BPER: Gruppo

CONSOLIDATED INTERIM REPORT ON OPERATIONS AS AT 30 SEPTEMBER 2023

BPER Banca s.p.a.
Head office in Via San Carlo 8/20, Modena, Italy
Tel. +39 059/2021111 – Fax +39 059/2022033
Register of Banks no. 4932
Parent Company of the BPER Banca s.p.a. Banking Group
Registered in the Register of Banking Groups with ABI code 5387.6
http://www.bper.it, https://istituzionale.bper.it;
E-mail: servizio.clienti@gruppobper.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 2,104,315,691.40
Member of the Interbank Deposit Protection Fund and of the National Guarantee Fund
Ordinary shares listed on the regulated Euronext Milan market

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Directors and officers of the Parent Company at the date of approval of the Consolidated interim report on operations as at 30 September 2023

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

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

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

Manager responsible for preparing the Company's financial reports

Manager responsible for preparing the Company's financial reports:	Marco Bonfatti

Independent Auditors

Deloitte & Touche S.p.A

(*) Gianfranco Farre, Non-Executive Director of the Company and member of the Control and Risk Committee, tendered his resignation from office on 1 June 2023, with immediate effect. The Board of Directors will, in accordance with the Articles of Association, replace the outgoing Director.
(**) Monica Cacciapuoti was appointed as a member of the Board of Directors by the Ordinary Shareholders' Meeting of BPER Banca held on 5 November 2022, replacing Director Gian Luca Santi, who resigned previously effective from 8 September 2022. Monica Cacciapuoti will remain in office, similarly to the other members of the Board of Directors, until the Shareholders' Meeting called to approve the financial statements for the year 2023.
(***) Carlo Appetiti was appointed as Standing auditor by the Ordinary Shareholders' Meeting of BPER Banca held on 27 July 2022, replacing the auditor Paolo De Mitri, who resigned previously effective from 6 June 2022. Carlo Appetiti will remain in office, similarly to the other members of the Board of Directors, until the Shareholders' Meeting called to approve the financial statements for the year 2023.
(****) Gian Luca Santi was appointed as Deputy General Manager effective from 1 October 2022. In particular, Gian Luca Santi was a member of the Company's Board of Directors, a role he stepped down from effective from 8 September 2022.

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Group interim report on operations as at 30 September 2023

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Background

The global economy showed some signs of stabilising during the summer months, in contrast to the deceleration observed in the first part of the year. One of the key factors that continued to affect global growth was the continuation of restrictive monetary policies- particularly in developed countries- made necessary by the persistent breach of inflation targets, which triggered a gradual worsening in the financial conditions across the world. However, some differences emerged on a global scale: in advanced economies, the United States showed greater resilience, thanks to the continued solidity of consumption and investments, while euro area activities were revised downwards. A number of emerging market economies also proved to be quite resilient, with the exception of China, which continued to face growing obstacles stemming from a crisis in the real estate sector and the weakening of domestic demand. However, as touched on previously, the economic cycle remained stable at global level, to the point that, according to the October update of the *World Economic Outlook* by the International Monetary Fund, global GDP should rise by 3% this year, the same rate of growth estimated last July. The following is an analysis of the main areas.

The Eurozone was the region that showed the most difficulties with the business cycle key leading indicators, i.e. the Purchasing Managers Index (PMI), which further weakened and continued to slip into contraction territory during the third quarter. In particular, service-related activities worsened; by contrast, their strength had compensated for the weakness of manufacturing activity in the first part of the year. According to the consensus forecasts GDP in the Euro area is expected to remain unchanged in the third quarter compared to the previous three months, with a growth rate of 0.1% q/q. On the prices front, the trend in inflation confirmed, albeit with less momentum, the slowdown that has already been in progress for several quarters. The consumer price index for the entire euro area actually decelerated constantly during the quarter, falling from 5.5% y/y in June to 4.3% y/y in September. A similar deceleration was also observed in core inflation, i.e. excluding its most volatile components, so much so that the ECB partly altered its stance to a more cautious one. After having raised the cost of borrowing in the period under review by a total of 50 basis points, bringing the principal refinancing rate to 4.5% and the rate on deposits to 4%, the ECB hinted at an imminent pause in the process of monetary tightening. President Lagarde, albeit not ruling out further hikes if necessary, actually stated that the current interest rates - if maintained for a long enough period - could make a substantial contribution to "*to returning inflation to our medium-term target in a timely manner*". Broadening our view to the whole of Europe, the change of attitude adopted by the ECB was also mirrored by the other major central institutions in Europe, from the Swiss SNB to the UK's Bank of England*, both of* which decided - in the quarter under review - to at least temporarily suspend their respective cycles of monetary restriction.
As for Italy, according to the consensus forecasts, growth in the third quarter should align with the entire Eurozone, proving slightly positive (+0.1%) compared to the previous three months. Similar to the rest of the euro area, economic activity as a whole also slowed in Italy, with the service sector gradually deteriorating in line with the weakness of the manufacturing sector. Also on the prices front, the trend observed in Italy was similar to that of the entire eurozone: the inflation rate gradually decelerated the growth rate, which fell from +6.4 y/y in June to 5.3% in September.

In the United States, the economic cycle confirmed also in the third quarter of the year, that it had withstood the cycle of monetary tightening initiated by the Fed without too much disruption. Analysts' estimates in the July-September period actually saw US GDP rise to 2.4% q/q (annualised), the same growth rate observed in the second quarter. A decisive contribution to the expansion of the economy was given again by private consumption, which continued to benefit from the excess savings accumulated during the pandemic phase, and benefitted from a job market which, despite weakening slightly, still was unexpectedly robust (the unemployment rate remained pegged to below 4% throughout the quarter). Furthermore, contrary to the trend recorded in the eurozone, service-related activities - measured by the PMI leading indicators - remained in expansion territory, despite the growth rate visibly slowing compared to previous quarters. On the prices front, the inflation rate halted the falling trend, nonetheless stabilising at below 4% per annum (3.7% in September); by contrast, the core inflation figure confirmed the decreasing trend, which remained, however, at slightly higher levels in absolute terms (4.1% in September). The reduction in inflationary pressures facilitated a gradually more balanced monetary policy approach, so much so that the Federal Reserve - after raising rates by 25 basis points in July - opted in September to leave the cost of borrowing unchanged in the 5.25-5.5% range. Governor Powell, however, did not rule out further hikes if necessary. The head of the Fed has actually planned to maintain a restrictive policy until inflation starts moving down sustainably. An indication, in short, of «higher longer-term rates».

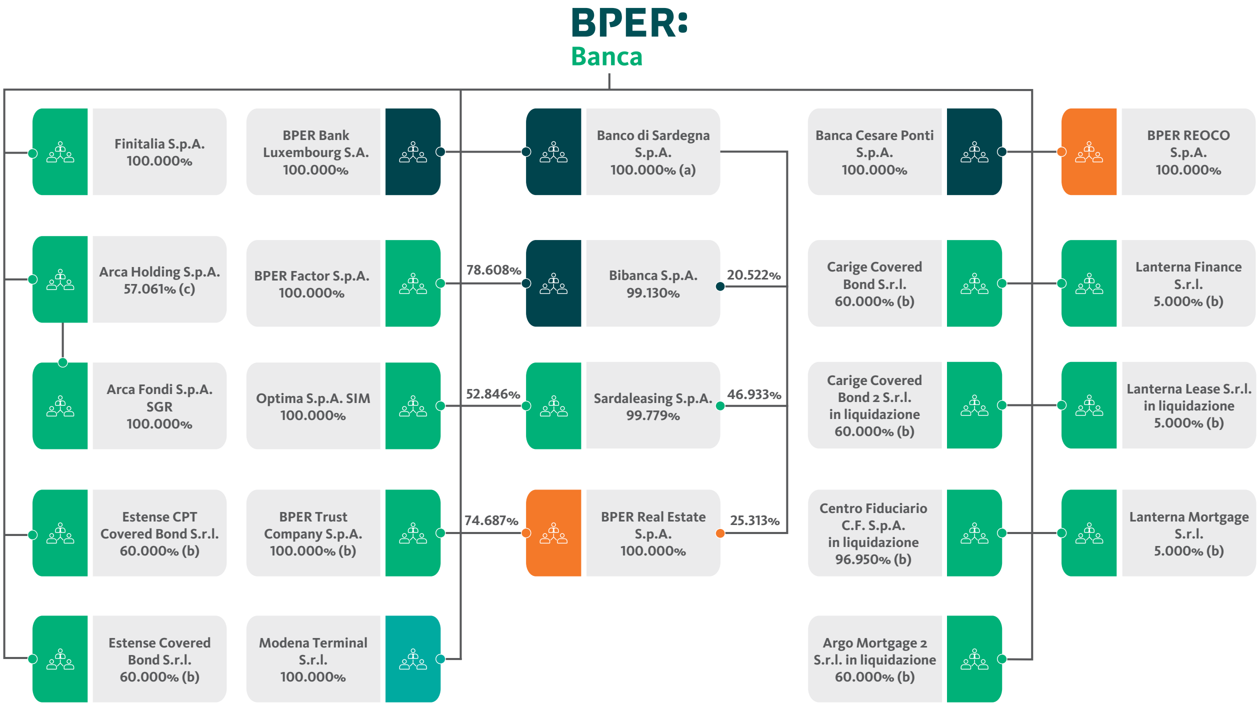
Lastly, an analysis of emerging countries shows that economic growth has been more resilient, on average, than in developed countries. The greater robustness of the economic cycle is reflected in the PMI leading indicators for both manufacturing activity and the service sector, which remained in expansion territory over the entire quarter. Another aspect that has characterised the emerging bloc, albeit with all the relevant differences due to the high degree of dissimilarity of the category under review, has been the approach to inflation. In fact, some emerging central banks, having already taken proactive steps with rate increases in 2021 (well before their counterpart institutions in developed countries), were able, over the course of the quarter, to take the first expansionary actions, thanks to price rises that showed clear signs of easing. Cuts in the cost of borrowing impacted all macro-areas across the board, from Latin America (Brazil and Chile) to Eastern Europe (Poland) and Asia (China). Indeed, China, the biggest economy in the emerging area, confirmed the challenges already faced in the first part of the year, so much so that the consensus estimates saw GDP rise in the third quarter by a modest 0.8% q/q, the same growth rate registered in the April-June period. Chinese economic growth was slowed not only by the challenges of the international economic situation, but also by weak domestic demand, related largely to the problems in the real estate sector.

As for the financial markets, after the first part of the year was marked by risk appetite with significant increases on both main asset classes (stocks and bonds), the third quarter was characterised by greater uncertainty. Sales predominantly concerned the bond markets, which took note of a more wait-and-see attitude adopted by Central Banks, but in a context of growth that was more resilient than expected (especially in the United States) and of inflation whose deceleration phase slowed with respect to previous quarters. In addition, the increase recorded in oil in the period under review also emphasized the focus on the prices front. The rise in bond yields influenced the performance of the equity markets, especially in the final phase of the quarter, with the MSCI AC World index closing the three months down by roughly 4%. The period under review had, in fact, recorded positive equity performances in the first part, also thanks to corporate results that were better than estimated on average. Subsequently, in parallel with the increase in bond yields, share prices started to enter correction territory, burdened in particular by those sectors - such as Technology, Utilities and Real Estate - that are more exposed to the trend in interest rates. By contrast, energy securities recorded significant growth, on the back of the marked increase in the price of oil. In Europe, London bucked the trend at period-end, while Milan actually closed the period unchanged due to the strength of the banking sector. At geographical level, the Japanese equity market also performed well, supported by the Bank of Japan's expansionary stance. As regards emerging countries, the MSCI Emerging Markets general index closed the quarter down by 3.7%, adversely impacted by the performance of the Chinese equity market. There was a negative balance for the bond markets with the main rates curves, which - albeit remaining negatively sloped - recorded a generalised and widespread sudden decrease. The topic of "higher rates for a prolonged period of time", as reiterated repeatedly by central bankers, promoted sales on the fixed-income segment, which reflected, particularly in the medium/long-term sections, the resilience of the economic cycle (especially in the US). The downward movement in the markets was more marked in the United States, also impacted by the extensive issuance programme - needed to finance the high federal deficit - implemented by the US Treasury. The losses also concerned the bonds of the emerging markets, historically vulnerable to the increase in bond yields and the US Dollar, while corporate bonds - more closely linked to the performance of the economy - closed on a marginal uptrend. In terms of currency, compared to the G10 currencies, the Euro showed a contrasting performance. The euro fell against the US dollar, which gained ground against all the other major international currencies, favoured by the widening of the yield spreads between the United States and the other macro-areas, as well as by the volatile context that characterised the markets in the second part of the quarter. By contrast, the euro partially rose against the British pound sterling, adversely impacted by the change of attitude by the Bank of England, which, with respect to the ECB, was expected by the markets to stick with a restrictive approach for longer. Remaining unchanged was the Japanese yen, whose weakness - tied to the accommodating policy of the Bank of Japan - was compensated by the money market operations carried out by the BoJ towards the end of the quarter. On average, emerging currencies turned negative.

Lastly, as regards commodities, the period under review proved to be wholly positive, thanks to the excellent performance of the energy component and, to a lesser extent, industrial metals. Oil was the driving force behind energy goods, up by 26% (Brent), owing to renewed concerns on the supply front: Saudi Arabia and Russia, the most important countries, in absolute terms, in the broadened coalition known as OPEC+, voluntarily announced significant production cuts in July. Initially expected to last one month, these cuts were then extended until the end of the year, leading to a rapid rise in the price of oil. Agricultural commodities and precious metals also recorded a net decrease, with gold closing the quarter down by almost 4%, adversely impacted by the strength of the dollar and the increase in real US interest rates.

1. Key figures

1.1 BPER Banca Group structure as at 30 September 2023



a) Equivalent to 99.457% of the entire Share Capital consisting of ordinary and preference.
b) Subsidiaries consolidated under the equity method.
c) Subsidiary company which is not included in the Banking Group since it does not contribute directly to its activities.
St. Anna Gestione Golf Società Sportiva Dilettantistica s.r.l., a subsidiary of BPER REOCO through St. Anna Golf s.r.l., was excluded from the scope of consolidation as it was considered non-significant.

The scope of consolidation also includes the following subsidiaries which are not included in the Banking Group, since they do not contribute directly to its activities. These companies are consolidated under the equity method.
Subsidiaries of the Parent Company:
- Adras S.p.A. (100%);
- Commerciale Piccapietra S.r.l. (100%);
- Bridge Servicing S.p.A (100%).

Subsidiaries of BPER Reoco S.p.A.
- Annia S.r.l. (100%);
- Sant'Anna Golf S.r.l. (100%).

1.2 Summary of results

The results as at 30 September 2023 show net profit for the period of Euro 1,087.1 million, after having expensed Euro 175.2 million in contributions to the banking system funds for 2023.

Net operating income totalling Euro 4,026.0 million reflected a 43.1% growth as compared to the first nine months of 2022, primarily on the back of net interest income and a solid resilience of net commissions.

Net Interest Income stood at Euro 2,381.5 million, up 88.9% on the first nine months of 2022, primarily on the back of a higher commercial spread stemming from a supportive interest rate environment, well managed deposit pass-through and the positive contribution from the investment portfolio.

Net commission income in the first nine months of 2023 amounted to Euro 1,481.4 million, up 4.5% on the same period last year. The trend is particularly reflective of the positive contribution from traditional banking fees (+4.9% y/y); likewise strong was the input of fees and commissions on indirect funding (+5.0% y/y) and bancassurance (+0.7% y/y).

Net loans to customers amounted to Euro 86.7 billion (Euro 88.9 billion gross), down 2.7% since 30 June 2023. The reduction in loans to businesses and households is primarily reflective of the slowdown in demand due to increased interest rates.
The conservative approach to non-performing loan management and the derisking actions implemented have enabled the Bank to achieve sound asset quality ratios: the share of gross non-performing loans to customers (gross NPE ratio) is 2.8%, down on end-2022 (3.2%), whereas the share of net non-performing loans to customers (net NPE ratio) is 1.2%, down on end-2022 (1.4%). The coverage ratio for total non-performing loans rose to 57.3% from 57.1% at the end of 2022; performing loan coverage rose to 0.85% from 0.77% at the end of 2022 and Stage 2 loan coverage was 5.22%, up 4.44% on end-2022.

The Group's capital and liquidity profiles as at 30 September 2023 continue to be strong thanks to the organic generation of capital which drives the CET1 ratio to 14.9%, well above the 8.4% current minimum SREP requirement. The same applies to the Bank's liquidity position, with regulatory ratios being broadly in excess of the minimum thresholds required (LCR at 158.9%, NSFR at 131.0%).

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

1.3 Performance ratios[1]

Financial ratios	30.09.2023	2022 (*)
Structural ratios		
Net loans to customers/total assets	60.42%	59.86%
Net loans to customers/direct deposits from customers	72.15%	79.40%
Financial assets/total assets	20.92%	20.13%
Gross non-performing loans/gross loans to customers	2.85%	3.20%
Net non-performing loans/net loans to customers	1.25%	1.41%
Texas ratio[2]	25.47%	32.29%
Profitability ratios		
ROE[3]	20.37%	7.94%
ROTE	20.55%	8.30%
ROA[4]	1.03%	0.35%
Cost to income ratio[5]	49.57%	64.05%
Cost of credit risk[6]	0.41%	0.34%

Prudential supervisory ratios	30.09.2023	2022 (*)
Own Funds (Fully Phased) (in thousands of Euro)		
Common Equity Tier 1 (CET1)	7,756,084	6,379,995
Total Own Funds	9,687,642	8,292,408
Risk-weighted assets (RWA)	51,984,439	52,989,278
Fully Phased capital ratios and liquidity ratios		
Common Equity Tier 1 Ratio (CET1)	14.92%	12.04%
Tier 1 Ratio (T1 Ratio)	15.21%	12.32%
Total Capital Ratio (TC Ratio)	18.64%	15.65%
Leverage ratio[7]	5.4%	4.3%
Liquidity Coverage Ratio (LCR)	158.9%	195.3%
Net Stable Funding Ratio (NSFR)	131.0%	127.3%

(*) The comparative balance sheet ratios, together with ROE, ROTE and ROA, have been calculated on figures at 31 December 2022 as per the Consolidated financial statements as at 31 December 2022, while profit and loss ratios have been calculated on figures at 30 September 2022 as per the Consolidated interim report on operations as at 30 September 2022.

[1] 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 chapter “The BPER Banca Group’s results of operations” as per the present Report.

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

[3] ROE is calculated as the ratio of annualised net profit for the period to the Group’s average shareholders’ equity not including net profit.

[4] ROA is calculated as the ratio of annualised net profit for the period (including net profit for the period pertaining to minority interests) and total assets

[5]The Cost to income ratio is calculated on the basis of the layout of the reclassified income statement (operating costs/operating income); when calculated on the basis of the layout provided by the 8th update of Bank of Italy Circular no. 262, the Cost to income ratio is at 55.23% (75.90% at 30 September 2022 as per the consolidated interim report on operations at 30 September 2022).

[6] The Cost of credit has been calculated as net impairment losses to loans to customers on net loans to customers as at 30 September 2023.

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

2. Significant events and strategic transactions

2.1 2022-2025 “BPER e-volution” Business Plan

In June 2022, BPER Banca approved its 2022-2025 Business Plan – “BPER e-volution”; the Plan lays down two major lines of growth:

- extraordinary corporate transactions;
- organic growth levers.

Extraordinary corporate transactions

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

- *Acquisition of the Carige Group*
  The integration process was completed last year (28 November 2022), with the merger by absorption of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. into BPER Banca. This enabled the BPER Banca Group to expand its presence throughout the country.
- *Disposal of the merchant acquiring business*
  The operation was completed in December 2022. This allowed the BPER Banca Group to enter into an agreement with Nexi s.p.a. for a long-term strategic partnership, which was implemented by transferring the merchant acquiring and POS management businesses to Nexi.
- *Branch Sale Agreement*
  The transaction, completed on 17 February 2023, saw the sale to Banco Desio e della Brianza s.p.a. of 48 branches, in order to avoid the emergence of potentially significant antitrust issues following the change of control of the Carige Group.
- *Deconsolidation of long-term rental company – SIFA’*
  The transaction makes provision for the integration of Sifà into one of the leading players in the long-term rental sector, to be finalised by the end of 2023. Please refer to the next paragraph for details on the agreement reached with UnipolSai.
- *Creation of a Wealth Management & Asset Management hub*
  Banca Cesare Ponti S.p.A. (BCP) is expected to be enhanced as a specialised vehicle and centre of excellence for the direct management of Private banking customers. This transaction will maximise synergies between the distribution networks and the product companies of Asset Management and Life Bancassurance. The aim of gradually concentrating the Wealth Management & Asset Management segments of the BPER Banca Group into BCP will be achieved through the implementation of two separate corporate transactions: i) the merger by absorption of Optima SIM S.p.A. into BCP and ii) the transfer by BPER to BCP of a business unit consisting of *(a)* BPER's private bankers, *(b)* BPER's “private banking” customers and *(c)* their respective volumes of assets managed. Although they are part of the broader framework of the BPER Banca Group's reorganisation, the merger and the transfer transactions will take place at separate times and are formally independent of each other.
- *Disposal of the internal bad loan & UTP debt collection platform and subsequent implementation of the outsourced NPE servicing agreement.*
  The transaction is part of the broader derisking strategy that the BPER Banca Group has pursued in recent years and involves the sale of the in-house platform for the recovery of bad loans and UTPs, with the parallel disposal of part of the portfolio of non-performing exposures. In said area, on 28 November 2022, BPER Banca’s Board of Directors approved the establishment of a new strategic partnership between the BPER Banca Group and the Gardant Group for the management of its impaired loans which combines the professional, industrial, IT and management skills of the two partners. The disposal of some portfolios of non-performing loans of the BPER Banca Group to AMCO and to companies controlled by Elliott, Gardant’s parent company, was also approved.
- *Deconsolidation of Sardaleasing*
  The disposal of the subsidiary, aimed at simplifying the Group’s oversight of the leasing proposition, is currently under review.

Organic growth levers

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

- Enhancement of the national-scale multi-specialist bank model;
- Transformation into a fee-based revenue model;
- IT and business partnership;
- Simple, digital bank;
- People at the centre.

The project works mentioned above will be supported by 3 cross-cutting levers: i) de-risking and credit control, ii) new innovation model and iii) ESG infusion.
For more details on the project areas and the organic growth levers, please refer to the Directors' Report presented in the Consolidated financial statements as at 31 December 2022.

2.2 Targets achieved in 2023[8]

Disposal to Banco Desio of a business unit consisting of bank branches

As part of the process of integration of the Banca Carige Group, on 3 June 2022 BPER Banca signed with Banco di Desio e della Brianza s.p.a. ("Banco Desio") an agreement for the sale to the latter of two separate business units consisting of 8 bank branches owned by Banco di Sardegna and 40 branches owned by Banca Carige (respectively, the "BdS business unit" and the "Carige business unit" and jointly the "Business Units"). The disposal of the Business Units to Banco Desio is designed to prevent the emergence of antitrust issues. Both Business Units include their respective legal relationships and assets and liabilities, including relationships and contracts with customers and employees belonging to each of the two Business Units.
The BdS Business Unit also includes the 5 branches that were the subject of the authorisation procedure of the Italian Competition Authority (AGCM) relating to the acquisition of Unipol Banca in 2019. The procedure was positively closed on 19 July 2022: the Authority acknowledged that, considered as a whole, the elements that had emerged during the investigation do not constitute a case of non-compliance. Furthermore, taking into account the transfer of these branches to Banco Desio, the Authority did not deem it necessary to impose new measures in addition to or in place of those envisaged by Provision no. 27842.

The total consideration to be paid under the Disposal Agreement is subject to adjustments based on the trend of the gross banking product of said Business Units until closing.

Following up on the agreements with Banco Desio, notarial deeds were signed on 17 February 2023 for the transfer of the aforementioned business units, effective from 20 February 2023 for legal purposes.

Strategic commercial partnership entered into with UnipolSai in Long -Term Rental

On 28 March 2023, BPER Banca S.p.A. and UnipolSai Assicurazioni S.p.A. ("UnipolSai") signed an agreement to start a strategic commercial partnership in Long-Term Rental ("LTR"), to be achieved, *inter alia*, via the merger by absorption (the "Transaction") of Società Italiana Flotte Aziendali S.p.A. ("SIFA'"), entirely controlled by BPER Banca, into UnipolRental S.p.A. ("UnipolRental"), a company controlled by UnipolSai
The merger took place on 1 July 2023, once the conditions precedent were fulfilled and the relevant corporate obligations were completed. The Parent Company has become the owner of a 19.987% interest in the share capital of UnipolRental, with which it has entered into a long-term commercial agreement for the referral of customers, through the Bank's branch network and, more generally, through the commercial channels of the BPER Banca Group (excluding Bibanca S.p.A.) to UnipolRental for LTR products and services related to LTR contracts.

[8] For the objectives laid out in the Business Plan achieved in 2022, please refer to the 2022 Reports of the BPER Banca Group.

Concentration of the Wealth & Asset Management segments of the BPER Group in Banca Cesare Ponti

The Boards of Directors of Banca Cesare Ponti S.p.A. ("BCP") and OPTIMA S.p.A. – Società di Intermediazione Mobiliare - stock brokerage company (“Optima”), both wholly-owned subsidiaries of BPER Banca S.p.A. (“BPER”) and belonging to the BPER Banca S.p.A. Banking group, approved, respectively on 29 and 25 May 2023, the plan for the merger by absorption of Optima in BCP (the “Merger plan”), subject to authorisation by the European Central Bank (“ECB”).
Under the merger plan, the merger will take place by simplified procedure as BCP and Optima are wholly owned by BPER. Therefore, based on the above, neither a share exchange ratio nor a share capital increase of BCP will be determined to service the merger.
On 20 September 2023, the authorisation of the merger by the ECB was received. The merger is expected to take effect, for legal purposes, by the end of the current year.
On 9 October 2023, the extraordinary shareholders’ meetings of BCP and OPTIMA approved the merger by absorption of Optima into BCP. The merger procedure is expected to be concluded, when the legal terms have elapsed, with the stipulation of the relevant deed and is expected to take effect for legal purposes from next November.
The merger falls within the scope of the initiatives to rationalise and streamline the structure of the BPER Banca Group set out in the 2022-2025 Business Plan.

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

Continuing its de-risking and credit monitoring activities, the BPER Banca Group has completed the following UTP loan disposals.
Further to the agreements entered into with the Gardant Group, BPER Banca finalised the disposal of a portfolio of UTP exposures of BPER Banca and its subsidiary Banco di Sardegna for a total claimed amount of Euro 470 million on 27 April 2023.
The transaction was finalised via the disposal of the loan portfolio to the securitisation vehicle “Loira SPV Srl”, established under Law no. 130/99; the senior notes and 5% of the mezzanine and junior notes were subscribed for by BPER Banca, while the remaining securities – i.e. 95% of the junior and mezzanine notes – were subscribed for by companies controlled by funds of Elliott.
Further to the agreements entered into with AMCO – Asset Management Company S.p.A., the BPER Banca Group finalised, pursuant to and for the purposes of the provisions of art. 58 of Legislative Decree no. 385 of 1 September 1993 (the ‘Consolidated Law on Banking’), of a non-recourse transfer against consideration of a portfolio of Unlikely to Pay (“UTP”) exposures of BPER Banca and its subsidiary Banco di Sardegna as a pool for a claimed amount of approximately Euro 430 million to AMCO.

Disposals of single-name bad loans for a gross book value of Euro 12.3 million and disposals of likewise single-name UTPs for a gross book value of Euro 99.0 million were finalised in the first nine months of 2023. In September 2023, the subsidiary Banco di Sardegna completed the transfer of a portfolio of NPLs for a total claimed amount of roughly Euro 180 million at the transfer date.

Internal reorganisation of the BPER Banca Group

Merger by absorption of Italia Valorizzazioni Immobili into BPER REOCO

Following the completion of the merger by absorption of Banca Carige into BPER Banca, the latter acquired the 100% direct equity investment in Carige REOCO s.p.a., with registered office in Genoa.
As part of the initiatives targeted at rationalising and simplifying the real estate portfolio of the BPER Banca Group, in December 2022, the Boards of Directors of Carige REOCO and Italiana Valorizzazioni Immobiliari (IVI), a real estate company wholly-owned by BPER Banca, with registered office in Milan, approved the plan for the merger by absorption of IVI into Carige REOCO, with said company subsequently renamed BPER REOCO s.p.a.
The plan was drafted in simplified form, pursuant to art. 2505 of the Italian Civil Code, making provision for the full control of both companies participating in the merger; it was filed in the Register of Companies of Milan Monza Brianza and Genoa on 15 December 2022.
The merger resolutions were passed by the shareholders’ meetings of IVI and Carige REOCO on 13 January 2023, while the merger deed was stipulated on 24 March 2023, effective from 1 April 2023 for legal purposes, with accounting and tax effectiveness being backdated to 1 January 2023.

Merger by absorption of BPER Credit Management into BPER Banca

On 6 February 2023, the plan for the merger by absorption of BPER Credit Management (BCM) into BPER Banca was filed in the Register of Companies of Modena, having obtained the necessary authorisations from the Supervisory Authorities.
The Merger fits within the framework of the initiatives for the rationalisation and simplification of the BPER Banca Group structure, including with a view to restructuring and improving non-performing loan management as part of an elaborate, broad project that also envisages the value enhancement and deconsolidation of the unlikely-to-pay ("UTP") and bad loan recovery platforms.
The merger resolutions were passed by the Boards of Directors of BCM and BPER Banca on 2 March 2023 and 11 March 2023 respectively. The merger deed was stipulated on 29 March 2023; the transaction has been effective since 31 March 2023 for legal purposes and accounting and tax effectiveness were backdated to 1 January 2023.

