,192**	**3,830**	**22,281**	**15,806**	**3,275**	**6,873,662**	**-**

A.1.8 On balance sheet credit exposures to banks: change in gross non-performing exposures

There are no amounts to be disclosed in these financial statements

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 these financial statements

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)	**1,326,274**	**1,618,665**	**53,318**
- of which: sold but not derecognised	-	-	-
B. Increases	**1,019,192**	**1,274,843**	**85,011**
B.1 inflows from performing exposures	10,546	421,993	56,358
B.2 inflows from purchased or originated credit impaired financial assets	332,746	332,837	14,275
B.3 transfers from other non-performing exposures	122,229	13,498	1,356
B.4 contractual modifications without derecognition	-	-	-
B.5 other increases	553,671	506,515	13,022
C. Decreases	**1,043,278**	**1,390,150**	**60,891**
C.1 outflows to performing exposures	186	114,750	26,830
C.2 write-offs	156,312	51,818	2
C.3 recoveries	102,989	568,159	16,285
C.4 sales proceeds	236,520	216,647	-
C.5 losses on disposals	22,076	7,646	-
C.6 transfers to other non-performing exposures	19	119,290	17,774
C.7 contractual modifications without derecognition	-	-	-
C.8 other decreases	525,176	311,840	-
D. Closing balance (gross amounts)	**1,302,188**	**1,503,358**	**77,438**
- of which: sold but not derecognised	-	-	-

Item B.2 "inflows from purchased or originated credit-impaired financial assets" refers exclusively to the acquisition of the business unit from the Intesa Sanpaolo Group.
During the course of 2021, non-performing loan disposals (explained more fully in para. 3.3 – "Progress of de-risking" in the Consolidated Report on Operations) were completed for an amount of over € 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)	**1,168,841**	**382,121**
- of which: sold but not derecognised	-	-
B. Increases	**1,047,624**	**1,921,494**
B.1 inflows from performing non-forborne exposures	225,626	1,731,811
B.2 inflows from performing forborne exposures	27,279	X
B.3 inflows from non-performing forborne exposures	X	49,005
B.4 inflows from non-performing non forborne exposure	-	-
B.4 other increases	794,719	140,678
C. Decreases	**1,094,567**	**356,451**
C.1 outflows to performing non-forborne exposures	X	83,667
C.2 outflows to performing forborne exposures	49,005	X
C.3 outflows to non-performing forborne exposures	X	27,279
C.4 write-offs	37,233	-
C.5 recoveries	323,810	245,505
C.6 sales proceeds	374,070	-
C.7 losses on disposal	15,246	-
C.8 other decreases	295,203	-
D. Closing balance (gross amounts)	**1,121,898**	**1,947,164**
- 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 these Financial Statements.

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	**902,486**	**149,655**	**659,827**	**343,550**	**11,814**	**-**
- of which: sold but not derecognised	-	-	-	-	-	-
B. Increases	**805,987**	**64,760**	**797,035**	**354,933**	**18,105**	**49**
B.1 impairment losses on purchased or originated impaired financial assets	-	X	-	X	-	X
B.2. other value adjustments	235,786	19,277	457,726	342,834	16,778	-
B.3 losses on disposals	22,076	3,154	7,646	12,092	-	-
B.4 transfers from other non-performing exposure	48,915	7,878	3,893	7	395	2
B.5 contractual modifications without derecognition	-	-	-	-	-	-
B.6 other increases	499,210	34,451	327,770	-	932	47
C. Decreases	**768,307**	**43,825**	**658,194**	**240,545**	**10,301**	**2**
C.1 write-backs from assessment	28,527	7,103	183,414	27,832	4,881	2
C.2 write-backs from recoveries	24,010	2,848	29,202	24,382	330	-
C.3 gains on disposal	11,495	270	5,790	-	-	-
C.4 write-offs	156,312	17,432	51,818	19,801	2	-
C.5 transfers to other non-performing exposures	19	7	48,096	7,880	5,088	-
C.6 contractual modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	547,944	16,165	339,874	160,650	-	-
D. Closing balance in total impairment provisions	**940,166**	**170,590**	**798,668**	**457,938**	**19,618**	**47**
- of which: sold but not derecognised	-	-	-	-	-	-

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees granted by external and internal ratings classes

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	5,461,695	4,115,177	8,697,688	1,698,533	102,088	21,082	94,606,442	114,702,705
- Stage 1	5,461,695	4,097,671	8,605,979	1,428,388	83,365	55	85,381,597	105,058,750
- Stage 2	-	17,506	87,395	237,815	18,285	6,862	6,155,511	6,523,374
- Stage 3	-	-	4,028	23,114	71	2,514	1,734,997	1,764,724
- Purchased or originated credit impaired	-	-	286	9,216	367	11,651	1,334,337	1,355,857
B. Financial assets measured at fair value through other comprehensive income	1,980,306	1,220,325	1,078,742	81,216	17,932	-	1,815,249	6,193,770
- Stage 1	1,960,205	1,178,040	1,025,794	81,216	17,932	-	1,815,099	6,078,286
- Stage 2	20,101	42,285	52,948	-	-	-	128	115,462
- Stage 3	-	-	-	-	-	-	22	22
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. Financial assets classified as held for sale	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (A + B + C)	7,442,001	5,335,502	9,776,430	1,779,749	120,020	21,082	96,421,691	120,896,475
D. Commitments to disburse funds and financial guarantees granted	374,204	2,542,802	901,133	1,213,183	15,612	8,199	30,269,628	35,324,761
- Stage 1	374,204	2,526,748	874,403	1,087,610	8,589	505	28,139,456	33,011,515
- Stage 2	-	16,054	25,275	97,140	7,023	650	1,833,007	1,979,149
- Stage 3	-	-	1,455	28,433	-	7,044	297,165	334,097
- purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	374,204	2,542,802	901,133	1,213,183	15,612	8,199	30,269,628	35,324,761
Total (A + B + C + D)	7,816,205	7,878,304	10,677,563	2,992,932	135,632	29,281	126,691,319	156,221,236

The following rating agencies are used: Cerved Group for exposure to companies, Scope Ratings for exposures to central administrations, Fitch Ratings and Standard & Poor's for exposures deriving from securitisations.
The rating classes of Scope Ratings, Cerved Group, Fitch Ratings and Standard & Poor's used by BPER Banca 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 and there is a reconciliation between the external ratings and the agencies ratings.

Long-term rating for exposures to companies:

Class of creditworthiness	Risk weighting coefficients	ECAI Cerved Group
1	20%	A1.1, A1.2, A1.3
2	50%	A2.1, A2.2, A3.1
3	100%	B1.1, B1.2
4	100%	B2.1, B2.2
5	150%	C1.1
6	150%	C1.2, C2.1

Long-term rating for exposures to securitisations:

Class of creditworthiness	Risk weighting coefficients	ECAI Fitch Ratings
1	20%	from AAA to AA-
2	50%	from A+ to A-
3	100%	from BBB+ to BBB-
4	350%	from BB+ to BB-
5	1250%	less than BB-

Class of creditworthiness	Risk weighting coefficients	ECAI Scope Ratings
1	20%	from AAA to AA-
2	50%	from A+ to A-
3	100%	from BBB+ to BBB-
4	350%	from BB+ to BB-
5	1250%	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	13,464,046	9,396,377	12,033,759	11,020,546	9,053,730	7,072,974	4,173,106	2,149,843
- Stage 1	13,402,185	9,321,490	11,650,866	10,254,871	7,881,701	5,799,131	3,361,261	1,275,167
- Stage 2	55,898	66,652	359,596	721,742	1,130,507	1,253,259	789,112	839,362
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	5,963	8,235	23,297	43,933	41,522	20,584	22,733	35,314
B. Financial assets measured at fair value through other comprehensive income	637,140	73,382	564,874	614,141	570,135	1,652,980	590,112	326,493
- Stage 1	622,082	73,382	559,776	609,098	563,370	1,640,655	566,916	287,198
- Stage 2	15,058	-	5,098	5,043	6,765	12,325	23,196	39,295
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. Financial assets classified as held for sale	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (A + B + C)	**14,101,186**	**9,469,759**	**12,598,633**	**11,634,687**	**9,623,865**	**8,725,954**	**4,763,218**	**2,476,336**
D. Commitments to disburse funds and financial guarantees granted	10,597,343	6,653,393	5,303,153	4,640,012	3,519,264	2,516,453	352,020	392,546
- Stage 1	10,593,728	6,638,759	5,071,233	4,243,648	3,233,448	2,006,449	175,893	196,652
- Stage 2	3,615	14,634	231,920	396,364	285,816	510,004	176,127	195,894
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	**10,597,343**	**6,653,393**	**5,303,153**	**4,640,012**	**3,519,264**	**2,516,453**	**352,020**	**392,546**
Total (A + B + C + D)	**24,698,529**	**16,123,152**	**17,901,786**	**16,274,699**	**13,143,129**	**11,242,407**	**5,115,238**	**2,868,882**

(cont.)

Exposures	Internal rating classes					Total
	9	10	11	12	13	
A. Financial assets measured at amortised cost	8,822,236	483,283	557,488	54,467	68,787	78,350,642
- Stage 1	8,498,688	70,360	337,744	-	-	71,853,464
- Stage 2	313,705	399,268	213,602	53,192	67,278	6,263,173
- Stage 3	-	79	-	-	-	79
- purchased or originated credit impaired	9,843	13,576	6,142	1,275	1,509	233,926
B. Financial assets measured at fair value through other comprehensive income	697,631	121,482	258,780	8,078	11,033	6,126,261
- Stage 1	688,948	121,482	258,780	8,078	11,033	6,010,798
- Stage 2	8,683	-	-	-	-	115,463
- Stage 3	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-
C. Financial assets classified as held for sale	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-
Total (A + B + C)	**9,519,867**	**604,765**	**816,268**	**62,545**	**79,820**	**84,476,903**
D. Commitments to disburse funds and financial guarantees granted	54,065	37,130	51,076	1,825	10,959	34,129,239
- Stage 1	21,793	231	37	1	8	32,181,880
- Stage 2	32,272	36,881	48,129	1,824	10,951	1,944,431
- Stage 3	-	18	2,910	-	-	2,928
- purchased or originated credit impaired	-	-	-	-	-	-
Total (D)	**54,065**	**37,130**	**51,076**	**1,825**	**10,959**	**34,129,239**
Total (A + B + C + D)	**9,573,932**	**641,895**	**867,344**	**64,370**	**90,779**	**118,606,142**

Debt securities are classified into internal rating classes that reflect the external rating

	With internal rating	Unrated	Total
On-balance-sheet exposures	84,476,903	36,419,572	120,896,475
Off-balance-sheet exposures	34,129,239	1,195,522	35,324,761
Total	**118,606,142**	**37,615,094**	**156,221,236**

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 Groups 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)	
							Credit derivatives	
								Other derivatives
			Property - mortgages	Property - Finance leases	Securities	Other collateral	CLN	Central counterparties
1. Guaranteed on-balance-sheet credit exposures:	**1,805,190**	**1,805,187**	**-**	**-**	**1,772,968**	**-**	**-**	**-**
1.1 fully guaranteed	1,805,190	1,805,187	-	-	1,772,968	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**59,061**	**59,052**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 fully guaranteed	37,778	37,771	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially guaranteed	21,283	21,281	-	-	-	-	-	-
- 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							
	Banks	Other financial companies	Other entities	Public Administrations	Banks	Other financial companies	Other entities	
1. Guaranteed on-balance sheet credit exposures:	**-**	**-**	**-**	**9,293**	**-**	**-**	**213**	**1,782,474**
1.1 fully guaranteed	-	-	-	9,293	-	-	213	1,782,474
- of which non-performing	-	-	-	-	-	-	-	-
1.2. partially guaranteed	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**20,021**	**-**	**-**	**31,409**	**51,430**
2.1 fully guaranteed	-	-	-	20,021	-	-	17,750	37,771
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	13,659	13,659
- 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)	
							Credit derivatives	
							CLN	Other derivatives
			Property - mortgages	Property - Finance leases	Securities	Other collateral		Central counterparties
1. Guaranteed on-balance sheet credit exposures:	**47,115,575**	**45,684,893**	**29,804,477**	**4,015**	**1,060,991**	**398,426**	**-**	**-**
1.1 fully guaranteed	39,903,543	38,715,761	29,404,465	4,015	767,862	261,208	-	-
- of which non-performing	1,809,449	864,705	711,520	255	6,087	4,092	-	-
1.2. partially guaranteed	7,212,032	6,969,132	400,012	-	293,129	137,218	-	-
- of which non-performing	334,126	120,238	48,036	-	11,132	910	-	-
2. Guaranteed off-balance sheet credit exposures:	**5,265,852**	**5,243,298**	**40,313**	**-**	**235,312**	**299,673**	**-**	**-**
2.1 fully guaranteed	4,503,117	4,482,863	39,801	-	176,560	241,521	-	-
- of which non-performing	73,357	55,359	169	-	2,146	1,489	-	-
2.2. partially guaranteed	762,735	760,435	512	-	58,752	58,152	-	-
- of which non-performing	6,327	4,678	-	-	389	404	-	-

A.3.2 Guaranteed on- and off-balance sheet credit exposures to customers

(cont.)

	Personal guarantees (2)							
	Credit derivatives			Endorsement loans				Total (1)+(2)
	Other derivatives							
	Banks	Other financial companies	Other entities	Public Administrations	Banks	Other financial companies	Other entities	
1. Guaranteed on-balance sheet credit exposures:	**-**	**-**	**-**	**6,336,204**	**17,437**	**301,752**	**6,094,681**	**44,017,983**
1.1 fully guaranteed	-	-	-	2,810,092	15,415	268,827	5,181,201	38,713,085
- of which non-performing	-	-	-	32,065	9,439	2,323	98,925	864,706
1.2. partially guaranteed	-	-	-	3,526,112	2,022	32,925	913,480	5,304,898
- of which non-performing	-	-	-	23,084	-	927	15,698	99,787
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**169,654**	**12,181**	**204,577**	**4,014,023**	**4,975,733**
2.1 fully guaranteed	-	-	-	99,823	11,302	193,209	3,721,586	4,483,802
- of which non-performing	-	-	-	835	6,871	1,086	42,763	55,359
2.2. partially guaranteed	-	-	-	69,831	879	11,368	292,437	491,931
- of which non-performing	-	-	-	370	-	-	2,668	3,831

A.4 Financial and non-financial assets deriving from the enforcement of guarantees

There are no amounts to be disclosed in these financial statements

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		1,916	901	8,961	50,844	-	6
- of which: forborne exposures		218	185	7,028	11,385	-	-
A.2 Unlikely-To-Pay exposures		168	145	20,790	32,355	-	-
- of which: forborne exposures		-	-	19,250	27,649	-	-
A.3 Non-performing past due exposures		6	6	340	155	-	-
- of which: forborne exposures		-	-	-	-	-	-
A.4 Performing exposures		14,195,094	6,068	9,882,184	20,321	173,344	201
- of which: forborne exposures		5,731	109	30,776	1,674	-	-
Total (A)		**14,197,184**	**7,120**	**9,912,275**	**103,675**	**173,344**	**207**
B. Off-balance sheet credit exposures							
B.1 Non-performing exposures		37,280	-	24,989	50	-	-
B.2 Performing exposures		922,458	212	2,899,273	834	60,818	2
Total (B)		**959,738**	**212**	**2,924,262**	**884**	**60,818**	**2**
Total (A+B)	**31.12.2021**	**15,156,922**	**7,332**	**12,836,537**	**104,559**	**234,162**	**209**
Total (A+B)	**31.12.2020**	**12,938,308**	**9,812**	**11,402,302**	**125,869**	**201,287**	**35**

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		255,044	715,557	96,101	172,864
- of which: forborne exposures		66,948	124,732	24,222	34,288
A.2 Unlikely-To-Pay loans		451,339	610,427	232,393	155,741
- of which: forborne exposures		254,473	350,539	120,994	79,750
A.3 Non-performing past due exposures		13,544	3,983	43,930	15,474
- of which: forborne exposures		183	47	7	-
A.4 Performing exposures		32,928,956	215,275	27,387,046	113,210
- of which: forborne exposures		1,236,275	70,935	583,703	17,961
Total (A)		**33,648,883**	**1,545,242**	**27,759,470**	**457,289**
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures		219,981	40,567	10,047	1,184
B.2 Performing exposures		27,392,903	28,463	2,069,239	9,978
Total (B)		**27,612,884**	**69,030**	**2,079,286**	**11,162**
Total (A+B)	**31.12.2021**	**61,261,767**	**1,614,272**	**29,838,756**	**468,451**
Total (A+B)	**31.12.2020**	**36,639,071**	**1,342,508**	**16,976,876**	**273,791**

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		357,359	899,733	4,662	40,414	1
A.2 Unlikely-To-Pay loans		698,382	789,721	5,506	7,507	802
A.3 Non-performing past due exposures		57,398	19,476	416	134	2
A.4 Performing exposures		76,168,500	352,182	5,755,830	2,246	1,563,533
Total (A)		**77,281,639**	**2,061,112**	**5,766,414**	**50,301**	**1,564,338**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures		291,395	41,798	902	3	-
B.2 Performing exposures		33,066,837	39,266	174,648	208	42,008
Total (B)		**33,358,232**	**81,064**	**175,550**	**211**	**42,008**
Total (A+B)	**31.12.2021**	**110,639,871**	**2,142,176**	**5,941,964**	**50,512**	**1,606,346**
Total (A+B)	**31.12.2020**	**71,095,867**	**1,707,447**	**4,761,944**	**43,333**	**1,225,775**

B.2 Breakdown by geographical area of on- and off-balance sheet credit exposures to customers

(cont.)

Exposures/Geographical areas	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	12	-	-	-	7
A.2 Unlikely-To-Pay loans	1,440	-	-	-	-
A.3 Non-performing past due exposures	3	1	3	3	2
A.4 Performing exposures	339	356,526	63	548,891	44
Total (A)	**1,794**	**356,527**	**66**	**548,894**	**53**
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	-	-	-	-	-
B.2 Performing exposures	13	227	-	153	-
Total (B)	**13**	**227**	**-**	**153**	**-**
Total (A+B) 31.12.2021	**1,807**	**356,754**	**66**	**549,047**	**53**
Total (A+B) 31.12.2020	**974**	**313,512**	**50**	**559,459**	**176**

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 exposure	Total impairment provisions	Net exposure	Gross exposure	Total impairment provisions	Net exposure	Gross exposure	Total impairment provisions	Net exposure
Total	**70,788,442**	**(2,056,041)**	**68,732,401**	**482,889**	**(49,209)**	**433,680**	**14,425**	**(1,502)**	**12,923**
Stage 1	*61,215,644*	*(120,529)*	*61,095,115*	*418,329*	*(906)*	*417,423*	*11,177*	*(23)*	*11,154*
Stage 2	*6,513,218*	*(217,857)*	*6,295,361*	*5,837*	*(245)*	*5,592*	*988*	*(24)*	*964*
Stage 3	*1,737,492*	*(1,082,288)*	*655,204*	*26,883*	*(25,922)*	*961*	*337*	*(149)*	*188*
Purchased or originated credit-impaired	*1,322,088*	*(635,367)*	*686,721*	*31,840*	*(22,136)*	*9,704*	*1,923*	*(1,306)*	*617*

(cont.)

Exposures/Geographical areas	Asia			Rest of the world			Total		
	Gross exposure	Total impairment provisions	Net exposure	Gross exposure	Total impairment provisions	Net exposure	Gross exposure	Total impairment provisions	Net exposure
Total	**5,038**	**(26)**	**5,012**	**1,178**	**(28)**	**1,150**	**71,291,972**	**(2,106,806)**	**69,185,166**
Stage 1	*4,680*	*(7)*	*4,673*	*863*	*(2)*	*861*	*61,650,693*	*(121,467)*	*61,529,226*
Stage 2	*354*	*(16)*	*338*	*301*	*(15)*	*286*	*6,520,698*	*(218,157)*	*6,302,541*
Stage 3	*4*	*(3)*	*1*	*7*	*(4)*	*3*	*1,764,723*	*(1,108,366)*	*656,357*
Purchased or originated credit-impaired	-	-	-	*7*	*(7)*	-	*1,355,858*	*(658,816)*	*697,042*

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	60,053	171,624	112,460	286,918	70,783	133,652	114,063	307,539
A.2 Unlikely-To-Pay loans	196,464	205,478	177,856	256,849	139,749	141,638	184,313	185,756
A.3 Non-performing past due exposures	22,213	7,160	6,943	2,376	8,957	3,534	19,285	6,406
A.4 Performing exposures	24,145,198	146,678	20,038,607	72,913	18,187,971	65,599	13,796,724	66,992
Total (A)	**24,423,928**	**530,940**	**20,335,866**	**619,056**	**18,407,460**	**344,423**	**14,114,385**	**566,693**
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	47,299	8,712	148,662	21,538	28,584	6,914	66,850	4,634
B.2 Performing exposures	13,995,298	22,560	9,738,136	10,417	4,688,614	3,046	4,644,789	3,243
Total (B)	14,042,597	31,272	9,886,798	31,955	4,717,198	9,960	4,711,639	7,877
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
Total (A+B) 31.12.2020	11,270,100	290,588	29,130,663	668,269	16,556,895	231,632	14,138,209	516,958

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					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely-To-Pay exposures	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-
A.4 Performing exposures	25,260,298	8,561	7,480,445	1,681	168,260
Total (A)	**25,260,298**	**8,561**	**7,480,445**	**1,681**	**168,260**
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	-	-	-	-	-
B.2 Performing exposures	595,745	5	457,469	38	78,554
Total (B)	**595,745**	**5**	**457,469**	**38**	**78,554**
Total (A+B) 31.12.2021	**25,856,043**	**8,566**	**7,937,914**	**1,719**	**246,814**
Total (A+B) 31.12.2020	**13,050,909**	**9,388**	**6,556,893**	**3,792**	**212,383**

B.3 Breakdown by geographical area of on- and off-balance sheet credit exposures to banks

(cont.)

Exposures/Geographical areas	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 exposures	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-
A.4 Performing exposures	31	111,881	41	1,367,142	77
Total (A)	31	111,881	41	1,367,142	77
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	-	-	-	-	-
B.2 Performing exposures	5	451,198	37	84,245	7
Total (B)	5	451,198	37	84,245	7
Total (A+B) 31.12.2021	36	563,079	78	1,451,387	84
Total (A+B) 31.12.2020	36	498,852	97	1,182,068	93

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 exposures	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	1,869,806	2,822	197,326	136	20,392,006	5,603	2,801,160	-
Total (A)	1,869,806	2,822	197,326	136	20,392,006	5,603	2,801,160	-
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	227,821	2	262,398	3	6,295	-	99,231	-
Total (B)	227,821	2	262,398	3	6,295	-	99,231	-
Total (A+B) 31.12.2021	2,097,627	2,824	459,724	139	20,398,301	5,603	2,900,391	-
Total (A+B) 31.12.2020	1,773,390	4,191	412,414	140	8,480,057	5,057	2,385,048	-

B.4 Large exposures

	31.12.2021	31.12.2020
a) Book value	25,156,526	16,713,713
b) Weighted value	4,749,727	4,209,915
c) Number	16	9

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 2021, there are 16 “large exposures” for an overall amount of € 25,157 million, corresponding to € 4,750 million after CRM and exemptions under art. 400 CRR. Of these, repurchase agreements account for € 6,020 million and € 311.2 million respectively.
For an amount of over 60% of the total, the positions shown include the State Treasury and the Ministry of Economy and Finance for a total exposure of € 13,647 million, € 1,163 million after CRM and exemptions.
The rest is made up of leading European and world companies/banks (for € 11,510 million - € 3,587 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: 31.12.2021	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

Reference date: 31.12.2020	Amount of the exposure	Amount of the exposure after CRM and exemptions under art. 400 CRR
First 5 exposures	13,632,871	2,356,263
First 10 exposures	17,346,074	4,209,915
First 20 exposures	21,123,519	6,448,568

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-securitisations) still outstanding at 31 December 2021 as explained in Section 4 below, are as follows:

- Italian Credit Recycle
- Restart
- AQUI SPV
- Spring
- Summer
- Grogu SPV (execution of the “Skywalker” sale project)
- Grecale 2015
- Pillarstone
- Sestante no.2
- Sestante no.3

The following securitisations were closed in 2021:

- SME Grecale 2017

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
Servicer:	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
Organisational structure	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 31.12.2021
IT0005274565	Senior	Dec-37	22,400	-
IT0005274573	Junior	Dec-37	18,600	10
Total			**41,000**	**10**

The securities were placed with institutional investors on issue and, for a residual part, were subscribed by BPER Banca (€ 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
Organisational structure	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 31.12.2021
IT0005274532	Senior	Dec-37	18,200	1,280
IT0005274540	Junior	Dec-37	14,800	12,570
Total			**33,000**	**13,850**

The securities were placed with institutional investors on issue and, for a residual part, were subscribed by BPER Banca (€ 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 (TV)
Servicer:	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 31.12.2021	Rating Scope	Rating Moodys
IT0005315330	Senior	Oct-38	544,700	363,713	n.r.	n.r.
IT0005351348	Mezzanine	Oct-38	62,900	62,900	n.r.	n.r.
IT0005351355	Junior	Oct-38	10,852	10,852	n.r.	n.r.
Total			**618,452**	**437,465**		

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% (€ 3.7 million), retained 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)
Servicer:	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.

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2021	Rating Scope	Rating Moodys
IT0005413197	Senior	Sep-40	320,000	194,877	BBB	Baa1
IT0005413213	Mezzanine	Sep-40	20,000	20,000	n.r.	n.r.
IT0005413221	Junior	Sep-40	3,400	3,400	n.r.	n.r.
Total			**343,400**	**218,277**		

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% (€ 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 (TV)
Servicer:	- 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 31.12.2021	Rating Scope	Rating Moodys
IT0005432445	Senior	Oct-40	85,400	71,194	BBB	Baa2
IT0005432452	Mezzanine	Oct-40	10,000	10,000	n.r.	n.r.
IT0005432460	Junior	Oct-40	1,000	1,000	n.r.	n.r.
Total			**96,400**	**82,194**		

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% (€ 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 (TV)
Servicer:	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 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 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 Sanpaolo. 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 31.12.2021	Rating Scope	Rating Moodys	Rating DBRS
IT0005473852	Senior	Jan-42	460,000	187,680	187,680	BBB+	Baa1	BBB
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**	**188,275**			

The Senior notes were subscribed to in proportion to the price of sale by BPER Banca and Intesa SanPaolo. The Mezzanine and Junior notes were placed with an institutional investor and for a residual part equal to 5% (€ 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.
BPER Banca does not hold any interest in the companies indicated above.
None of the securities issued by the SPV have a rating.
This loan has been derecognised for financial reporting and prudential supervisory purposes, as the requirements of IFRS 9 (IAS 39 at the time of the transaction) were satisfied.
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 9,259 thousand is equal to the amount of the restructured loan signed 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
Servicer:	Italfondiario Spa
Issue date of securities	03 December 2004
Type of transaction	Traditional
Organisational structure	Italfondiario 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 31.12.2021
IT0003760136	Senior	Jul-42	575,300	42,600
IT0003760193	Mezzanine	Jul-42	34,400	34,400
IT0003760227	Mezzanine	Jul-42	15,600	15,600
IT0003760243	Mezzanine	Jul-42	21,900	496
IT0003760284	Junior	Jul-42	6,253	6,253
Total			**653,453**	**99,349**

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:	Meliorbanca S.p.a.
Special purpose vehicle:	Sestante Finance s.r.l., based in Via Mario Carucci 131, Rome
Servicer:	Italfondiario Spa
Issue date of securities	16 December 2005
Type of transaction	Traditional
Organisational structure	Italfondiario 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 31.12.2021
IT0003937452	Senior	Jul-45	791,900	107,165
IT0003937486	Mezzanine	Jul-45	47,350	47,350
IT0003937510	Mezzanine	Jul-45	21,500	21,500
IT0003937569	Mezzanine	Jul-45	30,150	20,652
IT0003937551	Junior	Jul-45	8,610	8,610
Total			**899,510**	**205,277**

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:	SME Grecale RMBS 2015 s.r.l., based in Piazza della Costituzione, 2 Bologna (BO)
Servicer:	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
Organisational structure	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 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 31.12.2020	*Rating Fitch*	*Rating DBRS*
IT0005143836	Senior	Dec-67	573,500	111,005	AA+	AAA
IT0005143844	Mezzanine	Dec-67	58,100	58,100	A	A
IT0005143851	Mezzanine	Dec-67	29,000	29,000	BBB	BBB+
IT0005143869	Junior	Dec-67	65,378	65,378	n.r.	n.r.
Total			**725,978**	**263,483**		

Grecale 2017

On 12 November 2021, BPER Banca completed the repurchase of the loan portfolio originally sold to the vehicle company. The repurchase refers to a portfolio of land and mortgage loans for a residual debt of approximately € 284 million.
This was announced by publication in the Official Gazette (OG Second Part, no. 137 of 18 November 2021) and to the contracting parties.

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	**782,730**	**1,555**	**4,937**	**-**	**-**	**-**
- performing residential mortgages	1,317	7	-	-	-	-
- non-performing residential mortgages	139,342	276	249	-	-	-
- performing non-residential mortgages						-
- non-performing non-residential mortgages	358,394	710	463	-	-	-
- performing leases						-
- non-performing leases	23	-	680	-	-	-
- other performing loans						-
- other non-performing loans	283,654	562	3,545	-	-	-
- performing securities	-	-	-	-	-	-
- non performing securities	-	-	-	-	-	-
B. Partially derecognised	-	-	-	-	-	-
C. Not derecognised	-	-	-	-	-	-

(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	**2,503**	**14**	**-**	**-**	**-**	**-**
- performing residential mortgages	2,503	14	-	-	-	-
- 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	-	-	-	-	-	-

The table shows the on-balance-sheet exposures assumed by the Bank in connection with its own securitisations Sestante, Restart, Italian Credit Recycle, Pillarstone, Aqui, Spring, Summer and Skywalker. "Net impairment losses" show the annual flow of impairment losses and write-backs as required by the Bank of Italys Circular 262/2005.
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	22,931	5	-	-	-	-
- non-performing residential mortgages	5,939	1	-	-	-	-
- performing non-residential mortgages	-	-	-	-	-	-
- non-performing non-residential mortgages	-	-	-	-	-	-
- performing leases	-	-	-	-	-	-
- non-performing leases	-	-	-	-	-	-
- other performing loans	44,366	-	-	-	-	-
- other non-performing loans	4,357	9	-	-	-	-
- 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	-	-	-	-	-	-

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 report.

C.4 Non-consolidated securitisation vehicles

There are no amounts to be disclosed in this report.

C.5 Servicer activities - "own" securitisations: 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 fully 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	**1,243,037**	**-**	**1,243,037**	**-**	**1,214,019**	**-**	**1,214,019**
1. Debt securities	1,243,037	-	1,243,037	-	1,214,019	-	1,214,019
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**5,424,142**	**307,736**	**5,071,405**	**7,767**	**5,152,207**	**56,169**	**5,096,037**
1. Debt securities	4,983,903	-	4,938,903	-	4,963,133	-	4,963,132
2. Loans	440,239	307,736	132,502	7,767	189,074	56,169	132,905
Total 31.12.2021	**6,667,179**	**307,736**	**6,314,442**	**7,767**	**6,366,226**	**56,169**	**6,310,056**
Total 31.12.2020	**3,752,767**	**718,859**	**3,033,908**	**-**	**3,159,338**	**143,813**	**3,015,525**

E.2 Financial assets sold partially recognised and related financial liabilities: book value

There are no amounts to be disclosed in these Financial Statements.

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 these Financial Statements.

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

Overall, in the three-year period 2018-2021, BPER Banca has completed six sales of non-performing loans, classified as unlikely to pay (UTP), to “multi-originator” mutual funds, with simultaneous subscription of units issued by the fund in proportion to the value of the loans transferred.