2.3 European Single Supervisory Mechanism (SSM)

BPER Banca and its banking Group are among Europe's significant institutions supervised directly by the ECB.
Consistent with the European SSM, BPER Banca has organised a process of ongoing dialogue and alignment with the ECB that includes the provision of detailed periodic information flows in response to requests from the Joint Supervisory Team (JST).
On 24 January 2022, after completing the 2021 annual SREP prudential review and evaluation process, the BPER Banca Group received notification from the ECB of the latest prudential requirements to be met on a consolidated basis pursuant to art. 16 of Regulation (EU) 1024/2013. Subsequently, on 31 August 2022, the ECB notified BPER Banca of its updated decision on the SREP requirements applicable to the Group following the acquisition of the Banca Carige Group. Based on the SREP outcome, the ECB decided that BPER Banca is required to maintain, on a consolidated basis, an additional Pillar 2 requirement[9] of 2.61%. This requirement may be held in the form of at least 56.25% of CET1 instruments and 75% of Tier 1. Finally, on 9 December 2022, as a result of the "pragmatic approach for SREP 2022" adopted by the ECB following the acquisition of the Carige Group, BPER Banca received an additional letter which confirmed the validity of the content of the SREP decision of 24 January 2022 and the associated update of 31 August 2022, in particular with reference to the supervisory capital requirements to be complied with.

The capital requirements[10] for 2023 are shown below:

- Common Equity Tier 1 Ratio: of 8.47%, being the sum of the minimum requirement pursuant to art. 92 of Regulation (EU) 575/2013 (4.50%), plus the additional Pillar 2 requirement in accordance with art. 16 of Regulation (EU) 1024/2013 (P2R component of 1.47%), plus the capital conservation buffer in accordance with art. 129 of Directive 2013/36/EU as transposed into national law (2.50%);
- Tier 1 Ratio: of 10.46%, being the sum of the minimum requirement pursuant to art. 92 of Regulation (EU) 575/2013 (6.00%), plus the additional Pillar 2 requirement in accordance with art. 16 of Regulation (EU) 1024/2013 (P2R component of 1.96%), plus the capital conservation buffer in accordance with art. 129 of Directive 2013/36/EU as transposed into national law (2.50%);
- Total Capital Ratio: of 13.11%, being the sum of the minimum requirement pursuant to art. 92 of Regulation (EU) 575/2013 (8.00%), plus the additional Pillar 2 requirement in accordance with art. 16 of Regulation (EU) 1024/2013 (P2R component of 2.61%), plus the capital conservation buffer in accordance with art. 129 of Directive 2013/36/EU as transposed into national law (2.50%).

In 2023, the P2R component linked to the NPE coverage shortfall component was updated to 0.20% (from 0.36%) from 11 September 2023, bringing the overall P2R down from 2.61% to 2.45%.

In accordance with regulations for the prudential supervision of banks, failure to comply with the CET1 Ratio and Total Capital Ratio minimum requirements would lead to limitations on the distribution of earnings and the need to adopt a plan for the conservation of capital.
These quantitative capital targets are accompanied by qualitative requirements for reporting to the ECB, including the management of Non-Performing Exposures (NPEs)[11].

On 27 March 2023, the 2023-2025 NPE Strategy and the associated operating plan were presented and approved, against the backdrop of a macroeconomic scenario that takes account of inflationary tensions and the rise in interest rates, by defining the

[9] Regulation (EU) 1024/2013, art. 16, P2R component.
[10] For the capital requirements of BPER Banca, please refer to section 4.2 "Own funds and capital ratios".
[11] The ECB recommended that BPER Banca should implement, only for Pillar 2 regulatory purposes, a linear adjustment of its coverage levels for the stock of non-performing loans outstanding at 31 March 2018 until full coverage is achieved, with the following objectives:

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

non-performing exposure targets. The 2023-2025 NPE Strategy incorporates the transfer of the internal platform for the recovery of bad loans and UTP loans with the subsequent activation of NPE servicing that -as already pointed out- together with the sale of additional portfolios of NPEs and improvement in management and workout activities, will help to confirm a gross NPE ratio at low levels and in line with the targets of the 2022-2025 Business Plan.

In relation to the internal rating system, through the Final Decision issued as a result of its latest Internal Model Investigation in February 2023, the ECB issued its authorisation of material model changes to the internal models and the extension of the IRB models to former Cassa di Risparmio di Saluzzo and former UBI Banca exposures.
The new internal rating system has been in use since the supervisory reports of 31 March 2023 and for management purposes since May 2023.
In addition, for the Supervisory Reports as at 30 June 2023, the new IRB models were extended to former Unipol Banca exposures, with the ECB having confirmed, on said date, the fulfilment of Condition 1 set forth in the aforementioned Final Decision and authorised said extension.

On 28 July 2023, the European Banking Authority (EBA), in cooperation with the European Central Bank (ECB), and the European Systemic Risk Board (ESRB) announced the outcome of the 2023 EU-wide stress test. Characteristics of the stress test exercise:
- the EU-wide stress test does not contain a pass/fail threshold and instead is designed to be used as an important source of information for the purposes of the Supervisory Review and Evaluation Process (SREP). The results will assist competent authorities in assessing BPER’s ability to meet applicable prudential requirements under stressed scenarios.
- the adverse stress test scenario set by the ECB/ESRB is particularly severe and covers a three-year time horizon (2023-2025).

BPER notes the announcements made about the EU-wide stress test and acknowledges the outcomes of the exercise.
The stress test was carried out under a static balance sheet assumption as at 31 December 2022 subject to a number of methodological constraints and without taking into consideration future business strategies and management actions. Therefore, the stress test results are not a forecast of the BPER Banca Group’s financial performance or capital adequacy.

BPER’s capital strength is confirmed by the following results, to be compared with a CET1 ratio fully loaded of 12.04% at the starting point (31 December 2022[12]):
- baseline scenario: 2025 fully loaded CET1 ratio at 16.00%, corresponding to 396 bps higher than the fully loaded CET1 ratio as at 31 December 2022;
- adverse scenario: 2025 fully loaded CET1 ratio at 7.89%, corresponding to 415 bps lower than the fully loaded CET1 ratio as at 31 December 2022.

2.4 Sustainability targets of the BPER Banca Group

In the BPER Banca Group’s view, sustainability should be understood as a real driver of global development, capable of improving competitiveness and building shared value for all stakeholders. The Bank is continuing along its path of sustainable growth with increasingly challenging goals, as set out in the United Nations 2030 Agenda for Sustainable Development and the principles of the UN Global Compact, which the Bank has been a member of since 2017.
The Business Plan of the BPER Banca Group presented on 10 June 2022 has traced the Group’s line of development in ESG with the aim of creating long-term shared value by focusing on sustainability issues as part of the corporate business model. Building on its international commitments, the Group intends to improve its leadership in the management of ESG issues in order to become more efficient, competitive and be a credible and reliable partner of its clients in creating a more sustainable, equitable and inclusive society.

In relation to the creation of value for stakeholders, the BPER Banca Group highlights its compliance with the time-schedule for the achievement of the challenging objectives set through the ESG Infusion tool in its Business Plan.
For more details on said project areas, please refer to the Sustainability Report as at 31 December 2022.

The Sustainability Report of the BPER Banca Group (containing the consolidated Non-Financial Statement required by Decree 254/16) is prepared according to the Guidelines of the Global Reporting Initiative - GRI Standards, with the aim of explaining to stakeholders how the wealth generated is redistributed across the areas of the Group's footprint and analyse its impact on the environment and society, with a 360 degree assessment of the market risks and opportunities present in the current operating environment.
This document, together with the

[12] These results are not comparable with the outcome of the corresponding exercise run in 2021, which BPER was excluded from due to the impact arising from the planned acquisition of the Intesa Sanpaolo Group’s carve-out.

- “TCFD Report”, which provides a detailed overview of the strategies and the actions implemented by the BPER Banca Group to manage risks and take advantage of opportunities related to climate change, as well as to allow stakeholders to better understand how the institution is integrating sustainability in its decisions and activities; and
- the Report "Principles for Responsible Banking” which contains assessments on the value chain, the steps taken and the commitments undertaken by the Group to achieve the UN Sustainable Development Goals

represent the actions the Institution is taking to highlight the initiatives implemented to promote responsible and sustainable banking, as well as to evaluate and manage environmental, social and governance risks.

ESG Management

During the first nine months of 2023, the BPER Banca Group carried out ESG management activities in the following main areas:
- quarterly monitoring of the progress of ESG projects contained in the Business Plan (ESG Infusion);
- Implementation of the masterplan of the interventions aimed at identifying and managing the climate-related and environmental risks identified by the GAP Analysis requested by the ECB;
- definition of the ESG KPIs to be included in the remuneration policies of the Top Managers and MRTs;
- coordination of Energy and Mobility management activities;
- implementation of the Energy Plan;
- launch of the “Piantiamola” competition to support soft mobility (racing between colleagues who reach the workplace by bicycle, on foot or with an electric scooter);
- Implementation of ESG Week, digital events for cultural dissemination on ESG issues (ESG Game, Impact Workshops);
- continuation of the national roadshow “Sustainability: present and future of Italian SMEs between risks and opportunities”, involving the Regional Departments;
- drafting of the CDP - Carbon Disclosure Project questionnaire;
- acquisition of the CSA - Corporate Sustainability Assessment rating from S&P (ESG rating) with a score improvement of 6 basis points;
- start of data collection activities and support for the S&P ESG Evaluation, Fitch ESG Evaluation, Sustainalytics (ESG rating);
- implementation of the ESG data needed for credit reporting and granting activities;
- activities for the definition of a sustainability rating system covering Group suppliers (a project included in the Business Plan);
- management of "unsolicited sustainability ratings" that assign a rating to the bank (for example MSCI ESG, ISS ESG, Moody’s Analytics);
- publication of the first decarbonisation targets of the credit portfolio for more emissions-intensive sectors defined as part of the Net Zero Banking Alliance project; the targets are in line with the Paris Agreement;
- implementation of the requirements of Legislative Decree no. 2088 on the transparency of financial markets in the ESG area;
- organisation and delivery of the “Ethics in BPER” course;
- definition of the Diversity Management Action Plan;
- monitoring of micro credit activities (Agreement with PerMicro and Ente Nazionale Microcredito);
- verification of full compliance with the Group Policy for the regulation of relationships between the BPER Group companies and defence operators, weapons manufacturers and dealers;
- collaboration with FEDUF (ABI Foundation for financial education and saving);
- design and implementation of financial education activities (e.g. project “GRANDE!”, project "Un passo verso il Futuro");
- implementation of projects with a positive social impact at national level (e.g. Present4Future, in collaboration with the Abele Group and B-education, financial education project for university students);
- promotion of activities against pathological gambling in collaboration with the "Avviso Pubblico" association and the ATS Health Protection Agency of Bergamo;
- participation in various working groups (ABI, Fondazione per l’Educazione Finanziaria e al Risparmio, Forum per la Finanza Sostenibile, Associazione aziende modenesi per la RSI, Impronta Etica, Centro Servizi per il Volontariato di Modena, etc.) OICBR about topics of Sustainability, sustainability reporting, Sustainable Finance, Climate Change, Welfare, financial inclusion;
- promotion of crowdfunding campaigns from customers and employees for important social causes;
- organisation of ‘Premi di Laurea’ (Graduation Awards) on issues linked to sustainable finance;
- confirmation of membership (and related reporting) of the Global Compact Network, Sodalitas, Impronta Etica and CSR Manager Network, and management of the related activities.

2.5 Other significant events

Evolution of BPER Real Estate: increase in share capital

On 8 February 2023, BPER Banca's Board of Directors resolved upon the transaction involving the paid and indivisible share capital increase of BPER Real Estate, with the exclusion of the option right, pursuant to art. 2441, paragraph 4, of the Italian Civil Code, to be reserved for subscription for the Parent Company BPER Banca, through the issue of new ordinary shares to be paid in kind through the transfer of some real estate units.
On 27 March 2023, the Extraordinary Shareholders' Meeting of the company BPER Real Estate S.p.A. was held, which resolved to increase its share capital from Euro 138,694,095 to Euro 159,233,925. The new ownership structure of the company after the share capital increase is as follows: BPER Banca owns 1,366,972 shares representing 74.6867% of the share capital and Banco di Sardegna owns 463,303 shares representing 25.3133% of the share capital.
These changes have been effective since 29 March 2023, when the notarial deed was registered with the Modena Companies Register.

Senior Non-Preferred Bond issuance

On 4 September 2023 (settlement date on 11 September 2023), BPER Banca successfully placed a Senior Non-Preferred Bond issuance for an amount of Euro 500 million with 6-year maturity and a call after year 5, targeting institutional investors.
The market confirmed its strong interest in BPER Banca. Orders were gathered from roughly 130 investors for a total of over Euro 1.3 billion.
Due to the strong and well-diversified demand, the initial guidance of 285 bps over the 5-year mid-swap rate was revised and set at 260 bps, resulting in an annual coupon of 5.750%, with an issue/re-offer price of 99.695%.
The geographical distribution sees participation from foreign investors (including 28% from Germany, Austria and Switzerland, 19% from the UK and Ireland, 8% from France and 6% from the USA and Canada) and Italian investors (32%).
The issuance once again confirms investors' interest and BPER's ability to access capital markets in different formats.
The issuance is part of the Euro 6 billion worth EMTN (Euro Medium Term Notes) programme centralised in dematerialised form at Euronext Securities Milan. The Notes are expected to be rated: Ba1 (Moody's)/ BB+ (Fitch)/ BBB (low) (DBRS).
The bond is listed on the Luxembourg Stock Exchange.
The transaction is consistent with the Bank's three-year Funding Plan (2023-2025), as communicated to the market during the presentation of the strategic plan.

Transfer of business unit by BPER Banca to Banca Cesare Ponti relating to the Wealth & Asset Management segment

Again as part of the initiatives to rationalise and streamline the structure of the BPER Group set out in the 2022-2025 Business Plan, preliminary activities got under way in preparation for BPER Banca's transfer of the business unit relating to the Wealth & Asset Management segment to BCP, based on a share capital increase of Banca Cesare Ponti, to be fully subscribed by BPER.
The transaction, which is planned to be brought to completion by the end of the first quarter of 2024, is subject to the adoption of the necessary resolutions by the respective governing bodies of Banca Cesare Ponti and BPER Banca, in addition to obtaining the required authorisations from the competent Supervisory Authorities.

2.6 Events after the reporting period as at 30 September 2023

Taxation of banks' "extra profits"

In relation to the extraordinary tax on the increase in net interest income, as provided for by Legislative Decree No. 104/2023, converted with amendments into Law No. 136 of 9 October 2023, on 8 November 2023, the Board of Directors of BPER Banca resolved upon the preliminary exercise of the option envisaged under Article 26, paragraph 5-*bis* of the Decree and, therefore, to submit a proposal to the 2024 Shareholders' Meeting to book part of the 2023 profit, for an amount of Euro 289.2 million, to a non-distributable reserve. At the behest of the Parent Company, a similar position was adopted by the subsidiary banks concerned by the provision (Banco di Sardegna, Bibanca and Banca Cesare Ponti), with the subsequent allocation of Euro 315.4 million to a non-distributable reserve at BPER Banca Group level, corresponding to 2.5 times the amount of the tax of Euro 126.2 million. Only in the event that this reserve is used for distribution to shareholders, will the extraordinary tax under article 26, plus interest per annum for an amount equal to the annual interest rate on deposits with the European Central Bank, become payable by the BPER Group.
In consideration of the above premises and technicalities of the tax, the results of the BPER Group as at 30 September 2023 were not affected by any charges. In application of its accounting policies, the BPER Group recognises this levy as being within the scope of IFRIC 21. Accordingly, the levy is recognised in profit or loss if an 'obligating event' occurs that gives rise to a liability to pay. In this specific case, the obligating event is triggered not only by the achievement of Net Interest Income exceeding the minimum threshold set by the law, but also by the Bank's decision to either pay the levy or to set up a non-distributable reserve. Having BPER Banca elected this latter option on a preliminary basis, no allocation to Profit or Loss is required.

3. Scope of consolidation of the BPER Banca Group

3.1 Composition of the Group as at 30 September 2023

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 30 September 2023, 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 consolidation methodology used for accounting purposes with that required for prudential reporting purposes. This is discussed further in the Consolidated explanatory notes to this Consolidated interim report on operations.

The scope of consolidated companies has changed compared to 31 December 2022 as:

- on 6 February 2023, the company Annia s.r.l. was incorporated, wholly-owned by BPER REOCO s.p.a. The company was incorporated in execution of the resolutions passed by the Parent Company aimed at defining the management of a UTP loan;
- on 29 March 2023, the deed for the merger by absorption of BPER Credit Management s.cons.p.a. into BPER Banca was stipulated. Please refer to the chapter in this Report entitled "*Significant events and strategic transactions*" for further details on the transaction;
- on 1 April 2023, the company Italiana Valorizzazioni Immobiliari was merged in BPER REOCO s.p.a. Please refer to the chapter in this Report entitled "*Significant events and strategic transactions*" for further details on the transaction;
- on 28 April 2023, the company Bridge Servicing s.p.a. was incorporated, wholly-owned by BPER Banca. The company was incorporated to support the BPER Banca Group to manage debt collection;
- on 1 July 2023, the company Sifà was merged into Unipolrental S.p.A. Please refer to the chapter in this Report entitled "*Significant events and strategic transactions*" for further details on the transaction.

Reported below are the percentages held by the Group[13] in each company, with further specific information provided, where necessary, by means of footnotes.

a) Banking 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 96.385% of the privileged shares, representing 99.457% of total capital;
4) Bibanca s.p.a., based in Sassari (99.130%)[14];
5) BPER Real Estate, based in Modena, real estate company (100%)[15];
6) Modena Terminal s.r.l., based in Campogalliano (Modena), the activities of which are the storage of goods, the storage and ageing of cheeses and the cold storage of meat and perishable products (100%);
7) BPER Factor s.p.a., based in Bologna, a factoring company (100%);
8) Optima s.p.a. SIM, based in Modena, investment broker (100%);
9) Sardaleasing s.p.a., based in Sassari, leasing company (99.779%)[16];
10) Arca Holding s.p.a.[17] based in Milan (57.061%);
11) Arca Fondi SGR s.p.a. based in Milan, asset management company wholly owned by Arca Holding s.p.a.;
12) Finitalia s.p.a. based in Milan, company that specialises in consumer lending (100%);
13) Banca Cesare Ponti s.p.a., based in Milan (100%);

[13] Unless otherwise specified, the percentage shown refers to the Parent Company.
[14] Held by: the Parent Company (78.608%) and Banco di Sardegna s.p.a. (20.522%).
[15] Held by: the Parent Company (74.687%) and Banco di Sardegna s.p.a. (25.313%).
[16] Held by: the Parent Company (52.846%) and Banco di Sardegna s.p.a. (46.933%).
[17] The company is not a member of the Banking Group.

14) BPER REOCO s.p.a., based in Milan, construction company (100%).

b) Other subsidiaries measured using the equity method[18]:

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%).
4) Carige Covered Bond s.r.l. based in Genoa, a vehicle for the issue of Covered Bonds under art. 7 *bis* of Law 130/99 (60%);
5) Carige Covered Bond 2 s.r.l. – in liquidation, based in Genoa, a vehicle for the issue of Covered Bonds under art. 7 *bis* of Law 130/99 (60%);
6) Argo Mortgage 2 S.r.l. - in liquidation, based in Genoa, a special purpose vehicle pursuant to Law no. 130/99 (60%);
7) Lanterna Finance s.r.l., based in Genoa, special vehicle company pursuant to Law no. 130/99 (5%);
8) Lanterna Lease s.r.l. - in liquidation, based in Genoa, a special purpose vehicle pursuant to Law no. 130/99 (5%);
9) Lanterna Mortgage s.r.l., based in Genoa, special vehicle company pursuant to Law no. 130/99 (5%);
10) Centro Fiduciario C.F. s.p.a. - in liquidation, based in Genoa, trust company (96.95%).

In addition to the above companies that belong to the Banking Group, the following direct and indirect subsidiaries are including in this cluster at 30 June 2023, even though they are not included in the Group since they do not contribute to its banking activities[19]:

- Adras s.p.a. (100%);
- Bridge Servicing s.p.a.(100%);
- St. Anna Golf s.r.l., 100% wholly-owned by BPER REOCO;
- Commerciale Piccapietra s.r.l. (100%);
- Annia s.r.l., wholly-owned by BPER REOCO.

St. Anna Gestione Golf Società Sportiva Dilettantistica s.r.l., a subsidiary of BPER REOCO through St. Anna Golf s.r.l., was excluded from the scope of consolidation as it was considered non-significant.

c) Associated companies consolidated under 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[20], 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[21]., based in Modena (45%);
9) Sarda Factoring s.p.a., based in Cagliari (21.484%)[22];
10) Lanciano Fiera - Polo fieristico d’Abruzzo - consortium based in Lanciano (33.333%);
11) Immobiliare Oasi nel Parco s.r.l., based in Milan (36.80%).
12) Autostrada dei Fiori s.p.a., based in Imperia (GE) (20.620%);
13) Nuova Erzelli s.r.l., based in Genoa (40%);
14) Unipolrental s.p.a., based in Reggio Emilia (19.987%);
15) Gility s.r.l. SB, based in Milan (50%).

[18] Following alignment of the scope of consolidation for accounting purposes with that used for supervisory purposes.
[19] Following alignment of the scope of consolidation for accounting purposes with that used for supervisory purposes.
[20]On 26 October 2023, the company Sofipo SA was definitively struck off the company register. Its liquidation was completed on 30 September 2022.
[21] The company was placed into liquidation on 4 July 2023.
[22] Held by: Banco di Sardegna s.p.a. (13.401%) and the Parent Company (8.083%).

4. The BPER Banca Group's results of operations

4.1 Balance sheet aggregates

The most important balance sheet aggregates and captions at 30 September 2023 are presented below on a comparative basis with 31 December 2022, in thousands of Euro, indicating the changes between periods in absolute and percentage terms.

For greater clarity in the presentation of the results for the period, the accounting schedules envisaged by the 8th update of Bank of Italy Circular no. 262/2005 are presented below on a reclassified basis. In particular:

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

Assets

(in thousands)

Assets	30.09.2023	31.12.2022	Changes	% Change
Cash and cash equivalents	11,590,509	13,997,441	(2,406,932)	-17.20
Financial assets	30,013,308	30,665,767	(652,459)	-2.13
a) Financial assets held for trading	731,259	707,498	23,761	3.36
b) Financial assets designated at fair value	1,969	2,381	(412)	-17.30
c) Other financial assets mandatorily measured at fair value	757,887	742,099	15,788	2.13
d) Financial assets measured at fair value through other comprehensive income	7,152,656	7,962,910	(810,254)	-10.18
e) Debt securities measured at amortised cost	21,369,537	21,250,879	118,658	0.56
- banks	6,601,134	6,596,865	4,269	0.06
- customers	14,768,403	14,654,014	114,389	0.78
Loans	88,545,999	94,193,207	(5,647,208)	-6.00
a) Loans to banks	1,769,525	2,885,583	(1,116,058)	-38.68
b) Loans to customers	86,672,062	91,174,835	(4,502,773)	-4.94
c) Loans mandatorily measured at fair value	104,412	132,789	(28,377)	-21.37
Hedging	1,668,355	1,808,515	(140,160)	-7.75
a) Hedging derivatives	1,690,412	1,808,515	(118,103)	-6.53
b) Change in value of macro-hedged financial assets (+/-)	(22,057)	-	(22,057)	n.s.
Equity investments	412,034	376,158	35,876	9.54
Property, plant and equipment	2,479,234	2,546,295	(67,061)	-2.63
Intangible assets	572,170	563,502	8,668	1.54
- of which: goodwill	197,624	204,392	(6,768)	-3.31
Other assets	8,175,211	8,151,909	23,302	0.29
Total assets	**143,456,820**	**152,302,794**	**(8,845,974)**	**-5.81**

Loans to customers

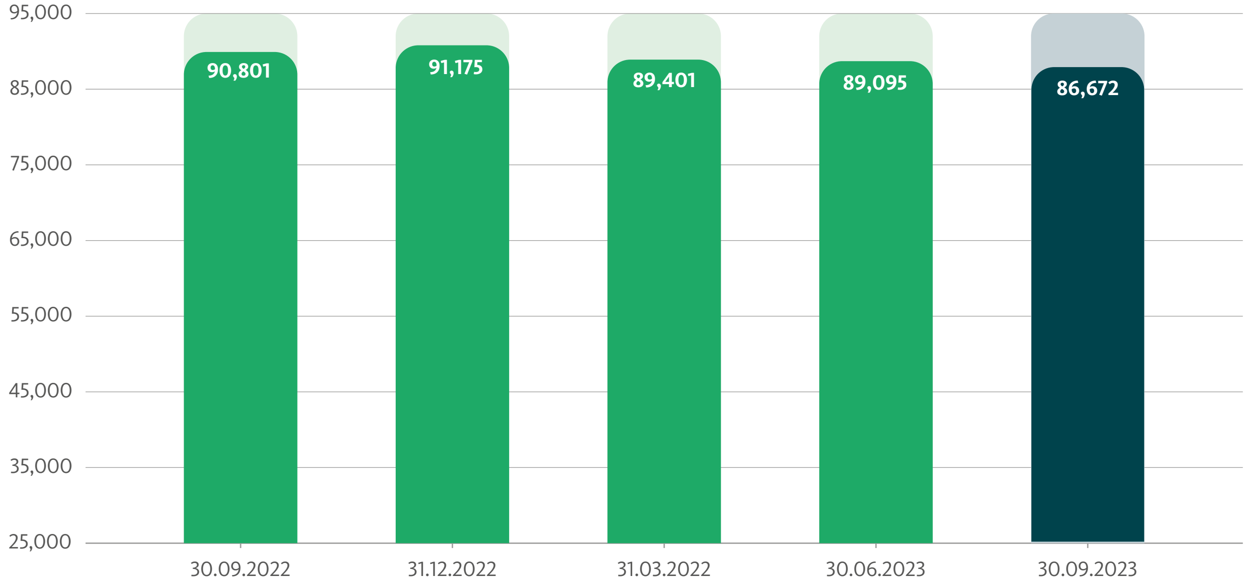
Net loans to customers are made up solely of the loans allocated to caption 40 b) "Financial assets measured at amortised cost – loans to customers" in the assets section of the balance sheet.

(in thousands)

Captions	30.09.2023	31.12.2022	Changes	% Change
Current accounts	5,219,261	5,482,779	(263,518)	-4.81
Mortgage loans	61,925,613	62,952,434	(1,026,821)	-1.63
Repurchase agreements	-	4,254	(4,254)	-100.00
Leases and factoring	4,430,638	5,051,671	(621,033)	-12.29
Other transactions	15,096,550	17,683,697	(2,587,147)	-14.63
Net loans to customers	**86,672,062**	**91,174,835**	**(4,502,773)**	**-4.94**

Loans to customers, net of adjustments, totalled Euro 86,672.1 million (Euro 91,174.8 million at 31 December 2022), down by Euro -4,502.8 million (-4.94%) compared to 31 December 2022. In terms of the various technical forms, the reduction totalled Euro -1,026.8 million (-1.63%) in mortgages, Euro -621.0 million in leasing and factoring transactions (-12.29%), Euro -263.5 million (-4.81%) in current accounts and Euro -2,587.1 million (-14.63%) in other transactions, the latter due primarily to the reduction in stage one and stage two loans of BPER Banca attributable primarily to "s.b.f." (subject to collection) advances, deposits at Cassa Depositi e Prestiti, in addition to other subsidies for a total of Euro 2,486.0 million.

Net loans to customers
in millions



(in thousands)

Captions	30.09.2023	31.12.2022	Changes	% Change
Gross non-performing exposures	**2,529,573**	**2,991,445**	**(461,872)**	**-15.44**
Bad loans	952,670	961,093	(8,423)	-0.88
Unlikely-To-Pay loans	1,336,956	1,871,880	(534,924)	-28.58
Past due loans	239,947	158,472	81,475	51.41
Gross performing exposures	**86,326,278**	**90,589,650**	**(4,263,372)**	**-4.71**
Total gross exposure	**88,855,851**	**93,581,095**	**(4,725,244)**	**-5.05**
Impairment losses on non-performing exposures	**1,449,279**	**1,706,790**	**(257,511)**	**-15.09**
Bad loans	753,486	740,176	13,310	1.80
Unlikely-To-Pay loans	627,544	916,779	(289,235)	-31.55
Past due loans	68,249	49,835	18,414	36.95
Impairment losses on performing exposures	**734,510**	**699,470**	**35,040**	**5.01**
Total impairment losses	**2,183,789**	**2,406,260**	**(222,471)**	**-9.25**
Net non-performing exposures	**1,080,294**	**1,284,655**	**(204,361)**	**-15.91**
Bad loans	199,184	220,917	(21,733)	-9.84
Unlikely-To-Pay loans	709,412	955,101	(245,689)	-25.72
Past due loans	171,698	108,637	63,061	58.05
Net performing exposures	**85,591,768**	**89,890,180**	**(4,298,412)**	**-4.78**
Total net exposure	**86,672,062**	**91,174,835**	**(4,502,773)**	**-4.94**

At 30 September 2023, the provisions relating to non-performing loans amounted to Euro 1,449.3 million (Euro 1,706.8 million at 31 December 2022; -15.09%), for a coverage ratio of 57.29% (57.06% at 31 December 2022), while the provisions for performing loans amounted to Euro 734.5 million (Euro 699.5 million at 31 December 2022; +5.01%) and give a coverage ratio of to 0.85% (0.77% at 31 December 2022).
Considering the direct write-offs made for an amount of Euro 50.6 million (Euro 68.5 million at 31 December 2022) on outstanding bad loans due to insolvency procedures, the coverage ratio would rise to 58.13% (58.02% at 31 December 2022).
The overall level of credit coverage came to 2.46%, down compared to 2.57% as at 31 December 2022 due to the transfers of NPLs (UTPs in particular) completed in the nine months of 2023. Based on the same considerations made above concerning direct write-offs, the total effective coverage of loans comes to 2.51% (2.64% at 31 December 2022).