The sale transactions of BPER Banca still outstanding at 31 December 2021 are therefore as follows:

- Clessidra Restructuring Fund – CRF
- IDeA Corporate Credit Recovery II – CCR II
- RSCT Fund
- Efesto
- Illimity Credit and Corporate Turnaround Fund - iCCT
- Back2Bonis

Sale of non-performing loans to Clessidra Restructuring Fund

The first sale was carried out in September 2019 with the transfer of a portfolio of BPER Banca unlikely to pay (UTP) loans, for a gross carrying amount of Euro 27.7 million, to the purchaser, Clessidra Restructuring Fund ("CRF" or the "Fund") managed by Clessidra SGR. In 2021, a further contribution of UTP loans to the CRF Fund was made by BPER Banca for a gross book value of Euro 4.1 million. Both sales took place without recourse and, in terms of the counterparties sold, it is possible that they coincide with those sold by the other banks participating in the transaction.

In return for the sale, BPER Banca was assigned a total of 19,131,908 A Units of the Credit Section of the Fund, which have been recognised in the balance sheet at an initial value of Euro 12.8 million. The amounts due for each bank participating in the transaction were determined in proportion to the value of the loans sold by each of them with respect to the total value of the loans sold by the banks participating in the Fund.

CRF is an alternative private, closed-end mutual fund specialised in investing in credit exposures classified as "bad", "unlikely to pay", "past due", "forborne performing and non-performing", and "high risk performing" loans to companies, as well as in lending to debtors for the purpose of restructuring their loans.

The structure and functioning of the transactions are administered and governed in accordance with the Fund Regulations; consistent with these regulations, several classes of units were issued, giving their holders different economic and governance rights; specifically, the following units were issued in the context of this transaction:

- A units: subscribed for solely by the banks that assigned loans (including BPER Banca);
- B units: subscribed for by other "Eligible Investors" and paid for with liquid funds (low yield new finance);
- C units: subscribed for by other "Eligible Investors" and paid for with liquid funds (high yield new finance);
- D units: subscribed for by the SGR, the directors and employees of the SGR and the advisors with which the SGR has a long-term contract for the provision of professional activities in relation to the fund, and paid for with liquid funds.

Consistent with market practice for restructuring operations, the B and C units (subscribed for by investors that contributed new liquidity to the Fund) have seniority over the A units subscribed for by the contributors of the pre-existing credit exposures. In particular, the CRF Regulation recognises that these units have preference on redemption and on the distribution of any income deriving from ownership, as specified in the waterfall envisaged in the Regulation.

The CRF management company, Clessidra SGR, carries out the investment and divestment operations and related negotiations, arranges for collections and exercises all other rights in relation to the loans, arranges for payments and carries out all other Fund administration and risk management activities on behalf of the investors and in compliance with the Fund and sector regulations. The Board of Directors of Clessidra SGR (no members appointed by BPER Banca) is responsible for implementing the investment policy.
The CRF Regulation also requires the Board of Directors to work with a Consultative Committee, which provides advice or binding decisions, without prejudice to the responsibility of the Board of Directors for administering the Fund.
Prior consent from the Consultative Committee (on which BPER Banca has a representative) is required for certain specific non-operating matters.
Like all other investors in the Fund, BPER Banca is also entitled to participate in the Investors Meeting that, in accordance with the Regulation, resolves solely on the following matters: i. replacement of the SGR, ii. early liquidation of the Fund, iii. amendment of the Regulations.

The following significant information is provided about the UTP portfolio sold by BPER Banca in 2019 and 2021, in terms of the type of credit line, economic sector and geographical location of the counterparties, the gross amount sold and the impairment adjustments existing at the disposal date.

(in thousands)

Geographical areas/ Sectors/ Guarantees		Gross exposure	Total impairment provisions
Emilia Romagna		**16,061**	**8,466**
	Diversified Industrial Products	3,816	-
	Secured	*3,816*	-
	Marine Applications	12,245	8,466
	Unsecured	*12,245*	*8,466*
Lombardy		**10,471**	**7,237**
	Consumer Retail	4,206	2,836
	Secured	*2,811*	*1,896*
	Unsecured	*1,395*	*940*
	Iron & Steel	2,190	1,332
	Unsecured	2,190	1,332
	Manufacturing	4,075	3,069
	Unsecured	*4,075*	*3,069*
Veneto		**5,212**	**3,580**
	Food & Beverage	5,212	3,580
	Unsecured	*5,212*	*3,580*
Total		**31,744**	**19,283**

During the sale of the non-performing loans, the conditions required by IFRS 9 to proceed with derecognition of the assets were verified[49], applying the relative "flow chart".
As indicated in Part A4 – Fair Value Information, the financial instruments acquired in the context of the transaction with the Clessidra Restructuring Fund, being (illiquid) unlisted closed-end mutual fund units, have been classified as "Financial assets mandatorily measured at fair value".
Given the characteristics of the instruments, the fair value on initial recognition and subsequent remeasurement was determined using a mark-to-model approach, resulting in a Level 3 fair value. A type of Discounted Cash Flow (DCF) model was used. The fair value at 31 December 2021 was Euro 12.5 million compared with an initial fair value of Euro 12.8 million.

Sale of non-performing loans to IDeA Corporate Credit Recovery II

The sale was carried out in 2020 with the transfer of a portfolio of BPER Banca unlikely to pay (UTP) loans, for a gross carrying amount of Euro 8.7 million, to the purchaser, IDeA Corporate Credit Recovery II ("IDeA CCR II or the "Fund") mutual investment fund, established and managed by Dea Capital Alternative Funds SGR S.p.a. Already in June 2018, BPER Banca had made a first transfer of loans of the same nature to the Fund for a total gross book value of Euro 6.1 million. Both sales took place without recourse and, in terms of the counterparties sold, it is possible that they coincide with those sold by the other banks participating in the transaction.

In return for the sales, BPER Banca was assigned a total of 231 A1 Units of the Credit Section of the Fund, which have been recognised in the balance sheet at a total initial value of Euro 6.8 million. The amounts due for each bank participating in the transaction were determined in proportion to the value of the loans sold by each of them with respect to the total value of the loans sold by the banks participating in the Fund.

IDeA CCR II is a closed-end multi-sector alternative investment fund specialised i) in the acquisition of UTP credits held by the banking system in order to maximise the recovery rate of the positions through a standard, undivided type of management; ii) as well as in the disbursement of new finance in the context of restructuring plans of the companies in the portfolio, through instruments that allow a higher degree

[49] *IFRS 9.3.2.1-3.2.21 and IFRS 9.B3.2.1-B3.2.16.*

of priority in repayment than the financial debt already in place (known as "Debtor-in-Possession Financing").

The structure and functioning of the transactions are administered and governed in accordance with the Fund Regulations.

The Management Regulations of the IDeA CCR II Fund provide that it should be made up of three sub-funds, the Credit Section, the New Finance Section and the Shipping Section. The Banks participating in the operation transfer debt exposures (and/or participating financial instruments) on loan transactions classified as UTPs to the Credit Section and receive units in the Fund in exchange. Third-party investors, on the other hand, finance the New Finance Section through the subscription of units, the purpose of which is to allocate additional resources to the Target Companies of the Credit Section (or to other companies with similar characteristics) to be used in servicing the turnaround. Some of the Funds partner banks transfer UTP debt positions relating to Target Companies operating in the shipping sector to the Shipping Section and receive units in the Fund in exchange.
To be more specific, the units issued by the Fund are as follows:

- A1 units: units in the Credit Section reserved for banks selling loans (including BPER Banca);
- B1 units: units in the Credit Section reserved for the SGR, the members of the Fund Management Team, the Sponsor and other persons identified by the SGRs Board of Directors;
- A2 units: units in the New Finance Section subscribed by investors other than the “Anchor Investors” as defined in the following point;
- A3 units: units in the Nuova Finanza Section subscribed by investors for a minimum initial amount equal to or greater than Euro 15 million (“Anchor Investors”);
- B2 units: units in the Nuova Finanza Section reserved for the SGR, the members of the Management Team of the Fund, the Sponsor and other persons identified by the Board of Directors of the SGR.
- A4 units: units in the Shipping Section reserved for the banks selling loans in this sector (BPER Banca is not one of these);
- B3 units: units in the Shipping Section reserved for the SGR, the members of the Management Team of the Fund, the Sponsor and other persons identified by the Board of Directors of the SGR.

The units in the Credit, New Finance and Shipping Sections are characterised by a different distribution priority of any income that comes from owning them to be allocated to subscribers. More specifically:

- in cases where no new financial resources have been disbursed to Target Companies of the Credit Section (or Shipping Section), the revenues deriving from specific transactions are allocated 100% to the subscribers of that Section.
- in the case of co-investment between the Credit Section (or Shipping Section) and the New Finance Section in the same Target Companies, the Fund Management Regulations provide for a specific waterfall structure of the proceeds deriving from the sale of the investments. In this case, the units issued by the New Finance Section enjoy a privileged seniority with respect to the units issued by the Credit Section (or Shipping Section).

The management company of IDeA CCR II is Dea Capital Alternative Funds SGR, which, in this role, carries out the investment and divestment operations and related negotiations, arranges for collections and exercises all other rights in relation to the loans, arranges for payments and carries out all other Fund administration and risk management activities on behalf of the investors and in compliance with the Fund and sector regulations.

The overall management and strategic supervision function of the Fund lies with the Board of Directors of Dea Capital Alternative Funds SGR (on which there is no representative appointed by BPER Banca).
The Fund Regulation also provides that the Board of Directors avails itself of the collaboration of an Advisory Committee, which expresses preventive and mandatory opinions, which may be binding or non-binding, while the strategic management and responsibility for the management of each Section of the Fund remains with the Board of Directors.
The prior consent of the Advisory Committee (in which BPER Banca also participates with its own representative) is mandatory for any investment or divestment operation or contract or other deed in conflict of interest governed by the Regulations.
Like all other investors in the Fund, BPER Banca is also entitled to participate in the Investors Meeting that, in accordance with the Regulation, resolves on the following matters: i) amendment of the Regulations; ii) early liquidation of the Fund, iii) replacement of the asset management company; iv) revocation of the Servicer; v) increase in the maximum amount of expenses; vi) substantial changes to the Servicing Agreement.

The following significant information is provided about the UTP portfolio assigned by BPER Banca in 2018 and 2020, in terms of the type of credit line, economic sector and geographical location of the counterparties, the gross amount assigned and the impairment adjustments existing at the disposal date.

(in thousands)

Geographical areas/ Sectors/ Guarantees	Gross exposure	Total impairment provisions
Emilia-Romagna	**13,900**	**9,009**
Manufacturing	13,900	9,009
Secured	*13,900*	*9,009*
Marche	**916**	**503**
Manufacturing	163	89
Unsecured	*163*	*89*
Wholesale and retail trade	753	414
Unsecured	*753*	*414*
Total	**14,816**	**9,512**

During the sale of the non-performing loans, the conditions required by IFRS 9 to proceed with derecognition of the assets were verified[50], obtaining a specific accounting opinion from an accredited independent consultant.
As indicated in Part A4 – Fair Value Information, the financial instruments acquired in the context of the transaction with the Idea CCR II, being (illiquid) unlisted closed-end mutual fund units, have been classified as "Financial assets mandatorily measured at fair value".
Given the characteristics of the instruments, the fair value on initial recognition and subsequent remeasurement was determined using a mark-to-model approach, resulting in a Level 3 fair value. A type of Discounted Cash Flow (DCF) model was used. The fair value at 31 December 2021 was Euro 5.6 million compared with an initial fair value of Euro 6.8 million.

[50] *IFRS 9.3.2.1-3.2.21 and IFRS 9.B3.2.1-B3.2.16.*

Sale of non-performing loans to RSCT Fund

The sale was carried out in May 2020 with the transfer of a portfolio of BPER Banca unlikely to pay (UTP) loans, for a gross carrying amount of Euro 45.4 million, to the purchaser, RSCT Fund (the "Fund"), managed by the Irish asset management company Davy Global Fund Management Limited, which is linked to Pillarstone Italia S.p.a. In the second quarter of 2021, the portfolio of assets sold was reduced by Euro 2.3 million following the buyback of a loan backed by the European Investment Fund. The sale took place without recourse and, in terms of the counterparties sold, it is possible that they may coincide with those sold by the other banks participating in the transaction.

In return for the sale and net of the position repurchased during the year, BPER Banca was assigned a total of 25,126,391 A1 Units of the Credit Section of the Fund, which have been recognised in the balance sheet at an initial value of Euro 17.4 million. The amounts due for each bank participating in the transaction were determined in proportion to the value of the loans sold by each of them with respect to the total value of the loans sold by the banks participating in the Fund.

RSCT Fund is an alternative investment fund, of the closed-end multi-sector type, specialised in the purchase of loans (and securities representing loans) of debtor Target Companies in a state of financial tension and/or in distress, with the ultimate aim of carrying out investment transactions in the Debtor Company and turnaround and enhancement of the companies in question, also through the investment of new finance according to the methods and limits specified in these Regulations. The loans acquired may possibly be transferred, in whole or in part, from the Fund to the Vehicle Company in order to carry out debt-to-equity swaps or other strategies to maximise the recovery rate of the loans.

The structure and functioning of the transactions are administered and governed in accordance with the Fund Regulations.

The Management Regulations of the RSTC Fund provide that it is made up of two sub-funds, the Credit Section and the New Finance Section. The Banks participating in the operation transfer debt exposures (and/or participating financial instruments) on loan transactions classified as UTPs to the Credit Section and receive units in the Fund in exchange. Third-party investors, on the other hand, finance the New Finance Section through the subscription of units, the purpose of which is to allocate additional resources to the Target Companies of the Credit Section (or to other companies with similar characteristics) to be used in servicing the turnaround.
To be more specific, the units issued by the Fund are as follows:

- A1 units: units in the Credit Section reserved for Professional Investors (banks selling loans, including BPER Banca);
- A2 units: units in the Credit Section reserved exclusively for the SGR, the members of the SGRs Strategic Supervisory Body and the SGRs employees;
- B1 units: units in the New Finance Section reserved for Professional Investors;
- B2 units: units in the New Finance Section reserved exclusively for the SGR, the members of the SGRs Strategic Superv isory Body and the SGRs employees.

The units in the Credit and New Finance Sections are characterised by a different distribution priority of any income that comes from owning them to be allocated to subscribers. More specifically:

- within each Section (or Sub-Fund), the income deriving from specific investment transactions attributable to the Section is allocated to the subscribers according to a specific waterfall structure defined in the Fund Regulations;
- in the case of co-investment by the Loans and Nuova Finanza Sections in the same Target Companies, the Fund Management Regulations provide for an additional specific waterfall structure of the proceeds deriving from the sale of the investments. In this case, the units issued by the New Finance Section enjoy a privileged seniority with respect to the units issued by the Credit Section.

The company that manages the RSTC Fund is Davy Global Fund Management Limited, which manages the Fund through the Strategic Supervisory Body in accordance with Fund Regulations. The goal is to enhance the value of the loans sold by the banks in order to maximise their yield, sustaining management costs through the collection of income deriving from various activities, including investment and divestment transactions, related negotiations, collection activities and the exercise of any other rights relating to loans, disbursements and any other asset management activity of the Fund in compliance with its Regulations, as well as with sector regulations. The Strategic Supervisory Body of the Irish AMC (no members appointed by BPER Banca) is responsible for implementing the investment policy.
In managing the Fund, the Strategic Supervisory Body uses the collaboration of the Advisor Pillarstone Italy S.p.a., a company that provides consulting services through a specific Advisory Committee, in which BPER Banca also participates by appointing its own representative. The non-binding prior agreement by the Advisory Committee is required with regard to specific matters provided for by Fund Regulations, with the Asset Management Company being in charge of the strategic management and administration of the Fund.

Like all other investors in the Fund, BPER Banca is also entitled to participate in the Investors Meeting that, in accordance with the Regulation, resolves on the following specific matters: i) replacement of the AMC, ii) amendment of the Regulations, iii) early liquidation of the Fund.

The following significant information is provided about the UTP portfolio assigned by BPER Banca in 2020 and in the second quarter of 2021, in terms of the type of credit line, economic sector and geographical location of the counterparties, the gross amount assigned and the impairment adjustments existing at the disposal date.

(in thousands)

Geographical areas/ Sectors/ Guarantees		Gross exposure	Total impairment provisions
Emilia-Romagna		**29,597**	**17,147**
	Manufacturing	16,207	9,476
	Secured	16,207	9,476
	Transport and storage	13,390	7,671
	Secured	*13,390*	*7,671*
Veneto		**12,585**	**7,481**
	Wholesale and retail trade	12,585	7,481
	Secured	*12,585*	*7,481*
Total		**42,182**	**24,628**

During the sale of the non-performing loans, the conditions required by IFRS 9 to proceed with derecognition of the assets were verified[51], obtaining a specific accounting opinion from an accredited independent consultant.
As indicated in Part A4 – Fair Value Information, the financial instruments acquired in the context of the transaction with the RSTC Fund, being (illiquid) unlisted closed-end mutual fund units, have been classified as "Financial assets mandatorily measured at fair value".
Given the characteristics of the instruments, the fair value on initial recognition and subsequent remeasurement was determined using a mark-to-model approach, resulting in a Level 3 fair value. A type of Discounted Cash Flow (DCF) model was used. The fair value at 31 December 2021 was Euro 21 million compared with an initial fair value of Euro 17.4 million.

Sale of non-performing loans to Efesto

The first sale transactions were completed in 2020 with the transfer -in multiple tranches- of a portfolio of unlikely to pay (UTP) loans belonging to BPER Banca, for a total gross book value of Euro 25.1 million to the buyer, the Efesto mutual investment fund (the “Fund”), established and managed by Finanziaria Internazionale Investments SGR S.p.a. In May 2021, a further contribution of UTP loans to the Efesto Fund was made by BPER Banca -likewise in multiple tranches- for a gross book value of Euro 115.5 million. All sales took place without recourse and, in terms of the counterparties sold, it is possible that they coincide with those sold by the other banks participating in the transaction.

In return for the sale, BPER Banca was assigned a total of 69,220,426 Units of the Credit Section of the Fund, which have been recognised in the balance sheet at an initial value of Euro 61.6 million. The amounts due for each bank participating in the transaction were determined in proportion to the value of the loans sold by each of them with respect to the total value of the loans sold by the banks participating in the Fund.

Efesto is a closed-end, reserved alternative investment fund specialised in i) investing in unlikely to pay (UTP) credit exposures towards Target Companies established in an initial phase of contribution (wave 1) of medium/long term credit lines with the possibility of subsequent expansion to working capital lines to be activated in a second phase (wave 2); as well as in ii) the disbursement of new finance to the Target Companies (or to other companies with similar characteristics) in order to facilitate the turnaround and improve the prospects of recovering the debt. The disbursement of new finance will take place through the special purpose vehicle (SPV) and will have priority in the payment of the loans sold compared with the individual debtor by virtue of contractual agreements (the Fund has granted the SPV super seniority).

The structure and functioning of the transactions are administered and governed in accordance with the Fund Regulations; in line with these provisions, in fact, a single class of units was issued which assign the same administrative and capital rights to the holders, in accordance with the Regulations.
Efestos management company is Finanziaria Internazionale Investments SGR which, in this role, carries out the investment and divestment operations and related negotiations, arranges for collections and exercises all other rights in relation to the loans, arranges for payments and carries out all other Fund administration and risk management activities on behalf of the investors and in compliance with the Fund and sector regulations. The overall management and strategic supervision function of the Fund lies with the Board of Directors of Finanziaria Internazionale Investments SGR (on which there is no representative appointed by BPER Banca).

[51] *IFRS 9.3.2.1-3.2.21 and IFRS 9.B3.2.1-B3.2.16.*

The Fund Regulation also provides that the Board of Directors avails itself of the collaboration of an Advisory Committee (in which BPER Banca also participates by appointing its own representative), which expresses preventive, mandatory and binding opinions in the case of transactions in conflict of interest and transactions that take place while waiting for the AMC to be replaced; whereas the Committees opinion is not binding for the revocation and replacement of the Servicer and the early liquidation of the Fund, approval of the Funds first business plan and any subsequent amendments. The Committee can also formulate non-binding proposals to the AMC, such as an assessment of contractual remedies in the event of inadequate performance on the part of the Servicer. The Board of Directors remains responsible for administering the Fund.
Like all other investors in the Fund, BPER Banca is also entitled to participate in the Investors' Meeting that, in accordance with the Regulations, resolves exclusively on the following matters: i) amendment of the Regulations; ii) early liquidation of the Fund, iii) replacement of the asset management company; iv) revocation of the Servicer; v) increase in the maximum amount of expenses; vi) substantial changes to the Servicing Agreement.

The following significant information is provided about the overall UTP portfolio sold by BPER Banca in 2020 and 2021, in terms of the type of credit line, economic sector and geographical location of the counterparties, the gross amount assigned and the impairment adjustments existing at the disposal date.

(in thousands)

Geographical areas/ Sectors/ Guarantees	Gross exposure	Total impairment provisions
Campania	**16,316**	**8,397**
Administrative and support service activities	2,109	1,058
Unsecured	*2,110*	*1,058*
Construction	1,840	1,314
Secured	*1,840*	*1,314*
Real estate activities	12,367	6,025
Secured	*12,367*	*6,025*
Emilia-Romagna	**46,545**	**25,516**
Administrative and support service activities	4,843	1,735
Secured	*4,843*	*1,735*
Construction	4,040	487
Secured	*4,040*	*487*
Manufacturing	7,629	6,474
Secured	7,629	6,474
Real estate activities	28,680	15,983
Secured	28,680	15,983
Transport and storage	470	534
Secured	470	534
Other services	883	303
Unsecured	*883*	*303*
Lazio	**18,099**	**10,782**
Construction	3,140	492
Unsecured	*3,140*	*492*
Human health services and social work activities	12,679	9,477
Secured	*12,679*	*9,477*
Other services	2,280	813
Secured	*2,280*	*813*
Lombardy	**30,413**	**19,706**
Administrative and support service activities	923	477
Secured	*923*	*477*
Real estate activities	7,483	4,390
Secured	*7,483*	*4,390*
Other services	16,021	9,928
Unsecured	*16,021*	*9,928*
Professional, scientific and technical activities	5,986	4,911
Unsecured	*5,986*	*4,911*
Marche	**7,319**	**3,869**
Wholesale and retail trade	7,319	3,869
Secured	*7,319*	*3,869*
Tuscany	***6,059***	***3,550***
Construction	6,059	3,550
Secured	*6,059*	*3,550*
Piedmont	***2,610***	***560***
Construction	2,610	560
Secured	*2,610*	*560*
Calabria	**4,036**	**999**
Accommodation and food service activities	2,754	520
Secured	*2,754*	*520*
Construction	1,282	479
Secured	*1,282*	*479*
Abruzzo	**6,210**	**1,851**
Accommodation and food service activities	3,027	544
Secured	*3,027*	*544*
Construction	3,183	1,307
Secured	*946*	*285*
Unsecured	*2,236*	*1,022*
Total	**137,607**	**75,231**

During the sale of the non-performing loans, the conditions required by IFRS 9 to proceed with derecognition of the assets were verified[52], obtaining a specific accounting opinion from an accredited independent consultant.
As indicated in Part A4 – Fair Value Information, the financial instruments acquired in the context of the transaction with the Efesto Fund, being (illiquid) unlisted closed-end mutual fund units, have been classified as "Financial assets mandatorily measured at fair value".
Given the characteristics of the instruments, the fair value on initial recognition and subsequent remeasurement was determined using a mark-to-model approach, resulting in a Level 3 fair value. A type of Discounted Cash Flow (DCF) model was used. The fair value at 31 December 2021 was Euro 55.8 million compared with an initial fair value of Euro 61.5 million.

Sale of non-performing loans to Illimity Credit and Corporate Turnaround Fund - iCCT

The first sale transactions were completed in 2021 with the transfer -in multiple tranches- of a portfolio of unlikely to pay (UTP) loans belonging to BPER Banca, for a total gross book value of Euro 43.3 million to the buyer, Illimity Credit and Corporate Turnaround Fund ("ICCT" or the “Fund”), established and managed by Illimity SGR S.p.a. Both sales took place without recourse and, in terms of the counterparties sold, it is possible that they coincide with those sold by the other banks participating in the transaction.

In return for the sale, BPER Banca was assigned a total of 33,587,693 Units of the Credit Section of the Fund, which have been recognised in the balance sheet at an initial value of Euro 57.5 million. The amounts due for each bank participating in the transaction were determined in proportion to the value of the loans sold by each of them with respect to the total value of the loans sold by the banks participating in the Fund.

iCCT is a closed-end, reserved alternative investment fund specialised in i) investing in unlikely to pay (UTP) credit exposures towards Target Companies established in an initial phase of contribution (wave 1) of medium/long term credit lines with the possibility of subsequent expansion to working capital lines to be activated in a second phase (wave 2); as well as in ii) the disbursement of new finance to the Target Companies (or to other companies with similar characteristics) in order to facilitate the turnaround and improve the prospects of recovering the debt. The disbursement of new finance will take place through the special purpose vehicle (SPV) and will have priority in the payment of the loans sold compared with the individual debtor by virtue of contractual agreements (the Fund has granted the SPV super seniority).

The structure and functioning of the transactions are administered and governed in accordance with the Fund Regulations; in line with these provisions, in fact, a single class of units was issued which assign the same administrative and capital rights to the holders, in accordance with the Regulations.
The iCCT management company, Illimity SGR, carries out the investment and divestment operations and related negotiations, arranges for collections and exercises all other rights in relation to the loans, arranges for payments and carries out all other Fund administration and risk management activities on behalf of the investors and in compliance with the Fund and sector regulations. The overall management and strategic supervision function of the Fund lies with the Board of Directors of Illimity SGR (on which there is no representative appointed by BPER Banca).
The Fund Regulation also provides that the Board of Directors avails itself of the collaboration of an Advisory Committee (in which BPER Banca also participates by appointing its own representative), which expresses preventive, mandatory and binding opinions in the case of transactions in conflict of interest

[52] *IFRS 9.3.2.1-3.2.21 and IFRS 9.B3.2.1-B3.2.16.*

and transactions that take place while waiting for the AMC to be replaced; whereas the Committees opinion is not binding for the revocation and replacement of the Servicer and the early liquidation of the Fund, approval of the Funds first business plan and any subsequent amendments. The Committee can also formulate non-binding proposals to the AMC, such as an assessment of contractual remedies in the event of inadequate performance on the part of the Servicer. The Board of Directors remains responsible for administering the Fund.

Like all other investors in the Fund, BPER Banca is also entitled to participate in the Investors' Meeting that, in accordance with the Regulations, resolves exclusively on the following matters: i) amendment of the Regulations; ii) early liquidation of the Fund, iii) replacement of the asset management company; iv) revocation of the Servicer; v) increase in the maximum amount of expenses; vi) substantial changes to the Servicing Agreement.

The following significant information is provided about the UTP portfolio sold by BPER Banca in 2021, in terms of the type of credit line, economic sector and geographical location of the counterparties, the gross amount assigned and the impairment adjustments existing at the disposal date.

(in thousands)

Geographical areas/ Sectors/ Guarantees		Gross exposure	Total impairment provisions
Emilia-Romagna		**19,540**	**8,512**
	Manufacturing	17,314	7,341
	Secured	*15,597*	*6,778*
	Unsecured	*1,717*	*563*
	Real estate activities	2,226	1,171
	Secured	*2,226*	*1,171*
Lombardy		**11,456**	**4,817**
	Manufacturing	10,330	4,301
	Secured	*5,224*	*1,433*
	Unsecured	*5,106*	*2,868*
	Transport and storage	1,126	516
	Unsecured	*1,126*	*516*
Veneto		**12,321**	**3,586**
	Manufacturing	9,150	2,961
	Secured	*7,587*	*2,275*
	Unsecured	*1,562*	*686*
	Real estate activities	14	-
	Unsecured	*14*	-
	Water supply	3,157	625
	Secured	*3,157*	*625*
Total		**43,317**	**16,915**

During the sale of the non-performing loans, the conditions required by IFRS 9 to proceed with derecognition of the assets were verified[53], obtaining a specific accounting opinion from an accredited independent consultant.

As indicated in Part A4 – Fair Value Information, the financial instruments acquired in the context of the transaction with the iCCT Fund, being (illiquid) unlisted closed-end mutual fund units, have been classified as "Financial assets mandatorily measured at fair value".

Given the characteristics of the instruments, the fair value on initial recognition and subsequent remeasurement was determined using a mark-to-model approach, resulting in a Level 3 fair value. A type of Discounted Cash Flow (DCF) model was used. The fair value at 31 December 2021 was Euro 28.1 million compared with an initial fair value of Euro 28.3 million.

[53] *IFRS 9.3.2.1-3.2.21 and IFRS 9.B3.2.1-B3.2.16.*

Sale of non-performing loans to Back2Bonis

The sale was carried out in May 2021 with the transfer of a portfolio of BPER Banca unlikely to pay (UTP) loans, for a gross carrying amount of Euro 51.6 million, to the purchaser, Back2Bonis mutual fund (the "Fund"), managed by SGR Prelios S.p.a. The sale took place without recourse and, in terms of the counterparties sold, it is possible that they may coincide with those sold by the other banks participating in the transaction.

In return for the sale, BPER Banca was assigned a total of 50 A1 Units of the Credit Section of the Fund, which have been recognised in the balance sheet at an initial value of Euro 24.4 million. The amounts due for each bank participating in the transaction were determined in proportion to the value of the loans sold by each of them with respect to the total value of the loans sold by the banks participating in the Fund.

Back2Bonis is an alternative investment fund, of the closed-end multi-sector type, specialised in the purchase of loans (and securities representing loans) of debtor Target Companies in a state of financial tension and/or in distress, with the ultimate aim of carrying out investment transactions in the Debtor Company and turnaround and enhancement of the companies in question, also through the investment of new finance according to the methods and limits specified in these Regulations. The loans acquired may possibly be transferred, in whole or in part, from the Fund to the Vehicle Company in order to carry out debt-to-equity swaps or other strategies to maximise the recovery rate of the loans.

The structure and functioning of the transactions are administered and governed in accordance with the Fund Regulations.

The Management Regulations of the Back2Bonis Fund provide that it is made up of two sub-funds, the Credit Section and the New Finance Section. The Banks participating in the operation transfer debt exposures (and/or participating financial instruments) on loan transactions classified as UTPs to the Credit Section and receive units in the Fund in exchange. Third-party investors, on the other hand, finance the New Finance Section through the subscription of units, the purpose of which is to allocate additional resources to the Target Companies of the Credit Section (or to other companies with similar characteristics) to be used in servicing the turnaround.
To be more specific, the units issued by the Fund are as follows:

- A1 units: units in the Credit Section reserved for Professional Investors (banks selling loans, including BPER Banca);
- A2 units: units in the Credit Section reserved exclusively for the SGR, the members of the SGRs Strategic Supervisory Body and the SGR s employees;
- B1 units: units in the New Finance Section reserved for Professional Investors;
- B2 units: units in the New Finance Section reserved exclusively for the SGR, the members of the SGRs Strategic Supervisory Body and the SGRs employees.

The units in the Credit and New Finance Sections are characterised by a different distribution priority of any income that comes from owning them to be allocated to subscribers. More specifically:

- within each Section (or Sub-Fund), the income deriving from specific investment transactions attributable to the Section is allocated to the subscribers according to a specific waterfall structure defined in the Fund Regulations;

- in the case of co-investment by the Loans and Nuova Finanza Sections in the same Target Companies, the Fund Management Regulations provide for an additional specific waterfall structure of the proceeds deriving from the sale of the investments. In this case, the units issued by the New Finance Section enjoy a privileged seniority with respect to the units issued by the Credit Section.

The Back2Bonis management company, Prelios SGR S.p.a., carries out the investment and divestment operations and related negotiations, arranges for collections and exercises all other rights in relation to the loans, arranges for payments and carries out all other Fund administration and risk management activities on behalf of the investors and in compliance with the Fund and sector regulations. The overall management and strategic supervision function of the Fund lies with the Board of Directors of Prelios SGR (on which there is no representative appointed by BPER Banca).
The Fund Regulation also provides that the Board of Directors avails itself of the collaboration of an Advisory Committee (in which BPER Banca also participates by appointing its own representative), which expresses preventive, mandatory and binding opinions in the case of transactions in conflict of interest and transactions that take place while waiting for the AMC to be replaced; whereas the Committees opinion is not binding for the revocation and replacement of the Servicer and the early liquidation of the Fund, approval of the Funds first business plan and any subsequent amendments. The Committee can also formulate non-binding proposals to the AMC, such as an assessment of contractual remedies in the event of inadequate performance on the part of the Servicer. The Board of Directors remains responsible for administering the Fund.
Like all other investors in the Fund, BPER Banca is also entitled to participate in the Investors' Meeting that, in accordance with the Regulations, resolves exclusively on the following matters: i) amendment of the Regulations; ii) early liquidation of the Fund, iii) replacement of the asset management company; iv) revocation of the Servicer; v) increase in the maximum amount of expenses; vi) substantial changes to the Servicing Agreement.