(in thousands)

Loans to customers	30.09.2023		31.12.2022		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. BPER Banca s.p.a.	77,251,180	75,645,040	82,120,863	80,376,740	-5.93	-5.89	2.08
2. BPER Bank Luxembourg s.a.	310,185	303,784	212,805	207,092	45.76	46.69	2.06
3. Bibanca s.p.a.	3,388,175	3,331,442	3,100,919	3,053,192	9.26	9.11	1.67
4. Banco di Sardegna s.p.a.	7,066,673	6,893,543	7,317,602	7,021,175	-3.43	-1.82	2.45
5. Banca Cesare Ponti s.p.a.	38,295	38,001	43,128	42,900	-11.21	-11.42	0.77
Total banks	**88,054,508**	**86,211,810**	**92,795,317**	**90,701,099**	**-5.11**	**-4.95**	**2.09**
6. Sardaleasing s.p.a.	3,486,205	3,181,877	3,659,519	3,385,856	-4.74	-6.02	8.73
7. BPER Factor s.p.a.	1,539,676	1,512,229	1,948,903	1,922,148	-21.00	-21.33	1.78
8. Finitalia s.p.a.	462,112	452,796	653,101	641,477	-29.24	-29.41	2.02
9. BPER Real Estate s.p.a.	1,897	1,897	263	263	621.29	621.29	-
Other companies and consolidation adjustments	(4,688,547)	(4,688,547)	(5,476,008)	(5,476,008)	-14.38	-14.38	-
Balance sheet total	**88,855,851**	**86,672,062**	**93,581,095**	**91,174,835**	**-5.05**	**-4.94**	**2.46**

Net non-performing loans amount to Euro 1,080.3 million (-15.91% on 31 December 2022), equal to 1.25% of total net loans to customers (1.41% at 31 December 2022), whereas, on a gross basis, the ratio of non-performing loans to loans to customers is 2.85% (3.20% at 31 December 2022).
The coverage of non-performing loans of 57.29% has increased compared with 31 December 2022 (57.06%).

(in thousands)

Non-performing loans	30.09.2023		31.12.2022		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. BPER Banca s.p.a.	1,850,490	871,815	2,179,899	1,017,486	-15.11	-14.32	52.89
2. BPER Bank Luxembourg s.a.	9,928	4,239	9,540	4,402	4.07	-3.70	57.30
3. Bibanca s.p.a.	75,689	36,123	58,166	28,853	30.13	25.20	52.27
4. Banco di Sardegna s.p.a.	194,983	67,622	328,032	86,098	-40.56	-21.46	65.32
5. Banca Cesare Ponti s.p.a.	634	460	567	407	11.82	13.02	27.44
Total banks	**2,131,724**	**980,259**	**2,576,204**	**1,137,246**	**-17.25**	**-13.80**	**54.02**
6. Sardaleasing s.p.a.	350,856	82,015	363,043	123,902	-3.36	-33.81	76.62
7. BPER Factor s.p.a.	39,113	15,073	42,474	20,036	-7.91	-24.77	61.46
8. Finitalia s.p.a.	7,880	2,947	9,724	3,471	-18.96	-15.10	62.60
Balance sheet total	**2,529,573**	**1,080,294**	**2,991,445**	**1,284,655**	**-15.44**	**-15.91**	**57.29**
Direct write-offs of bad loans	50,648	-	68,495	-	-26.06	n.s.	100.00
Adjusted total	**2,580,221**	**1,080,294**	**3,059,940**	**1,284,655**	**-15.68**	**-15.91**	**58.13**
Non-performing loans (balance sheet total)/Loans to customers	**2.85%**	**1.25%**	**3.20%**	**1.41%**			

Net bad loans amount to Euro 199.2 million (-9.84% on 31 December 2022), accounting for 0.23% of total net loans to customers (0.24% at 31 December 2022), whereas, on a gross basis, the ratio of bad loans to total loans to customers comes to 1.07% (1.03% at 31 December 2022). The coverage of bad loans is 79.09%, up from 77.01% at 31 December 2022.

(in thousands)

Bad loans	30.09.2023		31.12.2022		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. BPER Banca s.p.a.	570,350	143,943	453,215	120,126	25.85	19.83	74.76
2. BPER Bank Luxembourg s.a.	430	-	430	-	-	n.s.	100.00
3. Bibanca s.p.a.	18,440	2,081	15,445	2,773	19.39	-24.95	88.71
4. Banco di Sardegna s.p.a.	92,706	14,360	210,965	35,961	-56.06	-60.07	84.51
5. Banca Cesare Ponti s.p.a.	45	31	163	81	-72.39	-61.73	31.11
Total banks	**681,971**	**160,415**	**680,218**	**158,941**	**0.26**	**0.93**	**76.48**
6. Sardaleasing s.p.a.	242,388	33,862	252,746	56,907	-4.10	-40.50	86.03
7. BPER Factor s.p.a.	24,934	3,925	23,632	3,834	5.51	2.37	84.26
8. Finitalia s.p.a.	3,377	982	4,497	1,235	-24.91	-20.49	70.92
Balance sheet total	**952,670**	**199,184**	**961,093**	**220,917**	**-0.88**	**-9.84**	**79.09**
Direct write-offs of bad loans	50,648	-	68,495	-	-26.06	n.s.	100.00
Adjusted total	**1,003,318**	**199,184**	**1,029,588**	**220,917**	**-2.55**	**-9.84**	**80.15**
Bad loans (Balance sheet total)/Loans to customers	**1.07%**	**0.23%**	**1.03%**	**0.24%**			

Net unlikely-to-pay loans total Euro 709.4 million (-25.72% compared with 31 December 2022), representing 0.82% of total net loans to customers (1.05% at 31 December 2022), while on a gross basis the ratio is 1.50% (2.00% at 31 December 2022).

The coverage of unlikely-to-pay loans decreased to 46.94%, compared with 48.98% as at 31 December 2022, due to the disposals completed in the first nine months of 2023.

(in thousands)

Unlikely-To-Pay loans	30.09.2023		31.12.2022		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. BPER Banca s.p.a.	1,129,949	617,495	1,629,038	830,228	-30.64	-25.62	45.35
2. BPER Bank Luxembourg s.a.	7,434	2,708	7,445	3,223	-0.15	-15.98	63.57
3. Bibanca s.p.a.	15,171	8,668	13,243	8,274	14.56	4.76	42.86
4. Banco di Sardegna s.p.a.	79,238	36,165	99,489	37,152	-20.36	-2.66	54.36
5. Banca Cesare Ponti s.p.a.	462	328	404	326	14.36	0.61	29.00
Total banks	**1,232,254**	**665,364**	**1,749,619**	**879,203**	**-29.57**	**-24.32**	**46.00**
6. Sardaleasing s.p.a.	91,483	35,598	100,363	58,951	-8.85	-39.61	61.09
7. BPER Factor s.p.a.	10,042	7,252	18,182	15,581	-44.77	-53.46	27.78
8. Finitalia s.p.a.	3,177	1,198	3,716	1,366	-14.50	-12.30	62.29
Balance sheet total	**1,336,956**	**709,412**	**1,871,880**	**955,101**	**-28.58**	**-25.72**	**46.94**
Unlikely to pay loans/Loans to customers	**1.50%**	**0.82%**	**2.00%**	**1.05%**			

The net amount of past due loans of Euro 171.7 million (+58.05% compared with 31 December 2022) represents 0.20% of total net loans to customers (0.12% at 31 December 2022), whereas on a gross basis the ratio of past due loans to total loans to customers is 0.27% (0.17% at 31 December 2022). The coverage of past due loans is 28.44% (31.45% at 31 December 2022).

(in thousands)

Past due loans	30.09.2023		31.12.2022		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. BPER Banca s.p.a.	150,191	110,377	97,646	67,132	53.81	64.42	26.51
2. BPER Bank Luxembourg s.a.	2,064	1,531	1,665	1,179	23.96	29.86	25.82
3. Bibanca s.p.a.	42,078	25,374	29,478	17,806	42.74	42.50	39.70
4. Banco di Sardegna s.p.a.	23,039	17,097	17,578	12,985	31.07	31.67	25.79
5. Banca Cesare Ponti s.p.a.	127	101	-	-	n.s.	n.s.	20.47
Total banks	**217,499**	**154,480**	**146,367**	**99,102**	**48.60**	**55.88**	**28.97**
5. Sardaleasing s.p.a.	16,985	12,555	9,934	8,044	70.98	56.08	26.08
6. BPER Factor s.p.a.	4,137	3,896	660	621	526.82	527.38	5.83
7. Finitalia s.p.a.	1,326	767	1,511	870	-12.24	-11.84	42.16
Balance sheet total	**239,947**	**171,698**	**158,472**	**108,637**	**51.41**	**58.05**	**28.44**
Past due loans/Loans to customers	**0.27%**	**0.20%**	**0.17%**	**0.12%**			

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

(in thousands)

Distribution of loans	30.09.2023	%
A. Agriculture, forestry and fishing	1,005,109	1.16
B. Mining and quarrying	67,723	0.08
C. Manufacturing	12,926,180	14.91
D. Provision of electricity, gas, steam and air-conditioning	724,570	0.84
E. Provision of water, sewerage, waste management and rehabilitation	726,782	0.84
F. Construction	2,937,985	3.39
G. Wholesaling and retailing, car and motorcycle repairs	6,921,628	7.99
H. Transport and storage	1,343,138	1.55
I. Hotel and restaurants	1,785,052	2.06
J. Information and communication	1,120,212	1.29
K. Financial and insurance activities	231,417	0.27
L. Real estate	3,945,528	4.55
M. Professional, scientific and technical activities	2,195,475	2.53
N. Rentals, travel agencies, business support services	1,346,318	1.55
O. Public administration and defence, compulsory social security	25,932	0.03
P. Education	49,490	0.06
Q. Health and welfare	588,912	0.68
R. Arts, sport and entertainment	201,825	0.23
S. Other services	480,276	0.55
Total loans to non-financial corporates	**38,623,552**	**44.56**
Individuals and other not included above	41,064,750	47.38
Financial companies	4,057,734	4.68
Insurance	57,513	0.07
Governments and other public entities	2,868,513	3.31
Total loans	**86,672,062**	**100.00**

Financial assets and equity investments

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

(in thousands)

Captions	30.09.2023	31.12.2022	Changes	% Change
Financial assets measured at fair value through profit or loss	1,491,115	1,451,978	39,137	2.70
- of which derivatives	*625,003*	*593,323*	*31,680*	*5.34*
Financial assets at fair value through other comprehensive income	7,152,656	7,962,910	(810,254)	-10.18
Debt securities measured at amortised cost	21,369,537	21,250,879	118,658	0.56
a) banks	6,601,134	6,596,865	4,269	0.06
b) customers	14,768,403	14,654,014	114,389	0.78
Total financial assets	**30,013,308**	**30,665,767**	**(652,459)**	**-2.13**

Financial assets amount to Euro 30,013.3 million, including Euro 28,085.8 million of debt securities (93.58% of the total). Of these, Euro 14,926.6 million relates to sovereign States and Central Banks (in line compared to 31 December 2022, Euro 15,057.2 million) and Euro 9,152.1 million to Banks (down 3.54% on 31 December 2022). Equity instruments come to Euro 627.8 million (2.09% of total), inclusive of Euro 547.1 million of stable equity investments classified in the FVOCI portfolio, Euro 60.1 million in securities held for trading (FVTPL) and Euro 20.6 million in other equity instruments (SICAV and UCITS), mandatorily measured at FVTPL.
"Financial assets held for trading" include derivatives for an amount of Euro 625.0 million, up from 31 December 2022 (+5.34%), 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	30.09.2023	31.12.2022	Changes	% Change
1. BPER Banca s.p.a.	27,722,982	28,495,795	(772,813)	-2.71
2. BPER Bank Luxembourg s.a.	149,783	144,797	4,986	3.44
3. Bibanca s.p.a.	13,946	12,495	1,451	11.61
4. Banco di Sardegna s.p.a.	1,941,593	1,835,866	105,727	5.76
5. Banca Cesare Ponti s.p.a.	142,379	141,155	1,224	0.87
Total banks	**29,970,683**	**30,630,108**	**(659,425)**	**-2.15**
Other companies and consolidation adjustments	42,625	35,659	6,966	19.54
Total	**30,013,308**	**30,665,767**	**(652,459)**	**-2.13**

(in thousands)

Captions	30.09.2023	31.12.2022	Changes	% Change
Equity investments	412,034	376,158	35,876	9.54
of which subsidiaries	*6,472*	*34,108*	*(27,636)*	*-81.02*
of which associates	*405,562*	*342,050*	*63,512*	*18.57*

Following alignment of the scope of consolidation with that used for prudential reporting purposes, as discussed in detail in the Explanatory Notes, this caption comprises significant investments (non-Group companies subject to significant influence, usually being investments in which the equity interest is greater than or equal to 20%), subsidiaries that are not part of the Banking Group since they do not contribute to its banking activities, and Group companies not meeting the requirements of art. 19 of Regulation (EU) 575/2013 that are measured using the equity method.
The main change in the period relates to the merger by absorption of *SIFA'* – Società Italiana Flotte Aziendali – into Unipol Rental, effective from 1 July 2023, which impacted both the reduction of the balance of equity investments in subsidiaries (derecognition of the equity investment in Sifà), and the increase in equity investments in associated companies, having classified in this category the new shares representing UnipolRental's capital (Euro 50 million).

Fixed assets

(in thousands)

Captions	30.09.2023	31.12.2022	Changes	% Change
Intangible assets	572,170	563,502	8,668	1.54
of which goodwill	*197,624*	*204,392*	*(6,768)*	*-3.31*

The goodwill shown in "Intangible assets" amounts to Euro 197.6 million, down by 3.31% compared with 31 December 2022 due to the complete write-down of the goodwill allocated to the BPER Factor CGU. The breakdown of "Goodwill" at 30 September 2023 is provided below:

(in thousands)

Goodwill	30.09.2023	31.12.2022
Banks/Other companies	**197,624**	**204,392**
- Banco di Sardegna s.p.a.	*27,606*	*27,606*
- BPER Factor s.p.a.	-	*6,768*
- Arca Holding s.p.a.	*170,018*	*170,018*
Total	**197,624**	**204,392**

As at 30 September 2023, the parameters underlying the model used to conduct the impairment test were re-verified to confirm the absence of additional impairment triggers. The impairment test did not result in new impairment triggers with respect to evidence as at 30 June 2023, determining, at said date, the need for the full write-down of the goodwill allocated to the CGU BPER Factor, amounting to Euro 6,768 thousand. Please refer to the Explanatory Notes below for further details.

Interbank and liquidity position

The values of loans to banks only include the component of “Loans” allocated to caption 40 a) “Financial assets measured at amortised cost – loans to banks” and “Current accounts and demand deposits” allocated to caption 10 “Cash and cash equivalents” in the assets section of the balance sheet.

(in thousands)

Net interbank position	30.09.2023	31.12.2022	Changes	% Change
A. Loans to banks	**12,612,833**	**16,058,404**	**(3,445,571)**	**-21.46**
- Loans	**1,769,525**	**2,885,583**	**(1,116,058)**	**-38.68**
1. Current accounts and deposits	75,013	234,376	(159,363)	-67.99
2. Repurchase agreements	301,788	358,702	(56,914)	-15.87
3. Compulsory reserve	1,036,674	1,347,747	(311,073)	-23.08
4. Other	356,050	944,758	(588,708)	-62.31
- Current accounts and demand deposits	**10,843,308**	**13,172,821**	**(2,329,513)**	**-17.68**
1. with Central Banks	10,489,820	12,706,014	(2,216,194)	-17.44
2. with Banks	353,488	466,807	(113,319)	-24.28
B. Due to banks	**9,040,536**	**22,000,489**	**(12,959,953)**	**-58.91**
Total (A-B)	**3,572,297**	**(5,942,085)**	**9,514,382**	**-160.12**

The net interbank position as at 30 September 2023 improved by Euro 9,514.4 million compared to 31 December 2022. As at 30 September 2023, investments decreased in “overnight” deposits at Central Banks which, as at 30 September 2023, amounted to Euro 10,489.8 million (-17.44% compared to 31 December 2022) due to lower cash and cash equivalents to be invested as a result of repayments at maturity of two tranches of TLTRO.

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

(in millions)

Refinancing operations with the European Central Bank	Currency	Principal	Maturity
Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	1,670	27.03.2024
Total		**1,670**	

As at 30 September 2023, the BPER Group had Euro 1,670 million worth of TLTRO III operations outstanding, as against Euro 15,880 million in place as at 31 December 2022. The decrease is due to some auctions that have expired: on 29 March 2023, the auction with value date 25 March 2020 expired, for a nominal amount of Euro 800 million, on 28 June 2023 the auction with value date 24 June 2020 expired, for a nominal amount of Euro 9,700 million, and on 27 September 2023, the auction with value date 30 September 2020 expired for a nominal amount of Euro 3,710 million.

(in millions)

Counterbalancing Capacity	Guarantee value	Encumbered portion	Unencumbered portion
Eligible securities and loans	**33,512**	10,853	22,659
- of which Securities and loans transferred to the Pooling Account	*11,227*	*1,688*	*9,539*

At 30 September 2023, 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 33,512 million (Euro 35,360 million at 30 June 2023). The unencumbered portion amounts to Euro 22,659 million (Euro 23,546 million at 30 June 2023). Of the amount held in the Treasury, as at 30 September 2023, a total of Euro 11,227 million, refinanced for Euro 1,688 million, therefore with Euro 9,539 million still available, is attributable to the Pooling account (as at 30 June 2023 securities eligible for refinancing totalling Euro 20,511 million were held in the Pooling Account, refinanced for Euro 5,370 million, therefore with Euro 15,141 million still available).

Liabilities and shareholders' equity

(in thousands)

Liabilities and shareholders' equity	30.09.2023	31.12.2022	Changes	% Change
Due to banks	9,040,536	22,000,489	(12,959,953)	-58.91
Direct deposits	120,127,436	114,831,032	5,296,404	4.61
a) Due to customers	107,693,964	107,414,943	279,021	0.26
b) Debt securities issued	10,666,782	6,536,891	4,129,891	63.18
c) Financial liabilities designated at fair value	1,766,690	879,198	887,492	100.94
Financial liabilities held for trading	425,494	471,598	(46,104)	-9.78
Hedging	81,547	231,689	(150,142)	-64.80
a) Hedging derivatives	311,753	512,981	(201,228)	-39.23
b) Change in value of macro-hedged financial liabilities (+/-)	(230,206)	(281,292)	51,086	-18.16
Other liabilities	4,728,131	6,647,457	(1,919,326)	-28.87
Minority interests	189,751	180,356	9,395	5.21
Shareholders' equity pertaining to the Parent Company	8,863,925	7,940,173	923,752	11.63
a) Valuation reserves	86,319	60,681	25,638	42.25
b) Reserves	4,201,976	2,944,603	1,257,373	42.70
c) Equity instruments	150,000	150,000	-	-
d) Share premium reserve	1,236,528	1,237,276	(748)	-0.06
e) Share capital	2,104,316	2,104,316	-	-
f) Treasury shares	(2,284)	(5,678)	3,394	-59.77
g) Profit (Loss) for the period	1,087,070	1,448,975	(361,905)	-24.98
Total liabilities and shareholders' equity	**143,456,820**	**152,302,794**	**(8,845,974)**	**-5.81**

Deposits

(in thousands)

Captions	30.09.2023	31.12.2022	Changes	% Change
Current accounts and demand deposits	96,256,933	102,489,461	(6,232,528)	-6.08
Time deposits	2,909,862	1,221,563	1,688,299	138.21
Repurchase agreements	3,896,638	-	3,896,638	n.s.
Lease liabilities	327,083	349,651	(22,568)	-6.45
Other short-term loans	4,303,448	3,354,268	949,180	28.30
Bonds	10,155,661	6,307,775	3,847,886	61.00
- subscribed for by institutional customers	9,597,111	5,983,336	3,613,775	60.40
- subscribed for by ordinary customers	558,550	324,439	234,111	72.16
Certificates	1,766,690	879,198	887,492	100.94
Certificates of deposit	511,121	229,116	282,005	123.08
Direct deposits from customers	**120,127,436**	**114,831,032**	**5,296,404**	**4.61**
Indirect deposits (off-balance sheet figure)	**140,201,452**	**138,875,198**	**1,326,254**	**0.95**
- of which under management	61,580,615	60,597,120	983,495	1.62
- of which under administration	78,620,837	78,278,078	342,759	0.44
Customer funds under administration	**260,328,888**	**253,706,230**	**6,622,658**	**2.61**
Deposits from banks	9,040,536	22,000,489	(12,959,953)	-58.91
Funds under administration or management	**269,369,424**	**275,706,719**	**(6,337,295)**	**-2.30**

Direct deposits from customers of Euro 120,127.4 million have increased by 4.61% since 31 December 2022.
As regards the main types, the main one to record a negative balance change was current accounts and demand deposits for Euro -6,232.5 million (-6.08%), while term deposits recorded an increase of Euro 1,688.3 million (+138.21%), repurchase agreements rose by Euro 3,896.6 million (n.s. %) and bonds increased by Euro 3,847.9 million (+61.00%), the latter due to the new BPER Banca bond issuances for institutional customers in the first nine months of 2023, as well as certificates for Euro 887.5 million (+100.94%), due to new issuances by the Parent Company BPER Banca in the period.
Indirect customer deposits, marked to market, amounted to Euro 140,201.5 million, up by Euro 1,326.3 million (+0.95%) compared to 31 December 2022, given the positive market trend recorded in the period.
Total funds under administration or management by the Group, including deposits from banks (Euro 9,040.5 million) amount to Euro 269,369.4 million.

(in thousands)

Direct deposits	30.09.2023	31.12.2022	Changes	% Change
1. BPER Banca s.p.a.	107,433,589	102,208,104	5,225,485	5.11
2. BPER Bank Luxembourg s.a.	439,541	603,465	(163,924)	-27.16
3. Bibanca s.p.a.	258,524	262,666	(4,142)	-1.58
4. Banco di Sardegna s.p.a.	12,080,448	11,741,914	338,534	2.88
5. Banca Cesare Ponti s.p.a.	245,834	289,381	(43,547)	-15.05
Total banks	**120,457,936**	**115,105,530**	**5,352,406**	**4.65**
Other companies and consolidation adjustments	(330,500)	(274,498)	(56,002)	20.40
Total	**120,127,436**	**114,831,032**	**5,296,404**	**4.61**

Direct funding includes subordinated liabilities:

(in thousands)

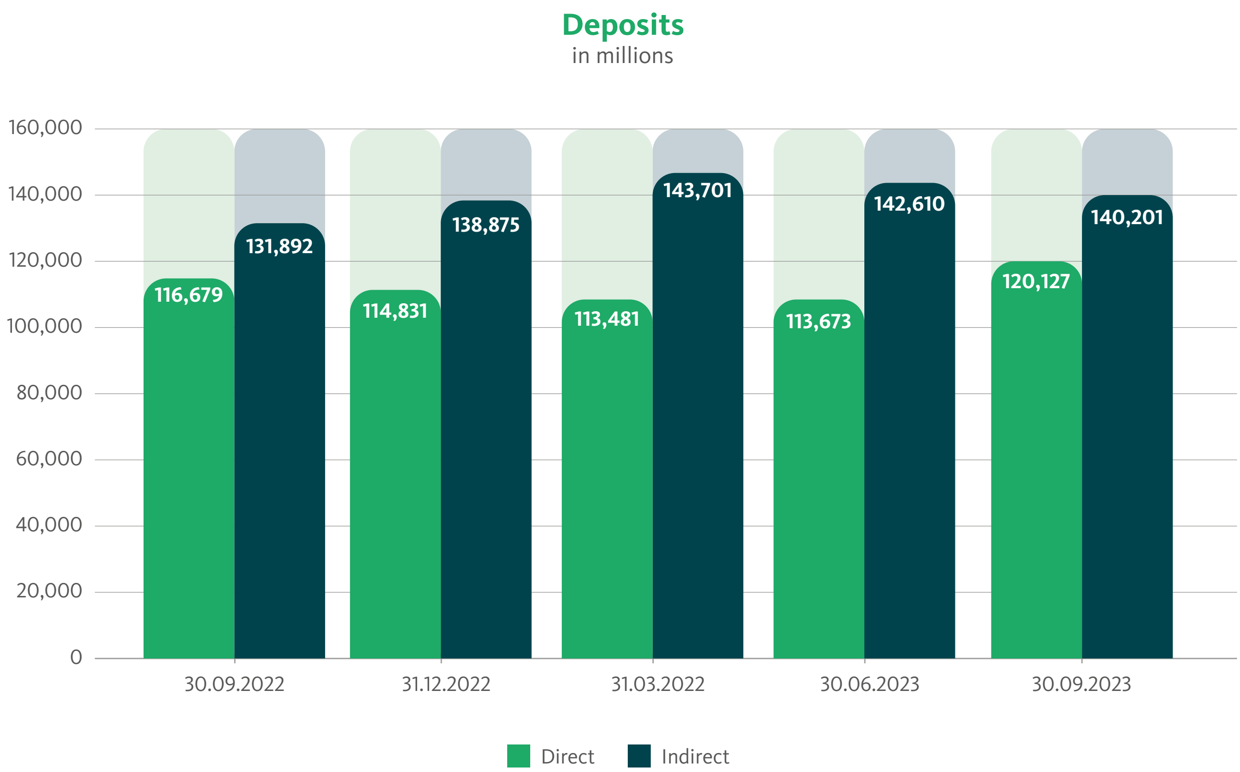
Captions	30.09.2023	31.12.2022	Changes	% Change
Non-convertible subordinated liabilities	1,663,657	1,646,723	16,934	1.03
Total Subordinated liabilities	**1,663,657**	**1,646,723**	**16,934**	**1.03**

Subordinated loans outstanding, with a book value of Euro 1,663.7 million, have remained stable compared with 31 December 2022. As was the case in December 2022, there are no convertible subordinated liabilities at 30 September 2023.

(in thousands)

Indirect deposits	30.09.2023	31.12.2022	Changes	% Change
1. BPER Banca s.p.a.	119,885,399	120,395,078	(509,679)	-0.42
2. BPER Bank Luxembourg s.a.	1,923,034	1,623,374	299,660	18.46
3. Banco di Sardegna s.p.a.	5,020,257	4,444,970	575,287	12.94
4. Banca Cesare Ponti s.p.a.	1,001,519	915,096	86,423	9.44
Total banks	**127,830,209**	**127,378,518**	**451,691**	**0.35**
5. Arca Fondi SGR s.p.a.	34,039,730	31,804,032	2,235,698	7.03
Other companies and consolidation adjustments	(21,668,487)	(20,307,352)	(1,361,135)	6.70
Total	**140,201,452**	**138,875,198**	**1,326,254**	**0.95**

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



Indirect deposits reported above do not include the amount arising from placement of insurance policies; the stock of customer assets invested in insurance products has decreased by -7.14% since 31 December 2022, due to the reduction of new life insurance policies.

(in thousands)

Bancassurance	30.09.2023	31.12.2022	Changes	% Change
Insurance premiums portfolio	**22,764,767**	**24,515,939**	**(1,751,172)**	**-7.14**
- of which life	*22,483,175*	*24,279,279*	*(1,796,104)*	*-7.40*
- of which non-life	*281,592*	*236,660*	*44,932*	*18.99*

If life insurance premiums are added to indirect deposits, the total comes to Euro 84,063.8 million, which accounts for 51.67% of the overall total of indirect deposits (assets under administration and assets under management) and life insurance premiums (Euro 162,684.6 million).