The following significant information is provided about the UTP portfolio sold by BPER Banca in 2021, in terms of the type of credit line, economic sector and geographical location of the counterparties, the gross amount sold and the impairment adjustments existing at the disposal date.

(in thousands)

Geographical areas/ Sectors/ Guarantees	Gross exposure	Total impairment provisions
Emilia Romagna	**3,244**	**906**
Accommodation and food service activities	1,363	49
Secured	*1,363*	*49*
Real estate activities	1,881	858
Secured	*1,881*	*858*
Lombardy	**14,984**	**10,927**
Other services	14,984	10,927
Secured	*14,984*	*10,927*
Tuscany	**2,987**	**1,653**
Construction	2,987	1,653
Secured	*2,987*	*1,653*
Molise	**10,585**	**4,604**
Construction	1,281	611
Secured	*1,281*	*611*
Real estate activities	6,422	2,602
Secured	*6,422*	*2,602*
Information and Communication	2,882	1,391
Secured	*2,882*	*1,391*
Piedmont	**16,747**	**6,986**
Construction	16,402	6,757
Secured	*14,338*	*6,328*
Unsecured	*2,064*	*429*
Mining and quarrying	223	123
Unsecured	*223*	*123*
Professional, scientific and technical activities	122	106
Unsecured	*122*	*106*
Abruzzo	**3,021**	**934**
Construction	1,934	675
Secured	*1,934*	*675*
Wholesale and retail trade	1,087	259
Secured	*1,087*	*259*
Total	**51,568**	**26,010**

During the sale of the non-performing loans, the conditions required by IFRS 9 to proceed with derecognition of the assets were verified[54], obtaining a specific accounting opinion from an accredited independent consultant.
As indicated in Part A4 – Fair Value Information, the financial instruments acquired in the context of the transaction with the Back2Bonis Fund, being (illiquid) unlisted closed-end mutual fund units, have been classified as "Financial assets mandatorily measured at fair value".
Given the characteristics of the instruments, the fair value on initial recognition and subsequent remeasurement was determined using a mark-to-model approach, resulting in a Level 3 fair value. A type of Discounted Cash Flow (DCF) model was used. The fair value at 31 December 2021 was Euro 21.9 million compared with an initial fair value of Euro 24.4 million.

D. Covered bond transactions

Introduction

Covered Bond or Guaranteed Bank Bond (GBB) issues are foreseen by BPER Banca Groups strategic plan as a means to diversify funding sources, reduce funding costs and extend the maturities of liabilities. In particular, GBB issues are extremely appealing at a time when market yields are very low. The Board of Directors:

[54] *IFRS 9.3.2.1-3.2.21 and IFRS 9.B3.2.1-B3.2.16.*

- on 8 February 2011, launched the structuring of a first programme for the issue of guaranteed bank bonds ("GBB1"), based on a collateralised portfolio of residential mortgage loans pursuant to art. 7-bis of Law 130 of 30 April 1999 ("Law 130/99"), the Ministry of Economy and Finances Decree no. 310 of 14 December 2006 (the "MEF Decree") and the regulatory provisions of the Bank of Italy of 24 March 2010 and subsequent amendments and additions (the "Rules" and, together with Law 130 and the MEF Decree and each subsequent amendment, the "Regulations");
- on 3 March 2015, launched the structuring of a second programme for the issue of guaranteed bank bonds ("GBB2"), based on a collateralised portfolio of residential and commercial mortgage loans, as already mentioned in the Directors report on Group operations.

The basic structure of a guaranteed bank bond issue

Guaranteed Bank Bonds (or "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 Groups Programmes for the issue of Covered Bonds

The BPER Bancas Covered Bond Programmes (th e "Programmes") have been structured as follows:

- the sale without recourse to Estense Covered Bond s.r.l. (the "SPV" or "Estense Covered Bond") for GBB1, and to Estense CPT Covered Bond s.r.l. (the "SPV" or "Estense CPT Covered Bond") for GBB2, initially just by BPER Banca 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 Guaranteed Bank Bonds issued by BPER Banca.

Although they are presented “as Group programmes”, the initial and subsequent transactions only involved BPER Banca 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 GBB1 and of residential and commercial mortgage loans for GBB2, which meet the requirements of the Regulations. These portfolios were identified based on general and specific criteria indicated in the sale agreements. Additional portfolios of Eligible Assets may include mortgage loans that meet the requirements of the Rules and any subsequent additional eligible assets referred to in article 2, paragraph 3, points 2 and 3 of the MEF Decree.

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 Consolidated Law on Finance - 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).
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 two 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 Guaranteed Bank 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 Banks 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 GBB 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 Guaranteed Bank 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 Guaranteed Bank 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 Guaranteed Bank 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 fourth, eighth and ninth issue of the GBB1 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 Guaranteed Bank Bonds by trading them for the expected return on portfolio of loans sold.

The GBB1 Programme

The GBB1 Programme – following the January 2019 update – provides for the issue of Covered Bonds up to a maximum of Euro 7 billion, to be carried out 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).

GBB1 Programme issuances

(in millions)

issue	issue date	nominal amount of the GBBs issued	repayment date	nominal amount repaid	GBB characteristics	Purpose
I	01.12.2011	750	22.01.2014	750	Floating rate	self-subscribed for the purpose of ECB refinancing
II	25.06.2012	300	22.04.2015	300	Floating rate	self-subscribed for the purpose of ECB refinancing
III	15.10.2013	750	22.10.2018	750	Fixed rate	placed on the national and international market
III(**)	24.02.2014	250	22.10.2018	250	Fixed rate	placed on the national and international market
IV	22.01.2015	750	22.01.2022	750	Fixed rate	placed on the national and international market
V	29 July 2015	750	22.07.2020	750	Fixed rate	placed on the national and international market
VI	31.05.2016	500	22.07.2020	500	Floating rate	self-subscribed for the purpose of ECB refinancing
VII	03.02.2017	540	22.04.2021	540	Floating rate	self-subscribed for the purpose of ECB refinancing
VIII	19.07.2018	500	22.07.2023		Fixed rate	placed on the national and international market
IX	19.03.2019	600	22.04.2026		Fixed rate	placed on the national and international market
X	18.09.2020	1,150	22.10.2024		Floating rate	self-subscribed for the purpose of ECB refinancing
XI	18.05.2021	600	22.04.2025		Fixed rate	self-subscribed for the purpose of ECB refinancing
XII	16.11.2021	400	22.10.2025		Fixed rate	self-subscribed for the purpose of ECB refinancing
Total		**7,840**		**4,590**		

The residual debt of the outstanding transactions amounts to € 3,250, net of the IV series that was paid back on 22 January 2022.
(*) 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, lower than 80%.

The table below shows the details of all subsequent disposals.

GBB1 Programme sale of receivables

(in million)

Disposals	Disposal date	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
Total		**9,183**

The subordinated 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 6 billion. Notwithstanding BPER Bancas right to increase the amount of the subordinated loan granted to finance the purchase of additional portfolios (both in connection with new issues or for the purpose of adding to segregated assets) and with a remuneration that guarantees a return to the transferor of the yield on the segregated mortgage loans, albeit residual with respect to payment of the SPVs operating expenses; thus making the sale essentially neutral from an economic standpoint.
Repayment of this loan is linked to the gradual reimbursement of the Guaranteed Bank Bonds that, in turn, will allow the release of the loan portfolio or the cash collections generated thereby.

Repayment of subordinated loan GBB1 Programme

(in millions)

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
Total	**4,192**

The liquidity generated by the portfolio can also be used - within the limits established by law - for suitable investments or deposits, based on BPER Bancas 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 Securitisation Services, either in Italy or the UK, since this is a third party with appropriate rating.

Counterparties involved in the GBB1 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.

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 Securities Services (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 third and fourth issue, NatWest; for the fifth issue, Credit Suisse International; 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 Investors Service Espana S.A.

The *Back UP Services* (*BUS*) figure was added to the above-mentioned structure of the operation in 2012; this role was taken on by Italfondiario S.p.A. The initiative aimed to give greater robustness to the transaction, thereby also including the relevant instructions from the swap counterparties and by the Rating Agency. This further supporting element was removed in May 2021 following the improved rating of BPER in the meantime expressed by Moody's.

The GBB2 Programme

The GBB2 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).

GBB2 Programme issuances

(in millions)

issue	Issue date	nominal amount of the GBBs issued	repayment date	nominal amount repaid	GBB characteristics	Purpose
I	16.12.2015	625	28.01.2018(*)	625	Floating rate	self-subscribed for the purpose of ECB refinancing
II	01.08.2016	200	28.10.2020	200	Floating rate	self-subscribed for the purpose of ECB refinancing
III	24.02.2017	240	28.04.2021	240	Floating rate	self-subscribed for the purpose of ECB refinancing
IV	25.01.2018	420	28.10.2021	420	Floating rate	self-subscribed for the purpose of ECB refinancing
V	17.10.2018	1,050	28.04.2022	1,050	Floating rate	self-subscribed for the purpose of ECB refinancing
VI	13.03.2019	200	28.04.2022		Fixed rate	self-subscribed for the purpose of ECB refinancing
VII	10.07.2019	250	28.07.2023		Fixed rate	self-subscribed for the purpose of ECB refinancing
VIII	30.01.2020	200	28.01.2024		Fixed rate	self-subscribed for the purpose of ECB refinancing
IX	30.04.2020	900	28.04.2024		Fixed rate	self-subscribed for the purpose of ECB refinancing
X	12.11.2020	550	28.10.2024		Floating rate	self-subscribed for the purpose of ECB refinancing
XI	12.11.2020	600	28.10.2024		Fixed rate	self-subscribed for the purpose of ECB refinancing
XII	14.05.2021	250	28.04.2025		Floating rate	self-subscribed for the purpose of ECB refinancing
XIII	11.11.2021	700	28.10.2025		Floating rate	self-subscribed for the purpose of ECB refinancing
XIV	11.11.2021	1,000	28.10.2025		Fixed rate	self-subscribed for the purpose of ECB refinancing
Total		**7,185**		**2,535**		

The residual debt of the outstanding transactions amounts to € 4,650 million.
(*) The first issue was early repaid on 27 September 2017 for € 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, up to a maximum of 80% for residential mortgage loans and up to a maximum of 60% for commercial mortgage loans.

The table below shows the details of all subsequent disposals.

Asset disposals under the GBB2 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
Total		**8,395**

The subordinated 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, amounts to Euro 7 billion, notwithstanding BPER Bancas right to increase the amount of the subordinated loan granted to finance the purchase of additional portfolios (both in connection with new issues or for the purposes of adding to segregated assets) and with a yield that guarantees a return to the transferor of the yield on the segregated mortgage loans within segregated assets, albeit residual with respect to the payment of the SPVs operating expenses; thus making the sale essent ially neutral from an economic standpoint.
Repayment of this loan is linked to the gradual reimbursement of the Guaranteed Bank Bonds that, in turn, will allow the release of the loan portfolio or the cash collections generated thereby.

Repayment of subordinated loan GBB2 Programme

(in millions)

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
Total	**2,275**

The liquidity generated by the portfolio can also be used - within the limits established by law - for suitable investments or deposits, based on BPER Bancas 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 GBB2 Programme is a different structural technique which, in the event of the Parent Companys default and under other circumstanc es foreseen in the GBB2 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 GBB2 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 Investors Service Espana S.A.

Requirements for the Issuers

According to the Rules, Guaranteed Bank 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 Guaranteed Bank 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 2021, the Own Funds of the BPER Banca Group amount to Euro 7,782 million and the Total Capital Ratio is 17.16%.

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 2021, the Tier 1 Ratio is 14.84% and the Common Equity Tier 1 Ratio is 14.50%.

Organisational structure and procedures

The structuring process for the GBB 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 banks 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 issuers 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 both the SPVs are BPER Banca Groups 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 GBB1 and GBB2 Programmes involve some financial and other 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 companys 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 Guaranteed Bank 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 counterparties 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 Counterbalancing Capacity (the limit set by the Rules for these assets is 15%).

- Compliance risk. The articulate and accurate external legislation regulating Guaranteed Bank 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 Guaranteed Bank 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, an plan was hypothesised for 7-year, later extended for another 5 years, and 10-year issues for, respectively, the first and second Programme, so as to have sufficient room to top-up the cover pool, if necessary, without affecting the financial position 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 Guaranteed Bank Bonds

Linklaters and Allen & Overy, both law firms, originally issued reports on the GBB1 and GBB2 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 Guaranteed Bank Bonds by Asset Monitor

Note that, under the regulations, the asset monitor – in this case PricewaterhouseCoopers s.p.a., replacing Deloitte & Touche s.p.a. in July 2017 – performs annual reviews of the Programmes status and issues a report to the Board of Directors, the Board of Statutory Auditors and the Banks Internal Audit Function.

To date, reviews have been performed for 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 without any significant findings emerging.

Quantitative information relating to the loans sold

GBB1 Programme

1. Changes during the year

Description	31.12.2021
Opening balance	**4,358,634**
Increases	**1,016,294**
Purchase of loan portfolio	939,647
Other increases:	76,647
- Interest income accrued on loans	76,246
- Default interest	24
- Penalties and various recoveries	184
- Recovery of impairment provisions	157
- Recovery of expenses on bad loans	36
Decreases	**778,283**
Collections from customers	688,872
Other decreases:	8,919
- Impairment losses on loans	6,381
- Charges from IAS adjustments	2,538
Repurchases by the Originator	80,492
Closing balance	**4,596,645**

2. Breakdown by residual life

Residual life of securitised loans	31.12.2021
Up to 3 months	411
From 3 months to 1 year	5,540
From 1 to 5 years	248,895
Over 5 years	4,371,668
Unspecified duration	666
Total	**4,627,180**

The loan balance is gross of loan provisions and IAS impairment losses.

3. Risk concentration

Amount by category (Euro)	Number of customers	31.12.2021
0 - 25,000	8,951	135,612
25,000 - 75,000	27,946	1,368,680
75,000 - 250,000	24,013	2,817,091
Over 250,000	869	305,797
Total	**61,779**	**4,627,180**

The loan balance is gross of loan provisions and IAS impairment losses.

As of 31 December 2021, sold debtors are for the most part resident in Italy and the loans are denominated in Euro.

GBB2 Programme

1. Changes during the year

Description	31.12.2021
Opening balance	**5,124,457**
Increases	**1,535,839**
Purchase of loan portfolio	1,451,969
Other increases:	83,870
- Interest income accrued on loans	83,153
- Default interest	30
- Penalties and various recoveries	397
- Recovery of impairment provisions	290
Decreases	**807,111**
Collections from customers	784,466
Other decreases:	22,645
- Impairment losses on loans	15,909
- Charges from IAS adjustments	6,736
Repurchases by the Originator	-
Closing balance	**5,853,185**

2. Breakdown by residual life

Residual life of securitised loans	31.12.2021
Up to 3 months	793
From 3 months to 1 year	9,947
From 1 to 5 years	344,323
Over 5 years	5,573,546
Unspecified duration	784
Total	**5,929,393**

The loan balance is gross of loan provisions and IAS impairment losses.

3. Risk concentration

Amount by category (Euro)	Number of customers	31.12.2021
0 - 25,000	15,769	92,666
25,000 - 75,000	23,821	1,213,902
75,000 - 250,000	29,395	3,629,951
Over 250,000	2,030	992,874
Total	**71,015**	**5,929,393**

The loan balance is gross of loan provisions and IAS impairment losses.

As of 31 December 2021, 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 may correctly reflect 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 liquidity position.
Arbitrage and short-term speculative activity with regard to listed derivative instruments are marginal with respect to routine trading on own account. 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 Groups 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 Groups proprietary portfolio (banking book and trading book), in line with the Groups 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 Banks 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

The ongoing pandemic in 2021 did not have significant impacts on the market risk profile of the BPER Banca Group; therefore, it was not necessary to uphold the extraordinary safeguards introduced in 2020 as a consequence of the highly volatile situation in the financial markets, which was especially acute in March and April due to the emergence of the Covid-19 pandemic.

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 2021.

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	130	2	1.54%	1	0.77%
CCT	2	-	0.00%	-	0.00%
Other government securities	4,030	46	1.14%	15	0.37%
Bonds	104,999	559	0.53%	178	0.17%
Equities	-	-	0.00%	-	0.00%
Mutual funds and SICAVs	-	-	0.00%	-	0.00%
Derivatives/Transactions to be settled	85,059	30,130	35.42%	8,266	9.72%
Effect of diversification		(998)		(316)	
Total portfolio 2021	**194,220**	**29,739**	**15.31%**	**8,144**	**4.19%**
Total portfolio 2020	**(380,936)**	**51,043**	**-13.40%**	**15,088**	**-3.96%**

The value of the trading portfolio at 31 December 2021 given a parallel shift of +/- 100 bps (sensitivity analysis) is set out below.

	+100 bps	-100 bps
31 Dec 2021	53,916	(162,949)
31 Dec 2020	40,869	(114,991)

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 2021.

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	87,126	6,657	7.64%	2,105	2.42%
Mutual funds and Sicavs	162	30	18.52%	10	6.17%
Derivatives/Transactions to be settled	(1,496)	5,942	-397.19%	1,879	-125.60%
Effect of diversification		(7,131)		(2,255)	
Total portfolio 2021	**85,792**	**5,498**	**6.41%**	**1,739**	**2.03%**
Total portfolio 2020	**59,127**	**5,465**	**9.24%**	**1,715**	**2.90%**

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 books 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, that 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 principally 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 principally 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 books 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 Risk Management Department determines the exposure to price risk each day through a specific VaR reporting system.

Impacts resulting from the Covid-19 pandemic
The ongoing pandemic in 2021 did not have significant impacts on the market risk profile of the BPER Banca Group; therefore, it was not necessary to uphold the extraordinary safeguards introduced in 2020 as a consequence of the highly volatile situation in the financial markets, which was especially acute in March and April due to the emergence of the Covid-19 pandemic.

Quantitative Information

2. Interest rate risk - Banking book: internal models and other methodologies for the sensitivity analysis

Below are the year-end figures at 31 December 2021 and their trends (minimum, average, maximum) of the management reporting year relating to the banking books interest margin, against a parallel shift of 100/-50 bps.

	+100 bps	-50 bps
31 December 2021	**(692)**	**(86,095)**
maximum change	54,679	(86,095)
minimum change	(692)	(61,793)
average change	16,824	(70,775)
31 December 2020	**33,108**	**(37,967)**

Below are the year-end figures at 31 December 2021 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 2021	**160,777**	**94,527**
maximum change	250,147	420,797
minimum change	32,937	82,500
average change	141,644	222,612
31 December 2020	**97,920**	**532,901**

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 banking book at 31 December 2021.

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	257,862	25,460	9.87%	8,051	3.12%
Mutual funds and SICAV	314,873	8,326	2.64%	2,633	0.84%
Derivatives/Transactions to be settled	-	-	0.00%	-	0.00%
Effect of diversification		(849)		(268)	
Total portfolio 2021	**572,735**	**32,937**	**5.75%**	**10,416**	**1.82%**
Total portfolio 2020	**586,113**	**114,928**	**19.61%**	**36,343**	**6.20%**

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 Parent Companys Financial Risk Department records and monitors the exposure to exchange rate risk daily in a specific VaR report.

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	PLN	JPY	OTHER CURRENCIES
A. Financial assets	**3,908,798**	**609,610**	**217,926**	**627**	**675**	**2,138**
A.1 Debt securities	3,597,334	596,563				
A.2 Equity instruments	15,756	1,187	2,371			1,140
A.3 Loans to banks	17,900	354				
A.4 Loans to customers	277,808	11,506	215,555	627	675	998
A.5 Other financial assets						
B. Other assets	**32,566**	**6,190**	**7,110**	**426**	**5,752**	**21,426**
C. Financial liabilities	**3,658,745**	**387,141**	**22,022**	**20,298**	**6,412**	**41,843**
C.1 Deposits from banks	3,213,050	361,201	2,917	16,595	110	532
C.2 Deposits from customers	445,695	25,940	19,105	3,703	6,302	41,311
C.3 Debt securities in issue						
C.4 Other financial liabilities						
D. Other liabilities	**5,969**	**159**	**4**			**2,323**
E. Financial derivatives	**1,115,173**	**256,397**	**262,964**	**19,791**	**50,902**	**103,209**
- Options						
+ Long positions	112,465	1,790				3,862
+ Short positions	122,108	437			6,022	7,713
- Other derivatives						
+ Long positions	327,529	13,536	29,031	19,464	25,457	53,114
+ Short positions	553,071	240,634	233,933	327	19,423	38,520
Total assets	**4,381,358**	**631,126**	**254,067**	**20,517**	**31,884**	**80,540**
Total liabilities	**4,339,893**	**628,371**	**255,959**	**20,625**	**31,857**	**90,399**
Net balance (+/-)	**41,465**	**2,755**	**(1,892)**	**(108)**	**27**	**(9,859)**

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 2021.

	VaR Time horizon: 10 days Confidence interval: 99%	VaR Time horizon: 1 day Confidence interval: 99%
2021	4,698	1,474
2020	15,182	4,884

Section 3 – Derivatives and hedging policies

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 31.12.2021				Total 31.12.2020			
	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	**-**	**13,786,629**	**650,244**	**-**	**-**	**9,587,698**	**455,605**	**-**
a) Options	-	2,410,767	26,469	-	-	1,683,565	-	-
b) Swaps	-	11,158,548	-	-	-	7,727,643	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	623,775	-	-	-	455,605	-
e) Other	-	217,314	-	-	-	176,490	-	-
2. Equities and stock indexes	**-**	**32,064**	**58,251**	**-**	**-**	**40,314**	**42,765**	**-**
a) Options	-	32,064	534	-	-	40,314	3,449	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	57,717	-	-	-	39,316	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**1,593,564**	**57,014**	**-**	**-**	**1,068,268**	**2,486**	**-**
a) Options	-	261,477	-	-	-	133,305	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	1,332,087	57,014	-	-	934,963	2,486	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**2,966**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**15,412,257**	**765,509**	**-**	**-**	**10,696,280**	**503,822**	**-**

A.2 Trading financial derivatives: positive and negative gross fair value - breakdown by product

Type of derivatives	Total 31.12.2021				Total 31.12.2020			
	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	-	12,221	36	-	-	6,650	101	-
b) Interest rate swaps	-	120,986	-	-	-	129,591	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	10,154	449	-	-	7,659	425	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	5,609	-	-	-	9,485	-	-
Total	**-**	**148,970**	**485**	**-**	**-**	**153,385**	**526**	**-**
2. Negative Fair Value								
a) Options	-	30,222	153	-	-	35,681	82	-
b) Interest rate swaps	-	83,599	-	-	-	130,209	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	14,708	290	-	-	10,198	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	2,446	-	-	-	6,199	-	-
Total	**-**	**130,975**	**443**	**-**	**-**	**182,287**	**82**	**-**

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	650,244	-	-
- positive fair value	X	-	-	-
- negative fair value	X	153	-	-
2) Equities and stock indexes				
- notional value	X	57,995	128	128
- positive fair value	X	1	11	25
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	56,839	-	175
- positive fair value	X	448	-	-
- negative fair value	X	286	-	4
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	-	10,211,285	181,972	3,393,372
- positive fair value	-	76,465	2,421	56,010
- negative fair value	-	106,966	715	3,476
2) Equities and stock indexes	-			
- notional value	-	-	64	32,000
- positive fair value	-	-	12	-
- negative fair value	-	-	1	-
3) Currencies and gold	-			
- notional value	-	1,115,984	-	477,580
- positive fair value	-	8,489	-	5,573
- negative fair value	-	12,620	-	7,197
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	5,323,415	6,829,369	2,284,089	14,436,873
A.2 Financial derivatives on equity securities and stock indexes	57,742	32,402	172	90,316
A.3 Financial derivatives on currencies and gold	1,564,216	86,361	-	1,650,577
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2021	**6,945,373**	**6,948,132**	**2,284,261**	**16,177,766**
Total 31.12.2020	**3,798,526**	**4,694,331**	**2,707,245**	**11,200,102**

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 31.12.2021	**-**	**30,000**
	Total 31.12.2020	**-**	**30,000**
2. Protection sales			
a) Credit default products		-	-
b) Credit spread products		-	-
c) Total rate of return swap		-	-
d) Other		-	-
	Total 31.12.2021	**-**	**-**
	Total 31.12.2020	**-**	**-**

B.2 Trading credit derivatives: positive and negative gross fair value - breakdown by product

Types of derivatives	Total 31.12.2021	Total 31.12.2020
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	661	612
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**661**	**612**

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	661	-	-
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 31.12.2021	**-**	**30,000**	**-**	**30,000**
Total 31.12.2020	**-**	**30,000**	**-**	**30,000**

B.5 Credit derivatives connected with the fair value option: annual changes

There are no amounts to be disclosed in these Financial Statements.

3.2 Accounting hedges

Qualitative information

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 bond issues, 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. Using these instruments, the BPER Banca Group pays fixed and receives floating for asset securities, and pays floating and receives fixed for liability securities;
- Futures, listed, generic with underlying bonds (typically German, Italian and US bonds).

Compared with what is shown, micro-hedge accounting is 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. Similarly, they have been qualified as hedges of bonds issued by the Group at a fixed rate.

Hedged risk - Credit / Counterparty Risk

Given the unexpected increase in credit/counterparty risk, the BPER Banca Group uses derivative instruments to reduce the sensitivity of the investment portfolio.
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 has been qualified.

Hedged risk – Price risk

The coverage of unwanted changes in fair value also includes transactions involving equity securities.
The derivatives used for this purpose are:

- Total Return Swaps (TRS), traded over the counter, specific for each individual asset including equities and in currencies other than the Euro.

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.
The derivatives used for this purpose are:

- Interest Rate Swaps - IRS, traded over the counter, that are specific for each instrument to be hedged or for multiple instruments with the same maturity. In this case the BPER Banca Group pays floating and receives fixed interest.

With respect to this management approach, the BPER Banca Group has classified a hedging relationship (micro-hedge accounting) solely with a view to minimising the risk of an undesired fluctuation in the rate of inflation of a security indexed to it. An inflation-linked swap is used as a hedging instrument in this case.

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.
The derivatives used for this purpose are:

- Cross Currency Swaps - CCS, traded over-the-counter, specific for each issue to be hedged or for multiple issues with the same maturity. The BPER Banca Group pays the cash flows in foreign currency that it receives from the hedged asset and receives Euro.

In this case, the BPER Banca Group has classified a hedging relationship (micro-hedge accounting) achieved by using a CCS derivative contract, under which the BPER Banca Group pays Dollars and collects Euro.

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.

IBOR Reform
As mentioned in the Directors' report on Group operations (in the section on "*Main risks and uncertainties* - IBOR Reform"), following the Financial Stability Boards 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;
- as regards 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)
Interest Rate Swap	Euribor 3M	Fixed rate	27,000	1.71
	Euribor 6M	Fixed rate	9,700,690	7.76
	GBP Libor 6M*	Fixed rate	29,752	0.33
	USD Libor 3M	Uncodified rates	15,919	3.05
		Fixed rate	740,154	4.74
	Fixed rate	Euribor 6M	1,844,422	1.84
		Fixed rate	113,950	4.97
Total			**12,471,887**	**6.65**

** In relation to 2 hedging derivatives, in December 2021, the last contractual flow relating to the "floating leg" was determined using the GBP Libor 6 M parameter, which was later discontinued on 31.12.2021 The derivatives in question will be settled and wound up in April and May 2022 respectively.*

The exposures to critical rates for which 31 December 2021 was identified as the date of discontinuation (mainly Group exposures in EONIA and GBP LIBOR) were gradually reduced until they were completely eliminated in the final months of 2021 thanks to the transition to the new RFR rates promoted by the centralised counterparties (CCPs).

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. As already mentioned in Part A of the Explanatory Notes, the BPER Banca Group has applied 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, IAS 39 and IFRS 7)". 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 2021. 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 31.12.2021				Total 31.12.2020			
	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	**-**	**12,401,523**	**-**	**-**	**-**	**8,167,934**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	12,401,523	-	-	-	8,167,934	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indexes	**-**	**15,919**	**-**	**-**	**-**	**14,693**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	15,919	-	-	-	14,693	-	-
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	-	12,471,888	-	-	-	8,237,073	-	-

A.2 Hedging financial derivatives: gross positive and negative fair value - breakdown by product

Type of derivatives	Positive and negative fair value								Change in the value used to calculate hedge effectiveness	
	Total 31.12.2021				Total 31.12.2020				Total 31.12.2021	Total 31.12.2020
	Over the counter			Organised markets	Over the counter			Organised markets		
	Central counterparties	Without central counterparties: With netting agreements	Without central counterparties: Without netting agreements		Central counterparties	Without central counterparties: With netting agreements	Without central counterparties: Without netting agreements			
1. Positive Fair Value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	178,108	-	-	-	53,714	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	3,981	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**178,108**	**-**	**-**	**-**	**57,695**	**-**	**-**	**-**	**-**
2. Negative Fair Value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	241,131	-	-	-	456,447	-	-	-	-
c) Cross currency swaps	-	239	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**241,370**	**-**	**-**	**-**	**456,447**	**-**	**-**	**-**	**-**

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	-	12,401,523	-	-
- positive fair value	-	178,108	-	-
- negative fair value	-	239,617	-	-
2) Equities and stock indexes				
- notional value	-	15,919	-	-
- positive fair value	-	-	-	-
- negative fair value	-	1,514	-	-
3) Currencies and gold				
- notional value	-	54,446	-	-
- positive fair value	-	-	-	-
- negative fair value	-	239	-	-
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	1,303,968	4,096,530	7,001,025	12,401,523
A.2 Financial derivatives on equity securities and stock indexes	-	15,919	-	15,919
A.3 Financial derivatives on currencies and gold	-	-	54,446	54,446
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2021	**1,303,968**	**4,112,449**	**7,055,471**	**12,471,888**
Total 31.12.2020	**50,238**	**3,661,408**	**4,525,427**	**8,237,073**

B. Hedging credit derivatives

There are no amounts to be disclosed in these financial statements

C. Non-hedging derivatives

There are no amounts to be disclosed in these 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)	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:	**2,927,471**	**-**	**(53,306)**	**(118)**	**(63,184)**	**-**
1.1 Debt securities and interest rates	2,923,219	-	(54,129)	(118)	(63,475)	x
1.2 Equities and stock indexes	4,252	-	823	-	291	x
1.3 Currencies and gold	-	-	-	-	-	x
1.4 Loans	-	-	-	-	-	x
1.5 Other	-	-	-	-	-	x
2. Financial assets measured at amortised cost - hedging of:	**7,680,231**	**-**	**(240,905)**	**-**	**(261,543)**	**-**
1.1 Debt securities and interest rates	7,679,110	-	(240,941)	-	(261,501)	x
1.2 Equities and stock indexes	-	-	-	-	-	x
1.3 Currencies and gold	-	-	-	-	-	x
1.4 Loans	1,121	-	36	-	(42)	x
1.5 Other	-	-	-	-	-	x
Total 31.12.2021	**10,607,702**	**-**	**(294,211)**	**(118)**	**(324,727)**	**-**
Total 31.12.2020	**6,660,730**	**-**	**30,397**	**(182)**	**30,215**	**-**
B. Liabilities						
1. Financial liabilities measured at amortised cost - hedging of:	**1,873,006**	**-**	**1,539**	**-**	**(14,523)**	**-**
1.1 Debt securities and interest rates	1,873,006	-	1,539	-	(14,523)	x
1.2 Currencies and gold	-	-	-	-	-	x
1.3 Other	-	-	-	-	-	x
Total 31.12.2021	**1,873,006**	**-**	**1,539**	**-**	**(14,523)**	**-**
Total 31.12.2020	**1,899,543**	**-**	**(6,114)**	**23**	**(6,091)**	**-**

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		-	(1,879)	-
1.1 Debt securities and interest rates		-	-	-
1.2 Equities and stock indexes		-	-	-
1.3 Currencies and gold		-	(1,879)	-
1.4 Loans		-	-	-
1.5 Other		-	-	-
2. Liabilities		-	-	-
1.1 Debt securities and interest rates		-	-	-
1.2 Currencies and gold		-	-	-
1.3 Other		-	-	-
Total (A)	**31.12.2021**	**-**	**(1,879)**	**-**
Total (A)	**31.12.2020**	**-**	**(2,348)**	**-**
B. Hedges of foreign investments		**X**	**-**	**-**
Total (A+B)	**31.12.2021**	**-**	**(1,879)**	**-**
Total (A+B)	**31.12.2020**	**-**	**(2,348)**	**-**

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	**(575)**	**-**	**(1,774)**	**-**	**-**
Changes in Fair Value (effective portion)	-	-	(105)	-	-
Transfer to P&L	575	-	-	-	-
of which: future transactions not expected	575	-	-	-	-
Other changes	-	-	-	-	-
of which: transfer to initial book value	-	-	-	-	-
Final balance	**-**	**-**	**(1,879)**	**-**	**-**

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)

A. Financial and credit derivatives

At 31 December 2021, BPER Banca does not have any derivatives that satisfy the criteria envisaged in IAS 32.42 for offsetting financial assets and liabilities.