Shareholders' equity

(in thousands)

Captions	30.09.2023	31.12.2022	Changes	% Change
Shareholders' equity pertaining to the Parent Company	**8,863,925**	**7,940,173**	**923,752**	**11.63**
- of which profit (loss) for the period	*1,087,070*	*1,448,975*	*(361,905)*	*-24.98*
- of which shareholders' equity excluding profit (loss) for the period	*7,776,855*	*6,491,198*	*1,285,657*	*19.81*

(in thousands)

Captions	30.09.2023	31.12.2022	Changes	% Change
Minority interests	**189,751**	**180,356**	**9,395**	**5.21**
- of which profit (loss) for the period pertaining to minority interests	*22,740*	*24,905*	*(2,165)*	*-8.69*
- of which shareholders' equity pertaining to minority interests excluding their share of profit (loss) for the period	*167,011*	*155,451*	*11,560*	*7.44*

(in thousands)

Shareholders' equity	30.09.2023	31.12.2022	Changes	% Change
1. BPER Banca s.p.a.	7,349,532	6,214,593	1,134,939	18.26
2. BPER Bank Luxembourg s.a.	63,958	60,776	3,182	5.24
3. Bibanca s.p.a.	306,113	297,895	8,218	2.76
4. Banco di Sardegna s.p.a.	911,346	885,863	25,483	2.88
5. Banca Cesare Ponti s.p.a.	30,701	26,137	4,564	17.46
Total banks	**8,661,650**	**7,485,264**	**1,176,386**	**15.72**
Other companies and consolidation adjustments	(717,784)	(838,615)	120,831	-14.41
Total	**7,943,866**	**6,646,649**	**1,297,217**	**19.52**
Profit (Loss) for the period pertaining to the Parent Company	1,087,070	1,448,975	(361,905)	-24.98
Profit (loss) for the period pertaining to minority interests	22,740	24,905	(2,165)	-8.69
Total shareholders' equity	**9,053,676**	**8,120,529**	**933,147**	**11.49**

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 572.2 million) amounted to Euro 8,481.5 million.

4.2 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) of 20 May 2019, 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 Italy's Circular 285, published on 17 December 2013 and subsequent updates.
The scope of consolidation for accounting purposes is the same as that used for prudential reporting purposes: companies excluded are treated in the same way as the Banks and Companies subject to significant influence and consolidated under the equity method.

As at 30 September 2023, 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 perimeter includes:

- BPER Banca, Banco di Sardegna and Bibanca (ECB authorisation of 24 June 2016);
- Banca Carige and subsidiaries (approved by the Board of Directors of the Parent Company on 7 July 2022 and subsequently transmitted to the ECB);
- former Cassa di risparmio di Saluzzo, former UBI Banca and former Unipol Banca (ECB authorisation of 16 February 2023 and of 29 June 2023)[23].

In relation to the Internal Rating System, through the Final Decision issued as a result of its latest Internal Model Investigation in February 2023, the ECB issued its authorisation of material model changes to the internal models and the extension of the IRB models to former Cassa di Risparmio di Saluzzo and former UBI Banca exposures.

[23] The former Cassa di Risparmio di Saluzzo and former UBI Banca exposures fall under the new system starting from the Supervisory Reports as of 31 March 2023; the former Unipol exposures fall under the Supervisory Reports of 30 June 2023.

The new internal rating system has been in use since the supervisory reports of 31 March 2023 and for management purposes since May 2023.
In addition, the new IRB models were extended to former Unipol Banca exposures by the Supervisory Reports as at 30 June 2023, with the ECB having confirmed, on said date, the resolution of Condition 1 set forth in the aforementioned Final Decision and having authorised said extension.

The other BPER Banca Group companies and asset classes not included in the roll-out plan will continue to use the Standardised Approach.

On 25 January 2022, after completion of the annual Supervisory Review and Evaluation Process for 2021, BPER Banca received its SREP Letter from the ECB. On 31 August 2022, in light of the acquisition of Banca Carige, the European Central Bank notified BPER Banca of its updated decision on the prudential requirements to be complied with on a consolidated basis, pursuant to art. 16 of Regulation (EU) n. 1024/2013.
BPER Banca has to maintain a minimum consolidated capital ratio in terms of Common Equity Tier 1 of 8.38%, consisting of the sum of the minimum regulatory Pillar 1 requirement of 4.5%, the additional Pillar 2 requirement of 1.38%[24] and the Capital Conservation Buffer of 2.5%.
This requirement is also influenced by the additional Countercyclical Capital Buffer requirement specified for the BPER Banca Group of 0.0379% at 30 September 2023, for an overall minimum requirement to be complied with of 8.42%.
With respect to said limit, the amount of available equity (Fully Phased-in CET1) as at 30 September 2023 is quantified at Euro 3,381 million (roughly 650 *b.p.* of CET1).

With regard to the above, the amount calculated for CET1 as at 30 September 2023 includes that portion of the profit for the period allocable to equity, Euro 733.1 million, as determined in accordance with the process envisaged in art. 3 of ECB Decision (EU) 656/2015 dated 4 February 2015 and art. 26, para. 2 of Regulation (EU) 575/2013 (CRR) for its inclusion.

It should further be noted that the results of the BPER Group as at 30 September 2023 are not affected by any charges related to the "Extraordinary tax on the increase in net interest income", as provided for by Legislative Decree No. 104/2023, converted with amendments into Law No. 136 of 9 October 2023. In accordance with the provisions of the law, the Board of Directors resolved to preliminarily exercise the option under Article 26, paragraph 5-bis of the Decree and, therefore, to submit a proposal to the 2024 Shareholders' Meeting to book part of the 2023 profit, for an amount of Euro 289.2 million, to a non-distributable reserve. At the behest of the Parent Company, a similar position was adopted by the subsidiary banks concerned by the provision (Banco di Sardegna, Bibanca and Banca Cesare Ponti), with the subsequent allocation of Euro 315.4 million to a non-distributable reserve at BPER Banca Group level, corresponding to 2.5 times the amount of the tax of Euro 126.2 million. Only in the event that this reserve is used for distribution to shareholders, will the extraordinary tax under article 26, plus interest per annum for an amount equal to the annual interest rate on deposits with the European Central Bank, become payable by the Group.

The following table shows the BPER Banca Group's capital ratios and the minimum capital adequacy requirements for regulatory purposes as at 30 September 2023.

(in thousands)

	30.09.2023 Fully Phased	31.12.2022 Fully Phased	Change	% Change
Common Equity Tier 1 capital - CET1	7,756,084	6,379,995	1,376,089	21.57
Additional Tier 1 capital (AT1)	150,345	150,435	(90)	-0.06
Tier 1 capital (Tier 1)	**7,906,429**	**6,530,430**	**1,375,999**	**21.07**
Tier 2 capital (Tier 2 - T2)	1,781,213	1,761,978	19,235	1.09
Total Own Funds	**9,687,642**	**8,292,408**	**1,395,234**	**16.83**
Total Risk-weighted assets (RWA)	**51,984,439**	**52,989,278**	**(1,004,839)**	**-1.90**
CET1 Ratio (CET1/RWA)	**14.92%**	**12.04%**	**+288 bps**	
Tier 1 Ratio (Tier 1/RWA)	**15.21%**	**12.32%**	**+289 bps**	
Total Capital Ratio (Total Own Funds/RWA)	**18.64%**	**15.65%**	**+299 bps**	
RWA/Total assets	**36.24%**	**34.79%**	**+145 bps**	

The capital ratios are as follows:
- Common Equity Tier 1 Ratio (Fully Phased) of 14.92% (12.04% as at 31 December 2022);

[24] The Pillar 2 additional own funds requirement is 2.45% (including NPE P2R add-on equal to 0.20%) to be held in the form of 56.25% of CET1 capital and 75% of Tier 1 capital, as a minimum.

- Tier 1 Ratio (Fully Phased) of 15.21% (12.32% as at 31 December 2022);
- Total Capital Ratio (Fully Phased) of 18.64% (15.65% as at 31 December 2022).

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).

4.3 Reconciliation of consolidated net profit/shareholders' equity

Consolidated net profit comprises, on a shareholding basis, the sum of profits (losses) at 30 September 2023 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 period	30.09.2023
BPER Banca s.p.a.	**971,431**
Other Group companies:	**223,426**
Banco di Sardegna s.p.a.	*129,839*
Bibanca s.p.a.	*40,225*
BPER Bank Luxembourg s.a.	*6,877*
Banca Cesare Ponti s.p.a.	*914*
Arca Holding s.p.a. (consolidated figure)	*28,503*
Sardaleasing s.p.a.	*(5,074)*
BPER Factor s.p.a.	*4,967*
Finitalia s.p.a.	*15,805*
Optima S.p.A. SIM	*5,521*
BPER Real Estate s.p.a.	*583*
BPER REOCO s.p.a.	*(5,208)*
Modena Terminal s.r.l.	*474*
Total profit (loss) of the Group	**1,194,857**
Consolidation adjustments	(107,787)
Consolidated profit (loss) for the period	**1,087,070**

As required by current regulations, the following is presented with regard to the position at 30 September 2023:

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

		(in thousands)
	Increase (decrease)	
	Profit (Loss) for the period	Shareholders' equity
AMOUNTS RELATING TO THE PARENT COMPANY	**971,431**	**8,320,964**
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:	222,481	492,755
- impairment losses on goodwill of consolidated companies	*(1,300)*	
- consolidation adjustments	*(70)*	
- derecognition of intercompany profits and losses	*425*	
- share of the results of companies consolidated on a line-by-line basis after tax effect	*223,426*	
DIVIDENDS collected from companies consolidated on a line-by-line basis or measured under the equity method	(108,840)	28
DIFFERENCE between the interest in shareholders' equity (including results for the period) and the book value of companies consolidated under the equity method.	1,998	50,178
Profit (Loss) for the period and shareholders' equity pertaining to the Parent Company as at 30.09.2023	**1,087,070**	**8,863,925**
Profit (Loss) for the period and shareholders' equity pertaining to Minority interests	22,740	189,751
Consolidated Profit (Loss) for the period and shareholders' equity as at 30.09.2023	**1,109,810**	**9,053,676**
Consolidated Profit (Loss) for the period as at 30.09.2022	**1,481,535**	
Consolidated shareholders' equity as at 31.12.2022		**8,120,529**

4.4 Income statement aggregates

Summary data from the consolidated income statement at 30 September 2023 is presented below in thousands of Euro, appropriately compared with the amounts at 30 September 2022 and highlighting the changes in absolute and percentage terms. Note that this comparison is influenced by the increase in size of the Group resulting from the acquisition of control over the Banca Carige Group in the second half of the year.

In the following tables, with regard to the figures as at 30 September 2022, it should be highlighted that:

- the detailed information relating to the Parent Company takes account of the merger by absorption of Banca Carige S.p.A. and Banca del Monte di Lucca S.p.A. completed in the fourth quarter of 2022, effective from 30 June 2022 for accounting and tax purposes, simulating their effects on the comparative balances;
- the comparative balances of Banca Cesare Ponti S.p.A. refer solely to the third quarter of 2022.

The accounting schedules envisaged by the 8th update of Bank of Italy Circular no. 262/2005 are presented below on a reclassified basis. The principal reclassifications relate to the following captions:

- “Net commission income” includes placement fees for Certificates, allocated to caption 110 “Net income on other financial assets and liabilities measured at fair value through profit or loss” of the accounting statement (Euro 20.3 million as at 30 September 2023 and Euro 14.7 million as at 30 September 2022);
- “Net income from financial activities” includes captions 80, 90, 100 and 110 in the accounting statement, net of the Certificates placement fees under the item above;
- indirect tax recoveries, allocated for accounting purposes to caption 230 “Other operating expense/income”, have been reclassified as a reduction in the related costs under “Other administrative expenses” (Euro 204.6 million at 30 September 2023 and Euro 183.3 million at 30 September 2022);
- “Net adjustments to property, plant, equipment and intangible assets” include captions 210 and 220 of the accounting schedule;
- “Gains (Losses) on investments” include captions 250, 260, 270 and 280 of the accounting schedule;
- “Contributions to the SRF, DGS, and FITD-SV funds" have been shown separately from the specific accounting technical forms to give a better and clearer representation, as well as to leave the "Other administrative expenses" as a better reflection of the trend in the Group's operating costs. In particular, at 30 September 2023, this caption represents the component allocated for accounting purposes to administrative expenses in relation to:
    - the 2023 regular contribution to the SRF (European Single Resolution Fund) of Euro 49.5 million;
    - the 2023 contribution to the DGS (Deposit Guarantee Schemes) for Euro 125.8 million, reflecting the estimated amount that will be required by the end of the year.

Reclassified Consolidated Income Statement

(in thousands)

Captions		30.09.2023	30.09.2022	Changes	% Change
10+20	Net interest income	2,381,517	1,260,430	1,121,087	88.94
40+50	Net commission income	1,481,386	1,418,014	63,372	4.47
70	Dividends	29,945	19,192	10,753	56.03
80+90+100+110	Net income from financial activities	95,575	116,747	(21,172)	-18.13
230	Other operating expense / income	37,623	(329)	37,952	--
	Operating income	**4,026,046**	**2,814,054**	**1,211,992**	**43.07**
190 a)	Staff costs	(1,231,426)	(1,072,485)	(158,941)	14.82
190 b)	Other administrative expenses	(590,052)	(575,296)	(14,756)	2.56
210+220	Net adjustments to property, plant and equipment and intangible assets	(174,056)	(154,746)	(19,310)	12.48
	Operating costs	**(1,995,534)**	**(1,802,527)**	**(193,007)**	**10.71**
	Net operating income	**2,030,512**	**1,011,527**	**1,018,985**	**100.74**
130 a)	Net impairment losses to financial assets at amortised cost	(364,681)	(334,599)	(30,082)	8.99
	- loans to customers	*(353,802)*	*(308,884)*	*(44,918)*	*14.54*
	- other financial assets	*(10,879)*	*(25,715)*	*14,836*	*-57.69*
130 b)	Net impairment losses to financial assets at fair value	(319)	(246)	(73)	29.67
140	Gains (Losses) from contractual modifications without derecognition	3,320	(625)	3,945	-631.20
	Net impairment losses for credit risk	**(361,680)**	**(335,470)**	**(26,210)**	**7.81**
200	Net provisions for risks and charges	(69,479)	(52,824)	(16,655)	31.53
###	Contributions to SRF, DGS, IDPF – VS	(175,237)	(169,001)	(6,236)	3.69
250+260+270+280	Gains (Losses) on investments	33,058	13,351	19,707	147.61
275	Gain on a bargain purchase	-	1,171,322	(1,171,322)	-100.00
290	**Profit (Loss) from current operations before tax**	**1,457,174**	**1,638,905**	**(181,731)**	**-11.09**
300	Income taxes on current operations for the period	(347,364)	(157,370)	(189,994)	120.73
330	**Profit (Loss) for the period**	**1,109,810**	**1,481,535**	**(371,725)**	**-25.09**
340	Profit (Loss) for the period pertaining to minority interests	(22,740)	(15,159)	(7,581)	50.01
350	**Profit (Loss) for the period pertaining to the Parent Company**	**1,087,070**	**1,466,376**	**(379,306)**	**-25.87**

Reclassified Consolidated Income Statement by quarter

(in thousands)

Captions	1st quarter 2023	2nd quarter 2023	3rd quarter 2023	1st quarter 2022	2nd quarter 2022	3rd quarter 2022	4th quarter 2022
Net interest income	725,989	818,980	836,548	376,429	409,020	474,981	565,463
Net commission income	506,098	489,531	485,757	450,559	463,410	504,045	524,066
Dividends	2,223	22,912	4,810	286	15,597	3,309	2,932
Net income from financial activities	50,882	3,066	41,627	58,939	25,457	32,351	22,975
Other operating expense / income	33,220	(581)	4,984	(2,470)	(10,276)	12,417	328,861
Operating income	**1,318,412**	**1,333,908**	**1,373,726**	**883,743**	**903,208**	**1,027,103**	**1,444,297**
Staff costs	(423,227)	(425,947)	(382,252)	(352,154)	(359,388)	(360,943)	(609,801)
Other administrative expenses	(195,402)	(200,345)	(194,305)	(160,690)	(181,965)	(232,641)	(302,512)
Net adjustments to property, plant and equipment and intangible assets	(57,161)	(57,856)	(59,039)	(45,584)	(48,498)	(60,664)	(72,926)
Operating costs	**(675,790)**	**(684,148)**	**(635,596)**	**(558,428)**	**(589,851)**	**(654,248)**	**(985,239)**
Net operating income	**642,622**	**649,760**	**738,130**	**325,315**	**313,357**	**372,855**	**459,058**
Net impairment losses to financial assets at amortised cost	(142,411)	(126,919)	(95,351)	(111,925)	(103,692)	(118,982)	(271,460)
- loans to customers	*(141,199)*	*(130,026)*	*(82,577)*	*(96,109)*	*(97,604)*	*(115,171)*	*(273,931)*
- other financial assets	*(1,212)*	*3,107*	*(12,774)*	*(15,816)*	*(6,088)*	*(3,811)*	*2,471*
Net impairment losses to financial assets at fair value	(31)	529	(817)	(16)	(230)	-	(196)
Gains (Losses) from contractual modifications without derecognition	1,905	991	424	(1,225)	27	573	486
Net impairment losses for credit risk	**(140,537)**	**(125,399)**	**(95,744)**	**(113,166)**	**(103,895)**	**(118,409)**	**(271,170)**
Net provisions for risks and charges	(57,088)	(8,298)	(4,093)	(12,200)	(28,839)	(11,785)	(79,432)
Contributions to SRF, DGS, IDPF - VS	(69,530)	20,046	(125,753)	(45,666)	(55)	(123,280)	(3,422)
Gains (Losses) on investments	12,124	(2,793)	23,727	4,026	2,988	6,337	(21,096)
Gain on a bargain purchase	-	-	-	-	1,188,433	(17,111)	(223,199)
Profit (Loss) from current operations before tax	**387,591**	**533,316**	**536,267**	**158,309**	**1,371,989**	**108,607**	**(139,261)**
Income taxes on current operations for the period	(88,249)	(113,147)	(145,968)	(39,579)	(95,745)	(22,046)	131,606
Profit (Loss) for the period	**299,342**	**420,169**	**390,299**	**118,730**	**1,276,244**	**86,561**	**(7,655)**
Profit (Loss) for the period pertaining to minority interests	(8,667)	(6,293)	(7,780)	(6,058)	(4,108)	(4,993)	(9,746)
Profit (Loss) for the period pertaining to the Parent Company	**290,675**	**413,876**	**382,519**	**112,672**	**1,272,136**	**81,568**	**(17,401)**

Net interest income

“Net interest income” amounted to Euro 2,381.5 million, an increase with respect to the comparative figure (Euro 1,260.4 million as at 30 September 2022); the positive change was impacted not only by the increased size of the Group, but by the rise in market interest rates which led to an increase in both the commercial spread on the loan book and the average yield of the portfolio of owned securities.

The result deriving from relations with the ECB, taking account of the TLTRO III funding lines and the sums deposited at the Central Bank, was a positive Euro 162.1 million.

In addition to recalling the dynamics of loans and interest-bearing deposits, highlighted in paragraph 4.1 "Balance sheet aggregates", 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 period, based on the rates of Group loans to customers was 3.94% (vs. 2.03% in the first nine months of last year);
- the average rate of return of the securities portfolio stands at 2.42% (0.50% at 30 September 2022);
- the average cost of direct deposits from customers was 0.80% (0.19% in the first nine months of the previous year);
- total interest-bearing liabilities involved a cost of 1.10% (0.08% at 30 September 2022);
- the spread between loan and deposit rates of Group relationships with customers came to 3.14% (1.84% at 30 September 2022);
- 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 2.41% (it was 1.26% at 30 September 2022).

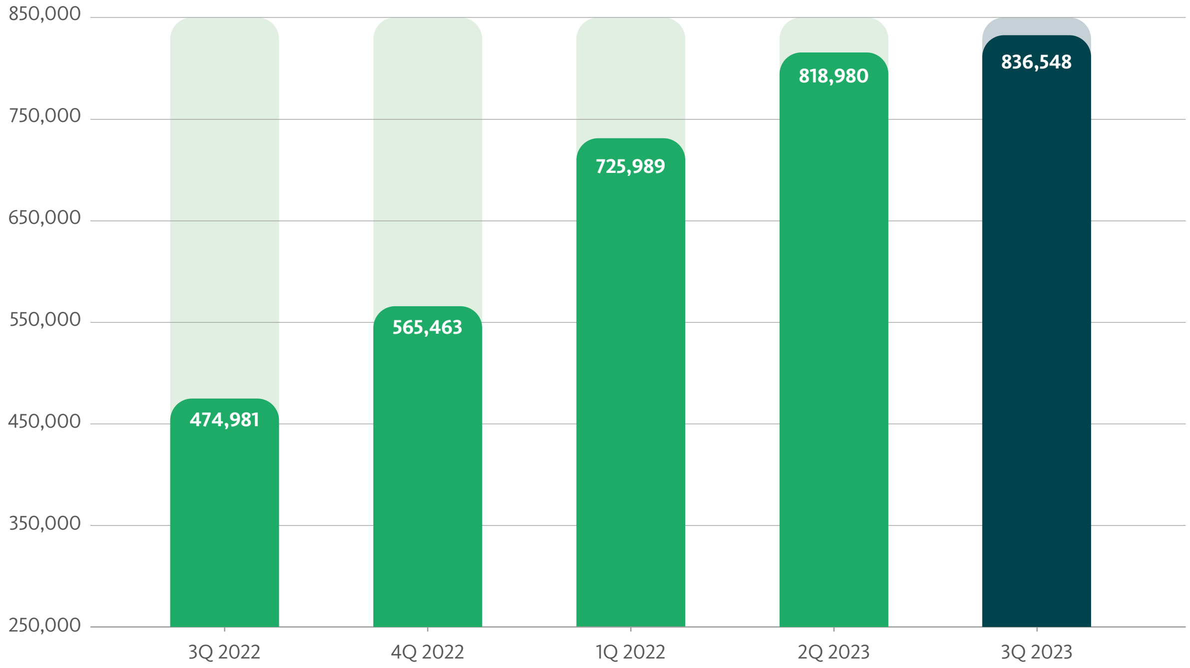
(in thousands)

Net interest income	30.09.2023	30.09.2022	Changes	% Change
1. BPER Banca s.p.a.	1,948,730	967,793	980,937	101.36
2. BPER Bank Luxembourg s.a.	9,295	3,591	5,704	158.84
3. Bibanca s.p.a.	78,965	65,270	13,695	20.98
4. Banco di Sardegna s.p.a.	227,645	130,307	97,338	74.70
5. Banca Cesare Ponti s.p.a.	6,100	376	5,724	--
Total banks	**2,270,735**	**1,167,337**	**1,103,398**	**94.52**
Other companies and consolidation adjustments	110,782	93,093	17,689	19.00
Total	**2,381,517**	**1,260,430**	**1,121,087**	**88.94**

In terms of quarterly trend of Net Interest Income, as shown in the following graph, the increase in the spread on commercial relations in the third quarter highlighted an improvement in Net Interest Income from customers of Euro 14.7 million, the owned securities portfolio recorded a greater contribution to Net Interest Income of Euro 24.1 million, the management of liquidity from and to the ECB showed a lower contribution of Euro 13.3 million, whereas institutional funding witnessed an incremental cost of Euro 8.0 million.

Net interest income

In thousands



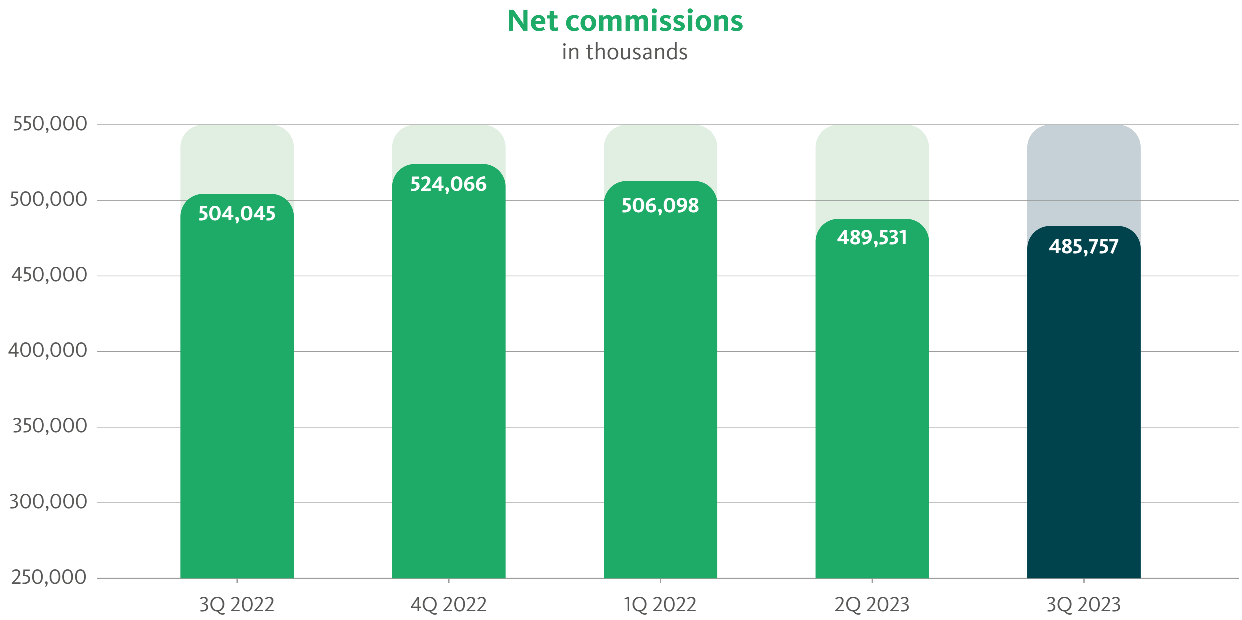
Net commission income

Net commission income, amounting to Euro 1,481.4 million, was +4.47% higher than at 30 September 2022.

(in thousands)

Net commission income	30.09.2023	30.09.2022	Changes	% Change
Trading in currency/financial instruments	13,088	9,336	3,752	40.19
Indirect deposits and insurance policies	620,953	598,056	22,897	3.83
Collection and payment services	518,786	491,391	27,395	5.57
Loans and guarantees	257,336	236,352	20,984	8.88
Other commissions	71,223	82,879	(11,656)	-14.06
Total net commissions	**1,481,386**	**1,418,014**	**63,372**	**4.47**

In the quarterly trend in Net fees and commissions shown in the graph, the results of the last quarter were influenced by the lower commission contribution of the bancassurance and payment services segments.



Net income from financial activities

Net income from financial activities (including dividends of Euro 29.9 million) amounted to a positive Euro 125.5 million (Euro 135.9 million as at 30 September 2022).
The result was brought about in particular by:

- net capital gains on the disposal of securities for an amount of Euro 44.4 million;
- net profit from disposal of loans for an amount of Euro 9.5 million;
- net income on financial assets and liabilities measured at fair value through profit or loss (trading, FVO, FVTPLM) of Euro 15.1 million;
- net income from hedging for Euro 26.5 million, of which Euro 26.9 million resulting from the early repayment of a hedged loan (FV hedge).

(in thousands)

Net income from financial activities (including dividends)	30.09.2023	30.09.2022	Changes	% Change
Dividends	29,945	19,192	10,753	56.03
Trading activities	45,700	45,166	534	1.18
Hedging	26,523	2,298	24,225	--
Proceeds from disposals	53,935	64,325	(10,390)	-16.15
- of which securities	*44,386*	*51,227*	*(6,841)*	*-13.35*
- of which loans	*9,549*	*13,098*	*(3,549)*	*-27.10*
Other financial assets/liabilities measured at fair value	(30,583)	4,958	(35,541)	-716.84
Total	**125,520**	**135,939**	**(10,419)**	**-7.66**

Other operating expense / income

The item Other operating expense/income, amounting to Euro 37.6 million (a negative Euro 0.3 million as at 30 September 2022) includes, in terms of the main components:

- net contingent assets from the settlement of early terminations of former Carige commercial agreements, for Euro 5.6 million;
- contingent assets in relation to the settlement of lawsuits against the bank, for a total of Euro 3.7 million;

- the recognition of charges for an amount of Euro 5.1 million for the refund of fast-track loan approval process fees (CIV) to former Carige customers;
- other net income not attributable to a specific item (e.g. Fast-track facility fee and rental income) totalling Euro 19.6 million.

Net operating income amounted to Euro 4,026.0 million (+43.07% compared to the same period in the previous year).

Operating costs

Operating costs amounted to Euro 1,995.5 million, up 10.71% on the first nine months of 2022, mainly due to the Group's increase in size.
The main components of operating costs are reported below.

"Staff costs" totalled Euro 1,231.4 million, up from the same period in the previous year (+14.82%).
“Other administrative expenses”, shown net of indirect taxes recovered (Euro 204.6 million) and of the contributions paid to the Single Resolution fund (Euro 175.2 million), amounted to Euro 590.1 million, up 2.56% compared with the same period of the previous year.
“Net adjustments to property, plant, equipment and intangible assets” amounted to Euro 174.1 million (Euro 154.7 million in the first nine months of 2022). Amortisations of assets owned amounted to Euro 114.0 million (Euro 99.5 million as at 30 September 2022). The depreciation of rights of use related to leased assets amounted to Euro 57.9 million (Euro 53.9 million at 30 September 2022), while adjustments due to early termination of contracts totalled Euro 2.1 million (Euro 1,0 million at 30 September 2022).

(in thousands)

Operating costs	30.09.2023	30.09.2022	Changes	% Change
1. BPER Banca s.p.a.	1,725,243	1,535,437	189,806	12.36
2. BPER Bank Luxembourg s.a.	4,926	4,185	741	17.71
3. Bibanca s.p.a.	43,184	44,866	(1,682)	-3.75
4. Banco di Sardegna s.p.a.	177,160	184,332	(7,172)	-3.89
5. Banca Cesare Ponti s.p.a.	5,464	1,720	3,744	217.67
Total banks	**1,955,977**	**1,770,540**	**185,437**	**10.47**
Other companies and consolidation adjustments	39,557	31,987	7,570	23.67
Total	**1,995,534**	**1,802,527**	**193,007**	**10.71**

Net operating income therefore amounted to Euro 2,030.5 million (Euro 1,011.5 million at 30 September 2022).