Section 4 – Liquidity risk

Qualitative information

The Group's organisation provides for centralisation of the liquidity risk control function at the Parent Company; consequently, the qualitative information set out below may also correctly reflect the individual position of BPER Banca.

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 Groups 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 Groups 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 Groups 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 Groups 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 Groups 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 2021 it was 215.1% calculated as a ratio of Euro 31,951 million of highly liquid assets and Euro 14,857 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 liquid assets and liabilities. As at 31 December 2021, the ratio stood at 142.5%, calculated as the ratio between Euro 104,951 million of available stable funding and Euro 73,657 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 u nder the heading "Key figures".

Impacts resulting from the Covid-19 pandemic

Faced with the Covid-19 pandemic, the Group implemented a broad set of actions to strengthen its liquidity profile and address the potential impacts of a crisis caused by customers' sudden requests for liquidity and volatility in the value of easily marketable assets as a result of unfavourable market conditions; these actions involved both the operational profile (mainly by increasing funding from the European Central Bank and expanding potential sources of funding to draw upon in case of need) and the measurement and monitoring of the risk profile (mainly by increasing the frequency of reports to the

Control and Risk Committee and to Senior Management, intensifying stress tests and monitoring specific risk factors linked to the crisis); during 2021, these actions were calibrated on a time-by-time basis in relation to the evolution of the pandemic and the dynamics of the Groups liquidity profile, which remained at levels well above the minimum values defined internally and the regulatory thresholds. This is why the changes in the relevant internal thresholds (risk appetite, limits and risk tolerance) relating to the liquidity risk indicators were carried out using standard mechanisms only.

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. On balance sheet assets	**7,923,979**	**684,275**	**1,510,747**	**5,550,082**	**4,030,726**
A.1 Government securities	-	-	2,938	90	307,019
A.2 Other debt securities	19	571	54,414	67,150	184,020
A.3 UCITS units	312,736	-	-	-	-
A.4 Loans	7,611,224	683,704	1,453,395	5,482,842	3,539,687
- Banks	902,781	271,855	192,803	1,136,957	114,844
- Customers	6,708,443	411,849	1,260,592	4,345,885	3,424,843
A. On-balance sheet liabilities	**85,048,998**	**1,990,275**	**232,728**	**1,414,723**	**288,403**
B.1 Deposits and current accounts	84,428,772	1,939	60,754	121,392	59,897
- Banks	4,943,570	-	60,000	119,563	-
- Customers	79,485,202	1,939	754	1,829	59,897
B.2 Debt securities	10,424	2,935	2,455	759,547	41,166
B.3 Other liabilities	609,802	1,985,401	169,519	533,784	187,340
C. Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	85	25,900	107,582	153,239	282,460
- Short positions	177,439	28,903	87,193	69,028	126,886
C.2 Financial derivatives without exchange of principal					
- Long positions	130,153	-	-	-	-
- Short positions	63,874	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	305,706	-	-	-
- Short positions	-	305,706	-	-	-
C.4 Commitments to disburse funds					
- Long positions	940,645	-	-	1,395	5,274
- Short positions	2,284,705	-	-	-	-
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 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 maturity
A. On-balance sheet assets	**3,646,837**	**6,502,462**	**31,949,565**	**35,634,295**	**20,318,191**
A.1 Government securities	16,421	138,281	2,775,918	6,775,434	-
A.2 Other debt securities	312,407	219,518	4,215,413	6,302,644	682
A.3 UCITS units	-	-	-	-	-
A.4 Loans	3,318,009	6,144,663	24,958,234	22,556,217	20,317,509
- Banks	2,674	46,342	898,675	289,792	20,317,509
- Customers	3,315,335	6,098,321	24,059,559	22,266,425	-
B. On-balance sheet liabilities	**315,991**	**360,288**	**21,052,549**	**2,838,981**	**-**
B.1 Deposits and current accounts	17,879	20,386	182	-	-
- Banks	-	-	-	-	-
- Customers	17,879	20,386	182	-	-
B.2 Debt securities	205,960	249,220	2,180,783	1,400,000	-
B.3 Other liabilities	92,152	90,682	18,871,584	1,438,981	-
C. Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	33,230	96,747	39,226	54,446	-
- Short positions	89,527	98,154	40,999	-	-
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	3,301	16,462	685,842	17,511	-
- 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. On-balance sheet assets	**58,317**	**2,629**	**20,552**	**100,784**	**196,497**
A.1 Government securities	-	-	-	6	467
A.2 Other debt securities	-	-	13,246	15,161	47,879
A.3 UCITS units	285	-	-	-	-
A.4 Loans	58,032	2,629	7,306	85,617	148,151
- Banks	18,277	-	-	-	-
- Customers	39,755	2,629	7,306	85,617	148,151
B. On-balance sheet liabilities	**557,158**	**186,179**	**504,604**	**750,377**	**2,130,037**
B.1 Deposits and current accounts	557,001	221	8,123	1,822	4,299
- Banks	28,442	-	8,096	-	-
- Customers	528,559	221	27	1,822	4,299
B.2 Debt securities	-	-	-	-	-
B.3 Other liabilities	157	185,958	496,481	748,555	2,125,738
C. Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	-	37,484	87,057	69,070	127,198
- Short positions	316,846	57,877	107,450	153,337	463,420
C.2 Financial derivatives without exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	767	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Commitments to disburse funds					
- Long positions	-	-	5	-	-
- Short positions	-	5	-	-	-
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 maturity
A. On-balance sheet assets	**81,217**	**282,999**	**2,229,742**	**1,736,855**	**-**
A.1 Government securities	1,245	1,539	164,280	910,648	-
A.2 Other debt securities	62,664	265,692	2,002,955	686,965	-
A.3 UCITS units	-	-	-	-	-
A.4 Loans	17,308	15,768	62,507	139,242	-
- Banks	-	-	-	-	-
- Customers	17,308	15,768	62,507	139,242	-
B. On-balance sheet liabilities	**3,390**	**3,437**	**-**	**-**	**-**
B.1 Deposits and current accounts	3,390	3,437	-	-	-
- Banks	-	-	-	-	-
- Customers	3,390	3,437	-	-	-
B.2 Debt securities	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-
C. Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	90,837	98,220	41,560	-	-
- Short positions	140,158	96,807	40,059	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 part of liquidity risk, information is provided -as required by regulations- about the self-securitisations carried out by BPER Banca.

Dedalo Finance self-securitisation

On 19 May 2021, BPER Banca repurchased the loan portfolio originally sold by Cassa di Risparmio di Bra to the vehicle company Dedalo Finance, terminating the transaction ahead of schedule. The repurchase refers to a portfolio of land and mortgage loans for a residual debt of approximately Euro 22.9 million. This was announced by publication in the Official Gazette (OG Second Part no. 61 of 25 May 2021).
As at 31 December 2021, BPER Banca has no self-securitisation transactions in place.

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 risk[55]".
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 classified[56].
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 Groups 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 Groups 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.

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[55] *See (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.*
[56] *See CRR – Part three, Title III, Chapter 3, art. 317.*

In 2015, the Group 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 Groups 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 consortium[57] 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.

Impacts resulting from the Covid-19 pandemic

Faced with the Covid-19 pandemic, the BPER Banca Group implemented a series of activities designed to identify and assess the current and future operational risks that it might involve, also to foresee appropriate mitigation measures.
These activities concerned:

- the collection of operational loss events that took place after the outbreak of Covid-19 event, including the extraordinary costs needed to ensure operational continuity (e.g. health and hygiene expenses);
- a specific exercise to identify and quantify the impacts of operational risk (both actual and expected) linked to the pandemic by applying a scenario analysis approach;
- more frequent reporting dedicated to the Covid-19 scenario to ensure that the Corporate Bodies had timely information.

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[57] 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.

Quantitative Information

The following is the distribution of the number of events and operating losses recorded in 2021, divided into the following risk classes:

- 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

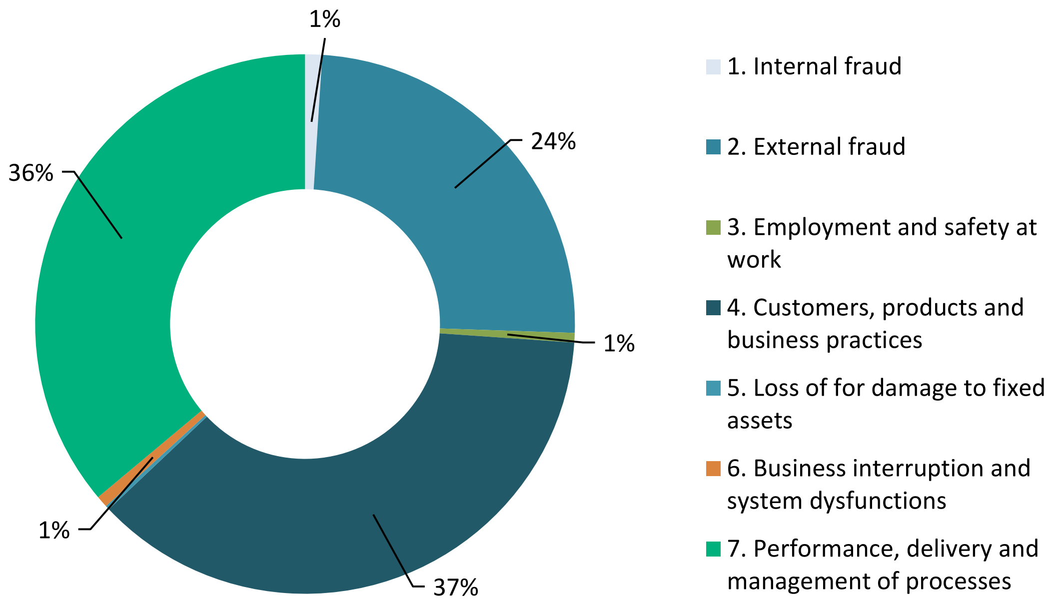
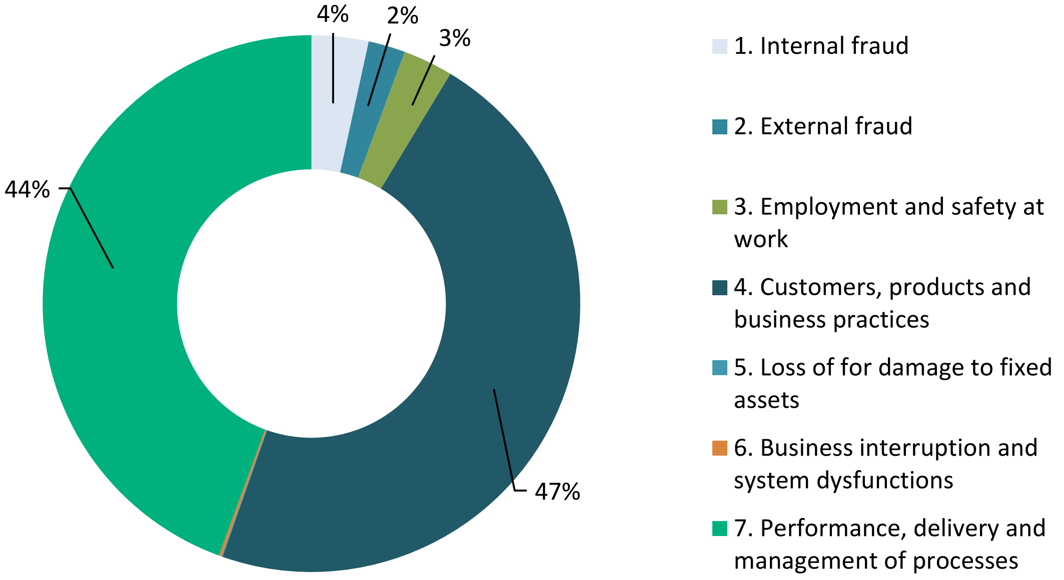


Figure 2 – Breakdown by Gross Actual Loss



An analysis of the graphs shows that the most relevant types of event in terms of frequency are:

- “Customers, products and business practices”, with 37% of the total frequency;
- “Performance, delivery and management of processes”, with 36% of the total frequency.

In terms of economic impact the most significant events related to:

- “Customers, products and business practices”, with 47% of the total gross loss;
- “Performance, delivery and management of processes”, with 44% 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 Credit and Operational Risks Office within the Risks Department, with support from the organisational units involved (Reputational Risk Owner) in managing the 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 Groups 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.

In 2021, 99 reputational events were recorded, of which 6 with medium risk and 93 with low risk on a rating scale with 3 levels (low, medium, high).

No internal capital is allocated to cover reputational risk (since it is included in other risk categories).

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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 31.12.2021	Amount 31.12.2020
1. Share capital	2,100,435	2,100,435
2. Share premium reserve	1,240,428	1,241,197
3. Reserves	2,375,590	2,342,238
- from profits	1,893,124	1,860,213
a) legal	325,720	318,864
b) statutory	-	-
c) treasury shares	-	-
d) other	1,567,404	1,541,349
- other	482,466	482,025
4. Equity instruments	150,000	150,000
5. (Treasury shares)	(9,546)	(7,253)
6. Valuation reserves:	(11,327)	(54,799)
- Equity instruments designated at fair value through other comprehensive income	79,822	41,708
- Hedging of equity instruments designated at fair value through other comprehensive income	(1,299)	(1,385)
- Financial assets (no equity instruments) measured at fair value through other comprehensive income	2,430	36,015
- Property, plant and equipment	41,111	-
- Intangible assets	-	-
- Foreign investment hedges	-	-
- Cash flow hedges	(1,258)	(1,572)
- 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)	-	-
- Actuarial gains (losses) on defined benefit plans	(132,187)	(129,619)
Share of the valuation reserves of equity investments valued at equity	-	-
- Special revaluation laws	54	54
7. Profit (loss) for the year	567,203	137,554
Total	6,412,783	5,909,372

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Description/Amounts	Total 31.12.2021		Total 31.12.2020	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	23,240	20,810	40,849	4,834
2. Equity instruments	90,471	10,649	89,902	48,194
3. Loans	-	-	-	-
Total	**113,711**	**31,459**	**130,751**	**53,028**

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	**36,015**	**41,708**	**-**
2. Increases	**37,144**	**41,991**	**-**
2.1 Fair value increases	13,974	2,514	-
2.2 Impairment losses for credit risk	891	X	-
2.3 Reclassification to profit and loss of negative reserves following disposal	71	X	-
2.4 Transfer to other components of shareholders equity (equity instruments)	-	38,667	-
2.5 Other increases	22,208	810	-
3. Decreases	**70,729**	**3,877**	**-**
3.1 Fair value decreases	41,353	432	-
3.2 Write-backs for credit risk	2,998	-	-
3.3 Reclassification to profit or loss of positive reserves: -from disposal	20,763	X	-
3.4 Transfer to other components of shareholders equity (equity instruments)	-	214	-
3.5 Other decreases	5,615	3,231	-
4. Closing balance	**2,430**	**79,822**	**-**

B.4 Valuation reserves about actuarial gains (losses) on defined benefit plans: annual changes

	31.12.2021	31.12.2020
1. Opening balance	**(129,619)**	**(132,270)**
2. Increases	**2,328**	**7,897**
2.1 Actuarial gains	782	7,627
2.2 Other increases	1,546	270
3. Decreases	**4,896**	**5,246**
3.1 Actuarial losses	4,469	1,544
3.2 Other decreases	427	3,702
4. Closing balance	**(132,187)**	**(129,619)**

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 2021, 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 and 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 website of the Parent Company https://istituzionale.bper.it

Part G - Business combinations

Section 1 - Transactions carried out during the year

1.1. Business combinations

The acquisition of the going concern, consisting in a network of former UBI Banca and Intesa Sanpaolo branches, referred to in the Agreements signed by BPER Banca with the counterparties starting from 17 February 2020 and better described in chapter 3. “Significant events and strategic transactions”, was formalised on 19 February 2021 with the signing of the definitive sale contracts. The contracts provided for the transfer to BPER Banca of the business units of UBI Banca s.p.a. and UBISS s.c.p.a., taking effect for legal purposes on 22 February 2021, whereas the Intesa Sanpaolo Group’s business unit was transferred on 21 June 2021.
On the basis of these contracts, the overall consideration agreed for the purchase of the business units is Euro 644 million, of which Euro 23.5 million refers to the unit owned by Intesa Sanpaolo. The amounts were paid by BPER Banca entirely in cash at the transfer effective dates. The difference between assets and liabilities of the entire going concern (identified contractually as being equal to its Common Equity Tier 1) was set at Euro 1,611 million.
For the purposes of this Consolidated Financial Report, the Purchase Price Allocation (PPA) is reported in accordance with IFRS 3. Already finalised as part of the Consolidated Interim Report on Operations at 30 September 2021, the PPA led to the emergence of a “gain from a bargain purchase”, or badwill. This result is largely attributable to the fact that the transaction took place favourable market moment for “buyers”; in fact, one of the reference parameters considered in defining the price, together with other less significant ones, was the relationship between the market price and the book value of the banks selling the going concern.
Considering this result, albeit provisional, the clause contained in the Agreements which provides for deferred adjustment of the consideration to be borne by Intesa Sanpaolo, depending on the fiscal relevance of the badwill for BPER Banca, has been applied in the context of the PPA.

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”.
The initial and supplementary agreements signed in 2020 and, most recently, in early 2021, by BPER Banca and Intesa Sanpaolo (later joined by UBI Banca), the contents of which were confirmed by the final contracts signed on 19 February 2021, showed that the subject of the agreements was the transfer of a series of branches, defined as a set of rights, obligations and legal relationships relating to (or connected with): (i) contracts signed with each branch’s customers, (ii) employment relationships with the members of staff working in them, (iii) lease and utility contracts related to them, and (iv) ownership of (or real rights over or entitlement to) the movable and immovable property, plant and equipment used by the branch. With respect to the characteristics of the business acquired, it is therefore possible to identify[58]:

- Inputs: contracts with customers (and consequent loans, direct and indirect deposits), employees (as an "organised workforce that has the necessary skills, knowledge or experience") and premises (owned or rented properties) needed for the provision of banking services.
- Processes: all those connected with the provision of banking services to customers (i.e. processes such as loan disbursement, credit monitoring, provision of payment services,

[58] *As required by IFRS 3 B7.*

provision of financial and investment services), as well as customer base growth (customer acceptance). These processes are considered "substantive" as intended by IFRS 3 since, being a business unit already "in operation" at the date of the combination, it is carried on by employees who already have the necessary skills, knowledge or experience in the banking sector (also understood as relationships with customers) which cannot be replaced without costs, efforts or significant delays due to the ability to carry on generating "output deriving from the banking activity"[59].

- Output: understood as the ability to generate revenues not only in the form of interest, but also in the form of commissions from banking services provided to customers.

It should also be noted that the "concentration test" envisaged by paras. B7A and B7B of IFRS 3 (in force from 1 January 2020), focusing on gross assets and indicated, in any case, as optional, was not applied as the qualitative analysis reported above regarding the components of the going concern transferred 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 assets acquired; in this case, the acquisition date was identified as the date on which the units were legally transferred (as resulting from the sale contracts). In fact, the preliminary IT migrations for the units acquired from UBI Banca/UBISS and Intesa Sanpaolo had already been carried out by 22 February and 21 June 2021, respectively.

The balance sheet values of the business units acquired on 22 February 2021 and 21 June 2021 following the definitive allocation of the cost are presented below, expressing the fair value of the identifiable and/or contingent assets and liabilities at the acquisition date.

[59] *IFRS 3 B12C: If a set of activities and assets has outputs at the acquisition date, an acquired process (or group of processes) shall be considered substantive if, when applied to an acquired input or inputs, it:*
a) is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process (or group of processes); or
b) significantly contributes to the ability to continue producing outputs and:
i) is considered unique or scarce; or
ii) cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.

Assets		UBI business unit	UBISS business unit	ISP business unit	PPA	Total of going concern acquired
10.	Cash and cash equivalents	115,511	-	8,141	-	123,652
20.	Financial assets measured at fair value through profit or loss	94,489	-	1,286	-	95,775
	a) financial assets held for trading	65,555	-	1,286	-	66,841
	c) other financial assets mandatorily measured at fair value	28,934	-	-	-	28,934
40.	Financial assets measured at amortised cost	28,509,705	939	2,362,429	(103,408)	30,769,665
	a) loans to banks	6,475,766	939	1,005,053	-	7,481,758
	b) loans to customers	22,033,939	-	1,357,376	(103,408)	23,287,907
80.	Property, plant and equipment	601,708	4,251	19,588	(39,594)	585,953
90.	Intangible assets	-	542	-	-	542
	of which: goodwill	-	-	-	-	-
120.	Other assets	2,557,061	-	64,773	10,065	2,631,899
	Total assets	**31,878,474**	**5,732**	**2,456,217**	**(132,937)**	**34,207,486**

Liabilities and shareholders equity		UBI business unit	UBISS business unit	ISP business unit	PPA	Total of going concern acquired
10.	Financial liabilities measured at amortised cost	30,156,380	4,964	2,301,516	(2,573)	32,460,287
	a) due to banks	-	4,964	-	-	4,964
	b) due to customers	30,145,835	-	2,301,516	(2,573)	32,444,778
	c) debt securities issued	10,545	-	-	-	10,545
20.	Financial liabilities held for trading	1,831	-	54	-	1,885
80.	Other liabilities	41,594	179	81,762	-	123,535
90.	Employee termination indemnities	72,967	344	4,928	-	78,239
100.	Provisions for risks and charges	56,672	245	6,095	18,845	81,857
	a) commitments and guarantees granted	17,158	-	335	-	17,493
	c) other provisions for risks and charges	39,514	245	5,760	18,845	64,364
	Total liabilities and shareholders equity	**30,329,444**	**5,732**	**2,394,355**	**16,272**	**32,745,803**

The changes in the balances of the individual balance sheet items acquired on the date of transfer (22 February 2021 for the UBI/UBISS business unit and 21 June 2021 for the ISP business unit) are due to subsequent movements, which occurred during the measurement period (with the most relevant ones being registered in Land and buildings for an amount of € 176 million and Loans to customers for an amount of € 59 million) which, in application of the contractual clauses, did not affect the overall difference between assets and liabilities acquired as against a similar change in interbank deposits (Loans to and Deposits from banks).

As at 30 September 2021, the balance sheet balances acquired were determined on a definitive basis, measured at fair value with the support of accredited external consultants. More specifically:

- 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;
- 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 Bancas 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 19 billion. The valuation process led to an overall fair value that was higher than the carrying amount by a total of 234.1 million (Euro 220.1 million for the performing loans of the UBI unit and Euro 14 million for the performing loans of the Intesa Sanpaolo unit). 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 dates 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 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 hypothetical effects of the Covid-19 crisis. 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 debtors forecast cash f lows quantified through a joint analysis of various items in the counterpartys financial statements, subsequently allocating them to cover the exposure in relation to the effective seniority of each position. With regard to UTP and Past Due exposures to counterparties for which there was not even one set of financial statements available in the Centrale Bilanci database, making it impossible to apply the Steady-state approach, an alternative methodology was envisaged, based on Danger Rate and Cure Rate benchmark matrices obtained on the basis of market and financial information.

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 hypothetical effects of the Covid-19 crisis.

Overall, the net carrying amount of non-performing loans, substantially acquired with the UBI unit and subject to valuation, amounted to approximately Euro 959 million. The fair value resulting from these models was lower than this amount by Euro 337.5 million.

- Intangible assets: analyses were carried out to identify any intangibles originating from Customer Relationships, not already recognised in the sellers financial statements. Analyses show that there would not seem to be the conditions for enhancing the value of Core Deposits as the benefit linked to the lower cost of the deposits acquired compared with alternative sources of funding (a.k.a. "mark-down") would be zero. With respect to the measurement of any intangible assets related to the indirect deposits acquired, by using a “Multi-period Excess Earning Method – MEEM”, as per the best market practice, a substantially low value was identified (especially in relation to the volumes of indirect deposits acquired - 0.01%), as such to prompt Management to prudentially maintain these 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 on-site appraisals by the independent expert used by the BPER Banca Group. The results of these activities led to an estimated adjustment to fair value of the property, plant and equipment acquired from the UBI/UBISS and Intesa Sanpaolo business units of Euro -37.1 million;
- Direct deposits: the characteristics of the direct deposits acquired (substantially represented by sight or short-term items) suggest that their fair value is substantially the same as their book value.
- Right-of-Use assets and lease liabilities: for the lease liabilities acquired (mainly for real estate), BPER Banca Group’s valuation methodology was applied at the two dates of the business combination (22 February and 21 June 2021), as required by paragraphs 28A and 28B of IFRS 3. This revaluation had an impact on “*Property, plant and equipment*” (Right-of-Use assets) of Euro -2.5 million and on “*Due to customers*” (lease liabilities) of Euro -2.7 million in relation to the UBI/UBISS business units; the impact was Euro 0.38 million on “Property, plant and equipment” (right-of-use assets) and Euro 0.15 million on “Due to customers” (lease liabilities) in relation to the Intesa Sanpaolo business unit;
- Contingent liabilities: identification of any risks implicit in the going concern acquired, as well as the fair value measurement of the contingent liabilities linked to them and the fair value measurement of the legal risks connected with litigation at the branches acquired led to estimate additional contingent liabilities of Euro 8.8 million. This was the increase recorded compared with the funds allocated by the seller on existing disputes, the latter amounting to Euro 10.1 million which, not having been included in the accounting situation of the unit

acquired pending the exclusion of the seller from the judgements pending, they have been quantified as a total of Euro 18.8 million, which has been booked to "Other assets" (Loans to transferor) for the amount owed by the seller (Euro 10.1 million);

- Tax effects: the profit (loss) of the combination (qualifying as the acquisition of a business unit) was considered fiscally relevant for the calculation of direct corporate income taxes (IRES) for the period in line with the Revenue Agencys opinion received on 17 June 2021 in response to the request for an advance ruling made by the Bank on 14 April 2021 concerning the tax regime applicable to the balance sheet and income statement elements arising from the PPA process relative to the acquisition of the business unit. The resulting current tax burden is shown in caption 300. "I*ncome taxes on current operations for the year"* for a total amount of Euro 310.2 million.
- Adjustment of the consideration: the matters discussed in the previous paragraphs led to the application of the specific contractual clause which provides for a deferred adjustment of the consideration paid by BPER Banca to Intesa Sanpaolo for the acquisition of the business units, estimating the quota to be reimbursed by Intesa Sanpaolo according to the tax burden referred to in the previous point and therefore equal to Euro 310.2 million.

Depending on the choices made, the difference between the assets and liabilities acquired at 22 February and 21 June 2021 and the price paid is shown below, so as to identify the result of the PPA.

Going concern acquired	UBI	ISP	Total
Difference between assets and liabilities as at 22 February 2021 and 21 June 2021 (A)	1,387,301	74,382	1,461,683
Consideration paid (B)	620,486	23,508	643,994
Adjustement of the consideration (C)	290,861	19,297	310,158
Badwill (A-B+C)	**1,057,676**	**70,171**	**1,127,847**

Details of going concern acquired	UBI	ISP	Total
Difference of assets/liabilities acquired	1,549,030	61,862	1,610,892
Real estate	(35,767)	(1,348)	(37,115)
Rights of use	(2,517)	38	(2,479)
NPE portfolio	(337,503)	-	(337,503)
Performing portfolio	220,095	14,000	234,095
Lease liabilities	2,728	(155)	2,573
Loans to transferor	10,065		10,065
Contingent liabilities	(18,830)	(15)	(18,845)
Difference between assets and liabilities as at 22 February 2021 and 21 June 2021 (A)	**1,387,301**	**74,382**	**1,461,683**
UBI consideration paid	620,486		620,486
UBISS (*) consideration paid			-
ISP consideration paid		23,508	23,508
Consideration paid (B)	**620,486**	**23,508**	**643,994**
Adjustement of the consideration (C)	290,861	19,297	310,158
Badwill before tax D= (A-B+C)	**1,057,676**	**70,171**	**1,127,847**
Tax (E)	(290,861)	(19,297)	(310,158)
Badwill after tax F= (D+E)	**766,815**	**50,874**	**817,689**

(*) The price agreed for the transfer of the UBISS branch was € 1, paid by BPER Banca to Intesa Sanpaolo for a zero difference between assets and liabilities.

At the end of the allocation process, the total gross benefit deriving from the acquisition was Euro 1,127.8 million, registered as income in the Income Statement caption "Gain on a bargain purchase".

Since the PPA valuation resulted in badwill, in application of IFRS 3 § 36, 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 Groups auditing firm. The fairness opinion, confirming badwill for an amount of Euro 1,127.8 million, was obtained on 5 November 2021.

In relation to the disclosure required by IFRS 3 § B64 (q) (i) and (ii) – relating respectively to the revenues and profits of the business acquired from the date of acquisition until the date of this Consolidated Financial Report, as well as the presentation of revenues, profits and losses of the entity resulting from said business combination for the current period, assuming that said combination occurred at the start of the reporting period, it should be noted that this information is not available as the business acquired does not represent a separate operating segment and, therefore, is not subject to separate reporting.

Section 2 – Transactions subsequent to the year end

2.1. Business combinations

No business combinations have been carried out subsequent to 31 December 2021 and up to the date of approval of these financial statements.

Part H – Related-party transactions

1. Information on the remuneration of Managers with strategic responsibilities

	Directors	Statutory Auditors	Other managers with strategic responsibilities
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**
short-term benefits (1)	2,860	522	4,530
post-employment benefits (2)	-	-	325
other long-term benefits (3)	199	-	265
indemnities for termination of employment (4)	-	-	408
share-based payments (5)	489	-	388
Total 31.12.2020	**3,548**	**522**	**5,916**

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) and the Statutory Auditors, 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 (€ 3,262 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 Key Management Personnel (the General Manager, 4 Deputy General Managers, the Manager responsible for preparing the company's financial reports and 5 other Senior Managers) 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 CONSOBs 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 during the year for the 2019-2021 Long-Term Incentive Plan.

2. Information on related-party transactions

The following shows the transactions with related parties, identified in application of IAS 24.

	Assets	Liabilities	Guarantees and commitments	Revenues	Costs
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**
Subsidiaries	6,631,845	4,495,582	1,814,867	174,142	79,322
Associates	615,140	3,627	65,758	4,265	2,828
Directors, Statutory Auditors and Managers	568	1,850	209	51	2
Other related parties	254,118	1,050,013	100,138	70,412	7,190
Total 31.12.2020	**7,501,671**	**5,551,072**	**1,980,972**	**248,870**	**89,342**

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.
No provisions for non-performing loans relating to parties which, on 31 December 2021, qualified as related parties have been made in 2021.
"Executives" means Executives with strategic responsibilities, as defined for the purposes of the table "Information on the remuneration of Executives 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, 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.
With reference to the entry into force in 2012 of the regulations relating to "Risk Activities and Conflicts of Interest with Related Parties and Associated Persons" (regulated by the Bank of Italy through Circular 285 of 17 December 2013 and subsequent updates), the BPER Group has adopted a series of regulations which includes, among others, the "Group Policy for the governance of the risk of non-compliance with regard to conflicts of interest with related parties and risk activities with associated persons", which describes the prudential limits to risk assets towards associated persons, continuous monitoring of the limits and handling situations where the limits are 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.

	Assets	Liabilities	Guarantees and commitments	Revenues	Costs
Total reference amounts - 2021	127,441,725	121,028,942	34,998,255	3,088,211	2,548,923
Total reference amounts - 2020	84,231,172	78,315,604	21,724,315	2,135,652	1,630,103

The total reference amounts for revenues include interest income, commission income and other operating income; costs include interest expense, commission expense, operating expenses 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	5.95%	4.45%	11.03%	8.43%	3.84%
Associates	0.46%	0.00%	0.32%	0.08%	0.02%
Directors, Statutory Auditors and Managers	0.00%	0.00%	0.00%	0.00%	0.00%
Other related parties	0.24%	1.61%	0.29%	3.96%	0.25%
Total 31.12.2021	**6.65%**	**6.06%**	**11.64%**	**12.47%**	**4.11%**
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 31.12.2020	**8.91%**	**7.09%**	**9.12%**	**11.65%**	**5.48%**

3. Relations between the Parent Company and subsidiary and/or associated companies (CONSOBs 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 s.p.a.	1,529,729	4,492,597	171,290	39,297	36,383
Bibanca.p.a.	1,295,886	287,091	-	64,252	22,561
BPER Bank Luxembourg s.a.	121,582	462,974	40,000	955	543
Emilia Romagna Factor s.p.a.	1,021,377	1,088	138,408	2,362	83
Modena Terminal s.r.l.	653	-	6,081	50	4
ARCA Fondi SGR s.p.a.	26,403	1,510	-	98,669	4
Nadia s.p.a.	68,462	44,708	45,753	668	2,356
Numera s.p.a.	69	2,429	-	61	5,064
Optima s.p.a. S.I.M.	1,823	16,498	-	3,649	19,508
Estense Covered Bond s.r.l.	-	-	-	-	-
Sardaleasing s.p.a.	2,508,352	58,989	2,982,793	6,862	-
BPER Trust Company s.p.a.	105	693	-	90	113
Estense CPT Covered Bond s.r.l.	-	-	-	-	-
Italiana Valorizzazioni Immobiliari s.r.l.	13,333	395	-	596	-
Adras s.p.a.	13,515	567	-	75	-
Sifà s.r.l.	464,994	5,656	-	1,082	495
BPER Credit Management s.cons.p.a.	4,013	6,748	42,000	9,521	10,484
Finitalia s.p.a.	507,616	126	432,801	32,206	376
Total referring to subsidiaries	**7,577,912**	**5,382,069**	**3,859,126**	**260,395**	**97,974**

(cont.)

	Assets	Liabilities	Guarantees and commitments	Revenues	Costs
Sofipo s.a. in liquidation	-	-	-	-	-
Cassa di Risparmio di Fossano s.p.a.	-	298	-	-	-
CAT Progetto Impresa Modena s.c.r.l.	17	-	44	3	-
Cassa di Risparmio di Savigliano s.p.a.	-	-	-	-	-
Resiban s.p.a.	-	192	150	2	312
Unione Fiduciaria s.p.a.	-	12	10,000	24	104
Sarda Factoring s.p.a.	745	10	-	-	-
Alba Leasing s.p.a.	584,036	2,387	101,145	2,479	-
Atrikè s.p.a.	1,433	14	-	-	-
Lanciano Fiera - Polo Fieristico dAbruzzo Consorzio	99	51	150	6	-
Brozzu e Cannas s.r.l. in liquidation	-	-	-	-	-
Cedisa s.r.l. in liquidation	-	-	-	-	-
Oasi nel Parco s.r.l.	-	-	-	-	-
Total referring to Associates	**586,330**	**2,964**	**111,489**	**2,514**	**416**
Total 31.12.2021	**8,164,242**	**5,385,033**	**3,970,615**	**262,909**	**98,390**
Total 31.12.2020	**7,246,985**	**4,499,209**	**1,880,625**	**178,407**	**82,150**

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Part I – Equity-based payments

Qualitative Information

The Groups organisation provides for centralisation of the BPER Banca Groups 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 16 March 2021 the Board of Directors of the Parent Company BPER Banca approved:

- the Report on the Remuneration Policy and Compensation Paid, pursuant to art. 123-ter of Legislative Decree no. 58 of 24 February 1998, relating to the remuneration policies of the BPER Banca Group for 2021 and compensation paid in 2020;
- the Remuneration Plan pursuant to art. 114-bis of Legislative Decree 58 of 24 February 1998, implementing the remuneration policies of the BPER Banca Group for 2021. The Plan covers those employees of the BPER Banca Group identified as "Material Risk Takers (MRTs)" in accordance with the 25th update of Circular 285 "Supervisory provisions for Banks" of 23 October 2018, Title IV, Chapter 2 "Remuneration and incentive policies and practices" and Commission Delegated Regulation (EU) 604 of 4 March 2014.

The above documents were approved by BPER's Shareholders' Meeting held on 21 April 2021 in one call.

The remuneration of MRTs consists of a fixed component and a short-term variable component that for some may also be long-term.
The variable component of the bonus is governed by very strict rules, as required by the Bank of Italys rules on the remuneration of MRTs (Circular 285).
In line with the regulatory requirements and the resolutions adopted at the Shareholders' Meeting held in 2020, the ratio between variable and fixed remuneration is set at 2:1 for all MRTs (except for control and similar functions). This is to have the flexibility to make payments ahead or in the event of early termination of employment or term of office and to have available all the operational levers needed to attract external resources in order to achieve the Group's objectives (except for staff of the Group's asset management company (SGR) to which different limits are applicable under the existing regulations).

For the rest of the personnel, a maximum ratio between the components of remuneration of 1:1 is normally adopted, with the exception of key personnel of Corporate Control Functions, whose variable remuneration cannot exceed one third of their fixed remuneration.

Nevertheless, the Group also sets the maximum fixed/variable ratio at 2:1 for all other personnel too (excluding the control Functions once again) in the following limited circumstances:

- to make payments ahead of or upon early severance, within the maximum limits already established in the policies under specific circumstances;
- to have appropriate levers available to manage in a suitable manner the competitive pressures in the job markets for certain, highly profitable business segments and specific professional clusters (Wealth Management and Corporate Banking).

The following table shows the short and long-term variable incentive target and maximum levels defined for MRTs and for Control Functions.

	Short-term target bonus		Long-term target bonus calculated on an 8-year basis [1]		Long-term target bonus calculated on a three-year vesting period	
	Target bonus (% fixed remuneration)	Maximum bonus (% fixed remuneration)	*Target bonus (% fixed remuneration)*	*Maximum bonus (% fixed remuneration)*	Target bonus (% fixed remuneration)	Maximum bonus (% fixed remuneration)
CEO and GM	35%	45%	*15%*	*21%*	40%	55%
Key personnel	35%	45%	*12%*	*16%*	32%	45%
Control functions	25% (*)	33%	-	-	-	-

(1) For the purpose of calculating the limit to the variable/fixed ratio, the amount of the share plan is calculated in full in the year it is recognised; however, it is possible to calculate this amount, according to a linear pro-rata criterion, within the limit relating to each year of the long-term incentive plan (also considering the deferral period), this being more than 6 years. In absolute terms, therefore, the figure has to be multiplied by 8 years.
** Limit set by the law*

The sustainability of the overall maximum amount of variable remuneration allocated to MRTs (those most responsible for running the company) is assessed in relation to the economic and financial stability of the Group as a whole.
Adoption of this 2:1 ratio between variable and fixed remuneration does not have any effect on the BPER Banca Groups ability to continue complying with the prudential rules on capital, the requirements regarding Own Funds in particular.

Short-term variable component

The incentive system provides for the identification of a bonus pool which represents the maximum amount of bonuses that can be paid. The bonus pool for the Chief Executive Officer and General Manager and for the MRTs is set at Group level (excluding the bonuses deriving from MBOs for Control Functions, which are of limited amount and not related to the Group's results, not even indirectly, and the bonuses for the asset management company, which are part of a specific pool at corporate level). The amount of the bonus pool for the MRTs is correlated to the results achieved, in terms of the Post-Provisions Profit reported by the Group, and constitutes a maximum limit. In order to discourage excessive risk-taking which can lead to a deterioration in the Group's "state of health", also in compliance with the Bank of Italy's regulatory requirements, disbursement of the bonus pool, whatever the amount, is essentially subject to compliance with certain indicators, called "entry gates", which are related to the capital, liquidity and risk-adjusted return ratios.

The entry gates that have been identified are based on the following parameters:

- Common Equity Tier 1 (CET 1) – Pillar 1 consolidated ratio under the transitional arrangement;
- Consolidated Return On Risk-Weighted Assets (RORWA);
- Consolidated Liquidity Coverage Ratio (LCR).

Failure to achieve even only one of the entry gates means not paying any bonus under this scheme.
After checking that the entry gates have been exceeded, the bonus allocation and the extent of the variable remuneration are defined by evaluating individual performances using a process that includes an analysis of various qualitative and quantitative indicators.

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. If the Bonus exceeds a specific amount established by the Board of Directors, the Plan envisages an allocation (which can also be deferred) of part of the total bonus through an assignment of BPER Banca shares.
In particular, this Plan provides for (apart from as provided by the stricter regulations foreseen for the Chief Executive Officer and General Manager of the Parent Company):

Material Risk Takers (MRTs) belonging to top management

- Variable remuneration > Euro 437 thousand (particularly high amount)[60]:
  - 40% is attributed on the date the bonus is granted (up-front portion): 20% cash and 20% through BPER Banca shares subject to a retention period of 1 year;
  - 60% (25% cash and 35% through BPER Banca shares) is deferred in equal annual instalments over the 5 years from that of the grant, subject to a retention period (during which the shares cannot be sold) of one year from the vesting date of each deferred tranche.
- Variable remuneration > Euro 50 thousand (or 1/3 of total annual remuneration) and ≤ 437 thousand:
  - 45% is attributed on the date the bonus is granted (up-front portion): 20% cash and 25% through BPER Banca shares subject to a retention period of 1 year;
  - 55% (25% cash and 30% through BPER Banca shares) is deferred in equal annual instalments over the 5 years from that of the grant, subject to a retention period (during which the shares cannot be sold) of one year from the vesting date of each deferred tranche.
- Variable remuneration ≤ Euro 50 thousand and ≤ 1/3 of total annual remuneration are paid in cash up-front.

Material Risk Takers (MRTs) not belonging to top management

- Variable remuneration > Euro 437 thousand (particularly high amount):
  - 40% is attributed on the date the bonus is granted (up-front portion): 20% cash and 20% through BPER Banca shares subject to a retention period of 1 year;
  - 60% (30% cash and 30% through BPER Banca shares) is deferred in equal annual instalments over the 4 years from that of the grant, subject to a retention period (during which the shares cannot be sold) of one year from the vesting date of each deferred tranche.
- Variable remuneration > Euro 50 thousand (or 1/3 of total annual remuneration) and ≤ 437 thousand:
  - 60% is attributed on the date the bonus is granted (up-front portion): 30% cash and 30% through BPER Banca shares subject to a retention period of 1 year;
  - 40% (20% cash and 20% through BPER Banca shares) is deferred in equal annual instalments over the 4 years from that of the grant, subject to a retention period (during which the shares cannot be sold) of one year from the vesting date of each deferred tranche.
- Variable remuneration ≤ Euro 50 thousand and ≤ 1/3 of total annual remuneration are paid in cash up-front.

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[60] *As defined by Bank of Italys Circular 285 (25th update).*

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. Note that there are compensation plans still outstanding for the years 2017, 2018, 2019 and 2020.

Long-term variable component – LTI Plan

In 2019, the BPER Banca Group established a long-term variable incentive system based on a long-term period of performance assessment (2019-2021), consistent with the objectives and duration of the Groups Strategic Plan. The objectives of this system are to:

- recognise an incentive exclusively in BPER Banca ordinary shares, according to methods that comply with the relevant provisions and in line with what is defined in the Business Plan 2019-2021;
- align managements 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 sound, prudent risk management and Corporate Social Responsibility (CSR) sustainability;
- strengthen key persons sense of belonging in order to implement the Groups medium -long term strategy;
- reward virtuous behaviour and positive results while penalizing failure to achieve results and any deterioration in the Groups capital, liquidity and profitability by not paying any bonuses.

The Plan provides clear and predetermined performance conditions, verified during and at the end of the plan, so that the variable remuneration cannot, in any case, be paid before the end of the plan. The bonus is awarded at the end of the performance evaluation period. The incentive system provides for the identification of a bonus pool, which represents the maximum amount of bonuses that can be paid. The bonus pool for the Chief Executive Officer and General Manager and for the MRTs is set at Group level. The amount of the bonus pool is related to the results achieved and constitutes a maximum limit; its distribution is entirely subject to compliance with certain entry gates, based on indicators of capital strength, liquidity and risk-adjusted profitability. The entry gates for the LTI Plan 2019-2021, all of which have to be achieved at the same time, are in line with those established for the MBO.
Failure to achieve even only one of the entry gates means not paying any bonus under this long-term incentive scheme. If all of these entry gates are achieved, the plan provides for an assessment of the Groups key performance indicators (KPIs) at the end of the three -year vesting period (2021). Continuous monitoring of the indicators is carried out during the three-year period to verify compliance with the objectives of the Strategic Plan.
After checking that the entry gates have been achieved, actual assignment of the bonus and the related amount, within the maximum limits (the theoretical maximum amount of the bonus payable, being the bonus pool, is the sum of the maximum bonuses obtainable at an individual level) established for variable remuneration, are defined through a process of corporate performance assessment that includes an analysis of three indicators (KPIs). For the three-year period 2019-2021, the scorecard of the LTI Plan, which is the same for all beneficiaries, is made up of objectives of operating efficiency, credit quality and profitability of a quantitative nature.

The targets are aligned with the objectives of the 2019-2021 Strategic Plan, of which the LTI Plan forms an integral part (the remuneration policies approved in 2019 and 2020 provided that any changes in the objectives of the strategic plan automatically constitute amendments to the LTI Plan targets).
In this regard, it should be noted that the financial, equity and income metrics of the three-year Strategic Plan (2019-2021) were revised on 5 August 2020, following the definition of the acquisition of the business unit consisting of a network of branches from the Intesa Sanpaolo Group, which necessarily meant integrating the forecasts.
The following September, in conjunction with confirmation of the strategic and industrial rationale underlying the acquisition with a revised phasing, the update of the Group's economic and financial forecasts for 2021 was approved by the Board of Directors on 29 September 2020 and communicated to the financial community on 1 October 2020.
Then, on 9 March 2021, after consulting the Remuneration Committee and the Risks Committee, BPERs Board of Directors aligned the targets of the LTI Plan with the objectives of the Strategic Plan, as updated by the Board on 29 September 2020.
Following the increase in capital, the Board of Directors meeting on 25 February 2021 approved the application of an adjustment parameter to neutralise the technical effects that reduced the price of BPER Bancas shares due to the increase in capital (adjustment for the discount on the theoretical ex -rights price or TERP).

Following the measurement of these KPIs, the performance of the BPER Banca stock is evaluated with respect to a peer group and the achievement of sustainability objectives.
Actual quantification of the bonus earned in 2021 is also subordinated to two further indicators, the first being the TSR (Total Shareholder Return) which functions as a multiplier/demultiplier (by +/-15%); the second being sustainability (the achievement of 3 Environmental, Social, Governance (ESG) objectives), which might involve a curtailment of up to 15% from the bonus earned.
As regards the 2019-2021 LTI Plan, 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 payment structure for the shares provides for a retention period of one year for the up-front portion and for the deferred portions.
The malus and clawback mechanisms may apply under certain circumstances, as described in BPER Banca Groups 2021 Remuneration Policies, and in line with the regulatory framework in force.

In accordance with the instructions contained in Circular 285/2013 (and subsequent updates) and Regulation (EU) 575/2013, the Group provides annual information on Remuneration Policies also in the document "Public disclosure - Pillar 3" which is available, as provided by law, on the institutional website of the Parent Company https://istituzionale.bper.it.

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.
Purchasing the shares is in any case subject to authorisation by the ECB.

The application was made again on 20 January 2021 because the previous authorisation, issued in April 2019 for the 2019-2021 LTI Plan, expired before the shares were bought. The required ECB authorisation was reissued on 8 April 2021.

The buy-back programme launched on 15 September 2021 for the free-of-charge allocation of BPER Banca ordinary shares to the employees of the Group ended on 20 September 2021. The buy-back programme is part of the “2019-2021 Long-Term Incentive (LTI) Plan for Material Risk Takers”, the 2021 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 21 April 2021. BPER Banca acquired a total of 1,917,353 ordinary shares of BPER Banca S.p.A., equal to 0.14% of share capital, for a total value of Euro 3,422,858.59 at an average purchase price per share of Euro 1.7852.

2. Other information

Determination of the fair value and accounting treatment

Short-term variable component

Variable remuneration for 2021 is currently being determined. With reference to the Compensation Plan for 2020, in the light of the economic and financial results achieved at Group level, it is estimated that 27,116 Phantom Stocks will be allocated for a total consideration of Euro 52 thousand.
Please also note that the same results affect the 2017 Plan allowing the vesting of 3,130 Phantom Stocks for a consideration of Euro 6 thousand, on the 2018 Plan allowing the vesting of 106,929 Phantom Stocks for a consideration of Euro 204 thousand and on the 2019 Plan allowing the vesting of 35,744 Phantom Stocks, for a consideration of Euro 68 thousand.

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.

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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 31.12.2020	Depreciation of the year	Other changes of the year	Impairment losses of the year	Book value 31.12.2021
a) land	-	-	-	-	-
b) buildings	250,005	(55,478)	124,773	(2,037)	317,263
c) furniture	-	-	-	-	-
d) electronic systems	24,729	(9,600)	8,228	-	23,357
e) other	4,190	(2,196)	2,886	-	4,880
Total	**278,924**	**(67,274)**	**135,887**	**(2,037)**	**345,500**

As regards "Other changes of the year", the impact is mainly linked to the contracts acquired through the business combination with the Intesa Sanpaolo Group (€ 92 million), in addition to remeasurement of the rights of use mainly due to ISTAT adjustments, changes in the lease term and the opening and closing of contracts.
No changes were made in 2021 due to the renegotiation of contractual terms because of the Covid-19 pandemic.

1.2 Expense and Income relating to leases other than right of use

	Total 31.12.2021	Total 31.12.2020
Costs relating to short-term leases	3,886	1,130
Expense relating to leases of low-value assets (*)	10,206	10,535
Income from finance subleases	16	12

(*) Including VAT

1.3 Lease liabilities: changes

	Lease liabilities 31.12.2020	Interest expense	Lease payments made	Other changes	Book value 31.12.2021
Total lease liabilities	282,378	4,185	(69,843)	135,473	352,193

As regards "Other changes of the year", the impact is mainly linked to the contracts acquired through the business combination with the Intesa Sanpaolo Group (approximately € 92 million), in addition to remeasurement of lease liabilities mainly due to ISTAT adjustments, changes in the lease term on the opening and closing of contracts. No changes were made in 2021 due to the renegotiation of contractual terms because of the Covid-19 pandemic.

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	31.12.2021 Lease payments receivable	31.12.2020 Lease payments receivable
Up to 1 year	1,317	1,317
>1 to 2 years	1,317	1,317
>2 to 3 years	1,317	1,317
>3 to 4 years	1,317	1,317
From 4 to 5 years	1,124	1,317
Over 5 years	1,317	2,441
Total lease payments receivable	**7,709**	**9,026**
RECONCILIATION WITH FINANCE LEASES		
Unearned finance income (-)	1,031	2,135
Unguaranteed residual value (-)	-	-
Finance leases	**6,678**	**6,891**

"Unearned finance income" 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

	31.12.2021		31.12.2020	
	Performing	Non-performing	Performing	Non-performing
A - Real estate assets	**3,747**	**289**	**4,825**	**4,109**
Land	-	-	-	-
Buildings	3,747	289	4,825	4,109
B - Operating assets	**-**	**16**	**-**	**172**
C - Movable assets	**-**	**11**	**-**	**250**
Motor vehicles	-	7	-	130
Aircraft and rolling stock	-	-	-	47
Other	-	4	-	73
D - Intangible assets	**-**	**-**	**-**	**-**
Trademarks	-	-	-	-
Software	-	-	-	-
Other	-	-	-	-
Total	**3,747**	**316**	**4,825**	**4,531**

2.2.2 Other information about finance leases: unopted assets, assets withdrawn following termination, other assets

	31.12.2021			31.12.2020		
	Unopted assets	Assets returned after termination	Other assets	Unopted assets	Assets returned after termination	Other assets
A - Real estate assets	**447**	**240**	**-**	**447**	**245**	**-**
Land	-	-	-	-	-	-
Buildings	447	240	-	447	245	-
B - Operating assets	**-**	**-**	**-**	**-**	**-**	**-**
C - Movable assets	**50**	**-**	**-**	**50**	**-**	**-**
Motor vehicles	-	-	-	-	-	-
Aircraft and rolling stock	50	-	-	50	-	-
Other	-	-	-	-	-	-
D - Intangible assets	**-**	**-**	**-**	**-**	**-**	**-**
Trademarks	-	-	-	-	-	-
Software	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	**497**	**240**	**-**	**497**	**245**	**-**

3. Operating leases

3.1 Breakdown of lease payments receivable by time bands

Time bands	31.12.2021 Lease payments receivable	31.12.2020 Lease payments receivable
Up to 1 year	3,738	2,853
>1 to 2 years	3,503	2,727
>2 to 3 years	3,341	2,557
>3 to 4 years	3,085	2,394
From 4 to 5 years	2,301	2,189
Over 5 years	7,124	4,142
Total	**23,092**	**16,862**

3.2 Other information

No additional information is deemed necessary to meet the disclosure objective specified in paragraph 92 of IFRS 16.

Attachments

The following documents, which are not attached to the English version of the financial statements as at 31 December 2021, could be consulted in the Italian version:

- Statement of cash flow of the staff pension fund
- Statement of property revaluations (art. 10 Law 72 of 19/03/1983)

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 2021 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.

(in thousands)

Type of services	Party providing the service	Recipient		Fees
Audit services	Deloitte & Touche s.p.a.	BPER Banca		1,090
Certification services	Deloitte & Touche s.p.a.	BPER Banca	(1)	480
Other services	Deloitte & Touche s.p.a.	BPER Banca	(2)	105
	Deloitte Consulting s.r.l.	BPER Banca	(3)	2,111
Total				**3,786**

(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 2021 and the separate and consolidated financial statements at 31 December 2021;
- activities performed as part of the covered bond issue programmes and EMTN programme;
- 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 Bank of Italy Regulation 5 December 2019 - Mifid II;
certificate on 2020 advertising expenses for tax credits to be recognised in the 2021 accounts.

(2) Other services rendered by Deloitte & Touche s.p.a.:
- activities carried out to verify the conformity of the 2021 tax returns and the supplementary 2020 tax returns;
- support in document collection for the processing services and merchant acquiring business;
- methodological support for the Sustainability Report.

(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 for benchmarking against best practices and recognising user requirements as part of the ongoing evolution of the Contact Centre – Everyday Bank;
- methodological support in the activity of factual recognition of business requirements and sources feeding the CRM and Marketing automation functions;
- methodological support for the Gemini portfolio segmentation;
- methodological support for Marketing Interaction activities.

Restatement of BPER Banca's financial statements as at 1 January 2020

The following tables show the Restatement of the balance sheet captions as at 1 January 2020 and 31 December 2020 following the retrospective application of the change in the measurement method of properties held for investment purposes. The changes shown in the first accounting schedule show the impact on the opening balances of the earliest year for which the comparative figures of properties as per IAS 40 have been restated in accordance with IAS 8. A restated income statement as at 31 December 2020 is also provided.

Please refer to paragraph "4 - Other aspects" in Part A of the Explanatory Notes to this Report for further details concerning the change in the accounting method and related accounting treatment.

(in thousands)

Assets		01.01.2020	IAS 40 impact	01.01.2020 restated
10.	Cash and cash equivalents	429,141	-	429,141
20.	Financial assets measured at fair value through profit or loss	939,799	-	939,799
	a) financial assets held for trading	311,681	-	311,681
	b) financial assets designated at fair value	126,947	-	126,947
	c) other financial assets mandatorily measured at fair value	501,171	-	501,171
30.	Financial assets measured at fair value through other comprehensive income	6,202,401	-	6,202,401
40.	Financial assets measured at amortised cost	56,133,805	-	56,133,805
	a) loans to banks	8,369,103	-	8,369,103
	b) loans to customers	47,764,702	-	47,764,702
50.	Hedging derivatives	81,869	-	81,869
70.	Equity investments	2,138,421	-	2,138,421
80.	Property, plant and equipment	802,101	2,635	804,736
90.	Intangible assets	438,239	-	438,239
	of which:			
	- goodwill	225,792	-	225,792
100.	Tax assets	1,644,103	(359)	1,643,744
	a) current	456,290	-	456,290
	b) deferred	1,187,813	(359)	1,187,454
110.	Non-current assets and disposal groups classified as held for sale	3,128	338	3,466
120.	Other assets	534,741	-	534,741
	Total assets	**69,347,748**	**2,614**	**69,350,362**

(in thousands)

Liabilities and shareholders equity		01.01.2020	IAS 40 impact	01.01.2020 restated
10.	Financial liabilities measured at amortised cost	61,608,916	-	61,608,916
	a) due to banks	15,749,542	-	15,749,542
	b) due to customers	40,300,602	-	40,300,602
	c) debt securities issued	5,558,772	-	5,558,772
20.	Financial liabilities held for trading	176,219	-	176,219
40.	Hedging derivatives	283,792	-	283,792
60.	Tax liabilities	43,633	2,511	46,144
	a) current	-	-	-
	b) deferred	43,633	2,511	46,144
80.	Other liabilities	1,594,541	-	1,594,541
90.	Employee termination indemnities	123,302	-	123,302
100.	Provisions for risks and charges	520,564	-	520,564
	a) commitments and guarantees granted	46,068	-	46,068
	b) pension and similar obligations	159,720		159,720
	c) other provisions for risks and charges	314,776	-	314,776
110.	Valuation reserves	(135,730)	-	(135,730)
130.	Equity instruments	150,000	-	150,000
140.	Reserves	2,039,723	103	2,039,826
150.	Share premium reserve	1,002,722	-	1,002,722
160.	Share capital	1,561,884	-	1,561,884
170.	Treasury shares (-)	(7,253)	-	(7,253)
180.	Profit (Loss) for the year (+/-)	385,435	-	385,435
	Total liabilities and shareholders equity	**69,347,748**	**2,614**	**69,350,362**

Reported below are the main accounting impacts due to the change in the measurement method as at 1 January 2020:

- fair value measurement of investment property led to a Euro 3.0 million increase in the value of property, plant and equipment and assets held for sale, as against revaluations for an amount of Euro 7.1 million and writedowns for an amount of Euro 4.1 million;
- the tax effects related to these changes in value are reflected in Euro 2.5 million in increases in DTLs and Euro 0.4 million in reversals of pre-existing DTAs. These effects were determined on the basis of: i. the general assumption that no current tax effects should arise from the change in the measurement method; ii. the accounting policies of the BPER Banca Group, which did not allow the recognition of DTAs on write-downs;
- the overall net balance allocated to equity reserves is therefore equal to Euro 0.1 million.

Restatement of BPER Banca's financial statements as at 31 December 2020

(in thousands)

	Assets	31.12.2020	IAS 40 impact	31.12.2020 restated
10.	Cash and cash equivalents	365,864	-	365,864
20.	Financial assets measured at fair value through profit or loss	983,756	-	983,756
	a) financial assets held for trading	310,818	-	310,818
	b) financial assets designated at fair value	123,370	-	123,370
	c) other financial assets mandatorily measured at fair value	549,568	-	549,568
30.	Financial assets measured at fair value through other comprehensive income	6,051,222	-	6,051,222
40.	Financial assets measured at amortised cost	71,340,689	-	71,340,689
	a) loans to banks	16,418,169	-	16,418,169
	b) loans to customers	54,922,520	-	54,922,520
50.	Hedging derivatives	57,695	-	57,695
70.	Equity investments	2,008,146	-	2,008,146
80.	Property, plant and equipment	806,384	(2,322)	804,062
90.	Intangible assets	480,782	-	480,782
	of which:			
	- goodwill	230,366	-	230,366
100.	Tax assets	1,689,110	(1,884)	1,687,226
	a) current	402,666	-	402,666
	b) deferred	1,286,444	(1,884)	1,284,560
110.	Non-current assets and disposal groups classified as held for sale	3,194	522	3,716
120.	Other assets	444,330	-	444,330
	Total assets	**84,231,172**	**(3,684)**	**84,227,488**

(in thousands)

	Liabilities and shareholders equity	31.12.2020	IAS 40 impact	31.12.2020 restated
10.	Financial liabilities measured at amortised cost	75,566,875	-	75,566,875
	a) due to banks	24,095,097	-	24,095,097
	b) due to customers	46,793,064	-	46,793,064
	c) debt securities issued	4,678,714	-	4,678,714
20.	Financial liabilities held for trading	182,981	-	182,981
40.	Hedging derivatives	456,447	-	456,447
60.	Tax liabilities	47,136	2,512	49,648
	b) deferred	47,136	2,512	49,648
80.	Other liabilities	1,500,563	-	1,500,563
90.	Employee termination indemnities	107,416	-	107,416
100.	Provisions for risks and charges	454,186	-	454,186
	a) commitments and guarantees granted	49,251	-	49,251
	b) pension and similar obligations	147,829		147,829
	c) other provisions for risks and charges	257,106	-	257,106
110.	Valuation reserves	(54,799)	-	(54,799)
130.	Equity instruments	150,000	-	150,000
140.	Reserves	2,342,135	103	2,342,238
150.	Share premium reserve	1,241,197	-	1,241,197
160.	Share capital	2,100,435	-	2,100,435
170.	Treasury shares (-)	(7,253)	-	(7,253)
180.	Profit (Loss) for the year (+/-)	143,853	(6,299)	137,554
	Total liabilities and shareholders equity	**84,231,172**	**(3,684)**	**84,227,488**

Reported below are the main accounting impacts due to the change in the measurement method as at 31 December 2020:

- the positive change in properties owned (classified as both property, plant and equipment and assets held for sale) is due to the following: i. Net revaluation at 1 January 2020 of Euro 3.0 million, ii. Reversal of amortisation, depreciation and write-downs for the year 2020 of Euro 6.2 million, iii: Net write-down of Euro 10.3 million for fair value adjustment at 31 December 2020, iv. Reversal of gains on disposal realized in 2020 of Euro 0.7 million;
- the tax effects of the changes in value shown above (also considering the changes at 1 January 2020) led to the recognition of increases in DTL for Euro 2.5 million and reversals of DTA for Euro 1.9 million; on an accrual basis for the year 2020, they affected Taxes for the year for Euro -1.5 million;
- the overall net balance allocated to equity reserves therefore amounted to Euro 0.1 million;
- the profit/loss impacts(*) after tax, commented on in the first bullet point and shown in the following Income Statement as at 31 December 2020, lead to a change in profit for the year 2020 of Euro -6.3 million.