Net impairment losses for credit risk

“Net impairment losses for credit risk” amounted to Euro 361.7 million (Euro 335.5 million in the first nine months of 2022), relating primarily to net impairment losses on financial assets measured at amortised cost, equal to Euro 364.7 million (Euro 334.6 million as at 30 September 2022).

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	30.09.2023	30.09.2022	Changes	% Change
1. BPER Banca s.p.a.	277,236	215,456	61,780	28.67
2. BPER Bank Luxembourg s.a.	687	543	144	26.52
3. Bibanca s.p.a.	9,389	18,625	(9,236)	-49.59
4. Banco di Sardegna s.p.a.	33,044	60,579	(27,535)	-45.45
5. Banca Cesare Ponti s.p.a.	74	65	9	13.85
Total banks	**320,430**	**295,268**	**25,162**	**8.52**
Other companies and consolidation adjustments	33,372	13,616	19,756	145.09
Total	**353,802**	**308,884**	**44,918**	**14.54**

The overall cost of credit at 30 September 2023, calculated only on loans to customers, amounted to 41 bps, the equivalent of 54 bps on an annualised basis; the cost of credit at 30 September 2022 was 34 bps, while the effective cost at 31 December 2022 was 64 bps.

Net provisions for risks and charges

"Net provisions for risks and charges" total Euro 69.5 million (Euro 52.8 million at 30 September 2022). Net reversals on guarantees and commitments were recognised for an amount of Euro 12.3 million in the nine-month period, whereas "Other provisions for risks and charges" amount to Euro 81.7 million and mainly refer to:

- ordinary allocations for disputes of Euro 36.7 million, relating in particular to compound interest/usury and bankruptcy clawbacks;
- the allocation of Euro 11.2 million, estimated with respect to operational/compliance risk connected with the tax credits acquired from customers in the nine-month period;
- allocations of Euro 12.3 million for expenses to be paid to third parties for the early closure of distribution agreements.

Contributions to SRF, DGS, IDPF - VS

At 30 September 2023, costs for an amount of Euro 175.2 million (Euro 169.0 million at 30 September 2022) were recognised, of which Euro 49.5 million (Euro 45.7 million at 30 September 2022) for the regular contribution to the SRF (Single Resolution Fund) and Euro 125.8 million for the estimated regular contribution to the DGS (Deposit Guarantee Scheme), which will be paid in the fourth quarter (Euro 123.3 million at 30 September 2022).

Gains (Losses) on investments

This item shows a positive balance of Euro 33.1 million (Euro 13.4 million as at 30 September 2022), mainly deriving from:

- positive result from companies measured at equity amounting to Euro 40.5 million, including the profit deriving from the merger by absorption of SIFA – Società Italiana Flotte Aziendali – into UnipolRental (Euro 23.4 million);
- full write-down of goodwill relating to the CGU BPER Factor for Euro 6.8 million.

Net profit

"Profit from current operations before tax" amounts to Euro 1,457.2 million (Euro 1,638.9 million at 30 September 2022).
"Income taxes for the period", amounting to Euro 347.4 million, were quantified on the basis of the tax rate for the year 2023.
Net profit after tax amounted to Euro 1,109.8 million (Euro 1,481.5 million at 30 September 2022). The profit pertaining to minority interests totalled Euro 22.7 million (Euro 15.2 million at 30 September 2022). The profit pertaining to the Parent Company amounted to Euro 1,087.1 million (Euro 1,466.4 million at 30 September 2022).

(in thousands)

Net profit	30.09.2023	30.09.2022	Changes	% Change
1. BPER Banca s.p.a.	971,431	1,362,083	(390,652)	-28.68
2. BPER Bank Luxembourg s.a.	6,877	1,132	5,745	507.51
3. Bibanca s.p.a.	40,624	20,179	20,445	101.32
4. Banco di Sardegna s.p.a.	130,548	33,764	96,784	286.65
5. Banca Cesare Ponti s.p.a.	914	2,491	(1,577)	-63.31
Total banks	**1,150,394**	**1,419,649**	**(269,255)**	**-18.97**
Other companies and consolidation adjustments	(63,324)	46,727	(110,051)	-235.52
Total	**1,087,070**	**1,466,376**	**(379,306)**	**-25.87**

4.5 Employees

Employees	30.09.2023	31.12.2022	Changes
1. BPER Banca s.p.a.	17,706	18,302	(596)
2. BPER Bank Luxembourg s.a.	31	28	3
3. Bibanca s.p.a.	213	199	14
4. Banco di Sardegna s.p.a.	1,942	2,071	(129)
5. Banca Cesare Ponti s.p.a.	32	32	-
Total banks	**19,924**	**20,632**	**(708)**
Subsidiaries consolidated line-by-line	394	427	(33)
Total of balance sheet	**20,318**	**21,059**	**(741)**

Figures refer to the point-in-time number of employees at 30 September 2023.
The Group's headcount at 30 September 2023 includes 343 employees seconded with Group companies (496 at 31 December 2022).

4.6 Geographical organisation

Branches	30.09.2023	31.12.2022	Changes
1. BPER Banca s.p.a.	1,467	1,603	(136)
2. Banco di Sardegna s.p.a.	290	308	(18)
3. Banca Cesare Ponti s.p.a.	2	2	-
Total Italian banks	**1,759**	**1,913**	**(154)**
4. BPER Bank Luxembourg s.a.	1	1	-
Total	**1,760**	**1,914**	**(154)**

5. Other information

5.1 Treasury shares held in the portfolio

On 19 January 2023, an application was submitted to the European Central Bank (ECB) for authorisation to purchase and dispose of treasury shares in order to provide the funding needed to:

- to the payment of bonuses deriving from the application of short-term incentive systems (Management by Objectives - MBO 2023);
- to guarantee the additional supply of shares needed to cover the adjustment of the duration of the Long-Term Incentive (LTI) Plan to that of the 2022-2025 Business Plan in force. In this regard, it should be noted that, in order to ensure full consistency between the duration of the vesting period of the instrument and the Group's multi-year strategic planning, this has been increased from 3 to 4 years with payout remaining the same;
- to allow for payment of any Severance due that may require the use of equity instruments.

Purchases of treasury shares will be carried out within the limits of distributable profits and available reserves, as determined in the financial statements (annual report) most recently approved.

After submission of the application, the BPER Banca Group obtained authorisation from the ECB to purchase and dispose of treasury shares on 17 April 2023.

In the first nine months of the year, treasury shares were also granted free of charge to employees, in line with the provisions of the Remuneration Policies (e.g. for short-term and long-term incentive and/or severance schemes).

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

The carrying amount of the Group's interest in the treasury shares held by consolidated companies, classified as a deduction from shareholders' equity caption 180, is Euro 2,284 thousand, of which Euro 2,278 thousand relates to BPER Banca shares held by the Parent Company.

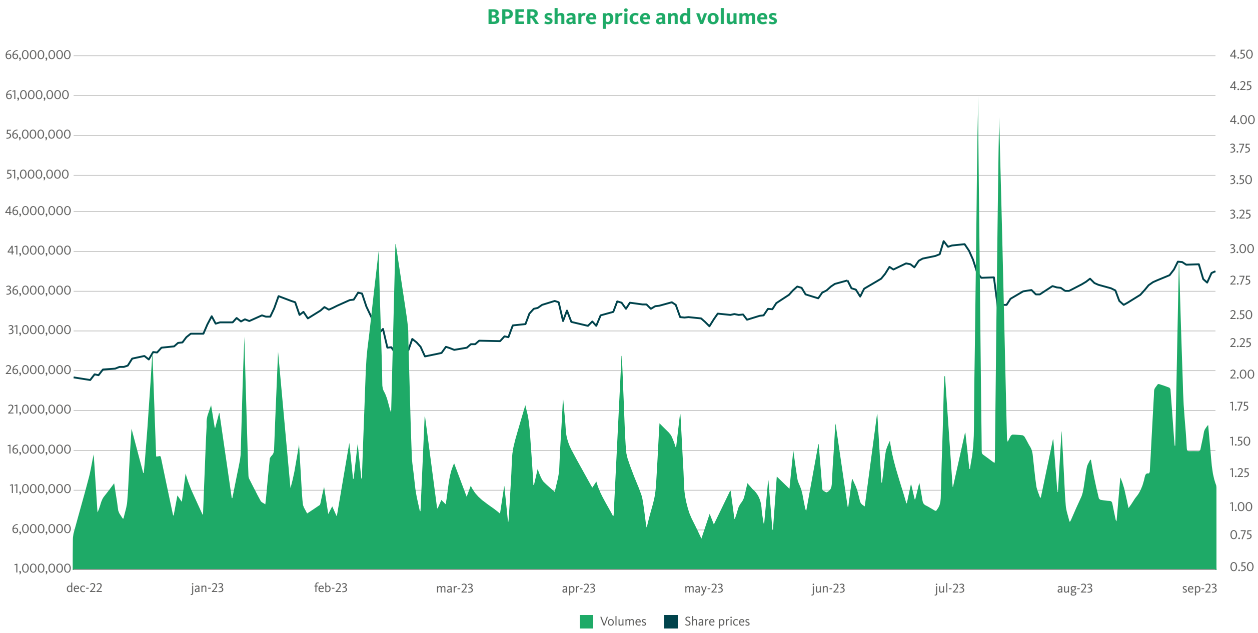
Shares of BPER Banca S.p.A.	Number of shares	Total par value
Total as at al 30.09.2023	688,641	2,277,859
Total as at al 31.12.2022	1,714,504	5,671,809

There are also 62,249 shares relating to -and held by- Bibanca s.p.a., for a total of Euro 6 thousand.

5.2 Share price performance

The first nine months of the year were characterised by increased volatility in both the equity and bond markets. The main drivers of this trend were uncertainty over the direction of central banks' monetary policies guided by the inflationary trend, compounded by the significant geo-political tensions resulting from the conflict in Ukraine.
In Europe, the ECB is positioned to counteract any further spike in inflation, despite there being a possible economic slowdown on the horizon, evidenced by the cuts in industrial production and production prices recorded in September. In Italy, the performance of the spread versus the German Bund is a dominant theme, which, as a result of the uncertainty over the government's budgetary measures and, consequently, the stability of public finances, returned to around 200 basis points (167 basis points at the end of June 2023).
In the United States, the US S&P500 index has risen by 11.7%, while in Europe the Euro Stoxx 50 and the Italian FTSE MIB index closed the year with positive performances of respectively 10% and 19.1%.
As regards the Italian financial sector, the trend in the spread and, as a consequence, the yield on government bonds, are a major unknown factor. However, thanks to results that were much better than expected, the segment appears to be in the right condition to withstand any future impacts. The benchmark index for the sector (FTSE Italia All-Share Banks Index) has recorded a positive performance of 30.8% since the start of the year.

In the third quarter, the price of the BPER Banca share continued to significantly outperform the benchmark index, rising from Euro 1.9185 as at 30 December 2022 to Euro 2.897 as at 30 September 2023 (+51.0% from the start of the year).
From the start of the year, the volumes of BPER Banca shares traded settled at an average of about 14.7 million shares traded on a daily basis.
It is pointed out that the BPER Banca share is part of the new MIB40 ESG index launched in October 2021.



5.3 Ratings as at 30 September 2023

Fitch Ratings

During the third quarter of 2023, the Agency Fitch Ratings did not carry out any update on the issuer BPER.

International Rating Agency	Latest review date	Long Term	Short Term	Outlook	Viability Rating	Subordinated debt	Senior Preferred debt	Senior non-preferred debt	LT Deposits
Fitch Ratings	05.04.2023	BBB -	F3	Stable	bbb-	BB	BBB -	BB+	BBB

Key:
Short Term (Issuer Default Rating): Debt repayment capacity in the short term (less than 13 months) (F1: best rating – D: default).
Long Term (Issuer Default Rating): Ability to meet financial commitments in a timely manner regardless of the maturity of the individual bonds. This rating is an indicator of the issuer's probability of default (AAA: best rating – D: default).
Viability Rating: Evaluation of the bank's intrinsic financial strength, seen on the assumption that it cannot rely on extraordinary forms of external support (aaa: best rating – f: default).
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 – D: default).
Subordinated debt: Opinion on the issuer's ability to honour subordinated debt. Fitch adds "+" or "-" to report the relative position with respect to the category.
Senior Preferred Debt: this is a measurement of the probability of default of Senior Preferred bonds expressed on a scale from AAA to D.
Senior Non-Preferred Debt: this is a measurement of the probability of default of Senior Non-Preferred bonds expressed on a scale from AAA to D.
Outlook: indicates the possible future evolution of the rating, which can be "positive", "stable" or "negative".

Moody's

During the third quarter of 2023, there were no changes to the ratings of the BPER Group by the Agency Moody's.

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

International Rating Agency	Latest review date	Short Term Deposit	Long Term Deposit	Outlook (Long Term Deposit)	Long Term Issuer	Outlook (Long Term Issuer)	Baseline Credit Assessment ("BCA")	Subordinated debt	Senior Non-Preferred debt
Moody's	26.10.2022	P-2	Baa2	Negative	Ba1	Negative	ba1	Ba2	Ba1

Key:
Short Term Deposit: Ability to repay deposits in local currency in the short term (original maturity equal to or less than 13 months) (Prime-1: highest quality – Not Prime: not classifiable among the Prime categories).
Long Term Deposit: Ability to repay deposits in local currency in the long term (original maturity equal to or greater than 1 year) (Aaa: best rating – C: default).
Outlook: indicates the possible future evolution of the rating, which can be "positive", "stable", "negative" or "developing".
Long Term Issuer: Opinion on the issuer's ability to honour senior debt and bonds (Aaa: best rating – C: default).
Baseline Credit Assessment (BCA): The BCA is not a rating but an opinion on the intrinsic financial strength of the bank in the absence of external support (aaa: best rating – c: default).
Subordinated debt: Opinion on the issuer's ability to honour subordinated debt. Moody's adds 1, 2, and 3 to each generic class; 3 indicates that the issuer is positioned in the lower part of the category (Aaa: best rating – C: default).
Senior Non-Preferred Debt: this is a measurement of the probability of default of Senior Non-Preferred bonds expressed on a scale from AAA to C (Aaa: best rating – C: default).

DBRS Morningstar

The annual review meeting with the Agency's analysts was held on 28 June 2023, following which, on 18 July 2023, DBRS Morningstar confirmed all the Group's ratings, maintaining the trend as 'Stable'. The confirmation of the ratings reflects the Bank's competitive position and geographical diversification across the country. The rating action also considers the successful management of the integrations following the recent acquisitions and the continued progress in asset quality.
The capital, liquidity and funding positions were deemed adequate.

International Rating Agency	Latest review date	Long-Term Issuer Rating	Short-Term Issuer Rating	Long-Term Senior Debt	Short-Term Debt	Long-Term Deposits	Short-Term Deposits	Senior Non-Preferred Debt	Subordinated Debt
DBRS Morningstar	18.07.2023	BBB	R-2 (high)	BBB	R-2 (high)	BBB (high)	R-1 (low)	BBB (low)	BB (high)

Key:
Short-Term Issuer Rating: measures the capacity of the rated organisation to repay its short-term financial obligations. The measurement scale comprises six levels (R-1; R-2; R-3; R-4; R-5 and D).
Long-Term Issuer Rating: This is a measurement of the probability of default and expresses the bank's capacity to repay medium/long-term financial obligations. It is expressed on a scale from AAA to D.
Long-Term Deposits: this is a measurement that expresses the vulnerability to default of uninsured medium/long-term deposits. It is expressed on a similar scale to the one used for the long-term rating (from AAA to D).
Short-Term Deposits: this is a measurement that expresses the vulnerability to default of uninsured short-term deposits. It is expressed on a similar scale to the one used for the short-term rating (R-1; R-2; R-3; R-4; R-5 and D).
Long-term Senior Debt: this is a measurement of the probability of default of Senior Preferred bonds expressed on a scale from AAA to D.
Short-term Debt: this is a measurement of the probability of default of short-term bonds expressed on a scale from R-1 to D.
Senior Non-Preferred Debt: this is a measurement of the probability of default of Non-Senior Preferred bonds expressed on a scale from AAA to D.
Subordinated Debt: this is a measurement of the probability of default of Subordinated Tier 2 bonds expressed on a scale from AAA to D.
Trend: indicates a forward-looking assessment on the possible evolution of the long-term rating assigned over a period of 1-2 years.

5.4 Disclosure of exposures to sovereign debt held by listed companies

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

Debt securities

Issuer	Rating	Cat	Nominal value	Book Value	Fair Value	OCI Reserves	%
Governments(*):			**15,197,227**	**14,547,723**	**13,556,241**	**(59,921)**	**97.46%**
Italy	BBB		**10,164,168**	**10,018,298**	**9,397,863**	**(49,793)**	**67.12%**
		FVTPLT	8,484	7,926	7,926	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	2,042,684	2,040,669	2,040,669	(49,793)	
		AC	8,113,000	7,969,703	7,349,268	#	
Spain	A-		**1,675,400**	**1,559,662**	**1,476,760**	(1,805)	**10.45%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	18,500	16,754	16,754	(1,805)	
		AC	1,656,900	1,542,908	1,460,006	#	
Germany	AAA		**964,501**	**892,130**	**798,952**	**(3,294)**	**5.98%**
		FVTPLT	1	2	2	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	20,000	15,922	15,922	(3,294)	
		AC	944,500	876,206	783,028	#	
U.S.A.	AA+		**890,000**	**826,008**	**650,576**	**-**	**5.53%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	890,000	826,008	650,576	#	
European Stability	AA		**316,000**	**276,750**	**269,335**	**(268)**	**1.85%**
Fund		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	95,000	78,628	78,628	(268)	
		AC	221,000	198,122	190,707	#	

(continued)

Issuer	Rating	Cat	Nominal value	Book Value	Fair Value	OCI Reserves	%
Belgium	AA-		**246,400**	**208,770**	**205,257**	**-**	**1.40%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	246,400	208,770	205,257	#	
Other	-		**940,758**	**766,105**	**757,498**	**(4,761)**	**5.13%**
		FVTPLT	1,058	850	850	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	54,000	48,537	48,537	(4,761)	
		AC	885,700	716,718	708,111	#	
Other public entities:			**430,101**	**378,923**	**361,711**	**(4,182)**	**2.54%**
France	-		**356,400**	**309,614**	**292,654**	**(4,205)**	**2.07%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	77,000	66,874	66,874	(4,205)	
		AC	279,400	242,740	225,780	#	
Italy	-		**14,677**	**13,263**	**13,012**	**-**	**0.09%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	14,677	13,263	13,012	#	
Other:	-		**59,024**	**56,046**	**56,045**	**23**	**0.38%**
		FVTPLT	24	6	6	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	59,000	56,039	56,039	23	
		AC	-	1	-	#	
Total as at al 30.09.2023			**15,627,328**	**14,926,646**	**13,917,952**	**(64,103)**	**100.00%**

(*)The individual percentages, calculated on book value, shown in the above table may not agree with the total because of roundings. Figures are expressed in thousands of Euro. The ratings indicated are those of Fitch Ratings at 30 September 2023.

Loans

Issuer	Rating	Cat	Nominal value	Book Value	Fair value	OCI Reserves	%
Governments (*):			**2,053,652**	**2,053,652**	**2,008,877**	**-**	**71.59%**
Italy	BBB+		**2,053,652**	**2,053,652**	**2,008,877**	**-**	**71.59%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	2,053,652	2,053,652	2,008,877	#	
Other public entities:			**814,861**	**814,861**	**832,757**	**-**	**28.41%**
Italy	-		**813,433**	**813,433**	**831,329**	**-**	**28.36%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	813,433	813,433	831,329	#	
Algeria	-		**1,428**	**1,428**	**1,428**	**-**	**0.05%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	1,428	1,428	1,428	#	
Total loans as at 30.09.2023			**2,868,513**	**2,868,513**	**2,841,634**	**-**	**100.00%**

(*) The individual percentages, calculated on book value, 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 30 September 2023.

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

	on demand	up to 1 year	1 to 5 years	over 5 years	Total
Debt securities	-	754,141	6,030,299	8,142,206	**14,926,646**
Loans	238,867	231,500	59,098	2,339,048	**2,868,513**
Total	**238,867**	**985,641**	**6,089,397**	**10,481,254**	**17,795,159**

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

5.5 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 May 2023, the BPER Banca Group received a request for regular contribution to the Single Resolution Fund (SRF) for 2023, for a total amount of Euro 49.5 million (Euro 45.7 million in 2022).
The determination of the contribution base of the Deposit Guarantee Scheme (DGS) according to protected deposits at 30 September 2023 led to an obligation to pay as early as in the third quarter of the year; on this basis, BPER Banca and the other Italian banks of the Group charged a total of Euro 125.8 million to “Other administrative expenses” (the amount was Euro 126.7 million in 2022).

5.6 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 interim report on operations as at 30 September 2023, the Directors are of the opinion that the observations that emerged in the various inspection areas do not entail significant impacts in terms of income, assets and cash flows of the BPER Banca Group. In any case, the Group always prepares suitable action plans to implement the Supervisory Authority's recommendations as quickly as possible.

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

European Central bank – ECB

Inspection (2021)

From 25 October 2021 to 11 February 2022, the BPER Banca Group was subject to an on-site inspection by the ECB regarding credit and counterparty risk, with the objective of performing a Credit Quality Review on selected portfolios and evaluating the credit risk governance and management processes.
On 28 October 2022, a follow-up letter was received summarising the findings and recommendations established by the Supervisory Authority.
To acknowledge the recommendations formulated by the Supervisory Authority, on 25 November 2022, BPER Banca sent the ECB an Action Plan containing the remedial actions, which centre primarily on the following aspects: governance of risks and data quality, second and third level controls, IFRS 9 methodology, ratings framework, and risk identification, monitoring and reporting.

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

Inspection (2022)

From 10 October 2022 to 3 February 2023, BPER Banca was subject to an on-site inspection regarding credit and counterparty risk with the aim of assessing compliance with and the implementation of the IFRS9 accounting standard, as well as carrying out a Credit Quality Review on selected portfolios and assessing the credit risk processes. On 9 August 2023, the Final Report was received regarding the outcomes of the inspection and the relevant findings.

Inspection (2023)

From 20 March 2023 to 16 June 2023, BPER Banca was subject to an on-site inspection regarding the business model and profitability, with the objective of reviewing the corporate governance and strategy management process. On 13 October 2023, the Final Report was received regarding the outcomes of the inspection and the relevant findings.

Bank of Italy - BI

Sardaleasing - Inspection (2022)

From 27 September 2022 to 28 December 2022, Sardaleasing was subject to on-site inspections in the context of anti-money laundering by the Bank of Italy's Financial Disclosure Unit (FDU). A meeting was held on 12 April 2023 with some representatives from the Anti-money laundering Supervision and Regulation Unit and officers from the Financial Intelligence Unit of the Bank of Italy responsible for inspections, which conducted the assessment in question, regarding the outcomes of the inspection carried out on the Company. During said meeting, it was announced that the inspection had concluded with a positive outcome, which means that no formal notification will be issued by the Bank of Italy's Financial Disclosure Unit. In said context, certain areas of improvement were nonetheless identified regarding the internal regulations and relevant training of agents involved in financial activities, as well as the need for strengthening the procedure of monitoring potential suspicious or irregular transactions,
In response to the recommendations formulated by the Supervisory Authority, a descriptive communication was sent by BPER Banca to the Bank of Italy on 5 May 2023, detailing the measures already adopted, or to be adopted, and the relevant implementation time schedule.

Inspection (2023)

On 25 September 2023, BPER Banca was the subject of an on-site inspections targeted at verifying, in relation to consumer credit and real estate credit to consumers, the adequacy of the organisational and control structures, and policies and procedures on responsible lending, for protecting consumers in difficulty and preventing the risk of over-indebtedness.

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.

To address the areas of attention identified, on 25 February 2022, BPER Banca sent CONSOB a detailed document in response to the observations formulated by the Supervisory Authority. On 29 September 2023, at the request of CONSOB, further information was provided on the actions taken to address the shortcomings identified.

CSSF - Commission de Surveillance du Secteur Financier

Inspections (2022)

From 2 May 2022, BPER Bank Luxembourg was the subject of an on-site inspection by the Commission de Surveillance du Secteur Financier (CSSF), aimed at ascertaining the state of compliance with the MiFID II regulation. On 26 July 2023, the inspection report was received summarising the outcomes of the on-site inspection.

Since 30 November 2022, BPER Bank Luxembourg has been the subject of an on-site anti-money laundering inspection by the Commission de Surveillance du Secteur Financier (CSSF). The on-site inspection phase has been completed and the Bank is waiting to learn the final decisions of the Supervisory Authority.

5.7 Application of MiFID Directive

Legislative Decree no. 31 of 10 March 2023 was published on 24 March 2023, which transposed Directive (EU) 2021/338 of the European Parliament and of the Council of 16 February 2021 into national law, amending directive MiFID II regarding information requirements, product governance and position limits. The Legislative Decree simplifies/amends, in the presence of certain circumstances, the obligations determined by Directive MiFID II, including the amendments made to article 21 (General criteria) with regard to the performance of investment services and activities, to articles 68, 68 bis and 68 quater regarding position limits and controls on the management of commodity derivative positions. Following said regulatory amendment, the Bank launched analysis activities for adjustment purposes. Actions are in progress aimed at acknowledging the regulatory requirements.

On 3 March 2023, the translation into all official languages of the European Union of the Guidelines on the assessment of MiFID II suitability requirements was published on the ESMA website, which update the previous version of the Guidelines of 2018 (ESMA35-43-1163), primarily with the objective of integrating the client's sustainability preferences among the factors that need to be assessed in the provision of any type of investment advice and portfolio management services. Therefore, ESMA revises the guidelines in force on the assessment of MiFID II suitability, with the objective of providing operators with a guide for correctly assessing the aforementioned sustainability preferences as part of the suitability test required for advisory services relating to investments and portfolio management. A Bank project is in progress aimed at acknowledging the aforementioned regulatory obligations on sustainability in two different steps.

On 27 March 2023, ESMA published the “Final Report” containing the Guidelines on MiFID II product governance requirements. In particular, the main changes introduced by the Guidelines in question concern: i) the specification of any sustainability-related objectives the product is compatible with; ii) the practice of identifying a target market per cluster of products instead of per each product (“clustering approach”); iii) the determination of a compatible distribution strategy where a distributor believes that a more complex product may be distributed under non-advised sales; iv) the periodic review of products, including based on the principle of proportionality. In pursuing the objective of ensuring a consistent and harmonised application of the product governance requirements, the Guidelines aim to ensure the harmonised application of the governance requirements across Member States.

On 28 March 2023, ESMA issued a Public Statement addressing the critical aspects of investor protection as regards derivatives on fractions of shares. In particular, the Public Statement in question underlines that derivatives on fractions of shares do not qualify as corporate shares, and, furthermore, in line with the obligation of ensuring customers are reasonably able to understand the nature of the risks of the specific type of financial instrument, companies should prominently describe in plain language that the investor is buying a derivative instrument. The Public Statement also reminds companies that: i) all information to clients shall be fair, clear, and not misleading and firms offering these derivatives must clearly disclose all direct and indirect costs and charges relating to them and the services provided; ii) as derivatives, these instruments are complex products and this is expected to result in a narrow target market; iii) as derivatives are complex financial instruments, an appropriateness assessment needs to be carried out where non-advised services are provided.

Finally, 3 April 2023 saw the publication on ESMA’s website of the translation into all the official languages of the European Union of the Guidelines on certain aspects of the MiFID II remuneration requirements, superseding the previous guidelines on the same topic issued by ESMA in 2013. ESMA aims to promote greater convergence in the interpretation of, and supervisory approaches to, the MiFID II remuneration requirements, as well as the MiFID II conflicts of interest and conduct of business requirements in the area of remuneration. By helping to ensure that firms comply with regulatory standards, ESMA anticipates a corresponding strengthening of investor protection.

In line with the revision of the MiFID II regulatory framework for the acknowledgement of sustainability-related aspects, on 11 May 2023, the Italian Institute for insurance supervision, IVASS, published Measure no. 131 of 10 May 2023 which integrates four IVASS Regulations, in order to bring the industry regulations into line with the European legislation on sustainable finance. For the purposes of alignment with the MiFID regulation, the amendments to regulations no. 40 and no. 45 are relevant, through which the following are acknowledged: i) the amendments and additions made by Delegated Regulation (EU) 2021/1257 to Delegated Regulation (EU) 2017/2359 governing conflicts of interest and rules of conduct relating to investment advisory services for the placement of insurance investment products which integrate policyholders’ sustainability preferences, with particular regard to the adequacy assessment and ii) aspects of product governance and, in particular, regarding the identification of the reference market, including therein the negative market, as well as relating to the testing, monitoring and revision of the product and of the information flows between producer and distributor.

It should be noted that the European Commission published a proposed Directive which aims to modify the current regulatory framework protecting retail investors, which also incorporates MiFID II. At present, the Bank is monitoring the evolution through participation in round-table talks promoted by the trade associations.