	Captions	31.12.2020	IAS 40 impact	31.12.2020 restated
10.	Interest and similar income	1,096,963	-	1,096,963
	of which: interest income calculated using the effective interest method	1,088,007	-	1,088,007
20.	Interest and similar expense	(195,450)	-	(195,450)
30.	**Net Interest Income**	**901,513**	**-**	**901,513**
40.	Commission income	817,034	-	817,034
50.	Commission expense	(62,735)	-	(62,735)
60.	**Net commission income**	**754,299**	**-**	**754,299**
70.	Dividends and similar income	24,645	-	24,645
80.	Net income from trading activities	(14,884)	-	(14,884)
90.	Net income from hedging activities	(577)	-	(577)
100.	Gains (Losses) on disposal or repurchase of:	117,313	-	117,313
	a) financial assets measured at amortised cost	108,077	-	108,077
	b) financial assets measured at fair value through other comprehensive income	8,920	-	8,920
	c) financial liabilities	316	-	316
110.	Net income on other financial assets and liabilities measured at fair value through profit or loss	11,412	-	11,412
	a) financial assets and liabilities designated at fair value	(3,684)	-	(3,684)
	b) other financial assets mandatorily measured at fair value	15,096	-	15,096
120.	**Net interest and other banking income**	**1,793,721**	**-**	**1,793,721**
130.	Net impairment losses for credit risk relating to:	(443,781)	-	(443,781)
	a) financial assets measured at amortised cost	(443,433)	-	(443,433)
	b) financial assets measured at fair value through other comprehensive income	(348)	-	(348)
140.	Gains (Losses) from contractual modifications without derecognition	(2,076)	-	(2,076)
150.	**Net income from financial activities**	**1,347,864**	**-**	**1,347,864**
160.	Administrative expenses:	(1,326,776)	-	(1,326,776)
	a) staff costs	(751,764)	-	(751,764)
	b) other administrative expenses	(575,012)	-	(575,012)
170.	Net provisions for risks and charges	(13,061)	-	(13,061)
	a) commitments and guarantees granted	(3,036)	-	(3,036)
	b) other net provisions	(10,025)	-	(10,025)
180.	Net adjustments to property, plant and equipment	(99,116)	6,166	(92,950)
190.	Net adjustments to intangible assets	(54,446)	-	(54,446)
200.	Other operating expense / income	176,513	-	176,513
210.	**Operating costs**	**(1,316,886)**	**6,166**	**(1,310,720)**
220.	Gains (Losses) on equity investments	(3,269)	-	(3,269)
230.	Valuation differences on property, plant and equipment and intangible assets measured at fair value	-	(10,268)	(10,268)
250.	Gains (Losses) on disposal of investments	817	(672)	145
260.	**Profit (Loss) from current operations before tax**	**28,526**	**(4,774)**	**23,752**
270.	Income taxes on current operations for the year	115,327	(1,525)	113,802
280.	**Profit (Loss) from current operations after tax**	**143,853**	**(6,299)**	**137,554**
300.	**Profit (Loss) for the year**	**143,853**	**(6,299)**	**137,554**

Restatement of BPER Banca's reclassified financial statements as at 31 December 2020

Below are the Reclassified balance sheet and income statement of BPER Banca as at 31 December 2020, restated to show the effects of the retrospective application of the change in the accounting method used to measure properties held for investment purposes, which constitutes a voluntary change in accounting policy, to be applied retrospectively pursuant to IAS 8 para. 19 b) Please refer to paragraph "4 - Other aspects" in Part A of the Explanatory Notes to this Report for further details concerning the change in the measurement method and related accounting treatment. For additional comments on the effects of the restatement, reference should also be made to the footnotes to the statements above.
The asset and liability balances as at 31 December 2020 were reported in the comparative balances set out in paragraph "2.3 Balance sheet aggregates" of chapter 2 "Results of banking activities", in the report of operations.

(in thousands)

Assets	31.12.2020	IAS 40 impact	31.12.2020 restated
Cash and cash equivalents	365,864	-	365,864
Financial assets	22,855,992	-	22,855,992
a) Financial assets held for trading	310,818	-	310,818
b) Financial assets designated at fair value	123,370	-	123,370
c) Other financial assets mandatorily measured at fair value	523,261	-	523,261
d) Financial assets measured at fair value through other comprehensive income	6,051,222	-	6,051,222
e) Debt securities measured at amortised cost	15,847,321	-	15,847,321
- banks	4,511,133	-	4,511,133
- customers	11,336,188	-	11,336,188
Loans	55,519,675	-	55,519,675
a) Loans to banks	11,907,036	-	11,907,036
b) Loans to customers	43,586,332	-	43,586,332
c) Financial assets measured at fair value	26,307	-	26,307
Hedging derivatives	57,695	-	57,695
Equity investments	2,008,146	-	2,008,146
Property, plant and equipment	806,384	(2,322)	804,062
Intangible assets	480,782	-	480,782
- of which: goodwill	230,366	-	230,366
Other assets	2,136,634	(1,362)	2,135,272
Total assets	**84,231,172**	**(3,684)**	**84,227,488**

(in thousands)

Liabilities and shareholders equity	31.12.2020	IAS 40 impact	31.12.2020 restated
Due to banks	24,095,097	-	24,095,097
Direct deposits	51,471,778	-	51,471,778
a) Due to customers	46,793,064	-	46,793,064
b) Debt securities issued	4,678,714	-	4,678,714
Financial liabilities held for trading	182,981	-	182,981
Hedging derivatives	456,447	-	456,447
Other liabilities	2,109,301	2,512	2,111,813
Shareholders' equity	5,915,568	(6,196)	5,909,372
a) Valuation reserves	(54,799)	-	(54,799)
b) Reserves	2,342,135	103	2,342,238
c) Equity instruments	150,000	-	150,000
d) Share premium reserve	1,241,197	-	1,241,197
e) Share capital	2,100,435	-	2,100,435
f) Treasury shares	(7,253)	-	(7,253)
g) Profit (Loss) for the year	143,853	(6,299)	137,554
Total liabilities and shareholders equity	**84,231,172**	**(3,684)**	**84,227,488**

(in thousands)

Captions		31.12.2020	IAS 40 impact	31.12.2020 restated
10+20	Net interest income	901,513	-	901,513
40+50	Net commission income	754,299	-	754,299
70	Dividends	24,645	-	24,645
80+90+100+110	Net income from financial activities	113,264	-	113,264
230	Other operating expense/income	76,962	-	76,962
	Operating income	**1,870,683**	**-**	**1,870,683**
190 a)	Staff costs	(751,764)	-	(751,764)
190 b)	Other administrative expenses	(388,699)	-	(388,699)
210+220	Net adjustments to property, plant and equipment and intangible assets	(153,562)	6,166	(147,396)
	Operating costs	**(1,294,025)**	**6,166**	**(1,287,859)**
	Net operating income	**576,658**	**6,166**	**582,824**
130 a)	Net impairment losses to financial assets at amortised cost	(443,433)	-	(443,433)
	- loans to customers	(436,240)	-	(436,240)
	- other financial assets	(7,193)	-	(7,193)
130 b)	Net impairment losses to financial assets at fair value	(348)	-	(348)
140	Gains (Losses) from contractual modifications without derecognition	(2,076)	-	(2,076)
	Net impairment losses for credit risk	**(445,857)**	**-**	**(445,857)**
200	Net provisions for risks and charges	(24,513)	-	(24,513)
###	Contributions to SRF, DGS, IDPF - VS	(75,310)	-	(75,310)
250+260+270+280	Gains (Losses) on investments	(2,452)	(10,940)	(13,392)
290	**Profit (Loss) from current operations before tax**	**28,526**	**(4,774)**	**23,752**
300	Income taxes on current operations for the year	115,327	(1,525)	113,802
330	**Profit (Loss) for the year**	**143,853**	**(6,299)**	**137,554**

Reconciliation between the Financial statements and the Reclassified Financial statements as at 31 December 2021

(in thousands)

Circular no. 262/2005 7° update - Assets	31.12.2021	Reclassified balance sheet - Assets															
			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	e) Debt securities measured at amortised cost - customers	a) Loans to banks	b) Loans to customers	c) Financial assets measured at fair value	Hedging derivatives	Equity investments	Property, plant and equipment	Intangible assets	- of which: goodwill	Other assets
10. Cash and cash equivalents	1,338,507	1,338,507															
20. Financial assets measured at fair value through profit or loss	956,911																
a) financial assets held for trading	346,279		346,279														
b) financial assets designated at fair value	125,098			125,098													
c) other financial assets mandatorily measured at fair value	485,534				430,577						54,957						
30. Financial assets measured at fair value through other comprehensive income	6,424,261					6,424,261											
40. Financial assets measured at amortised cost	112,582,971																
a) loans to banks	30,015,877						5,810,622		24,205,255								
b) loans to customers	82,567,094			-				13,381,928		69,185,166							
50. Hedging derivatives	178,108											178,108					
70. Equity investments	2,006,574												2,006,574				
80. Property, plant and equipment	1,356,461	-												1,356,461			
90. Intangible assets	239,546														239,546		
of which:																	
- goodwill	-															-	
100. Tax assets	1,473,022																
a) current	387,988																387,988
b) deferred	1,085,034																1,085,034
110. Non current assets and disposal groups classified as held for sale	4,898																4,898
120. Other assets	880,466																880,466
Total assets	**127,441,725**	**1,338,507**	**346,279**	**125,098**	**430,577**	**6,424,261**	**5,810,622**	**13,381,928**	**24,205,255**	**69,185,166**	**54,957**	**178,108**	**2,006,574**	**1,356,461**	**239,546**	**-**	**2,358,386**

(in thousands)

Circular no. 262/2005 7° update - Liabilities and shareholders' equity	31.12.2021	Reclassified balance sheet - Liabilities and shareholders' equity												
		Due to banks	Direct deposits		Financial liabilities held for trading	Hedging derivatives	Other liabilities	Shareholders' equity						
			a) Due to customers	b) Debt securities issued				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	117,296,407													
a) due to banks	28,355,383	28,355,383												
b) due to customers	84,129,452		84,129,452											
c) debt securities issued	4,811,572			4,811,572										
20. Financial liabilities held for trading	132,079				132,079									
40. Hedging derivatives	241,370					241,370								
60. Tax liabilities	37,811													
a) current	1,955						1,955							
b) deferred	35,856						35,856							
80. Other liabilities	2,475,348						2,475,348							
90. Employee termination indemnities	174,110						174,110							
100. Provisions for risks and charges	671,817													
a) commitments and guarantees granted	81,381						81,381							
b) pension and similar obligations	139,744						139,744							
c) other provisions for risks and charges	450,692						450,692							
110. Valuation reserves	(11,327)							(11,327)						
130. Equity instruments	150,000									150,000				
140. Reserves	2,375,590								2,375,590					
150. Share premium reserve	1,240,428										1,240,428			
160. Share capital	2,100,435											2,100,435		
170. Treasury shares (-)	(9,546)												(9,546)	
180. Profit (Loss) for the year (+/-)	567,203													567,203
Total liabilities and shareholders' equity	**127,441,725**	**28,355,383**	**84,129,452**	**4,811,572**	**132,079**	**241,370**	**3,359,086**	**(11,327)**	**2,375,590**	**150,000**	**1,240,428**	**2,100,435**	**(9,546)**	**567,203**

(in thousands)

Circular no. 262/2005 7° update - Income statement	31.12.2021	Reclassified Income statement: Net interest income	Net commission income	Dividends	Net income from financial activities	Other operating expense/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	Net provisions for risks and charges	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
10. Interessi attivi e proventi assimilati	1,425,207	1,425,207																	
20. Interessi passivi e oneri assimilati	(257,918)	(257,918)																	
30. Margine di interesse	**1,167,289**																		
40. Commissioni attive	1,352,548		1,352,548																
50. Commissioni passive	(92,625)		(92,625)																
60. Commissioni nette	**1,259,923**																		
70. Dividendi e proventi simili	60,201			60,201															
80. Risultato netto dell'attività di negoziazione	65,619				65,619														
90. Risultato netto dell'attività di copertura	(2,255)				(2,255)														
100. Utili (perdite) da cessione o riacquisto di:	81,372																		
a) attività finanziarie valutate al costo ammortizzato	66,441				66,441														
b)attività finanziarie valutate al fair value con impatto sulla redditività complessiva	15,398				15,398														
c) passività finanziarie	(467)				(467)														
110. Risultato netto delle altre attività e passività finanziarie valutate al fair value con impatto a conto economico	29,423																		
a) attività e passività finanziarie designate al fair value	1,576				1,576														
b) altre attività finanziarie obbligatoriamente valutate al fair value	27,847				27,847														
120. Margine di intermediazione	**2,661,572**																		
130. Rettifiche/riprese di valore nette per rischio di credito di:	(641,890)																		
a)attività finanziarie valutate al costo ammortizzato	(643,997)									(645,470)	1,473								
b) attività finanziarie valutate al fair value con impatto sulla redditività complessiva	2,107											2,107							
140. Utili/perdite da modifiche contrattuali senza cancellazioni	(2,162)												(2,162)						
150. Risultato netto della gestione finanziaria	**2,017,520**																		
160. Spese amministrative:	(2,131,470)																		
a) spese per il personale	(1,258,751)						(1,258,751)												
b) altre spese amministrative	(872,719)							(754,786)							(117,933)				
170. Accantonamenti netti ai fondi per rischi e oneri	(52,469)																		
a) impegni e garanzie rilasciate	(14,638)													(14,638)					
b) altri accantonamenti netti	(37,831)													(37,831)					
180. Rettifiche/riprese di valore nette su attività materiali	(147,776)								(147,776)										
190. Rettifiche/riprese di valore nette su attività immateriali	(106,275)								(106,275)										
200. Altri oneri/proventi di gestione	243,546					62,491		199,652						(18,597)					
210. Costi operativi	**(2,194,444)**																		
220. Utili (Perdite) delle partecipazioni	(5,004)															(5,004)			
230. Risultato netto della valutazione al fair value delle attività mat. e immat.	(24,370)															(24,370)			
240. Rettifiche di valore dell'avviamento	(230,366)															(230,366)			
245. Avviamento negativo	1,127,847																1,127,847		
250. Utili (Perdite) da cessione di investimenti	533															533			
260. Utile (Perdita) della operatività corrente al lordo delle imposte	**691,716**																		
270. Imposte sul reddito dell'esercizio dell'operatività corrente	(124,513)																	(124,513)	
280. Utile (Perdita) della operatività corrente al netto delle imposte	**567,203**																		
300. Utile (Perdita) dell'esercizio	**567,203**	**1,167,289**	**1,259,923**	**60,201**	**174,159**	**62,491**	**(1,258,751)**	**(555,134)**	**(254,051)**	**(645,470)**	**1,473**	**2,107**	**(2,162)**	**(71,066)**	**(117,933)**	**(259,207)**	**1,127,847**	**(124,513)**	**567,203**

Certifications and other reports

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Certification of the individual financial statements for 2021 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 2021, 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 2021 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. These framework represent 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 2021:
    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, 10 March 2022

Signed by Piero Luigi Montani	Signed by Marco Bonfatti
Chief Executive Officer	**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, 2021, 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, 2021, 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 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, 2021, performing loans to customers measured at amortized cost of BPER Banca S.p.A. show a gross amount of Euro 68,409 million, reduced by portfolio adjustments of Euro 348 million, to come to a net amount of Euro 68,061 million, resulting in a coverage ratio of 0.51%. As more widely described in the explanatory notes, during 2021 the overall macroeconomic and sector framework was still affected by significant uncertainty due to the evolution of the Covid-19 pandemic and the related containment measures, continuing to require to banks the management of the impacts arising from such situation on credit risk and on relevant financial statement evaluations. The context has continued to be characterized by initiatives and concessions introduced by governments and monetary and tax authorities, whose impact on the Bank's economic and financial situation are described in the explanatory notes in the following sections: • Part B - Information on the balance sheet – Section 4 – Financial assets measured at amortised cost, table 4.4a Loans measured at amortised cost subject to to Covid-19 support measures: gross values and total impairment losses; • Part C – Information on the income statement – Section 8 – Net impairment losses for credit risk, table 8.1a Net impairment losses for credit risk related to loans measured at amortized cost subject to measures applied in response to the Covid-19: breakdown; • Part E – Information on risks and related hedging policies – Section A – Credit quality, table A.1.5a Loans subject to Covid-19 support measures: transfers between different credit risk stages (gross values) and table A.1.7a Loans subject to Covid-19 support measures: gross and net values; as required by the supplement dated December 21, 2021 of the "Circular n. 262 – Banks' financial statements: schemes and compilation rules" issued by Bank of Italy, which introduced a specific disclosure concerning the effects of the Covid-19 pandemic and of the measures to support the economy on risk management strategies, objectives and policies, as well as on the economic and financial situation of banks. 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, 2021, as part of its policies for managing loans to customers, the Bank adopted rules and procedures for monitoring credit

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	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 significance of the amount of high-risk performing loans to customers measured at amortized cost recorded in the financial statements and the complexity of the process of classifying them into homogeneous risk categories followed by the Bank, 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, 2021.
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, as amended to take account also of the continuing impacts of the Covid-19 pandemic, 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, as well as the contents of the interpretative and supporting documents for the application of the accounting standards in relation to the continuing impacts of the Covid-19 pandemic, issued by the national and European regulatory and supervisory bodies.

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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, 2021, non-performing loans to customers measured at amortized cost of BPER Banca S.p.A. show a gross amount of Euro 2,883 million, reduced by impairment losses of Euro 1,758 million, resulting in a net amount of Euro 1,124 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, 2021 is equal to 61.00%. 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 362 million and a coverage ratio of 72.20% and unlikely to pay loans for a net value of Euro 705 million and a coverage ratio of 53.13%. 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 significance of the amount of non-performing loans to customers measured at amortized cost recorded in the financial statements, the complexity of the valuation processes adopted by the Bank, which entailed a structured action of classification into homogeneous risk categories, as well as the relevance of the discretionary components linked to the estimate of the 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, 2021.

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 derecognition of a portfolio of bad loans following the transfer through GACS-backed securitisation	
Description of the key audit matter	During 2021 BPER Banca S.p.A. completed a multi-originator large sale transaction named “Skywalker” of bad loans deriving from the acquisition of a Business Unit from the Intesa Sanpaolo Group. In this transaction, whose contracts were signed on July 28, 2021, there has been, in the first phase, only the transfer of the legal ownership of loans to the securitization vehicle (“Grogu SPV S.r.l.”), for a gross amount as at June 30, 2021 of Euro 569.1 million whereas their accounting derecognition was obtained at the end of the year, in conjunction with the issuing by the securitization vehicle of the ABS and the sale to a third counterparty of junior and mezzanine notes, except for a 5% tranche, which was retained by the originator banks (BPER Banca S.p.A. and Intesa Sanpaolo S.p.A.) in compliance with the retention rule. Thus, the conditions required by IFRS 9 for the accounting derecognition of the transferred loans from the balance sheet of the Bank were met. On the Senior notes the state guarantee GACS has been requested by the Bank. The negative economic impact of the securitisation was Euro 4.3 million. In paragraph “3.3 Progress of de-risking activities” of the Director’s report on Group operations of the consolidated financial statements as at December 31, 2021, to which in paragraph “1.1 Background” of Chapter “1. The Bank in 2021” of the Director’s report on operations reference is made, and in the qualitative information on securitisation transactions of part E - Information on risks and the related hedging policies of the explanatory notes as at December, 31 2021, disclosures are provided on the above-described aspects with reference to the above-mentioned transaction. Given the complexity of the transaction and the significance of the amount of the transferred loans, we considered the accounting derecognition of a portfolio of bad loans following the transfer through GACS-backed securitisation a key audit matter of the financial statements of BPER Banca S.p.A. as at December 31, 2021.
Audit procedures performed	The main procedures carried out as part of our audit work were, among others, as follows: • gaining an understanding of the structure and of the finalization process of the transfer transaction, through securitisation, by obtaining and analysing signed agreements and further available documentation, as well as through interviews with the management of the Bank; • gaining an understanding of the processes adopted by the Bank with reference to the acknowledgement of the assumptions for the accounting derecognition of the transferred loans and testing the design and implementation of the relevant controls;

	• analysis of the existence of the conditions required by the international accounting standard IFRS 9 for the accounting derecognition from the balance sheet of the Bank of the securitised loans, also supported by specialists belonging to the Deloitte network; • checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.
Impairment test of goodwill	
Description of the key audit matter	As reported in the financial statements as at December 31, 2021, during the financial year, BPER Banca has entirely impaired the goodwill allocated to the BPER Banca CGU (“Cash generating Unit” - “CGU”) for an amount of Euro 230 million, recorded in caption 240 “Impairment losses on goodwill” of the income statement. Under IAS 36 "Impairment of assets", goodwill is not amortized but subjected to an impairment test at least once a year, by comparing the carrying amount with the relevant recoverable amount of the CGU. When preparing the impairment test, the Bank determines the recoverable amount of the CGU in terms of value in use estimated on the basis of the "Dividend Discount Model". The process of determining the value in use adopted by the Bank is based on assumptions involving, among other things, a forecast of expected cash flows of the CGU to which goodwill has been allocated, as well as the discount rate to be applied to the expected cash flows and the long-term growth rate. In particular, the Bank has prepared the forecast of expected cash flows taking into account the current market context still influenced by the continuing health emergency due to the spread of the Covid-19 pandemic. On the impairment test carried out, the Bank obtained a fairness opinion of an independent external expert. In Part A – Accounting Policies and in "Section 7 – Intangible Assets” of Part B – Information on the balance sheet of the explanatory notes and in "Section 10 – Intangible Assets” of Part B – Information on the balance sheet of the consolidated explanatory notes, to which reference is made, disclosures are provided on these aspects, as well as on the results of the sensitivity analysis performed and on the variables considered relevant by the Bank. Given the subjectivity of the estimates involved in determining the cash flows of the CGU to which the goodwill has been allocated and the key variables used in the impairment model, we considered the impairment test of goodwill a key audit matter of the financial statements of BPER Banca S.p.A. as at December 31, 2021.

Audit procedures performed

The main procedures carried out as part of our audit work were, among others, as follows:

- gaining an understanding of the process involved in carrying out the impairment test and verifying the implementation and operating effectiveness of the relevant controls identified in relation to that process;
- gaining an understanding, also supported by the specialists belonging to the Deloitte network, of the valuation model and of the assumptions adopted by the Bank to carry out the impairment test;
- verifying the correct determination and accounting recognition of the impairment recorded in caption 240 "Impairment losses on goodwill" of the income statement;
- performing an analysis of reasonableness, carried out also by obtaining information from the Bank, of the main assumptions adopted to estimate cash flows;
- performing an analysis, also supported by the specialists belonging to the Deloitte network, of reasonableness of the key variables adopted in the valuation model, carried out also through in-depth analysis with the independent external expert;
- obtaining and reviewing the fairness opinion issued by the independent external expert, also through discussions with the Bank and the external expert himself;
- performing an analysis of actual figures compared with the original plans, in order to assess the nature of variances and the reliability of the process of determining the forecasts;
- verifying the clerical accuracy of the model used to determine the value in use of the CGU to which the goodwill has been allocated, also supported by the specialists belonging to the Deloitte network;
- reviewing the sensitivity analysis performed by the Bank;
- checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standard, as well as the contents of the interpretative and supporting documents for the application of the accounting standards in relation to the continuing impacts of the Covid-19 pandemic, issued by the national and European regulatory and supervisory bodies.

Accounting recognition of the acquisition of a business unit from Intesa Sanpaolo (so-called Gemini business unit)	
Description of the key audit matter	As reported in paragraph "3.1 Acquisition of a Business Unit from the Intesa Sanpaolo Group" of the Directors' report on Group operations, to which in paragraph "1.1 Background" of Chapter "1. The Bank in 2021" of the Director's report on operations reference is made, and in Part G – Business combination of the explanatory notes, on February 19, 2021 it was finalized the acquisition of the business unit, represented by the assets and liabilities of a business unit owned by UBI Banca S.p.A. (consisting of n. 455 bank branches and from n. 132 points of operation), of a business unit owned by Intesa Sanpaolo (consisting of n. 31 bank branches and n. 2 points of operation) and a business unit owned by UBISS S.c.p.A. (a consortium company controlled by UBI Banca), referred to in the Agreements signed by BPER Banca S.p.A. with the counterparties starting from February 17, 2020. The transfer to BPER Banca S.p.A. of the business units owned by UBI Banca S.p.A. and UBISS S.c.p.A. took effect for legal purposes on February 22, 2021, while the transfer of the business unit owned by Intesa Sanpaolo took effect for legal purposes on June 21, 2021. The overall consideration paid entirely in cash by BPER Banca S.p.A. at the transfer effective date of each business unit was Euro 644 million. 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 and liabilities (including contingent liabilities) involved in the acquisition. 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 1,128 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 and liabilities involved in the acquisition, as well as the significance of the effects recorded in the income statement, we considered the accounting recognition of the acquisition of Gemini business unit a key audit matter of the financial statements of BPER Banca S.p.A. as at December 31, 2021.

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 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 income from the gain on a burgain purchase (badwill), also by obtaining information from the Bank and in-depth analysis with the external advisors;
- 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, related safeguards.

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, 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 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, 2021, 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, 2021 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, 2021 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 28, 2022

This report has been translated into the English language solely for the convenience of international readers.

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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,

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 have carried out and on any omissions or censurable facts that have been identified pursuant to art. 153 of Legislative Decree 58/1998 and art. 2429, para. 2, of the Italian Civil Code. 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 2021, 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 2018. 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.

Following the entry into force, in November 2014, of the Single Supervisory Mechanism, the Bank and the Group are classified respectively as "significant entity" and "significant supervised entity". As such, they are entities subject to direct supervision by the ECB.

FY 2021 was characterised by the turnover of the Board owing to the end of the three-year term of office and the reduction of standing auditors from 5 to 3. In particular:

- the Shareholders' Meeting of 29 January 2021, which met in extraordinary session, modified the Articles of Association by reducing, *inter alia*, the number of members of the Board of Statutory Auditors from five to three;
- the Shareholders' Meeting of 21 April 2021 elected, for the three-year period 2021-23, the standing auditors Nicola Bruni (Chair of the Board of Statutory Auditors) and Paolo De Mitri and Patrizia Tettamanzi and Andrea Scianca as alternate auditors; in consideration of the fact that, following the Shareholders Meeting, only two statutory auditors were elected, the alternate auditor Patrizia Tettamanzi assumed the role of standing auditor until the next Shareholders Meeting, based on the need to complete the Board of Statutory Auditors;
- on 28 April 2021, Nicola Bruni stepped down from the position of Chairperson for strictly personal reasons, effective from the next Shareholders Meeting called to fill in the vacancies in the Board of Statutory Auditors;
- the Shareholders Meeting of 23 June 2021 therefore supplemented the Board of Statutory Auditors by appointing i) Daniela Travella as Chair - replacing Nicola Bruni, and

ii) Patrizia Tettamanzi in the role of standing auditor, and appointing Sonia Peron as alternate auditor, replacing Patrizia Tettamanzi.

In summary, at the date of this Report, the Board of Statutory Auditors is composed as follows: Daniela Travella, Chair, Paolo De Mitri and Patrizia Tettamanzi, standing statutory auditors.

Until the Shareholders’ Meeting of 21 April 2021, the Board of Statutory Auditors was instead composed of Paolo De Mitri, Chair, Cristina Calandra Buonaura, Diana Rizzo, Francesca Sandrolini and Vincenzo Tardini, standing auditors.

the Board activities are supported by the operating rules of the Body, whose most recent update, with a view to better cohesion with the actual operations of the Board, dates to 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 well-structured system of information flows provided by the Group, as well as thanks to participation in the meetings of the Board of Directors, the Executive Committee (the latter operational until the appointment of the Banks new Board) and the various internal board committees (Control and Risk Committee, Remuneration Committee, Nomination and Corporate Governance Committee, Related Parties Committee and Sustainability Committee).

In respect of the health provisions in force and resulting from the persistence of the health emergency connected with the spread of Covid-19, the Board periodically met with the Bank’s main Company Functions (in particular: the *Chief Business Officer*-CBO, the *Chief Financial Officer*-CFO, the *Chief General Counsel*-CGC, the *Chief Human Resource Officer*-CHRO, the *Chief Information Officer*-CIO, the *Chief Lending Officer*-CLO, the *Chief Operating Officer*-COO and the *Chief Strategy Officer*-CSO) and the Chief Executive Officer, also in his role of General Manager.

The Board held frequent meetings with the Manager responsible for preparing the companys financial reports and the heads of the internal control functions: Internal Audit, Risk Management, Anti-Money Laundering and Compliance.

The Board of Statutory Auditors additionally met the Supervisory Body, established pursuant to Legislative Decree 231/01, as well as the members of the Boards of Statutory Auditors of the Group’s main banking and non-banking companies.

Our opinions, recommendations and suggestions were communicated to the recipient functions both during our meetings and through the function of the Bank which supports the Board in its activities or communicated directly to the corporate bodies of the Bank, monitoring them to ensure continued implementation.

This Report 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” issued by CNDCEC (National Institute of Chartered Accountants) in April 2018. This is also valid for this introduction[61].

1. INFORMATION ON THE MEETINGS IN WHICH THE BOARD OF STATUTORY AUDITORS TOOK PART IN 2021 *(Consob p. 10[62] and Rules of Conduct Q.7.1. c2))*

During 2021 we held 44 meetings lasting an average of 5 hours, often holding meetings with several Corporate Bodies or Functions on the same day; the minutes explain the control and supervisory activities that were carried out. During the current year and up to the date of this report, we have held 13 meetings.

The Board of Statutory Auditors took part in all 26 meetings of the Board of Directors during 2021, called in accordance with the current Articles of Association. We also took part in meetings of the Executive Committee, which held its last meeting on 15 April 2021, as the Board of Directors appointed by the Shareholders' Meeting on 21 April 2021 decided not to reconstitute it; 6 meetings were held in 2021.

During 2021, the Control and Risk Committee held 35 meetings: of these, 4 were held jointly (or in part jointly) with us to examine matters of common interest, in the context of constant and constructive dialogue with full respect for the different roles and duties. During 2022 and up to the date of this report, we attended all 7 meetings of the Board of Directors.

In 2021, the Board of Statutory Auditors also took part, through the Chair of the Board of Statutory Auditors and/or through a statutory auditor appointed by the latter:

- in almost all (27) of the 28 meetings of the Remuneration Committee; 5 meetings in 2022 until the date of this Report;
- in all 22 meetings of the Nominationand Corporate Governance Committee (formerly the Appointments Committee); 4 meetings in 2022 until the date of this Report;
- in 15 of the 16 meetings of the Related Parties Committee (formerly the Committee of Independent Directors), one of which held jointly by the two bodies; 3 meetings in 2022 until the date of this Report;
- in all 3 meetings of the Sustainability Committee (established by means of resolution of the Board of Directors of 14 October 2021); 4 meetings in 2022 until the date of this Report;

In 2021, the Board of Statutory Auditors held 2 meetings with the Supervisory Body.

As part of the Induction Plan, carried out in the May-November 2021 period, 3 meetings were held with the Induction Board, attended by members of the Board of Statutory Auditors, regarding the following items:

i) BPER Group, Area *Chief Human Resource Officer* and *Chief Operating Officer*;

ii) Area *Chief Business Officer*, *Chief Lending Officer*, *Chief Financial Officer* and Manager responsible for preparing the companys financial reports;

iii) Area *Chief General Counsel*, *Chief Strategy Officer*, *Chief Audit Executive*, *Chief Anti Money Laundering Officer*, *Chief Compliance Officer* and *Chief Risk Officer*.

In addition, 1 training session was held, as part of annual 231 training, regarding the

[61] "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) and c2).

[62] CONSOB Communication 1025564/2001, hereinafter also "Consob".

Organisational Model in the recent regulatory and case law evolution, as well as the first session of the 2021-2024 Training Plan, regarding the development of banking business models

Further information is contained in the Report on Corporate Governance and the Ownership Structure for 2021 (Chapter 4.5), prepared pursuant to art. 123-bis of the Consolidated Law on Finance and approved by the Board of Directors on 10 March 2022.

2. SUPERVISORY ACTIVITIES ON COMPLIANCE WITH THE PRINCIPLES OF CORRECT MANAGEMENT

(Consob p. 11 and Rules of Conduct Q.7.1 para. c2) and c3))

We have monitored compliance with the law, the Articles of Association and the requirements of Public Supervisory and Control Authorities; we acquired knowledge about and monitored, within the scope of our sphere of competence, compliance with the principles of correct administration and the adequacy of the organisational and accounting structures, as well as the overall functionality of the Banks Internal Control System. The controls implemented by BPER Banca in compliance with current regulations and drawing on international best practices are organised on three levels: first-level line controls, second-level risk and compliance controls and third-level internal audit controls carried out by the Internal Audit function.

The Board of Statutory Auditors acknowledges that significant information was periodically exchanged with the above control functions during the reporting period and that the latter functions provided the Board of Statutory Auditors with the required information.

We have determined that the activities of the Corporate Bodies and Committees were based on respect for the principles of proper administration and protection of the Banks 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 Companys assets.

As mentioned previously, we also checked that the main transactions approved by the Board of Directors were backed by adequate and thorough analysis and evaluation of all relevant aspects, making use, where appropriate, of independent expert appraisals.

The Bank is administered in compliance with the law and the articles of association, and the system for the delegation of powers and authorities also appears to be adequate, as most recently updated, during the Board meeting of 19 January 2022, with the revision of the reference internal regulatory source which, on that occasion, was renamed as “Powers delegated to the Governing Bodies of BPER Banca S.p.A.”. This revision project became necessary following the recent changes in the Bank’s dimensional, organisation and governance structure in 2021.

With regard to the decision-making processes of the Board of Directors and of the Executive Committee (operating until the Shareholders’ Meeting of 21 April 2021), we monitored, also through direct participation in their meetings, their compliance with the law and the Articles of Association and verified that the resolutions of the Board of Directors and of the Executive Committee were supported by adequate processes of information, analysis and verification.

We took note of the declarations made pursuant to art. 2391 of the Italian Civil Code.

We would recall that 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. Benefiting from their attendance, we were able to obtain additional information, as appropriate, including at the Board and/or Committee meetings, about the proposed transactions and their economic and financial effects.
During periodic meetings with the Chief Executive Officer, we analysed and provided our comments on the issues of greatest interest to the Bank and the Group.

2.1 MOST SIGNIFICANT ECONOMIC, FINANCIAL AND EQUITY TRANSACTIONS CARRIED OUT BY THE BANK AND EVENTS AFTER THE REPORTING PERIOD *(Consob p. 1 and Rules of Conduct Q.7.1. c3)*

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 2021 financial statements contains analytical details of significant events and strategic transactions.

With reference to 2021, the Board highlights the following:

Covid-19 emergency

Based on the persistence of the health emergency connected with the spread of the Covid-19 virus, the Board of Statutory Auditors has constantly monitored the evolution of government measures and the associated initiatives implemented by the Bank.

As outlined in detail in the Directors' Report, during the different phases of the emergency, the BPER Banca Group adopted measures that ensured the protection of the health of its employees and its customers, at the same time guaranteeing continuity of the services provided by the Bank.

Moratoria on instalment-based loans, agreed in March 2020 on a total outstanding debt of Euro 16 billion, were active as at 31 December 2021 for a total amount of Euro 1.17 billion; on the same date, total loans disbursed with public guarantees totalled roughly Euro 6.77 billion.

In compliance with the provisions of Circular 262 which require specific disclosure in the financial statements regarding the impacts of COVID-19 and the economic support measures, new tables were inserted in sections B, D and E of the Explanatory Notes.

Acquisition of the Business Unit from the Intesa Sanpaolo Group - "Gemini Project"

The Board of Statutory Auditors monitored the acquisition process of Project Gemini on an ongoing basis. The process for the acquisition of a going concern initiated with the agreements entered into with Intesa Sanpaolo s.p.a. in the first months of 2020 as part of Intesa Sanpaolo's acquisition of control of UBI Banca s.p.a. and continued until the final purchase contracts were signed on 19 February 2021, with the aim being to significantly increase the size of the BPER Banca Group and its customer base

Specifically, the transaction at issue led to the acquisition of the legal relationships, assets and liabilities of a business unit owned by UBI Banca (consisting of 455 bank branches and 132 points of operation), a business unit owned by Intesa Sanpaolo (consisting of 31 bank branches and 2 points of operation) and a business unit owned by UBISS (a consortium company controlled by UBI Banca) which essentially provides services to the branches acquired. A total of 5,107 human resources were acquired as part of the afore-mentioned transaction at the acquisition date.

The contract for the sale of the UBI Banca and UBISS business units was finalised on 19 February 2021 and took legal effect from 22 February 2021, while the transfer of the Intesa Sanpaolo business unit took effect as of 21 June 2021.

The total consideration paid to the Intesa Sanpaolo Group for the going concern that included the three business units acquired amounted to approximately Euro 644 million, as against the acquisition of Common Equity Tier 1 capital for an amount of Euro 1,611 million, for the entire carve-out. In accordance with the indications of the IAS/IFRS reference standards, BPER Banca carried out a final valuation of the assets acquired and liabilities taken on at fair value (Purchase Price Allocation - PPA) at 30 September 2021, the result of which led to a “gain from a bargain purchase” or “badwill” being recognised in the income statement for an amount of Euro 1,128 million.

As part of its duties, the Board of Statutory Auditors also monitored the impacts of said addition on the internal functions of the Bank and of the Group, with a specific focus on the adjustment in the quali-quantitative size of the workforces.

The 2019-2021 Business Plan of the BPER Banca Group

FY 2021 marked the end of the 2019-2021 “BEST WAY” Business Plan which, over the three-year period, incorporated not only the acquisition of the business units from the Intesa Sanpaolo Group and the various derisking operations, but also the following extraordinary transactions:

- acquisition from the Unipol Group of 100% of Unipol Banca (and therefore, indirectly, of Finitalia) and its subsequent absorption by and into the Parent Company, BPER Banca;
- significant reduction in the Groups minorities by purchasing the minority interests in Banco di Sardegna;
- acquisition of a further interest in Arca Holding (and therefore also, indirectly, in Arca Fondi SGR), resulting in control over it;
- merger by absorption of the two Piedmontese subsidiaries Cassa di Risparmio di Bra S.p.A. and Cassa di Risparmio di Saluzzo S.p.A. by the Parent Company.

As part of the update of the 2020-2021 Plan forecasts, the most significant macroeconomic variables for the BPER Banca Group - heavily conditioned by the change of scenario brought about by the Covid-19 emergency which extended into 2021 too - were those relating to the Italian domestic economy (in addition to international ones, to the extent to which they impact the Italian economy).

De-risking activities

In line with the strategic directions of the BEST WAY Plan, over the years the BPER Group pursued the objective of reducing its portfolio of non-performing loans with strong determination.

In March 2021, BPER Banca approved the NPE *Strategy* for 2021-2023 which incorporated an estimate of the impact of the new business unit acquired and a macroeconomic scenario which predicted, for 2021, a severe deterioration in credit quality, attributable primarily to the discontinuation, in the second half of 2021, of the government support measures provided to deal with the economic crisis connected with the spread of the Covid-19 virus.

In light of the completion of the acquisition of the Gemini business unit, on 23 September 2021, the Board of Directors approved an update to the NPE 2021-2023 Strategy which, in confirming a prudential approach and shifting the impacts of the “cliff effect” to 2022, improved the expectations and allowed to set more ambitious targets than those approved previously.

At the end of July 2021, the BPER Banca Group completed two bulk disposals of bad loans deriving from the acquisition of the UBI Banca (called “Mandalorian” and “Skywalker”) business unit, for a total Gross Book Value of roughly Euro 629 million.

In 2021, the BPER Banca Group also completed disposals to investors and mutual investment funds, specialised in the management of debt collection on impaired positions classified as *Unlikely to Pay* (UTP).

Change in the measurement method of the BPER Banca Group’s properties

Starting from 1 January 2021, the BPER Group opted to change the method for measuring property assets, deciding to:

- transition from the cost model to the revaluation model based on the requirements set out in “IAS 16 - Property, plant and equipment” for its properties used in the business;
- transition from measurement “at cost” to “fair value”, based on the requirements of “IAS 40 - Investment property” for its investment properties.

The change in the method for measuring property assets represents a voluntary change of accounting standards, whose treatment is governed by IAS 8 “changes in accounting estimates and errors”.

Single Supervisory Mechanism (SSM)

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

On 24 January 2022, as a result of the supervisory review and evaluation process (SREP), the ECB communicated its SREP decision to the BPER Group on the regulatory requirements for 2022, namely: i) *Common Equity Tier* 1 *Ratio* of 8.29 %; ii) *Total Capital Ratio* of 12.80%.

Start of activities for preparation of the 2022-2024 Business Plan

In June 2021, following the installation of the new Board, preliminary activities were launched for the preparation of the new Business Plan of the BPER Banca Group for the 2022-2024 three-year period, whose approval was initially envisaged in the first few months of 2022 (ECB had authorised the completion of the Gemini transaction by requesting, simultaneously, the preparation of a new Business Plan, which took account of the new Group perimeter). The main strategic guidelines of said Plan were approved at the meeting of the Board of Directors on 23 September 2021, jointly with some preliminary economic-financial evidence, developed in line with the presumed developmental pillars.

On said occasion, the launch of a process targeted at obtaining a generational and professional change was approved, in addition to the reduction of the Group's workforce, with the objective of structurally cutting personnel costs by 2024 (with this in mind, an agreement was signed with the Trade Union Organisations on 29 December 2021).

On 14 December 2021, BPER Banca's Board of Directors resolved to propose a non-binding offer to acquire a controlling interest in Banca CARIGE S.p.A. (which will be discussed later); this event postponed the approval of the BPER Banca Group's Business Plan, initially planned for February 2022, until the following June.

Acquisition of Banca CARIGE S.p.A.

On 14 December 2021, the Board of Directors of the BPER Banca Group resolved to submit a non-binding offer to the Interbank Deposit Guarantee Fund (FITD) for the acquisition of a shareholding of 88.3% (8.3% of which held by Cassa Centrale Banca) of the share capital of Banca CARIGE S.p.A. (hereinafter CARIGE). By continuing to pursue derisking, the transaction is aimed at improving asset quality on a combined basis and significantly increasing the BPER Group's profitability in terms of earnings per share, while ensuring the neutrality of the transaction with respect to the Group's current capital position. The proposal was deemed unacceptable by FITD.

Following a subsequent Board resolution of 8 January 2022, the BPER Banca Group deemed it appropriate to submit a new offer, in consideration of the upside deriving from the conversion of Deferred Tax Assets ("DTA") and a more detailed dataset about CARIGE. The key elements of the New Offer are as follows:

- the capital contribution to be made to CARIGE by FITD before Closing for an amount of Euro 530 million (with respect to Euro 1,000 million in the previous offer);
- BPER Banca's acquisition of an 80% shareholding held in CARIGE by FITD/SVI (the Voluntary Intervention Scheme) for a consideration of Euro 1.

On 10 January 2022, the Management Committee of FITD resolved to grant BPER Banca an exclusive period until 15 February 2022 for the potential acquisition of the controlling interest.

Following the conclusion of the confirmatory legal, equity, tax, accounting and industrial due diligence process, BPER Banca resolved to sign the contract for the acquisition of the controlling interest held by FITD/SVI.

The acquisition is expected to be completed by 30 June 2022. As was previously communicated to the market, BPER Banca will launch a mandatory public purchase offer, after Closing, on the remaining shares of CARIGE at a price of EUR 0.80 per share.

The Board of Statutory Auditors monitored the process over time, verifying that the strategic supervision body possessed all the necessary information for assessing the cost-effectiveness of the transaction and its practical implementation, with particular regard to the MREL and RWA impacts and the repercussions on the organisational structures.

Main changes to the organisational structures

The Shareholders meeting of BPER Banca, held in extraordinary session on 29 January 2021, approved the Board of Directors' proposal to amend the Articles of Association, prepared by said Board on 5 August 2020 and authorised by the ECB on 15 December 2020, aimed primarily at aligning the rules for the composition of the Board with the transformation of the Parent Company into a joint-stock company and subsequent evolution of the Bank's ownership structure.

The Shareholders meetings of 21 April 2021 and 23 June 2021 not only appointed the new Board of Statutory Auditors, but appointed the new Board of Directors for the 2021-2023 three-year period.

On 4 August 2021 termination of the employment relationship with General Manager Alessandro Vandelli was mutually agreed, effective 5 August 2021. Since the same date, Piero Luigi Montani has held the position of General Manager in addition to his role as Chief Executive Officer.

Russia-Ukraine conflict

As explained in the Notes to the Financial Statements, Part A, Section 4 - Events after the reporting period, the Russia-Ukraine conflict is having serious repercussions on the macro-economic context, which could severely affect the growth prospects of the eurozone economy. The Bank considers these events to have taken place after the Reporting Period, with no adjustment required pursuant to IAS 10 (non-adjusting event). In view of the current rapidly evolving situation, it is not considered possible at present to provide an overall quantitative estimate of the potential impact that geopolitical tensions could have on the Banks and the Groups economic and financial situation. Indirect risks will be the focus of particular attention.

The Board is monitoring the ongoing developments over time.

2.2 ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED PARTIES

(Consob p. 2-3 and Rules of Conduct Q.7.1 para. c3) and c10))

The financial statements - Directors' Report of BPER Banca S.p.A., par. 4.3, and the Directors' Report of the Banca BPER Group, par. 8.7 -, the information received during the course of the meetings of the Board and that provided by the Chief Executive Officer, by the various 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 associated persons.

As a result of the amendments introduced to Consob Regulation No. 17221/2010 concerning related party transactions by Resolution No. 21624 of 10 December 2020, effective 1 July 2021, the Board of Directors, on 20 May 2021, adopted the new "Group Policy for the governance of non-compliance risk with regard to conflicts of interest with related parties and risk activities with associated persons", issued pursuant to art. 136 of the Consolidated Law on Banking, the provisions of the Bank of Italy on risk activities and conflicts of interest versus associated persons (Bank of Italy Circular 285 of 17 December 2013, as later amended), the afore-mentioned Consob Regulation and IAS 24 on the disclosure of related-party transactions. The internal exposure limits of entities subject to control or significant influence and consequently the maximum total amount of risk activities towards all associated persons were approved by the Board of Directors on 7 August 2019 and have not been changed since.

The financial statements show the information on transactions with associated persons and with related parties - 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 financial statements and the consolidated financial statements of BPER Banca – as prescribed by art. 2497-bis of the Italian Civil Code and Consob Communication DEM 6064293 of 28 July 2006. As far as we are aware, these transactions were concluded in the interests of the Bank and do not require any comments about their appropriateness.

As part of its supervisory activities, we regularly receive and review periodic information flows on transactions with related parties and 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, where we have a permanent invitation. No transactions that have materially impacted the financial position and results of the company were entered into with related parties.

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.

3. SUPERVISION OF THE ADEQUACY OF THE ORGANISATIONAL STRUCTURE

(Consob p. 12 and Rules of Conduct Q.7.1 para. c4))

During the year, we held regular meetings with the Human Resources Function, the Organisation Department and the Business Area, in order to assess the adequacy of the organisational structure and the response of the Bank's governing bodies with respect to the requirements associated with the acquisition of the business unit from the Intesa SanPaolo Group (the "Gemini" project), due to the continuing health emergency related to the spread of Covid-19 and the market and competitive environment.

The Board acknowledged that the Board of Directors, at the meetings on 22 July and 4 August 2021, updated the organisational model and the plan to reorganise the management team, which will be called to implement the 2022-2024 Business Plan according to the priorities outlined in the guidelines of said strategic plan, approved at the board meeting on 23 September 2021. Said new Organisational Chart reflects an organisational and business model based on structural type rationalisation and simplification, with the introduction of a more streamlined model geared towards commercial development.

The current organisational structure is focused on the role of the Chief Executive Officer, who exercises direct control, in particular for the definition of Group Strategy.

We checked compliance with the supervisory provisions on the general principles of the internal control system, the role of the Corporate Bodies, as well as the role and requirements of all the functions involved in the control system, verifying their adequacy, correct fulfilment of their duties and their adequate coordination.

We believe that this organisational model is appropriate, considering the guidance provided by the Supervisory Authorities and the constant pursuit of lending process improvements, not least by enhancement of the lending culture and sub-division of the Credit Department into three different lines, with three different classifications of loan status - Origination, Proactive Management and Non-performing Loans - consistent with the strategic direction and lending policies.

We monitored the progress of the remediation measures introduced after the findings raised by the Companys Control Functions and the Supervisory Authority.

The Board examined the 2022-2024 Group Audit Plan, approved by the Board of Directors on 24 February 2022 and received updates on any changes in the capacity of the Function.

The Board also acknowledged the outcomes of the *Quality Assurance and Improvement Programme* ("QAIP") - which the Internal Audit Function carries out to certify the compliance of its work with the *International Professional Practice Framework* (IPPF) – which identified one recommendation relating to increasing the Function’s headcount, through the hiring of staff with adequate skills and expertise, to be able to reach the headcount target set by the Bank, from both a qualitative and quantitative perspective.

The Board of Statutory Auditors examined the founding principles of the 2022 Action Plan of the Compliance Function, approved by the Board of Directors on 10 March 2022, which takes into consideration the evolution of the compliance structure (with the inclusion of projects designed to make risk control and monitoring more efficient), regulatory changes, the “Compliance Culture” and drivers of the Monitoring Plan (with planning developed according to a risk-based approach, focussing attention on the regulatory areas of the Group most exposed to compliance risk). The Board has recommended proactive monitoring of the current operating areas, with particular reference to the impacts connected with the Lanterna transaction and the 2022-2024 Business Plan, as well as to the changes that will be required in view of the resulting quali- quantitative layout.

We took note of the Risk Management Functions 2022 Action Plan approved by the Board of Directors on 19 January 2022. The activities of the function in question are guided to a significant extent also by the requests received from the Supervisory Authorities (as part of inspections, regulatory exercises, as well as plans of adjustment into line with ECB expectations). The main areas of intervention concern: i) improvement-oriented maintenance actions; ii) the involvement in ECB/Consob inspections; iii) initiatives involving adjustment into line with ECB expectations; iv) new and periodic regulatory exercises to be carried out; v) the typical activities of Risk

Management; vi) internal validation activities. The proposed planning for 2022 considers that the growing and precise need for the monitoring of new risks, and the greater complexity connected with the increase in the Groups scale, call for an organisational review of the Risk Management structure and an evaluation of the quali-quantitative composition of its workforce (initiative which will be launched at the start of 2022).

The Board of Statutory Auditors acknowledged the fact that the challenging activities of the function (core initiatives and projects) and the constant Supervisory requests, characterised by increasingly greater calculation and technical complexity, together with the need to fill the gap in internal personnel, involve the use of external support both in terms of strategic "advisory" services and body rental activities.

The Board of Statutory Auditors examined the planning of anti-money laundering activities for 2022 approved by the Board of Directors at the meeting on 24 February 2022, which shows that the action plan focuses on areas considered sensitive, including i) the planning of the anti-money laundering training objectives for Banks and non-banking Companies; ii) the direct involvement in projects for the adjustment of the internal regulations and procedures into line with the new legislative and regulatory context; iii) the performance of compliance checks regarding due diligence and maintenance of the AUI (Single Electronic Archive).

Thanks to the monitoring performed, the discussions held with the different functions and the checks carried out, the Board of Statutory Auditors has ensured , for matters within its competence, adequate monitoring of the adequacy and functioning of the Bank's organisational structures, with reference to both operating and control functions.

4. SUPERVISION OF THE ADEQUACY OF THE INTERNAL CONTROL SYSTEM

(Consob p. 13 and Rules of Conduct Q.7.1 para. c5))

Internal control system

The "Internal control system" is the set of rules, functions, structures, resources, processes and procedures aimed at ensuring that business activities 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 various risk profiles deriving from 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 Groups 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 Guidelines - Internal control system"*, approved by the Board of Directors on 2 December 2016.

The Internal Control System is designed, implemented and evaluated with the "Group Risks Map" as a reference, which identifies the potential risks to which the Group is or could be exposed. The Risks Map is updated at least annually, based on the guidelines prepared by the European Central Bank in November 2018, with reference to the ICAAP and ILAAP processes, except in the event of significant changes to the context, which call for it to be reviewed more frequently. Lastly, the document is presented to the Corporate Bodies.

More specifically, the Board of Statutory Auditors acknowledged its contents at the meetings on 20 January 2021, for the 2021 financial year, and on 22 February 2022 for the current year.

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, recording a number of activities which concerned the system architecture in 2021.

We monitored the internal control system during frequent regular meetings with the Company's various functions and via direct checks on the different levels of the control system and we requested feedback, follow up from or action by senior management, or the body responsible for strategic supervision.

In 2021, the Board of Statutory Auditors also constantly monitored the adequacy of the quali-quantitative dimensions of the control functions and the process, still in progress, relating to their strengthening in terms of personnel. Said monitoring acquired utmost importance based on the increased scale of the BPER Group following completion of the acquisition of the business unit acquired from the Intesa Sanpaolo Group, the so-called "Gemini Project", as well as in consideration of the appointment of the new Heads of the Internal Audit and Compliance Functions.

The "Gemini" transaction was also examined by the Board of Statutory Auditors with reference to the associated risk profiles.

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 Banks internal departments and the Supervisory Authoriti es. Additional discussions concerned the system for the management and control of credit, operational and financial risks, in relation to which the Board has, for the most part, provided suggestions and input.

The Board of Statutory Auditors also focussed special attention on the possible risks connected with the acquisition of Carige, which is discussed in the section on the most significant transactions.

Based on the importance of the proper dissemination of a culture of control and risk, in particular as a result of the extraordinary transactions carried out by the BPER Group over the last few years, primarily on behalf of the Board of Statutory Auditors, the Internal Audit Function prepared a *Risk and Control Culture Survey* targeted at measuring the degree of dissemination of the culture of risk and control in the BPER Group.

Equally, the main project activities of the Compliance Function include those regarding *Data Analytics* and *Market Abuse*.

As regards the Manager responsible for preparing the companys financial reports, in 2021, project activities were carried out which led to an extension of the control framework to financial disclosures, adopted, from 2022, for the following topics: i) IT risks - execution of specific checks on relevant IT controls in administrative-accounting processes; ii) ESG (*Environmental, Social* and *Governance*) risks - performance of checks on a perimeter of information that can have an impact on the economic and financial information in the Sustainability Report, as well as the relevant preparation process; iii) public disclosure risks (Pillar 3) - execution of compliance checks and checks on the effective application on a quarterly basis in accordance with the relevant periodic certifications pursuant to art. 431 CRR2; *iv)* accounting risks in the Network - execution of accounting checks on a sample of BPER Banca Group branches.

The Board of Statutory Auditors met with the Coordination Committee of the Company Control Functions and periodically receives a copy of the meeting minutes, with details of the activities carried out and the most important aspects.

In order to monitor the adequate coordination of the Company Control Functions, the Board of Statutory Auditors, jointly with said functions, evaluated the *Key Issues Report* (KIR) prepared by same, which contains the issues deemed most significant, the related remedial actions and their progress status.

Based on the changed size and management characteristics of the Bank and the Group and on the events evaluated during the monitoring activities, the Board believes the internal control and risk management system to generally be adequate. In addition, the Board did not identify any situations to support the belief that the internal control systemis not adequate on the whole.

Also in consideration of the extraordinary transactions carried out and the subsequent dimensional and organisational changes, the system did not reveal any significant criticalities, also thanks to constant revision and fine-tuning activities by the Functions in the methodological and process domain.

<u>Data Governance</u>

In order to strengthen the system underlying the production of risk reporting, both from a methodologies and processes perspective, and in terms of the technological tools for its monitoring, the long-term action plan called “BCBS-239 Programme” was implemented. This project, which incorporates the SREP recommendations of the Supervisor , is coordinated by the *Chief Operating Officer*, by the *Chief Data Officer* and the *Chief Risk Officer* and is aimed to enhance the accuracy of the Group's data and the associated aggregation flexibility in order to deal with the new regulatory requests or ad hoc requests also in relation to stress scenarios.

Management system, Risk control, SREP letter 2020

The BPER Group uses the Risk Appetite Framework (RAF) to monitor 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 risk capacity (maximum acceptable risk).

In this context, we confirm that the areas associated with the ICAAP and the ILAAP have continued to evolve; from the Capital Adeguacy Statement it 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.

In 2021, the *Risk Appetite Statement* was presented to the Board of Statutory Auditors on 15 March and and on 5 July 2021, following the review of the 2021 budget.

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. For further information please see the individual risk governance policies.

The activities comprising this process are updated annually, or more frequently, and whenever necessary following changes in the internal or external conditions.

Thanks in part to the increase in capital to finance the M&A, the update of the ICAAP and RAF Report at 31 December 2021 shows a level of capital adequacy that is well above the risk appetite threshold updated by the Board of Directors on 5 July 2021; in particular, the update shows a Phased-in CET 1 Ratio of 14.5% compared with an appetite of 13.3% and a Phased-in Total Capital Ratio of 17.2% versus an appetite of 16%.

Lastly, reported below are the outcomes of the decision regarding the prudential requirements to be observed on a consolidated basis pursuant to art. 16 of Regulation (EU) no. 1024/2013, received on 25 January 2022, completing the annual *Supervisory Review and Evaluation (SREP) Process*.

Based on the outcomes of the prudential review and evaluation process conducted in 2021, with reference to 31 December 2020, the European Central Bank established that, from 1 March

2022, BPER Banca must maintain, on a consolidated basis, a minimum capital ratio in terms of CET1 *ratio* of 8.3%, while the minimum *Total Capital Ratio* must be 12.8%.

5. SUPERVISION OF THE AUDITING PROCESS

(Consob p. 4- 16 and Rules of Conduct Q.7.1 para. c6))

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 2021 and until the date of this Report.

In this context, we met the Independent Auditors in December 2021 to examine the audit plan for 2021. The following issues were subject to special attention:

- the calculation of materiality;
- the staff engaged (*Group Engagement Team*);
- the risk-based approach;
- the processes adopted to identify and address fraud risks;
- the risks identified as significant and the preliminary list of key aspects of the review, as well as the risk factors related to the processes of preparation of accounting estimates and evaluations with high degree of discretionality and, therefore, heavily influenced also by the uncertainties linked to the Covid-19 context;
- The implications for the purposes of drafting the 2021 annual financial statements of listed companies under the ESMA32-63-1186 Public Statement *"European common enforcement priorities for 2021 annual financial reports*", published on 29 October 2021.

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 assignment 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 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;
- classification and measurement of non-performing loans that have benefitted from moratoria;

- derecognition of the GACS-backed NPL portfolio;
- impairment test on goodwill and equity investments with analysis of the models prepared for determining the discount rates, as well as the criteria for updating the forecast data used;
- the Purchase Price Allocation made by the Bank for the Business Unit acquired from the Intesa Sanpaolo Group, consisting in a network of bank branches of UBI Banca S.p.A. and UBISS S.c.p.A., transferred on 22 February 2021, and of Intesa Sanpaolo, transferred on 21 June 2021;
- change in the property measurement method: in accordance with IAS 16 for properties held for use in the business and IAS 40 for properties held for investment purposes.
- measurement of the portfolio owned by the Bank;
- provisions for risks and charges with a special focus on provisions associated with the personnel initiative.

Through checks and information obtained from the Independent Auditors and from the Banks management, we were able to ensure compliance with the rules and laws on the preparation and format of the separate and consolidated financial statements and of the report on operations.

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. In particular, we met the partners of the Deloitte network responsible for auditing Arca Holding S.p.A., Sifà S.p.A. and Emil.Ro Factor for the usual annual update on the main results 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 the financial reporting were also discussed.

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 points for improvement recommended by the Auditors, as well as the suggestions made in previous years, subject to in-depth analysis by us and the functions concerned and with the Chief Executive Officer, were adequately addressed, even if not definitively implemented.

Overall, based on the relations of this Board with the auditing firm, no anomalies, issues or omissions have arisen that should be reported.

On 28 March 2022, the Independent Auditors issued their report on the separate financial statements for the year ended 31 December 2021, 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 2021, 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 2021 and were prepared in accordance with the law;
- declared, with reference to possible significant errors in the Report on Operations, 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.
- released an opinion, according to which, 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).

The auditors report does not contain any emphasis of matter or qualifications. In accordance with regulations applicable, the auditors' report 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;
- derecognition of bad loans following their sale through GACS-backed securitisations;
- recognition of the business combination of the business unit acquired from the Intesa Sanpaolo Group (Gemini business unit).
- Impairment test on goodwill.

On 28 March 2022 the auditing firm issued its auditors report on the consolidated financial statements, also without qualifications or emphasis of matter, which includes attestations and declarations similar to those mentioned above and the same key aspects. With specific reference to Delegated Regulation (EU) 2019/815, the independent auditing firm issued a judgment, based on which, the consolidated financial statements were prepared in XHTML format and were marked, in all significant aspects, in compliance with the provisions of said Delegated Regulation.

Again on the same date, the auditing firm presented to us the additional Report envisaged in art. 11 of Regulation (EU) 537/2014, which does not identify any significant weaknesses in the system of internal control over the process of making financial disclosures that should be drawn to the attention of those responsible for governance activities; the above report also confirms that, during the course of the audit, no actual or possible non-conformities were found with regard to current laws, regulations or requirements of the Articles of Association; it does not highlight any critical issues regarding the appropriateness of the accounting principles adopted by the Bank and the Group.

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 2021.

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 (Consolidated Law on Finance).

Moreover, the Independent Auditors issued the required report on their limited review of the "Consolidated Non-Financial Statements", without raising any matters of note and expressing an opinion of compliance pursuant to art. 3 and 4 of Legislative Decree 254/2016.

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

(Consob p. 7- 8 and Code of Conduct Q.7.1 para. c6))

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 2021 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, on 22 April 2020 and 21 April 2021, totalled Euro 1,090 thousand. This amount is detailed below:

- Euro 566 thousand for the independent audit of the financial statements of the Bank at 31 December 2021, pursuant to art. 14 of Legislative Decree 39/2010;
- Euro 48 thousand for the independent audit of the consolidated financial statements at 31 December 2021;
- Euro 72 thousand for the work to check that the accounting records are kept properly, including the verification work performed in relation to signature of the tax returns;
- Euro 174 thousand for the limited review of the Condensed consolidated half-year financial statements and the half-year financial statements of the Parent Company included in the Consolidated half-year financial report at 30 June 2021;
- Euro 230 thousand for the limited review of the consolidated accounting schedules to determine the interim profit for the periods ended 31 March 2021 and 30 September 2021, for the purpose of including these interim results in the calculation of Common equity Tier 1 capital.

By a letter dated 24 February 2022 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, as a result of the following circumstances and events:

i) release of an opinion on the compliance of the separate and consolidated financial statements with the provisions of Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF).

ii) issue of the certification of the data needed for calculating the contribution to the Single Resolution Fund, based on prior successful performance of the control procedures listed in the annex provided by the Bank of Italy with protocol letter no. 1391894/21 of 4 October 2021;

iii) execution, solely for the year 2022 ("one-off"), of the control procedures on the methodological approach adopted and, in the 2023-2025 period ("*recurring*"), of sample checks on some hedging transactions, as well as the completeness and correctness of the information to be provided in the financial statements as at 31 December 2021 relating to the application of partial hedging in the *Macro Fair Value Hedge* of the "*core*-anelastic" part of Sight Entries.

The request presented by Deloitte & Touche S.p.A. for the supplementing of compensation involves, up to the expiry of the original mandate (2025) an increase in costs ("one-off" and "recurring"), for a total of Euro 341 thousand, based on an increase in the number of hours worked of 8,700; more specifically, the additional costs are broken down as follows:

- additional fees for the activities relating to 2021; Euro 40 thousand, exclusively for recurring audit work;
- additional fees for the activities relating to 2022; Euro 69 thousand, of which Euro 15 thousand for one-off audit activities and Euro 54 thousand for recurring audit activities;
- integration of fees for each year from 2023 to 2025: Euro 59 thousand, exclusively for recurring audit work;
- integration of fees referring to 2021 for verification of financial statements translated into English: Euro 7 thousand for 2021 and Euro 12 thousand for each year from 2022 to 2025.

These requests for additional fees are the subject of the reasoned proposal at point 3 of the Agenda for the Shareholders Meeting to be held on 20 April 2022.

In 2021, 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. In addition, the Board of Statutory Auditors received from Deloitte a declaration of confirmation of its independence.

For the correct application of the Regulation, on 21 June 2018 BPER Banca S.p.A. adopted the first version of the "Group regulation on the process of granting mandates to Independent Auditors and their networks", in order to define the process followed by the BPER Group to appoint independent auditors and parties associated with them, the roles and responsibilities at Group level, and the related rules and methodologies. Details of these fees are also included in the attachment to the separate and consolidated financial statements of BPER Banca as required by article 149-*duodecies* of the Consob Issuers Regulation.