On 11 July 2023, ESMA published a document that outlines the supervisory expectations on the understanding of the definition of advice pursuant to MiFID II. More specifically, the document in question addresses, among other issues, i) the provision of personal recommendations and whether other forms of information could constitute investment advice; ii) guidance on when recommendations will be considered as based on a view of a person’s specific circumstances; iii) perimeter issues around the definition of personal recommendation; iv) issues around the form of communication, including use of social media posts. The document is also intended to provide guidance not only to National Supervisory Authorities but also to investment firms.

Lastly, on 3 August 2023, ESMA published the translation into Italian of the “Guidelines on MiFID II product governance requirements” (hereinafter “Guidelines”), originally published by the Authority on 27 March 2023 (see above). The main changes introduced concern:

- clarifications regarding the treatment of the sustainability preferences expressed by customers and the identification of compatible products;
- the practice of identifying a target market by product cluster instead of by individual product (“clustering approach”);
- the determination of a compatible distribution strategy where a distributor believes that a more complex product may be

distributed as part of sales without advice;
- the periodic review of products, including based on the principle of proportionality.

The Guidelines will be applicable from 3 October 2023. CONSOB, by means of a notice dated 27/09/2023, informed ESMA of its intention to comply with the Guidelines in question, integrating them in its own supervisory procedures. The intermediaries supervised by CONSOB are therefore required to follow the application guidance provided by ESMA through the Guidelines in question.

5.8 Corporate events involving the Parent Company BPER Banca

Shareholders' Meeting of 26 April 2023

On 9 March 2023, the Board of Directors of BPER Banca S.p.A. resolved to call the company's ordinary shareholders' meeting for 26 April 2023 to discuss and resolve on the following agenda:

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

In relation to the manner in which the above-mentioned Meeting is held, pursuant to Decree no. 198 dated 29 December 2022, enacted by Law no. 14 of 24 February 2023, extending until 31 July 2023 the provisions set forth in art. 106, para. 4, of Law Decree no.18 of 17 March 2020, as enacted by Law no. 27 of 24 April 2020, as later amended, and art. 3, para. 1, of Law Decree no. 228 of 30 December 2021 enacted by Law no. 15 of 25 February 2022, the Company has decided to make use of the option to establish that parties entitled to attend the Shareholders' Meeting and vote may participate exclusively via the Designated Representative (identified in Computershare s.p.a.) pursuant to art. 135-*undecies* of Legislative Decree 58/1998.

The ordinary shareholders' meeting, in one call, chaired by Flavia Mazzarella, passed the following resolutions:
- approval of the statutory financial statements for 2022, the proposal for the allocation of profit and the proposed distribution of a cash dividend of Euro 0.12 per share for each of the 1,415,850,518 ordinary shares representing the share capital, for a maximum total amount of Euro 169,902,062.16 (net of those which will be held in the portfolio on the ex-date, on which no dividend will be paid);
- Approval of the integration, on the reasoned proposal of the Board of Statutory Auditors, of the fees of Deloitte & Touche s.p.a., appointed as independent auditors for the period 2017-2025.
- approval of the 2023 Report on the Remuneration Policy and Compensation Paid, pursuant to art. 123-*ter* of Legislative Decree no. 58 of 24 February 1998, including the section on remuneration policies of the BPER Banca Group for 2023 and the section on compensation paid in 2022;
- approval of the short-term incentive plan based on financial instruments pursuant to art. 114-*bis* of the Consolidated Law on Finance;
- authorisation of the purchase and the disposal of up to 6,700,000 BPER Banca S.p.A. ordinary shares (not exceeding a total value of Euro 13 million), with no par value, to service the 2023 MBO Incentive scheme and the 2022-2025 Long-Term Incentive (LTI) Plan (as last approved by the Shareholders' Meeting of 5 November 2022), in addition to any severance payments due.

Exclusively through the Designated Representative, a total of 566 Shareholders with voting rights attended the Shareholders' Meeting representing a total of no. 831,920,870 ordinary shares, equal to 58.757677% of the total share capital. BPER Banca's Board of Directors, which met on 27 April 2023, ratified the outcomes of the shareholders' meeting. The dividend will be paid as of 24 May 2023, with date of detachment of coupon on Monday, 22 May 2023 and date of entitlement to payment under art. 83-terdecies of the Consolidated Law on Finance (record date) on Tuesday, 23 May 2023.

6. Outlook for operations

6.1 Outlook for operations

Euro area economic activity in the summer continued to grow at the same subdued pace it had started with in the last part of 2022, under the impact of tighter financing conditions and the effects of high inflation on households' purchasing power. The trend in consumer prices decreased to 4.3% in September, reflecting a decline across all commodity prices. In July and September, the Governing Council of the ECB raised its key interest rates by a total of 50 basis points. Borrowing costs for businesses and households in the euro area rose further, reflecting the impact of rising interest rates; the yields on ten-year government securities increased, as did the spreads between Italian and German government bonds. According to the ECB[25]15 projections published in September, GDP growth is expected to slow down to 0.7% in 2023, before recovering to 1.0% in 2024 and to 1.5% in 2025. Compared with the June 2023 projections, the outlook for GDP growth has been revised down by 0.2 percentage points for 2023, 0.5 percentage points for 2024 and 0.1 percentage points for 2025, reflecting markedly tighter financing conditions for households and businesses.

According to the Bank of Italy'[26]s assessments, after the slowdown in the second quarter, economic activity in Italy continued to be weak, both in manufacturing and services. The indicators confirm the weakness of domestic demand, which reflects tighter credit conditions, inflation-driven household income erosion and the loss of momentum in the labour market.
The net trade contribution was slightly negative due to weaker exports, reflecting lower global demand and almost flat imports.

In this scenario, the Bank's profitability will continue to be underpinned by net interest income, net commissions, and actions to offset the impact of inflationary dynamics on costs. Maintaining resilient coverage levels and a conservative provisioning approach will continue to be a key feature of our credit quality. The solid capital position will continue to gain strength.

Modena, 8 November 2023

The Board of Directors
The Chair
Flavia Mazzarella

[25] "ECB - September macroeconomic projections for Euro Area".
[26] Economic bulletin no. 4 of the Bank of Italy dated 13 October2023.

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Consolidated balance sheet as at 30 September 2023

(in thousands)

Assets		30.09.2023	31.12.2022
10.	Cash and cash equivalents	11,590,509	13,997,441
20.	Financial assets measured at fair value through profit or loss	1,595,527	1,584,767
	a) financial assets held for trading	731,259	707,498
	b) financial assets designated at fair value	1,969	2,381
	c) other financial assets mandatorily measured at fair value	862,299	874,888
30.	Financial assets measured at fair value through other comprehensive income	7,152,656	7,962,910
40.	Financial assets measured at amortised cost	109,811,124	115,311,297
	a) loans to banks	8,370,659	9,482,448
	b) loans to customers	101,440,465	105,828,849
50.	Hedging derivatives	1,690,412	1,808,515
60.	Change in value of macro-hedged financial assets (+/-)	(22,057)	-
70.	Equity investments	412,034	376,158
90.	Property, plant and equipment	2,479,234	2,546,295
100.	Intangible assets	572,170	563,502
	- goodwill	197,624	204,392
110.	Tax assets	2,618,698	2,931,538
	a) current	912,882	579,149
	b) deferred	1,705,816	2,352,389
120.	Non-current assets and disposal groups classified as held for sale	23,892	1,192,429
130.	Other assets	5,532,621	4,027,942
	Total assets	**143,456,820**	**152,302,794**

(in thousands)

Liabilities and shareholders' equity		30.09.2023	31.12.2022
10.	Financial liabilities measured at amortised cost	127,401,282	135,952,323
	a) due to banks	9,040,536	22,000,489
	b) due to customers	107,693,964	107,414,943
	c) securities issued	10,666,782	6,536,891
20.	Financial liabilities held for trading	425,494	471,598
30.	Financial liabilities designated at fair value	1,766,690	879,198
40.	Hedging derivatives	311,753	512,981
50.	Change in value of macro-hedged financial liabilities (+/-)	(230,206)	(281,292)
60.	Tax liabilities	73,226	71,562
	a) current	15,659	8,174
	b) deferred	57,567	63,388
70.	Liabilities associated with assets classified as held for sale	-	1,430,197
80.	Other liabilities	3,314,147	3,679,162
90.	Employee termination indemnities	151,614	177,224
100.	Provisions for risks and charges	1,189,144	1,289,312
	a) commitments and guarantees granted	141,685	154,497
	b) pension and similar obligations	109,666	115,987
	c) other provisions for risks and charges	937,793	1,018,828
120.	Valuation reserves	86,319	60,681
140.	Equity instruments	150,000	150,000
150.	Reserves	4,201,976	2,944,603
160.	Share premium reserve	1,236,528	1,237,276
170.	Share capital	2,104,316	2,104,316
180.	Treasury shares (-)	(2,284)	(5,678)
190.	Minority interests (+/-)	189,751	180,356
200.	Profit (Loss) for the period (+/-)	1,087,070	1,448,975
	Total liabilities and shareholders' equity	**143,456,820**	**152,302,794**

Consolidated Income Statement as at 30 September 2023

(in thousands)

Captions		30.09.2023	30.09.2022
10.	Interest and similar income	3,465,644	1,514,772
	of which: interest income calculated using the effective interest method	3,337,799	1,467,167
20.	Interest and similar expense	(1,084,127)	(254,342)
30.	**Net interest income**	**2,381,517**	**1,260,430**
40.	Commission income	1,593,396	1,557,714
50.	Commission expense	(132,354)	(154,398)
60.	**Net commission income**	**1,461,042**	**1,403,316**
70.	Dividends and similar income	29,945	19,192
80.	Net income from trading activities	45,700	45,166
90.	Net income from hedging activities	26,523	2,298
100.	Gains (Losses) on disposal or repurchase of:	53,935	64,325
	a) financial assets measured at amortised cost	41,353	47,383
	b) financial assets measured at fair value through other comprehensive income	12,580	3,965
	c) financial liabilities	2	12,977
110.	Net income on other financial assets and liabilities measured at fair value through profit or loss	(10,239)	19,656
	a) financial assets and liabilities designated at fair value	(28,284)	73,252
	b) other financial assets mandatorily measured at fair value	18,045	(53,596)
120.	**Net interest and other banking income**	**3,988,423**	**2,814,383**
130.	Net impairment losses for credit risk relating to:	(365,000)	(334,845)
	a) financial assets measured at amortised cost	(364,681)	(334,599)
	b) financial assets measured at fair value through other comprehensive income	(319)	(246)
140.	Gains (losses) from contractual modifications without derecognition	3,320	(625)
150.	**Net income from financial activities**	**3,626,743**	**2,478,913**
180.	**Net income from financial and insurance activities**	**3,626,743**	**2,478,913**
190.	Administrative expenses:	(2,201,352)	(2,111,680)
	a) staff costs	(1,231,426)	(1,072,485)
	b) other administrative expenses	(969,926)	(1,039,195)
200.	Net provisions for risks and charges	(69,479)	(52,824)
	a) commitments and guarantees granted	12,262	(25,233)
	b) other net provisions	(81,741)	(27,591)
210.	Net adjustments to property, plant and equipment	(116,596)	(105,737)
220.	Net adjustments to intangible assets	(57,460)	(49,009)
230.	Other operating expense/income	242,260	183,020
240.	**Operating costs**	**(2,202,627)**	**(2,136,230)**
250.	Gains (Losses) of equity investments	39,959	14,815
260.	Valuation differences on property, plant and equipment and intangible assets measured at fair value	(738)	(1,457)
270.	Impairment losses on goodwill	(6,768)	-
275.	Gain on a bargain purchase	-	1,171,322
280.	Gains (Losses) on disposal of investments	605	(7)
290.	**Profit (Loss) from current operations before tax**	**1,457,174**	**1,527,356**
300.	Income taxes on current operations for the period	(347,364)	(45,821)
310.	**Profit (Loss) from current operations after tax**	**1,109,810**	**1,481,535**
330.	**Profit (Loss) for the period**	**1,109,810**	**1,481,535**
340.	Profit (Loss) for the period pertaining to minority interests	(22,740)	(15,159)
350.	**Profit (Loss) for the period pertaining to the Parent Company**	**1,087,070**	**1,466,376**

	Earnings per 30.09.2023	Earnings per 30.09.2022
Basic EPS	0.768	1.039
Diluted EPS	0.750	1.013

Consolidated statement of other comprehensive income

(in thousands)

	Consolidated statement of other comprehensive income	30.09.2023	30.09.2022
10.	**Profit (loss) for the period**	**1,109,810**	**1,481,535**
	Other comprehensive income, after tax, that will not be reclassified to profit or loss		
20.	Equity instruments measured at fair value through other comprehensive income	3,196	(407)
30.	Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)	(5,343)	9,829
40.	Hedge of equity instruments measured at fair value through other comprehensive income:	609	4,126
50.	Property, plant and equipment	(40)	1,328
70.	Defined benefit plans	4,121	48,686
90.	Share of the valuation reserves of equity investments carried at equity	(2,110)	2,233
	Other comprehensive income, after tax, that may be reclassified to profit or loss		
130.	Cash flow hedges	(8,284)	(4,681)
150.	Financial assets (no equity instruments) measured at fair value through other comprehensive income	33,230	(268,299)
200.	**Total other comprehensive income after tax**	**25,379**	**(207,185)**
210.	**Total other comprehensive income (Captions 10+200)**	**1,135,189**	**1,274,350**
220.	Consolidated other comprehensive income pertaining to minority interests	22,758	15,103
230.	**Consolidated other comprehensive income pertaining to the Parent Company**	**1,112,431**	**1,259,247**

Consolidated statement of changes in shareholders' equity

(in thousands)

	Balance as at 31.12.22	Changes in opening balances	Balance as at 1.1.23	Allocation of prior year results		Changes during the period									Shareholders' equity as at 30.09.2023	
				Reserves	Dividends and other allocations	Changes in reserves	Transactions on shareholders' equity							Other comprehensive income as at 30.09.2023		
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in participatory interests		Group	Minority interests
Share capital:	**2,128,991**	**-**	**2,128,991**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(536)**	**-**	**2,104,316**	**24,139**
a) ordinary shares	2,128,991	-	2,128,991	-	-	-	-	-	-	-	-	-	(536)	-	2,104,316	24,139
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**1,239,650**	**-**	**1,239,650**	**-**	**-**	**-**	**(748)**	**-**	**-**	**-**	**-**	**-**	**(285)**	**-**	**1,236,528**	**2,089**
Reserves:	**3,070,007**	**-**	**3,070,007**	**1,292,830**	**-**	**(22,967)**	**-**	**-**	**-**	**-**	**-**	**-**	**150**	**-**	**4,201,976**	**138,044**
a) from profits	2,461,156	-	2,461,156	1,292,830	-	(14,068)	-		-	-	-	-	150	-	3,602,520	137,548
b) other	608,851	-	608,851	-	-	(8,899)	-	-	-	-	-	-	-	-	599,456	496
Valuation reserves	**63,679**	**-**	**63,679**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,379**	**86,319**	**2,739**
Equity instruments	**150,000**	**-**	**150,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**150,000**	**-**
Treasury shares	**(5,678)**	**-**	**(5,678)**	**-**	**-**	**-**	**3,394**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,284)**	**-**
Profit (Loss) for the period	**1,473,880**	**-**	**1,473,880**	**(1,292,830)**	**(181,050)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,109,810**	**1,087,070**	**22,740**
Group shareholders' equity	**7,940,173**	**-**	**7,940,173**	**-**	**(169,705)**	**(22,949)**	**2,646**	**-**	**-**	**-**	**-**	**-**	**1,329**	**1,112,431**	**8,863,925**	**-**
Minority interests	**180,356**	**-**	**180,356**	**-**	**(11,345)**	**(18)**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,000)**	**22,758**	**-**	**189,751**

	Balance as at 31.12.21	Changes in opening balances	Balance as at 1.1.22	Allocation of prior year results		Changes during the period									Shareholders' equity as at 30.09.2022	
				Reserves	Dividends and other allocations	Changes in reserves	Transactions on shareholders' equity							Other comprehensive income as at 30.09.2022		
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in participatory interests		Group	Minority interests
Share capital:	**2,125,353**	**-**	**2,125,353**	**(193)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,329**	**-**	**2,100,435**	**38,054**
a) ordinary shares	2,125,353	-	2,125,353	(193)	-	-	-	-	-	-	-	-	13,329	-	2,100,435	38,054
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**1,242,945**	**-**	**1,242,945**	**-**	**-**	**-**	**(3,104)**	**-**	**-**	**-**	**-**	**-**	**619**	**-**	**1,237,324**	**3,136**
Reserves:	**2,592,213**	**-**	**2,592,213**	**467,569**	**-**	**10,755**	**-**	**15,535**	**-**	**-**	**-**	**-**	**(10,452)**	**-**	**2,959,997**	**115,623**
a) from profits	2,012,653	-	2,012,653	467,569	-	10,755	-	15,535	-	-	-	-	(10,452)	-	2,381,123	114,937
b) other	579,560	-	579,560	-	-	-	-	-	-	-	-	-	-	-	578,874	686
Valuation reserves	**199,201**	**-**	**199,201**	**-**	**-**	**(26,767)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(207,185)**	**(37,346)**	**2,595**
Equity instruments	**150,000**	**-**	**150,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**150,000**	**-**
Treasury shares	**(9,552)**	**-**	**(9,552)**	**-**	**-**	**-**	**5,230**	**(15,535)**	**-**	**-**	**-**	**-**	**-**	**-**	**(19,857)**	**-**
Profit (Loss) for the period	**558,649**	**-**	**558,649**	**(467,376)**	**(91,273)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,481,535**	**1,466,376**	**15,159**
Group shareholders' equity	**6,696,312**	**-**	**6,696,312**	**-**	**(84,667)**	**(16,400)**	**2,126**	**-**	**-**	**-**	**-**	**-**	**311**	**1,259,247**	**7,856,929**	**-**
Minority interests	**162,497**	**-**	**162,497**	**-**	**(6,606)**	**388**	**-**	**-**	**-**	**-**	**-**	**-**	**3,185**	**15,103**	**-**	**174,567**

Explanatory notes

Contents

Explanatory notes

Key to abbreviations in tables:

FV: Fair value
FV* = fair value calculated excluding value adjustments due to changes in the credit rating of the issuer since date of issuance.
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

Form and content of the Consolidated interim report on operations as at 30 September 2023

Introduction

The Consolidated interim report on operations as at 30 September 2023 (hereinafter "the Report") of the BPER Banca Group has been prepared on a voluntary basis, following changes to the Consolidated Law on Finance introduced by Legislative Decree no. 25 of 15 February 2016, which followed European Directive 2013/50/EU (Transparency II): by replacing the content of paragraph 5 of article 154-ter, it cancelled the need for quarterly reports to be prepared by issuers with Italy as their member state of origin, granting Consob the power to request the publication of periodic financial information in addition to half-yearly and annual reports.

The BPER Banca Group chose, as a policy regarding additional periodic financial information, to publish such information on a voluntary basis as at 31 March and 30 September of each financial year in the form of Interim Reports on Operations approved by the Board of Directors of the Parent Company.

The choice made by the BPER Banca Group was therefore based on continuity in the preparation and publication of periodic financial reporting[27].

1. Declaration of compliance with international financial accounting standards

The Report has 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 is 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 rules for accounting recognition that make it possible to provide reliable financial information and to ensure that the consolidated financial statements give a true and fair view of the financial position, result of operations and cash flows of the Group, reflecting the economic substance of the transaction and its key aspects.
In formulating these accounting rules, reference is made as far as possible to International Accounting Standards and interpretations dealing with similar or comparable matters.
As part of its guidance and coordination activity, the Parent Company requires the other Group Banks and Companies to apply the Group's own accounting recognition rules, in the right circumstances.

As required by IAS 8, the following table shows the new international accounting standards or amendments to standards already in force, with the related Approval Regulations, whose application is mandatory from 2023.

[27] The following announcement was made to the market on 29 December 2022: "BPER Banca has chosen voluntarily to continue publishing additional periodic financial information with respect to the half-yearly and annual financial report, with reference to 31 March and 30 September of each financial year, including the information provided in art. 154-ter paragraph 5 letter a) and b) of Legislative Decree 58/1998 "Consolidated law on financial intermediation" (i.e. the data contained in the former interim financial reports), ensuring consistency and fairness as well as comparability with the corresponding data contained in the press releases and financial reports previously disclosed to the public".

EC Approval Regulation	Title	In force from years beginning
2036/2021	Commission Regulation (EU) no. 2021/2036 of 19 November 2021 adopting IFRS17 Insurance Contracts was published in the Official Journal of the European Union L 416 on 23 November 2021. The Regulation gives companies the possibility not to apply the requirement laid down in paragraph 22 of the principle (i.e. grouping into annual cohorts) to contracts characterised by intergenerationally-mutualised and cash flow matched contracts.	1 January 2023
357/2022	Commission Regulation (EU) no. 2022/357 of 2 March 2022, adopting amendments to IAS 1 – Presentation of Financial Statements and IAS 8 - Accounting policies, changes in accounting estimates and errors, was published in the Official Journal of the European Union L 68 on 3 March 2022. The amendments clarify the differences between accounting policies and accounting estimates in order to ensure consistent application of accounting policies and comparability of financial statements.	1 January 2023
1392/2022	Commission Regulation (EU) no. 2022/1392 of 11 August 2022 adopting IAS 12 Income Taxes was published in the Official Journal of the European Union L 211 on 12 August 2022. These amendments specify how companies must account for deferred tax liabilities on operations such as leasing and disposal obligations and seek to reduce the diversity in recognising deferred tax assets and liabilities on leasing and disposal obligations in the financial statements.	1 January 2023
1491/2022	Commission Regulation (EU) no. 2022/1491 of 8 September 2022 adopting IFRS 17 Insurance Contracts was published in the Official Journal of the European Union L 234 on 9 September 2022. The amendment to the transitional provisions of IFRS 17 allows companies to overcome the one-off classification differences of comparative information from the previous financial year upon first-time application of IFRS 17 and IFRS 9 Financial Instruments.	1 January 2023
1803/2023	Commission Regulation (EU) no. 2023/1803 of 13 September 2023 adopting amendments to IFRS 17 Insurance Contracts was published in the Official Journal of the European Union L 237 of 26 September 2023 (later amended by L 239 of 28 September 2023). The Regulation governs the exemption from the annual cohort requirement for groups of contracts, set forth by the International Financial Reporting Standard 17 - Insurance Contracts (IFRS 17), for contracts with intergenerationally mutualised and cash flow-matched contracts.	1 January 2023

With respect to the regulations that were endorsed and came into effect on 1 January 2023, the BPER Banca Group has not identified any significant impacts on the consolidated financial statements as at 30 September 2023.
In the first nine months of 2023, no Regulations concerning new international accounting standards or involving amendments to standards already in force, whose application is mandatory from 1 January 2024 or later date, have been published.

The documents for which, at the date of these consolidated interim report on operations, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of said amendments, are reported below.

- On 15 August 2023, the IASB published an amendment called “Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates”. The document requires users to apply a consistent approach in determining whether one currency can be exchanged for another currency and, if it cannot, in determining the exchange rate to be used and the disclosure to be provided in the financial statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. The directors are currently assessing the possible effects of the introduction of this amendment on the Group's consolidated financial statements.
- On 25 May 2023, the IASB published an amendment called “Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements”. The document aims to improve the transparency of reverse factoring agreements and their effects on entities’ liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The directors are currently assessing the possible effects of the introduction of this amendment on the Group's consolidated financial statements.
- On 23 May 2023, the IASB published an amendment called “Amendments to IAS 12 Income Taxes: International Tax reform – Pillar two model rules”. The document provides a temporary exception to the accounting for deferred tax assets deriving from the international tax reform promoted by the OECD (Organisation for Economic Co-operation and Development). The disclosure obligations will only be applicable to annual financial statements for years starting on 1 January 2023 (or later) but not to interim financial statements with a year-end date prior to 31 December 2023. The directors are currently assessing the possible effects of the introduction of this amendment on the Group's consolidated financial statements.
- On 23 January 2020, the IASB published an amendment called “Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current” and on 31 October 2022 published an amendment called “Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants”. The documents aim

to clarify how to classify debt and other short and long-term liabilities. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The Directors do not expect the adoption of this amendment to have a significant impact on the Group's consolidated financial statements.

- On 22 September 2022, the IASB published an amendment called “Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback”. The document requires a seller-lessee to measure lease liabilities arising from a sale and leaseback transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The Directors do not expect the adoption of this amendment to have a significant impact on the Group's consolidated financial statements.

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

In any case, this document does not constitute “interim financial reporting” as intended by International Accounting Standard IAS 34.

2. Basis of preparation

In terms of the schedules presented and its technical form, the consolidated interim report on operations has been prepared on the basis of the Bank of Italy’s Circular no. 262/2005, as amended (most recently by the 8th amendment dated 17 November 2022, effective for annual reporting periods beginning on or after 31 December 2023) – issued in implementation of art. 9 of Legislative Decree 38/2005 – and the additional instructions provided in separate communications[28].
During preparation, account has been taken of the interpretative and support documents for the application of the accounting standards, issued by the Italian and European regulatory and supervisory bodies and by the standard setters, to the extent applicable[29].
Where not already included in the documents mentioned above, Italian laws on the financial statements of companies[30] and the Italian Civil Code have been taken into consideration.

The Consolidated interim report on operations consists of the consolidated balance sheet and the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in shareholders’ equity and the explanatory notes. The Report is accompanied by the Directors’ interim Report on Group operations.

The currency used in the Report is the Euro. Figures are expressed in thousands of Euro[31].

The general criteria underlying the preparation of the Consolidated interim report on operations are presented below:

- *Going Concern* [32]assets, liabilities and off-balance sheet transactions are measured in the context of continuity over time.
- *Accrual Basis of Accounting:* costs and revenues are recognised on the accrual basis, regardless of when they are settled.
- *Materiality and Aggregation:* each material class of similar items is presented separately in the financial statements. Items that are dissimilar in terms of their nature or use are only aggregated if they are individually immaterial.
- *Offsetting:* assets and liabilities, income and expenses are not offset unless required or permitted by a standard or an interpretation, or by the Bank of Italy’s regulations for the preparation of financial statements.
- *Frequency of disclosures*: information must be prepared annually or more frequently; if an entity changes its accounting reference date, the reason must be indicated together with the fact that the information provided is not comparable.
- *Comparative Information:* comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements, unless otherwise required by a standard or an interpretation.
- *Consistency of Presentation*: the presentation and classification of items is maintained over time to ensure that information

[28] These include the indications contained in communication of 14 March 2023 (repealing previous communications of 15 December 2020 and 21 December 2021) with provisions concerning the impacts of Covid-19 and the measures to support the economy and amendments to IAS/IFRS.

[29] Reference should be made, inter alia, to the public statement of ESMA of 25 October 2023 "European Common Enforcement Priorities for 2023 Annual Financial Reports", the public statement of ESMA of 13 May 2022 “Implications of Russia’s invasion of Ukraine on half-yearly financial reports", the public statement of ESMA of 29 October 2021 “European Common Enforcement Priorities for 2021 Annual Financial Reports” and of 28 October 2022 "European Common Enforcement Priorities for 2022 Annual Financial Reports”.

[30] 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.

[31] 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.

[32] Please refer to the paragraph below, dedicated to the going concern principle, for more information on the assessment generally conducted.

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.

The Explanatory Notes and attachments, if any, provide additional information to help give a complete, true and fair view of the company's situation, even if such information is not expressly required by the regulations.

Uncertainties in the use of estimates

The preparation of this consolidated interim Report on operations 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.

In relation to the "reasonableness and sustainability" of the information used for the accounting estimates, certain valuation areas were impacted in particular by: the war between Russia and Ukraine and the war in the Middle East, the awareness acquired of climate risk and the relevant containment measures implemented at international level, the associated consequences on the macroeconomic context, already affected by the rapid rise in inflation (driven by the "cost of energy") and the sudden rise in market interest rates. As a direct manifestation of the aforementioned climate risk, account has also been taken of the extreme atmospheric event (flood) which hit Emilia-Romagna and some surrounding regions in May 2023 and the subsequent difficulty faced by the BPER Banca Group, highly exposed in said areas, in conducting a complete assessment of the repercussions on borrowing customers, also in light of the Government intervention to support local business initiatives. In relation to said areas, also make reference to what is better detailed in the paragraph "*Other aspects*" below.
Also with reference to the IASB document dated 27 March 2020[33], 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) can be supplemented, also on a recurring basis, for example through the application of "post-model adjustments", if the information needed for their implementation is not characterised by the "reasonableness and sustainability" requirements needed to fully incorporate the effects of some relevant events for quantifying credit risk, but still not managed by the econometric models used to determine the risk parameters. Having also identified said situation in 2023, as a consequence of the aforementioned events cited as causes of uncertainty, the valuations for the period are also expected to be carried out using Management Overlays, without prejudice to the fact that said corrective actions must likewise be consistent with the guidelines of the IAS/IFRS.

Going Concern[34]

In preparing the consolidated interim Report on operations at 30 September 2023, 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 business ability to continue operating. 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 2023, as well as the liquidity position and related buffer with respect to the regulatory threshold, and the likely outlook for operations (of which the FY23 Guidance communicated to the market includes some economic and alternative performance metrics) despite the uncertainties linked to the current macroeconomic context.

Inspections and audits

The Directors believe that the observations arising from the various inspection areas which the BPER Banca Group was subject to - as disclosed in the Interim Report on Group Operations, with suitable remedial plans being prepared to ensure a timely response to the Supervisory Authorities' recommendations - will not have a significant impact on the income, balance sheet and cash flows

[33] 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".
[34] 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 BPER Banca Group.