At the request of the Board of Statutory Auditors, the internal regulations were updated with the introduction of tighter limits with respect to the regulatory provisions, particularly with reference to the non-audit services that can be assigned to the network of the Group's independent auditing firm. The revision of the internal regulations led to the approval of the new version by BPER Banca's Board of Directors on 21 December 2021.

Based on the 2021 final data, the value of the services provided to BPER Banca S.p.A. by the independent auditing firm of the Group and the companies belonging to its network totalled Euro 2,696 thousand, of which Euro 480 thousand for certification services and Euro 2,216 thousand for other non-audit services. At Group level, the costs of non-audit services came to a total of Euro 2,788 thousand. It should be noted that the costs for other non-audit services include the fees to Deloitte Consulting S.r.l. totalling Euro 2,111 thousand, of which Euro 825 thousand relate to the extension of projects already launched in previous years - such as the "New CRM Ecosystem" and "*Contact Centre Evolution*", as well as the "Alimentazione Nuovo Ecosistema CRM" (input of data to the new CRM ecosystem), New *Data Warehouse* (NDW) data component – and Euro 1,285 thousand represented by the portion pertaining to 2021 of non-audit engagements assigned by BPER Banca in years prior to 2021.

Lastly, 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 2021. For 2021, the fees of the independent auditing form paid by the subsidiaries to Deloitte & Touche S.p.A. came to Euro 432 thousand, plus Euro 95 thousand to Deloitte Audit S.a.r.l..

7. SUPERVISION OF THE ADEQUACY OF THE ADMINISTRATIVE AND ACCOUNTING SYSTEM

(Consob p. 14 and Rules of Conduct Q.7.1 para. c6))

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 companys 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 companys 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 companys financial reports. The latter avails himself/herself of a dedicated operating structure, that reports hierarchically directly to him/her, called the Financial Disclosure Monitoring Service and 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 Financial Disclosure Monitoring Service 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 said types of 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 recorded 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 Banca S.p.A. Group level, taking account of the various regulatory changes and the BPER Group's governance and operational structure. In this regard, in 2021, also in consideration of the recent extraordinary transactions and the regulatory changes introduced, project activities were carried out which led to an extension of the control framework to financial disclosures, adopted, from 2022, for the following topics: i) IT risks - execution of specific checks on relevant IT controls in administrative-accounting processes; ii) ESG (*Environmental, Social* and Governance) risks - performance of checks on a perimeter of information that can have an impact on economic and financial disclosure in the Sustainability Report, as well as the relevant preparation process; iii) public disclosure risks (Pillar 3) - execution of compliance checks and checks on the effective application on a quarterly basis in accordance with the relevant periodic certifications pursuant to art. 431 CCR2; *iv)* accounting risks in the Network - execution of accounting checks on a sample of BPER Banca Group branches.

The indefinite persistence of the emergency situation due to the spread of the Covid-19 epidemic required the Financial Disclosure Monitoring Service to confirm, for the whole of 2021, the performance of its activities by reconciling the safety measures adopted by the Bank - which continue to see an almost predominant use of remote working activities - with the replanning of activities according to a risk-based approach that guarantees the execution of all priority activities.

The Financial Reporting Monitoring Office continue to adopt specific sub-certifications by the companies in the scope of consolidation, by the Chief Information Officer, as well as the front lines of the company, confirming the effectiveness of the operational and control processes, whether in standard mode or in contingency mode. In addition, checklists have been prepared and confirmed to ensure that financial disclosures comply with the international accounting standards applicable to the BPER Banca Group and with the interpretations and support documents for their application in relation to the impacts from Covid-19, issued by the EU Regulatory and Supervisory Bodies.

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 companys fina ncial 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 2021, drawn up by SREP areas and in line with the overall synoptic framework of the areas, on which the verification activities of the Control Functions of BPER Banca were directed, in order to facilitate greater coordination between them. Of the activities related to Business Model Analysis, great attention was paid to the activities planned to implement the "Gemini Project", in particular, the Purchase Price Allocation relating to the business units acquired from the Intesa SanPaolo Group, the migration of the archives and accounting data to the information systems of BPER Banca and the disclosures included in the consolidated interim report on operations as at 31 March 2021 and the consolidated half-year financial statements as at 30 June 2021. The Board of Statutory Auditors also acknowledged the Report on activities performed in 2021 by the Disclosure Monitoring Service, in which it stated that all activities planned in 2021 were carried out and that the controls identified in response to the risk of unintentional errors or fraud in financial disclosure were positively evaluated.

The separate and consolidated financial statements have been 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 29 October 2021. 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 Covid-19, issued by the European Regulatory and Supervisory Bodies including *ESMA's Public Statement* of 29 October 2021 – "*European common enforcement priorities for* 2021 *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, and Consobs warning notice no. 121, dated 16 February 2021.

We acknowledge that 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, as last occurred on 8 July 2021.

With particular regard to the persistent uncertainties tied to the Covid-19 pandemic situation which also influenced, in 2021, the accounting estimates drawn up by the Group, the Board of Statutory Auditors acknowledged that the board of directors of the BPER Banca Group, also making reference to the clarifications provided by the IASB in its document of 27 March 2020, set forth that the ordinary valuation models adopted - particularly the models used to estimate the ECL and to determine a significant increase in credit risk (SICR) in relation to impairment IFRS 9 - cannot be "mechanically" applied to the current situations deemed to be of a "rare exceptional nature", by applying alternative approaches. In said context, in 2021, the Board of Statutory Auditors met the Manager responsible for preparing the companys financial reports and the independent auditing firm, requesting in-depth analyses regarding said cases. The Manager responsible for preparing the companys financial reports and the independent auditing firm certified the compatibility of the valuation approaches adopted 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 pandemic context, systematically engaging in dialogue with the functions responsible for monitoring and with the independent auditing firm and and notes that it has not received any reports of anomalies or recorded any of these directly.

The separate and consolidated financial statements as at 31 December 2021 reflect the effect of the estimates connected with the accounting of the business combination performed in 2021, the so-called “Gemini” transaction, 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 Group accounted for the transaction and posted it in the financial statements according to the acquisition method permitted by said IFRS 3. The Board of Statutory Auditors, through various meetings with the Manager responsible for preparing the companys financial reports and the independent auditing firm, monitored the process of accounting and measurement at fair value of the assets and liabilities acquired in the balance sheet. The transaction led to a badwill of Euro 1,128 million, gross of taxes. As permitted by IFRS 3, BPER Banca made the values of the PPA (*Purchase Price Allocation*) definitive in the interim financial statements as at 30 September 2021. At that juncture, as prescribed by IFRS 3, the fairness opinion was obtained from an independent expert, Kpmg S.p.A., on the measurement methodologies used to allocate the acquisition price.

The Board of Statutory Auditors monitored the process of impairment of equity investments and goodwill.

With reference to the impairment testing of goodwill, the completion of the acquisition of the business falling under the “Gemini” transaction, to which reference was just made earlier- specifically relating to the UBI and UBISS business units, whose transfer was completed on 22 February 2021 - significantly modified the accounting perimeter of the BPER Banca *Cash Generating Unit* (CGU) and impacted the estimate of the post-deal cash flows that said CGU will be able to generate. This circumstance called for the BPER Banca Group to test the value of goodwill for impairment as at the interim date of 31 March 2021, as the change in the net book value of the assets following the business combination might not have led to an equivalent same-sign change in the recoverable value of the entire entity, which would have meant that there was an impairment of goodwill. The need emerged to fully write down the goodwill allocated to the BPER Banca CGU for Euro 230 million, plus the remaining value of the intangible assets originating from core deposits, allocated to the BPER Banca CGU following the merger by absorption of the former Cassa di Risparmio di Bra CGU.

The impairment tests were updated as at 31 December 2021, at the time of the preparation of the separate and consolidated financial statements for the period ending on the same date. Similarly, at specific meetings with the Manager responsible for preparing the companys financial reports, the Planning and Control Department and the Independent Auditors, we examined and discussed the results of the valuations (and related sensitivity analyses), which did not identify the need for additional impairments with respect to those already recognised in the first quarter of 2021.

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 (2022-2026) 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.

As regards the balance sheet disclosure process, the Board of Statutory Auditors draws attention to the BPER Banca Group's decision, applicable from 1 January 2021, to change the method of measuring "Property, plant and equipment", limited to property assets, whereby the Group chose to:

- change from the cost model to that of remeasurement for the value of properties used in operations, based on the requirements of IAS 16 Property, plant and equipment;
- change the accounting treatment from cost to fair value for properties held for investment purposes, based on the requirements of IAS 40 *Investment property*.

Specifically, we point out that the change in the measurement method of properties is a voluntary change in accounting policy, as governed by IAS 8 *Accounting policies, changes in accounting estimates and errors*, according to which a voluntary change should only be made if it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entitys financial position, financial performance or cash flows.

The Board consequently considered the arguments presented by the BPER Banca Group in support of its transition from the cost measurement method to the fair value measurement method, highlighting that it permits:

- better information, ensuring a single current point of view in the measurement of the BPER Banca Group's properties, regardless of when or why the individual property was recognised: in fact, compared with cost, fair value makes it possible to provide current information that is more in-keeping with the characteristics of the properties being valued;
- greater homogeneity of comparison between years, both in the balance sheet and in the income statement: in fact, the expression at current values improves the relevance and quality of the information, above all by updating the valuation periodically;
- constant alignment of the carrying amounts of the assets with their market values;
- an improvement in comparability with the financial statements of the other top Italian banks in terms of size;
- a more immediate understanding of the financial implications of the Group's strategies for the

management of its properties;

- greater alignment of financial disclosures with the Groups future property management strategies.

During the numerous meetings with the Manager responsible for preparing the companys financial reports and the independent auditing firm, the Board was presented with the methods of accounting of said change of estimate criterion, in line with the guidelines of the IAS / IFRS, in particular, with IAS 8 which sets forth that voluntary changes in accounting policies should be generally accounted for retrospectively, from the earliest date practicable, by restating the opening balances for the earliest comparative period presented (more specifically, the date of 1 January 2020 was take as a reference) and the data of the comparative years (2020 in the case in point).

The Board of Statutory Auditors acknowledged the certifications signed by the Manager responsible for preparing the companys financial reports and the Chief Executive Officer relating to the separate and consolidated financial statements as at 31 December 2021 - required by art. 154-*bis*, paragraph 5, of the Consolidated Law on Finance and art. 81-*ter* of Consob Regulation no.11971 – 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 administrative and accounting 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 not part of the duties of the Board of Statutory Auditors, being delegated to the Independent Auditors, based on the information received from the latter and from the Manager responsible for preparing the companys 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 recognised correctly and timely.

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 has, therefore, been added to the list of companies admitted to the regime, which is published on the institutional website of the Revenue Agency. The Bank continued the process of implementing and improving the structure of the Tax Control Framework during 2021: as a result of the update and a more precise definition of the "Operating Manual of the Tax Control Framework's monitoring activities", revised in the first quarter of 2021, now fully consistent with the qualitative and disclosure requirements deriving from the Policy for the governance of the risk of non-compliance with tax legislation, a specific internal training session was held in May for the Operating Units belonging to the Tax Department of the BPER Banca Group.

8. MONITORING OF RELATIONS WITH SUBSIDIARIES

(Consob p. 15 and Code of Conduct Q.7.1 para. c9))

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 relation to the close functional and operational links, a proper and adequate flow of information was guaranteed during 2021, supported by appropriate accounting documents and calculations relating to the management of legal entities under the Banks control.

We kept in constant contact with the corresponding Bodies of the main banks and companies of the Group, organising periodic meetings with them; in this context, it should be noted that, during the month of October 2021, we held specific meetings and sessions to introduce the Boards new composition with the members of the Supervisory Bodies of the Italian Banks and the main product companies of the Group, for an exchange of information on the primary issues of relevance to the individual companies (assessment of the internal control system, supervision of the independent audit, organisation, IT, human resources; company performance; management and assessment of impaired loans; significant litigation/disputes; anti-money laundering; overall compliance; implementation of the guidelines and coordination provisions, as well as specific issues identified by each company in relation to the events that have occurred to them).

Due to the persistence of the health emergency connected with the spread of Covid-19, it was not considered appropriate, including in 2021, to organise the annual Group Convention, in which the Chairpersons of the Group's Boards of Statutory Auditors used to take part and conduct in-depth analyses together on the topics of common interest presented by the company functions of the Bank. However, in the first few months of 2022, 6 training sessions were organised, dedicated to the control bodies of BPER Banca and its subsidiaries.

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. CONSOLIDATED NON-FINANCIAL STATEMENT (NFS)

(Rules of Conduct Q.7.1 para. 1)

As required by Legislative Decree 254/2016 implementing Directive 2014/95/EU, the Bank has prepared a "Consolidated Non-Financial Statement" (NFS) relating to 2021. This NFS, which was approved by the Board of Directors on 10 March 2022, will be 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 consolidated NFS 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 NFS has to contain 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 Standards). The NFS relating to 2021 also contains the information required by the Information Request pursuant to art. 115, paragraph 1, letter a), of Legislative Decree no. 58/98. In particular, information on the following was included in the Group’s NFS:

1) the impacts of the Covid-19 pandemic on the implementation of the Sustainability Plan;
2) the effects of environmental issues, with particular regard to the risks connected with climate change. For the preparation of the NFS, in compliance with the national and international regulations, BPER Banca S.p.A. has adopted specific internal procedures and regulations, with the aim of regulating the methodologies and rules governing the reporting process. During 2021, the process of collecting and processing data was implemented with the use of the operating system Sturnis 365/ESGEO, purchased in 2020, which clearly made the methods of reporting data and information that flow into the Sustainability Report and the Groups NFS more efficient.

Implementing internal regulations and, in particular, the "Group Regulation governing the process of preparing the consolidated non-financial statement", in 2021 the Bank updated the Materiality Matrix. This is an essential element in the preparation of the BPER Groups 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.

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.

As part of the functions assigned to the Board of Statutory Auditors as the Control Body, we supervised compliance with the relevant legal provisions, the adequacy of the organisational, administrative, reporting and control system and the processes established to ensure the proper and complete representation of the business in the NFS, its results and impacts, as well as the main risks identified in a non-financial context, including how they are managed.

In particular, we met the organisation within the Bank responsible for preparing the NFS (ESG Strategy Office) to discuss the processes and systems underlying the production, determination, measurement and presentation of the non-financial results and information, without identifying any weaknesses worthy of mention with respect to the requirements of Legislative Decree 254 of 30 December 2016. At a specific meeting, the Independent Auditors explained to us the work they had performed on the Group NFS with specific attention to the procedures that they followed, the scope of their checks with details of Group companies and the areas sampled for testing.

On 14 October 2021, the Board of Directors established the Board-internal Sustainability Committee, which was assigned a support role in the Board's sustainability activities and, therefore, in tackling Climate Change, with reverberations on all processes, structures and company controls through which the Bank guarantees the pursuit of sustainable development, with particular reference to environmental, social and governance themes, in compliance with Principle I of the Code of Corporate Governance and the principles drawn up by the competent international bodies.

On today's date, the Sustainability Committee is composed of the Chair of BPER Banca, Flavia Mazzarella, who chairs the Committee, and the directors Riccardo Barbieri and Elisa Valeriani.

The aforementioned internal board committee augments another different Sustainability Committee, of a managerial nature, established by the previous Board of Directors in the last few months of 2020 (the "Managerial Committee"), composed of: the Chief Executive Officer, the Manager responsible for preparing the companys financial reports, all C -level officers of the Parent Company, the Head of the ESG Strategy Department, who is also its secretary, and the Head of the Corporate Governance and corporate advisory office.

In said way, as of today, the ESG evolution of BPER Banca's governance concerns the entire corporate organisation of the Group, starting from the body with strategic supervision function, which avails itself of the support of the Sustainability Committee established internally, continuing with the Managerial Committee and the ESG Strategy Department which, reporting directly to the Board, provides support across the board to all the bank's functions in managing ESG issues.

The "Policy on Sustainability issues", approved by the Board of Directors on 25 February 2021, is at the revision phase in order to internalise the aforementioned organisational changes. In 2021, in response to recommendations from the Supervisory Authority, the Group continued along its path towards including ESG risk in the risk management and strategic context. The projects launched during the year allowed for the preparation of an Action Plan to align the Parent Company with the requirements of the "ECB Guide on climate-related & environmental risks" published in November 2020. This activity forms part of a broader project on the part of the Group, scheduled for the second half of 2021 and the first half of 2022. It is linked to the ECBs planning of various activities to verify the degree of reliability of banks with respect to the guidelines on climate and environmental risk.

10. REMUNERATION POLICIES

The Board of Statutory Auditors acknowledged that the Board of Directors, at the meeting on 10 March 2022, approved the Remuneration Report of the BPER Banca S.p.A. Group, including the remuneration policies for the year 2022 and the annual disclosure on the implementation of the “Remuneration Policies” in 2021, which will be presented to the Shareholders’ Meeting on 20 April 2022.

The “2022 Report on the remuneration policy and compensation paid” was subject to a fairness opinion 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 (Bank of Italy Circular 285, Remuneration and Incentive Policies and Practices, 37th update of 24 November 2021);
- 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 opinion highlights the adequacy of the Report with respect to the regulatory framework.

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 2022 Report on the remuneration policy and compensation paid.

The Board of Statutory Auditors, as part of its monitoring activities, acknowledged the audit of 9 April 2021 on the remuneration and incentive policies of personnel for 2021, which did not highlight any criticalities to be reported.

The Board of Statutory Auditors also acknowledged that the Board of Directors, at its meeting on 10 March 2022, 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 (TUF) to be used for the long-term incentive plan and the MBO incentive system for 2022 and subsequent years, as well as any severance payments due, which will be submitted to the Shareholders’ Meeting of 20 April 2022.

As regards the buy-back proposal, the *Chief Risk Officer* quantified the impact on capital and on liquidity as at 19 January 2022, concluding that said proposal does not identify any criticalities from either a capital perspective - considering the current profiles with respect to 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 regularly attended the meetings of the Remuneration

Committee and, in compliance with the legislation in force, expressed its opinion on the remuneration of the Directors holding specific roles, pursuant to art. 239 of the Italian Civil Code.

11. ADOPTION BY THE COMPANY OF THE CODE OF CONDUCT OF THE CORPORATE GOVERNANCE COMMITTEE

(Consob p. 17 and Rules of Conduct Q.7.1 para. c8))

Adoption by the Company of the Corporate Governance Code

Effective from 5 September 2017, BPER Banca adopted the Corporate Governance Code for Listed Companies (recently amended in July 2018) promoted by the Corporate Governance Committee established by the Trade Associations (ABI, ANIA, Assonime, Confindustria) and professional investors (Assogestioni), as well as by Borsa Italiana S.p.A., and applied until 31 December 2020.

On 3 December, 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 new "Corporate Governance Code" (the "Recommendations of the Corporate Governance Committee for 2022").

At the meeting on 10 March 2022, the Bank's Board of Directors, with the support of the Nomination and Corporate Governance Committee and the Control and Risk Committee, approved the "Report on Corporate Governance and Ownership Structure" (the "Report") pursuant to art. 123-bis of the Consolidated Law on Finance. Said Report was drafted by taking account of the new Corporate Governance Code, the Recommendations of the Corporate Governance Committee for 2022 and the guidelines in the "Format for the corporate governance and ownership structure report" prepared by Borsa Italiana, recently updated in January 2022.

The Board of Statutory Auditors acknowledged the information provided in the Report, which did not highlight any substantial misalignments with respect to the provisions contained in the Corporate Governance Code, such as to require appropriate clarifications and/or explanations in the aforementioned Report.

The Board of Statutory Auditors therefore positively evaluated the actions already taken and those planned by the Bank to ensure its full and constant compliance with the Recommendations provided by the Corporate Governance Committee.

The existence of the suitability 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 2021 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.

On 20 May and 22 July 2021, the Board of Directors therefore ascertained the existence of the integrity, professionalism and independence requirements of its members, as well as the absence of causes for ineligibility and forfeiture set forth in the applicable legislation in force and the Articles of Association On both occasions, the Board of Directors also verified the consistency of the composition of the Board with the quali-quantitative make-up of the Board considered to be optimal.

All members of BPER's Board of Directors meet the professionalism and expertise requirements to carry out the tasks assigned to them.

It should also be specified that, pursuant to art. 17 of the Articles of Association, the assessment regarding satisfaction of the independence requirements was carried out by the Board of Directors on 20 May and on 22 July 2021, 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", approved by the Board of Directors on 12 April 2016.

The Board of Statutory Auditors was present at the aforementioned meetings of the Board of Directors on 20 May and 22 July 2021, and did not formulate any observations regarding the correct application of the criteria and procedures for assessing independence adopted by the Board of Directors.

As a permanent guest, the Board, in the person of its Chairperson or one of its members, took part in the meetings of the Nomination and Corporate Governance Committee, continuously monitoring the self-assessment process of the Board of Directors, assigned to the external advisor Korn Ferry for 2021.

Following the self-assessment process, the Board of Directors positively evaluated its quali-quantitative composition, presenting its results at the meeting on 10 March 2022.

The existence of the suitability requirements of Statutory Auditors and the self-assessment process of the Board of Statutory Auditors

Lastly, 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.

On 19 May 2021, the Board therefore ascertained that its statutory auditors met the fitness and propriety requirements and criteria set forth in the legislation in force. On 20 May 2021, 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 all members of the Board of Statutory Auditors.

In addition, the Board verified the consistency of its composition with the quali-quantitative make-up of said Board indicated as optimal in the document containing the "Guidelines for shareholders on the quali-quantitative composition of the Board of Statutory Auditors", approved by the outgoing control body in view of the Shareholders' meeting of 21 April 2021. In light of said check, the composition of the Body is adequately diversified, in terms of gender, age, tenure of office and it was also confirmed that all Board members not only meet the integrity and independence of judgment requirements, but satisfy the professionalism requirements, meet the competence criteria and ensure an adequate time commitment to fulfil their duties.

These requirements were again ascertained by the Board of Statutory Auditors for newly elected auditors at the meeting on 21 July 2021. On said occasion, the overall adequacy of the body was confirmed.

On 21 July 2021, the Board therefore ascertained whether the newly elected auditors met the suitability requirements and criteria set forth by the legislation in force, inter alia making sure that they complied with the regulatory limits to multiple office-holding , could dedicate enough time for their assignment and met the independence of judgment criteria and the independence requirements set out in the legislation in force and Corporate Governance Code. On 22 July 2021, 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.

As regards the self-assessment process of the Board of Statutory Auditors for 2021, it was carried out by said Board without 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 first year of its mandate.

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

(Consob p. 5 and Rules of Conduct Q.7.1 para. 11))

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 up to the date of this report.

12.2 INFORMATION ABOUT ANY PETITIONS RECEIVED AND ACTION TAKEN

(Consob p. 6 and Code of Conduct Q.7.1 para. 11))

During 2021, we received a few letters, or other forms of complaint, potentially qualifying as petitions, including 2 anonymous. In response, we carried out appropriate investigations and promptly took action to obtain the information necessary to examine and evaluate the cases submitted from the pertinent structures. The analyses have already been concluded and no cases worthy of mention came to light.

With regard to the other complaints from customers, the Compliance Function provides business support by monitoring the regulatory environment that governs banking products and services, considering such topics as transparency, the provision of investment and advisory services and usury. In that context, this control function also prepares rules, checks procedures and practices and monitors the trend in 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 misconduct/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 2021

(Consob p. 9 and Rules of Conduct Q.7.1 para. 11))

During 2021 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 Board of Directors regarding the supplementing of the fees of the independent auditing firm pursuant to Article 13, para. 1 of Legislative Decree no. 39/2010;
- 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 companys financial reports

13. FINAL ASSESSMENT OF THE SUPERVISORY ACTIVITIES PERFORMED

(Consob p. 18 and 19 Rules of Conduct Q.7.1. para. 7) and para.11)

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 managements 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 to you 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 and the business outlook, 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 567,203,194, a comprehensive profit of Euro 610,675,573 and shareholders equity of Euro 6,412,782,634.

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 15,478,691.00, 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 27,586,225.17, to the legal reserve, and (iii) the distribution of a dividend of Euro 84,795,810.72 (Euro 0.06 for each of the 1,413,263,512 shares representing the share capital) corresponding to a share of 14.95% 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 439,342,467.53.

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 and in line with its guidelines concerning dividend distribution policies during a pandemic.

In relation to the supervisory review and evaluation process, the ECB did not issue any decision on prudential requirements in 2020, so the Bank had to comply with prior requirements in place, pursuant to art. 16 of Regulation (EU) n. 1024/2013: *Common Equity Tier* 1 *Ratio* of 8.125% and *Total Capital Ratio* of 12.50%.

It is worth noting that the capital ratios of the Bank on its own show a Common Equity Tier 1 ratio of 15.51% and a Total Capital Ratio of 18.54%, which are a well 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 14.50% (fully phased: 13.50%) and Total Capital Ratio of 17.16%, are also markedly greater than the established minimums and SREP requirements.

The consolidated financial statements of the BPER Group report a profit of Euro 525,123 thousand, a comprehensive profit of Euro 603,313 thousand and shareholders equity, including the profit for the year, of Euro 6,696,312 thousand.

The incidence of gross non-performing loans at consolidated level is equal to 4.91% (2.02% on a net basis) with an average coverage ratio of 60.35%; the Texas ratio has fallen to 45.58%, from 55.37% at 31 December 2020.

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

(Rules of Conduct Q.7.1 para. 7)

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 companys 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 2021 accompanied by the report on operations and the explanatory notes, as approved by the Board of Directors on 10 March 2022.

With regard to the dividend payout proposal made by the Board of Directors, having acknowledged that it is based on conservative assumptions that should allow constant compliance over time with the prudential capital requirements, we would point out that it is in line with the ECB recommendations on this matter.

On the conclusion of the first 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 Mazzarella 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, 28 March 2022

The Board of Statutory Auditors
Daniela Travella (Chair)
Paolo De Mitri (Standing Auditor)
Patrizia Tettamanzi (Standing Auditor)

Other attachments

The following documents, which are not attached to the English version of the financial statements as at 31 December 2021, could be consulted in the Italian version:

- Financial statements of Subsidiary Companies and Banks
- Summary document of essential information from the most recent approved financial statements of significant equity investments

Geographical organisation of the Group

Details	BPER Banca	Banco di Sardegna	31.12.2021	31.12.2020
Emilia - Romagna	**281**		**281**	**293**
Bologna	50		50	51
Ferrara	35		35	38
Forlì – Cesena	25		25	25
Modena	69		69	74
Parma	23		23	24
Piacenza	4		4	4
Ravenna	29		29	30
Reggio Emilia	32		32	33
Rimini	14		14	14
Friuli Venezia G.	**2**		**2**	**2**
Pordenone	1		1	1
Triest	1		1	1
Abruzzo	**87**		**87**	**87**
Chieti	35		35	35
L'Aquila	32		32	34
Pescara	10		10	10
Teramo	10		10	8
Basilicata	**30**		**30**	**28**
Matera	15		15	16
Potenza	15		15	12
Calabria	**62**		**62**	**37**
Catanzaro	11		11	9
Cosenza	27		27	14
Crotone	7		7	6
Reggio Calabria	14		14	5
Vibo Valentia	3		3	3
Campania	**109**		**109**	**89**
Avellino	19		19	22
Benevento	4		4	4
Caserta	11		11	6
Naples	43		43	25
Salerno	32		32	32
Lazio	**79**	**4**	**83**	**77**
Frosinone	6	-	6	6
Latina	14	-	14	14
Rieti	5	-	5	2
Rome	46	4	50	54
Viterbo	8	-	8	1
Liguria	**13**	**3**	**16**	**11**
Genoa	5	1	6	6
Imperia	4	-	4	
La Spezia	2	1	3	3
Savona	2	1	3	2
Lombardy	**334**	**1**	**335**	**57**
Bergamo	80	-	80	2
Brescia	88	-	88	7
Como	9	-	9	1
Cremona	5	-	5	5
Lecco	1	-	1	1
Lodi	3	-	3	1
Mantua	10	-	10	10
Milan	30	1	31	22
Monza Brianza	15	-	15	3
Pavia	30	-	30	2
Varese	63	-	63	3
Marche	**120**		**120**	**13**
Ancona	41		41	5
Ascoli Piceno	11		11	2
Fermo	12		12	1
Macerata	25		25	3
Pesaro-Urbino	31		31	2

Details	BPER Banca	Banco di Sardegna	31.12.2021	31.12.2020
Molise	**9**		**9**	**10**
Campobasso	6		6	7
Isernia	3		3	3
Piedmont	**86**		**86**	**58**
Alessandria	18		18	5
Asti	3		3	4
Biella	1		1	1
Cuneo	28		28	29
Novara	6		6	1
Turin	27		27	18
Verbano-Cusio-Ossola	2		2	
Vercelli	1		1	
Apulia	**55**		**55**	**37**
Bari	13		13	11
Barletta Andria Trani	7		7	4
Brindisi	6		6	1
Foggia	16		16	14
Lecce	5		5	4
Taranto	8		8	3
Sardinia		**319**	**319**	**320**
Cagliari		29	29	30
Nuoro		62	62	62
Oristano		48	48	48
Sassari		98	98	82
South Sardinia		82	82	98
Sicily	**32**		**32**	**33**
Agrigento	3		3	3
Catania	7		7	7
Messina	8		8	9
Palermo	8		8	8
Siracusa	4		4	4
Trapani	2		2	2
Tuscany	**45**	**1**	**46**	**31**
Arezzo	16		16	1
Florence	7		7	7
Grosseto	4		4	4
Livorno	3	1	4	4
Lucca	4		4	4
Massa e Carrara	2		2	2
Pisa	3		3	3
Pistoia	2		2	2
Prato	2		2	2
Siena	2		2	2
Trentino-Alto Adige	**4**		**4**	**4**
Trento	4		4	4
Umbria	**24**		**24**	**8**
Perugia	18		18	5
Terni	6		6	3
Veneto	**42**		**42**	**42**
Belluno	2		2	2
Padua	9		9	9
Rovigo	7		7	7
Treviso	3		3	3
Venice	4		4	4
Verona	12		12	12
Vicenza	5		5	5
Total 31.12.2021	**1,414**	**328**	**1,742**	
Total 31.12.2020	**908**	**329**		**1,237**
Changes to the Group's geographical organisation during the year				**505**

List of IAS/IFRS endorsed by the European Commission as at 31 December 2021

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
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, 1255/2012, 2067/2016, 2075/2019, 2104/2019
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
IAS 16	Property, Plant and Equipment	Reg. 1126/2008	Commission Regulation (EU) No. 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, 2113/2015, 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	
IAS 27	Separate Financial Statements	Reg. 1254/2012	Reg. 1174/2013, 2441/2015

(cont.)

IAS/IFRS	ACCOUNTING STANDARDS	ENDORSEMENT (a)	AMENDMENTS
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
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

(cont.)

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
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
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

Key:
(a) The Regulation listed is that of the first publication of the Standard or the replacement of the same.

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.

Resolutions of the Shareholders Meeting on 20 April 2022

The Ordinary Shareholders Meeting, in a single calling, chaired by the Chair dott. Flavia Mazza rella, adopted the following resolutions:

- Approval of the Separate financial statements for 2021, the allocation of the profit for the year 2021 and the distribution of a dividend.
- Approval of the short and long remuneration plans and and the Remuneration Report for 2022 of the BPER Banca Group and the compensation paid in 2021.
- Authorisation given for the purchase and disposal of treasury shares.
- Directors remuneration for 2022 -2023 established.
- Approval of the integration of the fees of Deloitte & Touche s.p.a.

Given the exceptional emergency situation caused by the COVID-19 epidemic, participation in the Shareholders Meeting took place, without access to the meeting rooms, exclusively through the designated representative pursuant to art.135-undecies of Legislative Decree 58 of 24 February 1998 (Consolidated Law on Finance), in accordance with the provisions of art.106.4 of Legislative Decree 18 of 17 March 2020, as foreseen in the notice of calling.

The participation of the Directors, Statutory Auditors, Secretary to the meeting and Designated Representative took place in compliance with the containment measures provided for by law; some of the participants were present by means of teleconferencing systems, in compliance with current regulations, where applicable.

Through the Designated Representative, a total of 425 Shareholders attended the Shareholders' Meeting representing no. 742,069,514 ordinary shares equal to 52.51% of the total share capital.