3. Scope of consolidation and methodology

The consolidation criteria and methodology are described in Part A of the explanatory notes to the consolidated financial statements at 31 December 2022.
Current regulations require the scope of consolidation to be managed on two levels:

- the accounting scope of consolidation governed by IFRS 10[35] "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 Agreements", IFRS 12 "Disclosure of Interests in Other Entities" (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 effective from 1 July 2019 and subsequent amendments);
- the prudential scope of consolidation governed by Regulation (EU) 575/2013 (effective from 1 January 2014, as later amended), 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[36] 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 methodology required for the purposes of prudential supervision also for producing financial information, thus standardising the two consolidation perimeters ('for accounting purposes' and 'for prudential purposes').
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 do not satisfy the requirements of art. 19 of the CRR:

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

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

- Adras s.p.a.;
- Annia s.r.l.;
- Bridge Servicing s.p.a;
- St. Anna Golf s.r.l.;
- Commerciale Piccapietra s.r.l.

As at 30 September 2023, the above companies are consolidated at equity.

[35] IFRS 10 §B86 in relation to consolidation procedures.
[36] Regulation (EU) 575/2013 and subsequent amendments.

St. Anna Gestione Golf Società Sportiva Dilettantistica s.r.l., a subsidiary of BPER REOCO through St. Anna Golf s.r.l., was likewise excluded from the scope of consolidation as it was considered non-significant.

Changes in the scope of consolidation with respect to 31 December 2022 are outlined below:

- on 6 February 2023, the company Annia s.r.l. was incorporated, wholly-owned by BPER REOCO s.p.a. The company was incorporated in execution of the resolutions passed by the Parent Company aimed at defining the management of a UTP loan;
- on 29 March 2023, the deed for the merger by absorption of BPER Credit Management s.cons.p.a. into BPER Banca was stipulated;
- On 1 April 2023, the company Italiana Valorizzazioni Immobiliari was merged into BPER REOCO s.p.a.;
- On 28 April 2023, the company Bridge Servicing s.p.a. was incorporated, wholly-owned by BPER Banca. The company was incorporated to support the BPER Banca Group to manage debt collection;
- On 1 July 2023, the company Sifà S.p.A. (wholly-owned subsidiary) was merged into Unipolrental S.p.A., the latter consolidated from 30 September 2023 using the equity method, having identified the elements that suggest that a significant influence exists, despite holding 19.987% of the share capital.

For more details on the transactions, please refer to the chapter of the Report on operations entitled "*Significant events and strategic transactions*".

3.1. 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	99.457	100.000
2. Bibanca s.p.a.	Sassari	Sassari	1	74,458,607	BPER Banca	78.608	
					B. Sard.	20.522	
3. BPER Bank Luxembourg SA	Luxembourg	Luxembourg	1	30,667,500	BPER Banca	100.000	
4. Banca Cesare Ponti s.p.a.	Milan	Milan	1	14,000,000	BPER Banca	100.000	
5. BPER Real Estate s.p.a.	Modena	Modena	1	159,233,925	BPER Banca	74.687	
					B. Sard.	25.313	
6. BPER REOCO s.p.a.	Genoa	Milan	1	8,326,160	BPER Banca	100.000	
7. Sardaleasing s.p.a.	Milan/Bologna	Sassari	1	184,122,460	BPER Banca	52.846	
					B. Sard.	46.933	
8. Optima s.p.a. S.I.M.	Modena	Modena	1	13,000,000	BPER Banca	100.000	
9. Modena Terminal s.r.l.	Campogalliano	Campogalliano	1	8,000,000	BPER Banca	100.000	
10. BPER Factor s.p.a.	Bologna	Bologna	1	54,590,910	BPER Banca	100.000	
11. 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 company's share capital.
The figure for share capital is provided as extra information as required by CONSOB Communication DEM/6064293 dated 28 July 2006.

Key (1) Type of relationship: 1 Majority of voting rights at the ordinary shareholders' meeting; (2) Availability of voting rights at ordinary shareholders' meeting, distinguishing between actual and potential.

1.2 Equity investments within the Group consolidated with the application of 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. Annia s.r.l.	Milan	Milan	1	100,000	BPER REOCO	100.000	
3. Bridge Servicing s.p.a.	Modena	Modena	1	100,000	BPER Banca	100.000	
4. Sant'Anna Golf s.r.l.	Genoa	Genoa	1	50,000	BPER REOCO	100.000	
5. Commerciale Piccapietra s.r.l.	Genoa	Genoa	1	500,000	BPER Banca	100.000	
B. Subsidiaries that are included in the Banking Group but do not satisfy the requirements of art. 19 of the CRR							
6. Estense Covered Bond s.r.l.	Conegliano	Conegliano	1	10,000	BPER Banca	60.000	
7. BPER Trust Company s.p.a.	Modena	Modena	1	500,000	BPER Banca	100.000	
8. Estense CPT Covered Bond s.r.l.	Conegliano	Conegliano	1	10,000	BPER Banca	60.000	
9. Carige Covered Bond S.r.l.	Genoa	Genoa	1	10,000	BPER Banca	60.000	
10. Carige Covered Bond 2 s.r.l. in liquidation	Genoa	Genoa	1	10,000	BPER Banca	60.000	
11. Argo Mortgage 2 S.r.l. - in liquidation	Genoa	Genoa	1	10,000	BPER Banca	60.000	
12. Lanterna Finance s.r.l.	Genoa	Genoa	4	10,000	BPER Banca	5.000	
13. Lanterna Lease s.r.l. in liquidation	Genoa	Genoa	4	10,000	BPER Banca	5.000	
14. Lanterna Mortgage s.r.l.	Genoa	Genoa	4	10,000	BPER Banca	5.000	
15. Centro Fiduciario C.F s.p.a. - in liquidation	Genoa	Genoa	1	500,000	BPER Banca	96.950	

The "% Available votes" column is only used if the actual share of votes exercisable at the Ordinary Shareholders' Meeting is different from the interest held in the company's share capital.
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; 4 Other forms of control. (2) Voting rights at ordinary shareholders' meeting, distinguishing between actual and potential.

3.2. 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 emerged during the reporting period, as envisaged in IFRS 10, that might change the assessments made regarding the possession of control, joint control or significant influence.

3.3. Significant restrictions

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

4.4. Other information

Line-by-line consolidation of the Group Banks and Companies is based on the financial statements prepared and approved by the individual subsidiaries as at 30 September 2023. These financial statements are 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 and subject to the application of national accounting principles, prepare their financial statements under the international accounting standards (a.k.a. the “Consolidation Reporting Package”) used for consolidation purposes.
The value of Group subsidiaries carried at equity is measured on the basis of their accounting data as prepared and approved in application of IAS/IFRS as at 30 September 2023.
For the other equity investments consolidated at equity, reference is made to the latest available accounting information in accordance with IAS 28.

4. Events after the reporting period

The consolidated interim report at 30 September 2023 was approved on 8 November 2023 by the Board of Directors of BPER Banca, which authorised its publication.
Information about the events that took place after the above reporting date and until the date of approval, if any, is presented and described in the section of the Group interim report on operations entitled "Significant events and strategic transactions". These events did not affect this Report pursuant to IAS 10.

5. Other information

5.1 Risks, uncertainties and impacts from: Russia-Ukraine war, climate risk, macroeconomic context

The general and sectoral macroeconomic framework is still affected by significant uncertainty brought about by the Russia-Ukraine conflict and the recent conflict in the Middle East, by the consequent international sanctions, and the awareness acquired at international level of climate risk and the associated measures to address it. It is, moreover, affected by the persistence of the rise in inflation and the subsequent increase in market interest rates. As a direct manifestation of the aforementioned climate risk, account has also been taken of the recent extreme atmospheric event (flood) which hit Emilia-Romagna and some surrounding regions in May 2023 and the subsequent difficulty faced by the BPER Banca Group, highly exposed in said areas, in conducting a complete assessment of the repercussions on borrowing customers, also in light of the Government intervention to support local business initiatives. Said elevated uncertainty prompts the Group Banks to continuously control and monitor, in particular, credit risk and the related balance sheet assessments.
In this regard, even in the first half of 2023 the Parent Company carried out dedicated analyses, aimed at identifying the best methods of intervention on the credit risk measurement and forecasting systems, later aligning them with the prevailing context and trying to avoid being excessively pro-cyclical in the definition of collective provisions, as indicated by the Regulators (among others especially ESMA and the ECB).
The BPER Banca Group has implemented the various instructions issued by the Italian government (including the suspension of loan instalment payments – the recent “Flood-related moratoria”[37]) and affirmed its commitment to support business and private customers including with own dedicated initiatives, identifying at the same time the best ways to recognise these measures in the financial statements, in accordance with the established accounting policies and instructions from the Regulators.
As regards the criteria for recognition, classification, measurement and derecognition of “*Financial assets measured at amortised cost*” (limited to loans disbursed), to be adopted for preparation of this Consolidated interim report on operations, disclosure is given below of the criteria used by the Group when applying the Management overlays, already introduced in the previous paragraph “*Uncertainties in the use of estimates*”.

[37] Law Decree no. 61 of 1 June 2023, Orders of the Civil Protection 992-997-1000-1002.

Accounting estimates - Overlay approach applied in credit risk assessment

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

The BPER Banca Group made some ‘expert’ Stage 2 classifications in relation to direct exposures to parties that are in different ways affected by the ongoing conflict between Russia and Ukraine and related sanctions imposed at international level. The adjustments to the SICR model adopted by the Group, initially qualifying as Overlay, have been essentially embedded in the model as at 30 September 2023.

2) Measurement of expected losses

As part of the application of the ECL model used by the BPER Banca Group in preparing the Interim Report on Operations as at 30 September 2023, as regards the macroeconomic scenarios adopted at Group level, reference was made to the up-to-date forecasts made available by the specialised infoprovider usually consulted by the Group which duly make it so that the forecasts of the economic, financial and physical variables include the repercussions at national and sectoral level of the new macroeconomic context, including the Russian-Ukrainian conflict, inflationary pressure and climate change.

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

- the "expert" attribution of the probability of occurrence of the macroeconomic scenarios considered by the model (so-called "multi-scenario") of ECL, in particular by intervening on the choice of the adverse scenario considered (so-called "extreme adverse" scenario as the most pessimistic macroeconomic scenario, drawn up by the provider used by BPER Banca), and increasing the relative probability of occurrence to 50% (same approach as adopted for the period ending 31 December 2022). The probability of occurrence of the “baseline” scenario was also set at 50% (same approach as for the reporting period ended 31 December 2022), leading to the absence of impact of the remaining “best” scenario - probability of occurrence equal to 0% (same approach as for the reporting period ended 31 December 2022; the increase in ECL attributable to said correction factor stands at roughly Euro 74.1 million, compared to the results of the ordinary model adopted by the Group, marking a negative income statement impact of Euro 5.1 million in the first nine months of 2023, with respect to the similar overlay already envisaged as at 31 December 2022);
- the application of a prudential correction factor to the ECL, downstream of the model's results, which pays special attention to the “energy-intensive” economic sectors, in order to take account of the probability of the customer encountering financial difficulties, also considering fears of negative effects on the economy stemming from the explosion of energy costs and raw materials, as well as the correlated increase in inflation; the latter also fuelled by the ongoing conflict between Russia and Ukraine. Similarly, the adjusting provisions of direct exposures to banks resident in Russia were booked to the same overlay. The increase in ECL attributable to said correction factors amounts to approximately Euro 175 million, compared to the ECL already integrated by the previous correction factor (marking a positive income statement impact of Euro 13.9 million in the first nine months of 2023 with respect to the similar overlay already envisaged as at 31 December 2022);
- the application of an “expert” and prudential correction factor to take account of the impact of climate-environmental factors on credit risk. It is based on the adoption of an adverse climate scenario, characterised by the inertial conduct of the economic system with respect to the energy transition and an increase in temperature well above the limits agreed in the Paris Agreement [38] («Current Policy» scenario). This scenario is therefore to be considered adverse with respect to alternative climate scenarios, like that of the «Orderly Transition», which assume that the climate policy is able to contain the long-term increase in temperatures; the increase in ECL attributable to said correction factor amounts to approximately Euro 21.1 million, compared to the ECL already integrated by the previous two correction factors (marking a negative income statement impact of Euro 0.8 million in the first nine months of 2023, with respect to the similar overlay applied to the reporting period as at 31 December 2022);
- the application of an “expert” and prudential correction factor to take account of the recent weather event (flood) that hit Emilia-Romagna and some other regions in May 2023 in order to take account of the probability that customers resident in or with businesses operating in the areas hit hardest may run into financial difficulties. The increase in ECL attributable to said correction factor amounts to approximately Euro 52.6 million, compared to the ECL already integrated by the previous correction factors (marking a negative income statement impact of the same amount in the first nine months of 2023).

The “top down” overlays described above, aimed at including in the Group’s ECL calculation model specific safeguards against the still widespread market uncertainty, were applied to the results of the ordinary Group’s ECL model which, in the first nine months of 2023, underwent some additional parameter finetuning (mainly PD and SICR thresholds), described in greater detail in the paragraph “Methods for determining the extent of impairment”.

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

5.2 Extraordinary tax on banks' "extra profits"

Article 26 of Decree Law no. 104 of 10 August 2023 ("Decree Law no. 104/2023"), converted with Law no. 136 of 9 October 2023, introduced a one-off extraordinary tax on banks pursuant to article 1 of Italian Legislative Decree 385/1993, calculated on the increase in the net interest income, to be paid by the sixth month after that of the close of the financial year prior to the one in progress as at 1 January 2024 (therefore, for the majority of banking players, by 30 June 2024).
The extraordinary tax is determined by applying the rate of 40% on the tax base comprised of the amount of the net interest income under item 30 of the income statement drafted according to the layouts approved by the Bank of Italy relating to the financial year prior to the one in progress as at 1 January 2024, which exceeds, by at least 10%, the same net interest income in the financial year prior to the one in progress as at 1 January 2022.
Pursuant to paragraph 3 of the aforementioned article 26, the amount of the tax cannot, in any case, be higher than an amount equal to 0.26% of the total amount of the risk exposure ("RWAs") on a separate basis, determined in accordance with paragraphs 3 and 4 of article 92 of Regulation (EU) no. 575/2013 with reference to the closing date of the financial year prior to the one in progress as at 1 January 2023.
It should also be noted that paragraph 5-bis, introduced to article 26 during the conversion of the Decree, gives banks the option, in place of payment of the aforementioned tax, at the time of approval of the financial statements relating to the financial year prior to the one in progress as at 1 January 2024, to allocate an amount of no less than two and a half times the extraordinary tax to a non-distributable reserve identified for this purpose.

Taking into account the characteristics of the law and the relevant approval timing and having evaluated the nature of the tax, the BPER Banca Group:

- with reference to the effects of the law, considered the regulatory amendments made as "adjusting events" pursuant to IAS 10 with respect to the closing of the accounts as at 30 September 2023;
- in relation to the nature of the tax, recognised the case as being within the scope of application of IFRIC 21 since it affects net interest income. Consequently, IFRIC 21 requires the tax to be recognised in the income statement when an obligating event occurs that gives rise to a liability. This obligating event is the activity that triggers the payment of the levy, as identified by the legislation. In the case in question, the obligating event that triggers the payment of the levy is not only net interest income exceeding the threshold set by the law, but also the Bank's decision to pay the levy or to set up a non-distributable reserve (decision referred to in the "internal approval process").

In consideration of the above premises and technicalities of the tax, the results of the BPER Group as at 30 September 2023 were not affected by any charges. On 8 November 2023, the Board of Directors of BPER Banca S.p.A. resolved to preliminarily exercise the option under Article 26, paragraph 5-bis of the Decree and, therefore, to submit a proposal to the 2024 Shareholders' Meeting to book part of the 2023 profit, for an amount of Euro 289.2 million, to a non-distributable equity reserve. Upon indication by the Parent Company, a similar position was adopted by the subsidiary banks affected by the measure (Banco di Sardegna, Bibanca and Banca Cesare Ponti), with the subsequent allocation of Euro 315.4 million to a non-distributable reserve at BPER Banca Group level, corresponding to 2.5 times the amount of the tax of Euro 126.2 million. Only in the event that this reserve is used for distribution to shareholders, will the extraordinary tax under article 26, plus interest per annum for an amount equal to the annual interest rate on deposits with the European Central Bank, become payable by the BPER Group.

Criteria for recognition in the financial statements

For the methods used in the recognition, classification, measurement and derecognition of income statement items, reference is made to the criteria applied for preparation of the Consolidated Financial Statements as at 31 December 2022.

Reported below is an update on:
- the integration of the accounting treatment of the tax credits acquired, also making provision for the IFRS9 Hold To Collect & Sell business model and a trading business model;
- the integration of the accounting treatment of the macro fair value hedge of fixed-rate loans (mortgages and loans).

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, 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 introduced 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 (“invoice discount”) or, alternatively, for the assignment of the credit corresponding to the deduction due to other entities, including therein credit institutions and other financial intermediaries. The Italian Government further ruled on the subject by issuing Decree Law no. 50/2022 “Decreto Aiuti” - Aid Decree) primarily by restructuring the target of potential of re-assignees.
As part of its commercial policies, the BPER Banca Group has decided to operate as an assignee of tax credits to its customers.
The transferee bank may in turn use these credits to offset tax payments through the F24 form or, alternatively, transfer these credits to other parties. The tax credit must be used with the same breakdown into annual instalments with which the deduction would have been used by the seller (for example in five annual instalments of the same amount). The portion of the tax credit not used during the year cannot be used in subsequent years and cannot be requested as a refund.
As regards the responsibilities as to the existence of the credit, the law provides that:
a) suppliers and buyers of credits are liable only for any use of the tax credit that is irregular or for a larger amount than the tax credit received;
b) if the Revenue Agency finds out that one does not have all or some of the requisites that give the right to a tax deduction, it will recover the amount of the deduction not due from those to whom the bonus was granted (i.e. the seller). In addition, Decree Law no. 11 of 17 February 2023, amending article 121 of Decree Law 34/2020, established that the liability of the assignee is limited solely to cases of wilful misconduct if it demonstrates that it has acquired the credit and is in possession of the series of documents listed in the decree. The exemption of liability also applies to entities that acquire the credits from banks, following the certification of possession of the documentation.

With reference to the accounting treatment to be adopted in the financial statements of the buying bank, since the case in question is not subject to clear instructions in the IAS/IFRS, in application of the provisions of IAS 8, paras. 10 and 11, various possible scenarios were assessed concerning the applicability of the following international accounting standards by analogy:
a) IAS 20 “Accounting for government grants and disclosure of government assistance”;
b) IAS 12 “Income Taxes”;
c) IAS 38 “Intangible Assets”;
d) IFRS 9 “Financial Instruments”.

The choice made by the BPER Banca Group is to refer by analogy to the indications of IFRS 9[39], 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);
- incorporated in a HTC business model, or with a hold-to-maturity strategy for offsetting, if acquired within the limits of its tax capacity;
- incorporated in a HTC&S business model, or according to a mixed strategy of holding and/or sale by the date of offsetting, if the technical/business conditions are satisfied;
- incorporated in a trading business model when already in excess of its tax capacity at the purchase date;
- classified in item 130 "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/sell them within a certain time limit. So at the time of initial recognition the tax credit is recognised at the price of the

[39] 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.

individual transaction - equating it to the fair value of a Level 3 instrument, as there are no official markets or comparable transactions - and thereby allowing to satisfy the condition set by IFRS 9 according to which financial assets and liabilities are to be initially recognised at fair value.
The subsequent valuation (measurement) of said assets, always in accordance with the guidelines of IFRS 9, is carried out:

– at amortised cost, if classified as HTC;
– at fair value through other comprehensive income, if classified as HTC&S;
– at fair value through profit or loss, if classified in the trading portfolio.

The amortised cost is defined 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 relation to the determination of fair value, owing to the unique nature of these instruments, fair value fluctuations are linked to changes in market interest rates with respect to the internal rate characterising the individual transaction.
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, as part of the HTC business model, 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. Within the trading BM, the revision of its recoverability estimates would be reversed directly in the fair value measurement of the instruments.

Considering the operations arranged by the BPER Banca Group, it is believed that the risk of losses/a negative change in the fair value resulting from the non-use as offsetting is unlikely given that, with reference to the HTC business model, the balances acquired are consistent with the Group's overall tax capacity (constantly monitored); in relation to the trading portfolio (and, if applicable, in the case in which the technical/business conditions apply, in relation to the HTC&S portfolio), in respect of the credits acquired, assignment agreements are gradually stipulated with counterparties identified from the Group's corporate customers, with the objective of ensuring the recoverability of the credit booked under assets.
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.

Macro Fair Value Hedge on sight deposits and fixed-rate loans

Within the BPER Banca Group, the macro fair value hedge regime is currently applied to hedge the interest rate risk inherent in formally sight funding items and on fixed-rate loans.

Macro Fair Value Hedge on fixed-rate loans (long-term mortgages)

The macro fair value hedge regime is applied to a "hedged item" identified by taking as a reference the portfolios of fixed-rate mortgages disbursed to customers as "homogeneous" as possible with a series of parameters, such as term to maturity, frequency of payments, customer segmentation, etc. (hedged "meta-loan").
The objective of the hedge is to neutralise the risk of an unwanted change in the fair value of the identified portion of the portfolio of long-term and fixed-rate loans, due to the trend in market rates.
In fact, based on the structure adopted, the hedged meta-loan (defined starting from the portfolio of loans taken as a reference) has the same duration, nominal amount and flows of the fixed leg of the hedging derivative.
The hedge effectiveness tests (retrospective and prospective) are carried out monthly by applying the "Dollar Offset Method"[40], considering accumulated fair value changes (from the start of the hedging) of the "meta-mortgage" hedged and the hedging derivatives; the effectiveness or ineffectiveness of the hedge is recognised on the entire portion of the hedged portfolio and not on the individual transaction included in the aggregate taken as a reference to define the hedged item.
In order to ensure the resilience of the tests due to unexpected events such as prepayments (full or partial early repayments), migration to bad loan status or renegotiations/restructuring, the full hedging of the interest rate risk of part (70%) of the identified portfolio was defined.

[40] The hedge is deemed effective both if the ratio of the accumulated fair value changes between the Hedging Instrument and the Hedged Group is within the range of 80%-125%, and if outside this range, but the relevance thresholds defined at corporate policy level are nonetheless respected. The hedge is only deemed effective if the prospective and retrospective effectiveness tests are simultaneously passed, without prejudice to the aforementioned possibility of satisfying the materiality thresholds.

Method for determining the extent of impairment

Financial assets

Criteria for the classification of financial instruments in Stages

The Stage Assignment Framework adopted by the BPER Banca Group establishes the requirements for classifying financial instruments with reference to the actual "deterioration" of credit risk, consistent with the requirements of IFRS 9, applying an approach that is consistent among the various portfolios and within the Banking Group. This classification in stages of increasing risk is determined using all the significant information contained in Group processes, as supported where applicable by updates and the credit monitoring processes.

Specifically, financial assets are classified into three stages of risk, each of which applies a different method to calculate the related impairment adjustments, while consistently applying the "Expected Loss" or "Expected Credit Losses" (ECL) concept:

- Stage 1: includes all performing loans (originated or acquired) for which there is no "significant increase in credit risk" (SICR) since initial recognition; impairments are equal to the expected losses that could occur if a default occurs in the next 12 months (12-month ECL);
- Stage 2: comprises all performing loans with a "SICR" since initial recognition; the impairment adjustments reflect the expected losses that might arise on default at any time in the life of the financial instrument (lifetime ECL);
- Stage 3: comprises all accounts in default at the reporting date, the impairment adjustments for which consider the lifetime ECL.

In particular, regarding the classification of loans in Stage 2, it is essential to identify correctly the SICR criteria used in the stage assignment process. For this purpose, the BPER Banca Group has structured a framework designed to identify the increase in credit risk before the credit lines granted show clear signs of impending default.

While the distinction between performing and non-performing is made at counterparty level, classification into stages of risk is carried out at account level. In order to distinguish loans within the performing portfolio that do not show SICR (Stage 1) from those that do (Stage 2), the BPER Banca Group has decided to use all the following available significant factors as criteria for the analysis of credit quality:

- relative quantitative criteria, reflected in the internal thresholds of change between the PD identified on originating the contractual relationship and the PD at the measurement date, that identify a significant increase in credit risk if exceeded. In this context, a framework is in use to identify the changes in PD and related thresholds, which makes reference to the Lifetime PD curves, containing forward-looking information. The SICR thresholds, with the quantitative criterion being triggered if breached, are differentiated by counterparty risk segment, residual maturity cluster of the financial instrument and source rating class.

  The table below offers a summary view of the granularity of definition of the relevant “lifetime PD delta” thresholds for SICR, i.e. the internal thresholds of change between the PD identified on originating the contractual relationship and the PD at the measurement date and used by the Group:

Rating class at origination	PD Model segment IFRS9	Residual maturity cluster
From 1 to 9 years	Large Corporate	<= 2 years
		<= 5 years
		> 5 years
	Holding	<= 3 years
		<= 8 years
		> 8 years
From 1 to 13 years	SMEs Corporate	<= 16 years
		> 16 years
	Real Estate - Multi-annual SMEs Centre South Islands	<= 2 years
		<= 5 years
		<= 10 years
		> 10 years
	Real Estate - Multi-annual SMEs North	<= 5 years
		<= 9 years
		<= 10 years
		> 10 years
	Retail SMEs - Centre South Islands	<= 3 years
		<= 4 years
		<= 5 years
		<= 9 years
		> 9 years
	Retail SMEs - North	<= 4 years
		<= 8 years
		<= 13 years
		> 13 years
	Private individuals - Centre South Islands	<= 3 years
		<= 4 years
		<= 5 years
		<= 7 years
		<= 16 years
		> 16 years
	Private individuals - North	<= 3 years
		<= 4 years
		<= 5 years
		<= 6 years
		<= 7 years
		<= 13 years
		<= 16 years
		> 16 years
	Small Business Operators	<= 5 years
		> 5 years
	Financial corporations	<= 5 years
		> 5 years

- absolute qualitative criteria that, via the identification of a risk threshold, identify the transactions to be classified in Stage 2 based on the specific risk information available. This category includes the adverse events impacting credit risk that are identified by the Early Warning credit performance monitoring system ("watchlist"). In order to avoid overlapping, some qualitative counterparty information has not been included among the staging criteria, as it is already considered in the rating models;
- backstop indicators, including:
  - the presence of exposures with a significant past due balance for more than 30 days;
  - the presence of a regulatory probation period of 24 months for forbearance measures;
  - the absence of a rating or the presence of a default status at the credit origination date.

The BPER Banca Group has not made provision, to date, for the possibility of manually overriding the classification obtained from applying the staging rules described.
For a homogeneous application of the impairment model between portfolios of the Group, the classification criteria in stages for the portfolio of debt securities were taken, where possible, from the staging logic applied to the loan portfolio. Specifically, the BPER Banca Group has defined a staging model for debt securities based on the following criteria:

- management of an "inventory" of debit securities for staging purposes, applying the FIFO method to relieve sold tranches from the portfolio;
- model for identifying significant increases in credit risk, in order to classify debt securities in Stage 1 or Stage 2, based on the following criteria:
  - primary use of the internal rating model and, if unavailable, reference to an external rating agency;
  - determination of the rating downgrade threshold based on a comparison of rating classes at origination with rating classes at the measurement date (notching between rating classes);
- classification in Stage 3 of all debt securities in default at the reporting date, applying the definition of default contained in the ISDA document entitled "Credit Derivatives Definition" of 2003.

The standard also envisages the possible use of a practical expedient, intended to reduce the implementation burden for transactions that, at the measurement date, have a *low credit risk* and can be classified in Stage 1 without first carrying out the SICR test. The standard considers an asset to have a low credit risk if the debtor is well able to meet the short-term cash flow requirements deriving from its contractual obligations and adverse changes in the long-term economic situation might reduce that ability, but not necessarily.
The BPER Banca Group has decided not to adopt this practical expedient.
Should the conditions giving rise to the SICR cease to apply at a subsequent measurement date, the financial instrument is once again measured with reference to the 12-month ECL, which might result in a write-back to the income statement.
It should be noted, however, that in the event of reclassification of a loan from non-performing (Stage 3) to performing, the BPER Banca Group does not deem necessary a forced classification in Stage 2 with the application of a Lifetime ECL, since no probation period has been set for the return from Stage 3 to Stage 1. In this case, the stage assignment approach mentioned previously will be valid. In line with this approach and with the regulatory requirements, also in the event of a return from Stage 2 to Stage 1, probation periods are not envisaged as the combination of the various SICR rules implemented already permits an adequate level of prudence in the case of a return to Stage 1.
The only exception to this concerns the application of the regulations on "forborne exposures", for which the Group expects that the official rating valid on the day the forborne attribute is activated may not be changed before twelve months have elapsed.

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.
It consists of a system, binding on an optional basis for three years, of individual companies connected by a relationship of control pursuant to article 117 of the TUIR (Consolidated Income Tax Act) to which they adhere, based on which, for the consolidating company or entity, a single tax base is determined (taxable income or tax loss) for the group of companies calculated as the algebraic sum of the taxable amounts of each one.
The option for BPER Factor s.p.a., Finitalia s.p.a., Arca Fondi SGR spa and Arca Holding spa expired on 31 December 2022 and will be renewed for the three-year period 2023-2025 when the consolidating company submits its tax return.
Effective 1 January 2023, BPER Banca Cesare Ponti S.p.A. exercised the option for admission to consolidated taxation. The regime was instead suspended again, effective from the same date for the consolidated company SIFA' Società Italiana Flotte Aziendali S.p.A. following its merger into Unipol rental S.p.A.

Consolidated companies	**2021**	**2022**	**2023**	**2024**	**2025**
Banca Cesare Ponti s.p.a.			x	x	x
Bibanca s.p.a.	x	x	x		
Banco di Sardegna s.p.a.		x	x	x	
Optima s.p.a. SIM		x	x	x	
BPER Factor s.p.a.			x	x	x
Sardaleasing s.p.a.	x	x	x		
BPER Trust Company s.p.a.		x	x	x	
BPER Real Estate 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

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Information on the consolidated balance sheet

Assets

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 30.09.2023			Total 31.12.2022		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	39,084	7,098	7	49,365	5,205	10
1.1 Structured securities	5,630	1,540	-	22,440	1,427	-
1.2 Other debt securities	33,454	5,558	7	26,925	3,778	10
2. Equity instruments	58,295	1,721	48	56,742	2,830	23
3. UCITS units	3	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**97,382**	**8,819**	**55**	**106,107**	**8,035**	**33**
B. Derivative instruments						
1. Financial derivatives	-	623,301	1,702	-	585,631	7,692
1.1 trading	-	623,301	1,702	-	585,631	7,692
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)	**-**	**623,301**	**1,702**	**-**	**585,631**	**7,692**
Total (A+B)	**97,382**	**632,120**	**1,757**	**106,107**	**593,666**	**7,725**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to the Consolidated Financial Statements as at 31 December 2022.

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

2.3 Financial assets designated at fair value: breakdown by product

Description/Amounts	Total 30.09.2023			Total 31.12.2022		
	L1	L2	L3	L1	L2	L3
1.Debt securities	**-**	**1,969**	**-**	**-**	**1,920**	**461**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	1,969	-	-	1,920	461
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
Total	**-**	**1,969**	**-**	**-**	**1,920**	**461**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to the Consolidated Financial Statements as at 31 December 2022.

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

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

Description/Amounts	Total 30.09.2023			Total 31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**1,430**	**61,111**	**-**	**1,436**	**70,585**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	1,430	61,111	-	1,436	70,585
2. Equity instruments	**1,896**	**297**	**18,442**	**1,613**	**297**	**18,235**
3. UCITS units	**285,342**	**-**	**389,369**	**294,846**	**-**	**355,087**
4. Loans	**-**	**73,894**	**30,518**	**-**	**44,860**	**87,929**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	73,894	30,518	-	44,860	87,929
Total	**287,238**	**75,621**	**499,440**	**296,459**	**46,593**	**531,836**

An explanation of the fair value hierarchy used for classification was given in Part A.4 of the Explanatory Notes to the consolidated financial statements as at 31 December 2022.

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

Financial assets 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 30.09.2023			Total 31.12.2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**6,118,096**	**487,441**	**-**	**6,890,765**	**527,575**	**656**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	6,118,096	487,441	-	6,890,765	527,575	656
2. Equity instruments	**2,027**	**2,899**	**542,193**	**1,658**	**2,237**	**540,019**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**6,120,123**	**490,340**	**542,193**	**6,892,423**	**529,812**	**540,675**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to the Consolidated Financial Statements as at 31 December 2022.

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

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 30.09.2023						Total 31.12.2022					
	Book Value			Fair value			Book Value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit	L1	L2	L3
A. Loans to Central Banks	**1,036,674**	**-**	**-**	**-**	**-**	**1,036,674**	**1,347,747**	**-**	**-**	**-**	**-**	**1,347,747**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	1,036,674	-	-	X	X	X	1,347,747	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	**7,333,985**	**-**	**-**	**6,093,496**	**200,656**	**732,851**	**8,134,701**	**-**	**-**	**6,030,453**	**234,895**	**1,537,836**
1. Loans	732,851	-	-	-	-	732,851	1,537,836	-	-	-	-	1,537,836
1.1.Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	75,013	-	-	X	X	X	234,376	-	-	X	X	X
1.3. Other loans:	657,838	-	-	X	X	X	1,303,460	-	-	X	X	X
- Repurchase agreements	301,788	-	-	X	X	X	358,702	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	356,050	-	-	X	X	X	944,758	-	-	X	X	X
2. Debt securities	6,601,134	-	-	6,093,496	200,656	-	6,596,865	-	-	6,030,453	234,895	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	6,601,134	-	-	6,093,496	200,656	-	6,596,865	-	-	6,030,453	234,895	-
Total	**8,370,659**	**-**	**-**	**6,093,496**	**200,656**	**1,769,525**	**9,482,448**	**-**	**-**	**6,030,453**	**234,895**	**2,885,583**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to the Consolidated Financial Statements as at 31 December 2022.

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 30.09.2023						Total 31.12.2022					
	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	**85,186,128**	**847,778**	**638,156**	**-**	**-**	**85,713,294**	**89,558,304**	**779,822**	**836,709**	**-**	**-**	**92,954,208**
1.1. Current accounts	5,131,594	38,673	48,994	X	X	X	5,333,127	58,564	91,088	X	X	X
1.2. Repurchase agreements	-	-	-	X	X	X	-	4,254	-	X	X	X
1.3. Mortgage loans	60,838,114	598,241	489,258	X	X	X	61,825,671	482,502	644,261	X	X	X
1.4. Credit cards, personal loans and assignments of one-fifth of salary	4,634,917	43,481	10,395	X	X	X	4,598,696	35,683	12,693	X	X	X
1.5. Finance leases	2,838,808	66,614	25,774	X	X	X	3,011,379	102,127	23,945	X	X	X
1.6. Factoring	1,491,577	7,865	-	X	X	X	1,896,399	17,821	-	X	X	X
1.7. Other loans	10,251,118	92,904	63,735	X	X	X	12,893,032	78,871	64,722	X	X	X
2. Debt securities	**14,768,403**	**-**	**-**	**12,658,678**	**110,163**	**919,674**	**14,654,014**	**-**	**-**	**12,382,622**	**143,881**	**1,013,311**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	14,768,403	-	-	12,658,678	110,163	919,674	14,654,014	-	-	12,382,622	143,881	1,013,311
Total	**99,954,531**	**847,778**	**638,156**	**12,658,678**	**110,163**	**86,632,968**	**104,212,318**	**779,822**	**836,709**	**12,382,622**	**143,881**	**93,967,519**

The sub-item "Other loans", limited to the performing component (inclusive of Stage 1 and 2 equal to Euro 10,251 million, as well as the portion of POCI assets classified in Stage 2, equal to Euro 33.8 million), is composed as follows: Euro 5,191 million of bullet short term loans (-25.49%), Euro 2,720 million of advances on invoices and bills subject to collection (-13.81%), Euro 1,298 million of import/export advances, (-8.85%), Euro 33 million of credit assignment (-32.65%) and Euro 1,043 million of other miscellaneous entries (-20.08%).

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to the consolidated financial statements as at 31 December 2022.

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

Intangible assets

Caption 100

10.1 Intangible assets: breakdown by asset type

Description/Amounts	Total 30.09.2023		Total 31.12.2022	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	**X**	**197,624**	**X**	**204,392**
A.1.1 pertaining to group	X	197,624	X	204,392
A.1.2 pertaining to minority interests	X	-	X	-
A.2 Other intangible assets	**374,546**	**-**	**359,110**	**-**
of which Software	350,451	-	321,678	-
A.2.1 Assets measured at cost	374,546	-	359,110	-
a) intangible assets generated internally	-	-	-	-
b) other assets	374,546	-	359,110	-
A.2.2 Assets measured at fair value	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	**374,546**	**197,624**	**359,110**	**204,392**

“Other intangible assets" mainly comprise application software measured at cost and amortised on a straight-line basis over a period, not exceeding five years, that depends on the degree of obsolescence involved.
The remaining “Other intangible assets” mainly consist of intangibles recognised in previous business combinations (Purchase Price Allocation).

10.3 Other information

10.3.1 Goodwill

The goodwill recorded under the "Intangible assets" of the BPER Banca Group is summarised in the table below:

(in thousands)

Goodwill	30.09.2023	31.12.2022
Banks/Other companies	**197,624**	**204,392**
- Banco di Sardegna s.p.a.	*27,606*	*27,606*
- BPER Factor s.p.a.	*-*	*6,768*
- Arca Holding s.p.a.	*170,018*	*170,018*
Total	**197,624**	**204,392**

It should be noted that the situation reported herein is the result of the conclusions that emerged during the impairment test carried out at the end of the reporting period for the Consolidated Half-Year Report as at 30 June 2023. The impairment test made it necessary to fully write down the goodwill allocated to the BPER Factor CGU, amounting to Euro 6,768 thousand, for the reasons reported in the Explanatory notes to the Consolidated Half-Year Report as at 30 June 2023 to which reference should be made.

Information on goodwill

With respect to the accounting treatment of business combinations, financial reporting standard IFRS 3 requires the recognition of any intangible assets and goodwill arising from the transaction. Goodwill, in particular, except in specific cases, measures the difference between the consideration transferred, measured in compliance with IFRS 3, which generally requires the acquisition-date fair value and the net of the acquisition-date amounts of the identifiable assets acquired and the identifiable liabilities assumed, measured in compliance with IFRS 3.

IFRS 3 and IAS 36 require the identification of the "Cash Generating Units" (CGUs) and allocation of goodwill to the acquirer's cash-generating units that are expected to benefit from the synergies of the business combination. A CGU is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
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 to sell and its value in use. The impairment loss shall be recognised immediately in profit or loss.
In accordance with IAS 36, intangible assets with an indefinite useful life, such as goodwill, are not amortised, but must be tested for impairment at least annually (or in any case whenever there is evidence of impairment) to verify the actual recoverability of the recorded value. The annual verification can be carried out at any time during the reference year, provided that it is conducted in the same period in all years. In this context, the BPER Banca Group carries out an annual impairment test at the time the year-end financial statements are prepared, whereas when interim reports are prepared, a check is performed to verify whether there are any signs of impairment; in this case, if the check has a positive outcome, an impairment test is carried out.
Again according to IAS 36, reference can be made to the most recent analytical calculation, performed in a prior period, of the recoverable value of a CGU to which the goodwill has been allocated. In fact, said value can be used in the impairment test for that unit during the current year, provided that all the following criteria are satisfied: a) the assets and liabilities that form the unit have not changed significantly since the most recent calculation of the recoverable value; b) the most recent calculation of the recoverable value determined a value exceeding the book value of the unit with a substantial margin; and c) based on an analysis of the facts occurred and circumstances that have changed since the most recent calculation of the recoverable value, the likelihood that the current determination of recoverable value is lower than the current book value of the unit is remote.

At the time of the impairment test as at 30 September 2023, the trigger events included the elements already highlighted in the Explanatory notes of the Consolidated Half-year Report as at 30 June 2023, in particular:
- a macroeconomic and sectoral scenario for the 2023-2026 period, updated as at September 2023 and issued by specialised info-providers, which shows a less favourable context with respect to that used for the income statement and balance sheet calculations needed for the impairment test performed as at 31 December 2022;
- the confirmation of the increase in the cost of equity employed for discounting cash flows, useful for estimating the value in use; there is actually an inverse relationship between the cost of equity and the value in use.

Generally speaking and with respect to the forecasts at the end of 2022, those updated in September 2023 show, for the current year, a more favourable general context in terms of GDP growth, unemployment rate, spread relating to net interest income and the change in bad loans, even if the figures for lending and assets under management are expected to decline and a higher inflation rate is forecast for the year. A less favourable situation is expected for the 2024-2026 period, with the main macro-economic and sectoral parameters registering changes with a more or less marked negative impact — in particular, more contained growth in GDP, a higher annual inflation rate, less growth in lending and an increase in bad loans. In light of the new forecasts, 2023 GDP is expected to grow +63 basis points with respect to the previous forecasts, followed by an average decrease of 40 basis points in the 2024-2026 period, again with respect to the forecasts at the end of 2022. The unemployment rate is expected to be lower in 2023 and in all other forecast years considered: -89 basis points on average in the 2023-2026 period and in the long-term it should sit at the levels recorded in the years 2009-2008. The inflationary variable remains one of the most significant aspects, able to influence the trend in the other macroeconomic dynamics, as well as the initiatives to be implemented. The inflation rate for 2023 is expected to sit at just under 6%, up by 70 basis points compared to the forecast at the end of 2022 for the same year, while in 2024 and subsequent years it should stabilise at around 3.0%, higher than the previous forecasts for the same years. The causes contributing to the increase in the inflation level in 2023 include the increase in salaries which follows the loss of purchase power due to the first phase of the significant increase in prices, originally caused by the supply-side shock and which had concerned primarily energy commodities. In this new phase, the recovery in salaries is pushing up the different components of core inflation. The trend in inflation continues to shape Central Banks' policies, impacting the benchmark interest rates. The 3-month EURIBOR is expected to be 136 basis points higher on average in the 2024-2026 period compared to the previous forecasts, although characterised by a falling trend over the years.
As regards sector trends, the amount in absolute terms of loans to non-financial companies and households is expected to decline due to the increase in interest rates. According to the updated forecasts, the y/y change in 2023 will be 386 basis points lower than the previous forecasts and 106 points lower on average in subsequent years. With reference to the spread between interest rates on loans and deposits, the new scenario shows an increase in the 2023-2024 period due to the continued mismatching between the cost of funding and the rate on loans: +61 basis points approximately in 2023, +11 basis points in 2024 with respect to the previous forecasts. This spread is then expected to narrow from 2025 due to the increased cost of funding and the reduction in the benchmark interest rates: -32 basis points on average in the two years 2025-2026. Bad loans are expected to fall in 2023, then rise from 2024 onwards, bucking the trend with respect to the forecasts at the end of 2022. The reasons for the deterioration lie, on the one hand, in the increase in interest rates, which makes the payment of interest on floating rate exposures more costly and, on the other, more contained economic growth and a general increase in prices, which erode available wealth. Both involve an increase in the probability of default due to the difficulty in honouring payments.
The assets under management sector continues to be characterised by significant growth rates, even if slightly more contained with respect to the medium/long-term forecasts of the end of 2022. Without prejudice to 2023, for which lower growth is predicted, in subsequent years y/y growth rates are confirmed at 6% or higher.
The stock market values recorded further increases in the third quarter of 2023, with a different degree of intensity depending

on the benchmark index. More specifically, the general FTSE MIB and FTSE IT All Share indices consolidated their increase, recording rises of 21% and 19% respectively from the start of the year (compared to +19% and +18% respectively in the first six months of 2023). The increase in the benchmark index for the banking industry, FTSE IT Banks, was much more marked, settling at +35% from the start of the year (against roughly +26% in the first six months of 2023). During the third quarter of the year, the positive trend was interrupted by news of the introduction of a windfall tax on banks under the new Budget Law. The subsequent clarifications and adjustments made to the regulations following the discussions with representatives of the industry prompted a recovery in stock market prices in September 2023. At the end of the third quarter of 2023, Banks are continuing to trade below equity value, albeit with continuously improving multiples compared to the values of prior periods, including the reporting period as at the end of June 2023. The banking sector today benefits from a positive trend in profitability, thanks to the increase in reference interest rates and the growth in loans. A condition that should taper off in the near future according to analyst opinion, with a contraction in net interest income and an increase in bad loans due to the difficulties registered at economic system level. An analysis of the trend in the BPER Banca share price shows that during the third quarter of 2023, the rising trend reported at the start of the year was further confirmed, up from Euro 1.92 at the end of 2022 to Euro 2.90 at the end of September 2023.

As already highlighted during the previous interim verifications, the sensitivity analysis conducted during the impairment test as at 31 December 2022 highlighted significant margins for a reduction in: the estimated profits for the explicit forecast period, normalised profit and the normalised flow forming the basis of the Terminal Value, with reference to both the CGU Banco di Sardegna (-48% maximum reduction in profits expected in the analytical period and in normalised profit, -92% maximum change in the normalised flow) and the CGU Arca Holding (-44% and -73% respectively) before an impairment loss condition could emerge; all this is without prejudice to the other valuation assumptions as at 31 December 2022.

As regards the estimated cost of equity for the BPER Banca Group, following the update of the parameters forming the basis of the Capital Asset Pricing Model (CAPM) as at 30 September 2023, an increase of +132 basis points was registered with respect to the figure used in the impairment test as at 31 December 2022 (10.02%), with a cost of equity that amounts to 11.34%.
The updated value is obtained on the basis of the following market inputs, estimated in continuation with the methodology used previously, for more information, please refer to the Consolidated Financial Statements as at 31 December 2022:

- the risk free rate, being the time value of money corresponding to the yield on a risk-free investment, usually represented by government bonds. An average value of the 10-year BTP yield rates of 4.23%, calculated over a one-year observation period, was used here (vs. the 3.14% value used in the impairment test as at 31 December 2022);
- 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. A market risk premium of 5.70% was confirmed, in line with the value used in the last available impairment tests. This figure is the result of a qualitative and quantitative analysis using, among other factors, the 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 1.25 beta was used in this case (1.21 at 31 December 2022), 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 updated cost of equity continues to be broadly below the limit rates identified during the impairment test as at 31 December 2022 for the CGU Banco di Sardegna (24.1%) and the CGU Arca Holding (18.0%); the limit rate is the rate for which the value in use of the CGU is equal to its book value, inclusive of goodwill, without prejudice to all other valuation parameters.

On conclusion of the analysis and in light of the considerations reported, the full sustainability of the goodwill recognised with reference to the CGU Banco di Sardegna and the CGU Arca Holding emerges, for the following reasons:

- the update of market inputs, forming the basis of the estimated cost of equity, resulted in the parameter being valued less as at 30 September 2023 than the thresholds identified at the time of the impairment test as at 31 December 2022 for each CGU;
- an analysis of the expected new context at macro-economic and sector level does not show, as of today, an impact on the profitability of the CGUs, in terms of both expected profits for the period under review and the normalised flow forming the basis of the Terminal Value, such as to lead to an impairment loss situation, without prejudice to the other valuation parameters.

Both considerations reveal a context in which the deterioration in the parameters analysed may be easily absorbed without leading to an impairment loss condition.
On the other hand, the worsening of some parameters, such as the cost of equity, further confirm the conclusions that emerged at the end of the reporting period for the Consolidated Half-year Report as at 30 June 2023 in relation to the total write-down of the goodwill allocated to the CGU BPER Factor, amounting to Euro 6,768 thousand.

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

	30.09.2023	31.12.2022
A. Assets held for sale		
A.1 Financial assets	-	1,160,665
A.2 Equity investments	-	-
A.3 Property, plant and equipment	23,892	31,764
of which: arising from the enforcement of guarantees received	-	6,012
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**23,892**	**1,192,429**
of which measured at cost	-	1,165,487
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	23,892	26,942
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.)

	30.09.2023	31.12.2022
C. Liabilities associated with assets classified as held for sale		
C.1 Due to banks/customers	-	1,351,765
C.2 Securities	-	101
C.3 Other liabilities	-	78,331
Total C	**-**	**1,430,197**
of which measured at cost	-	1,430,197
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	-	-

Items A1 and C1 present as at 31 December 2022 referred to the asset and liability yaccounts established at the branches transferred to Banco di Desio and Brianza S.p.A, as described in the Group Interim Report on operations of these Financial Statements, to which reference should be made.
"Property, plant and equipment" also includes Euro 23.9 billion worth of buildings owned by the Group, for which advanced sales negotiations for the disposal are underway as at the reporting date.

Liabilities

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 30.09.2023				Total 31.12.2022			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Due to Central Banks	**1,722,676**	X	X	X	**15,970,641**	X	X	X
2. Due to banks	**7,317,860**	X	X	X	**6,029,848**	X	X	X
2.1 Current accounts and demand deposits	171,393	X	X	X	405,196	X	X	X
2.2 Time deposits	934	X	X	X	1,717	X	X	X
2.3 Loans	5,160,018	X	X	X	3,974,943	X	X	X
2.3.1 Repurchase agreements	4,834,740	X	X	X	3,614,886	X	X	X
2.3.2 Other	325,278	X	X	X	360,057	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	16,034	X	X	X	16,702	X	X	X
2.6 Other liabilities	1,969,481	X	X	X	1,631,290	X	X	X
Total	**9,040,536**	-	-	**9,040,536**	**22,000,489**	-	-	**22,000,489**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to the Consolidated Financial Statements as at 31 December 2022.
Fair value is assumed to be the same as the carrying amount since they are sight or short-term transactions, mainly at floating rates.

Key: BV = Book value; L1 = Level 1;L2 = Level 2; L3 = Level 3

1.2 Financial liabilities measured at amortised cost: breakdown by product of due to customers

Type of transaction/Amounts	Total 30.09.2023				Total 31.12.2022			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	96,256,933	X	X	X	102,489,461	X	X	X
2. Time deposits	2,909,862	X	X	X	1,221,563	X	X	X
3. Loans	7,078,046	X	X	X	1,879,072	X	X	X
3.1 Repurchase agreements	3,896,638	X	X	X	-	X	X	X
3.2 Other	3,181,408	X	X	X	1,879,072	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	327,083	X	X	X	352,422	X	X	X
6. Other liabilities	1,122,040	X	X	X	1,472,425	X	X	X
Total	**107,693,964**	**-**	**-**	**107,693,964**	**107,414,943**	**-**	**-**	**107,414,943**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to the Consolidated Financial Statements as at 31 December 2022. Fair value is assumed to be the same as the carrying amount since they are sight or short-term transactions, mainly at floating rates.

Key: BV = Book value; L1 = Level 1;L2 = Level 2; L3 = Level 3

1.3 Financial liabilities measured at amortised cost: breakdown, by product, of securities issued

Type of transaction/Amounts	Total 30.09.2023				Total 31.12.2022			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	10,155,661	4,925,982	5,073,157	-	6,307,775	4,395,269	1,623,291	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	10,155,661	4,925,982	5,073,157	-	6,307,775	4,395,269	1,623,291	-
2. other securities	511,121	-	-	511,121	229,116	-	-	229,116
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	511,121	-	-	511,121	229,116	-	-	229,116
Total	**10,666,782**	**4,925,982**	**5,073,157**	**511,121**	**6,536,891**	**4,395,269**	**1,623,291**	**229,116**

"Bonds" include Euro 1,663.7 million of subordinated debt, none of which are convertible into shares.
An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to the Consolidated Financial Statements as at 31 December 2022.

Key: BV = Book value; L1 = Level 1;L2 = Level 2; L3 = Level 3

Financial liabilities held for trading

Caption 20

2.1 Financial liabilities held for trading: breakdown by product

Type of transaction/Amounts	Total 30.09.2023					Total 31.12.2022				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	47	-	46	-	46
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**47**	**-**	**46**	**-**	**46**
B. Derivative instruments										
1. Financial derivatives	X	1,391	418,721	5,382	X	X	65	459,451	12,033	X
1.1 Trading	X	1,391	418,721	5,382	X	X	65	459,451	12,033	X
1.2 Connected with the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	3	-	X
2.1 Trading	X	-	-	-	X	X	-	3	-	X
2.2 Connected with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**1,391**	**418,721**	**5,382**	**X**	**X**	**65**	**459,454**	**12,033**	**X**
Total (A+B)	**X**	**1,391**	**418,721**	**5,382**	**X**	**X**	**65**	**459,500**	**12,033**	**X**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes to the consolidated financial statements as at 31 December 2022.

Key: VN = Nominal Value or Notional Value; L1 = Level 1; L2 = Level 2; L3 = Level 3; Fair value* = fair value calculated excluding value adjustments due to changes in the creditworthiness of the issuer since the issue date.

Financial liabilities designated at fair value

Caption 30

3.1 Financial liabilities designated at fair value: breakdown by product

Type of transaction/Amounts	Total					Total				
	30.09.2023					31.12.2022				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
1. Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	X	X	X	X	X
- financial guarantees granted	-	X	X	X	X	X	X	X	X	X
2. Due to customers	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	X	X	X	X	X
- financial guarantees granted	-	X	X	X	X	X	X	X	X	X
3. Debt securities	**1,872,764**	**-**	**1,766,690**	**-**	**1,768,305**	**978,004**	**-**	**879,198**	**-**	**4,173,865**
3.1 Structured	1,872,764	-	1,766,690	-	X	978,004	-	879,198	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**1,872,764**	**-**	**1,766,690**	**-**	**1,768,305**	**978,004**	**-**	**879,198**	**-**	**4,173,865**

The item includes capital protection certificates (structured debt securities). Classification into this category derives primarily from the reconciliation of these liabilities to the portfolios managed by Capital Market, which, according to the Group's policies, are measured at fair value considering the objectives pursued and reported performance. In addition, this classification makes it possible to pursue a "natural hedge" of derivatives entered into in order to "balance" the risks assumed with derivatives embedded in issued liabilities (derivatives that were classified as "trading" when recognised).
The increase recorded in 2023 is due to the issuing of 9 new certificates, for a currently outstanding total nominal value of Euro 911.8 million.

Key: VN = Nominal Value; L1 = Level 1; L2 = Level 2; L3 = Level 3; Fair value* = fair value calculated excluding value adjustments due to changes in the creditworthiness of the issuer since the issue date.

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Information on the consolidated income statement

Interest

Captions 10 and 20

1.1 Interest and similar income: breakdown

Captions/Technical forms	Debt securities	Loans	Other transactions	Total 30.09.2023	Total 30.09.2022
1. Financial assets measured at fair value through profit or loss:	**4,578**	**343**	**186**	**5,107**	**30,678**
1.1 Financial assets held for trading	1,474	-	-	1,474	1,158
1.2 Financial assets measured at fair value	53	-	-	53	27,020
1.3 Other financial assets mandatorily measured at fair value	3,051	343	186	3,580	2,500
2. Financial assets measured at fair value through other comprehensive income	**90,010**	**-**	**X**	**90,010**	**29,396**
3. Financial assets measured at amortised cost:	**188,207**	**2,822,036**	**X**	**3,010,243**	**1,366,751**
3.1 Loans to banks	51,252	359,059	X	410,311	35,966
3.2 Loans to customers	136,955	2,462,977	X	2,599,932	1,330,785
4. Hedging derivatives	**X**	**X**	**236,700**	**236,700**	**(31,814)**
5. Other assets	**X**	**X**	**122,515**	**122,515**	**16,392**
6. Financial Liabilities	**X**	**X**	**X**	**1,069**	**103,369**
Total	**282,795**	**2,822,379**	**359,401**	**3,465,644**	**1,514,772**
of which: interest income on impaired financial assets	-	72,173	-	72,173	61,738
of which: interest income on finance lease	X	116,904	X	116,904	49,327

1.3 Interest and similar expense: breakdown

Captions/Technical forms	Loans	Debt Securities	Other transactions	Total 30.09.2023	Total 30.09.2022
1. Financial liabilities measured at amortised cost	778,183	204,490	X	982,673	200,039
1.1 Due to central banks	171,791	X	X	171,791	-
1.2 Due to banks	192,295	X	X	192,295	36,586
1.3 Due to customers	414,097	X	X	414,097	70,304
1.4 Debt securities issued	X	204,490	X	204,490	93,149
2. Financial liabilities held for trading	3	-	-	3	26,844
3. Financial liabilities designated at fair value	-	-	-	-	31
4. Other liabilities and provisions	X	X	590	590	568
5. Hedging derivatives	X	X	100,006	100,006	(16,807)
6. Financial assets	X	X	X	855	43,667
Total	**778,186**	**204,490**	**100,596**	**1,084,127**	**254,342**
of which: interest expense on lease liabilities	6,561	X	X	6,561	3,975

Commissions

Captions 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	Total 30.09.2023	Total 30.09.2022
a) Financial instruments	227,789	214,286
1. Placement of securities	172,945	165,778
1.1 Through underwriting and/or on a firm commitment basis	1,952	517
1.2 Without a firm commitment basis	170,993	165,261
2. Reception, transmission and execution of orders on behalf of customers	19,265	14,878
2.1 Reception and transmission of orders for one or more financial instruments	19,265	14,816
2.2. Execution of orders on behalf of customers	-	62
3. Other commission income related to activities connected to financial instruments	35,579	33,630
of which: dealing on own account	2,040	340
of which: individual portfolio management	33,184	33,289
b) Corporate Finance	2,850	2,283
1. Mergers and acquisitions advisory	908	720
2. Treasury services	-	-
3. Other commission income related to corporate finance services	1,942	1,563
c) Investment advice	1,359	1,537
d) Clearing and settlement	-	-
e) Collective portfolio management	283,544	284,461
f) Custody and administration	27,421	29,437
1. Depositary bank	-	-
2. Other commission income related to custody and administration services	27,421	29,437
g) Central administrative services for collective portfolio management	-	-
h) Fiduciary services	-	-
i) Payment services	549,704	525,748
1. Current accounts	286,987	271,886
2. Credit cards	54,082	48,121
3. Debit cards and other payment cards	68,909	85,093
4. Bank transfers and other payment orders	96,739	73,504
5. Other commission income related to payment services	42,987	47,144
j) Distribution of third-party services	175,972	197,553
1. Collective portfolio management	461	872
2. Insurance products	157,398	156,381
3. Other products	18,113	40,300
of which: individual portfolio management	5,298	6,770
k) Structured finance	30,293	19,875
l) Securitisation servicing	54	937
m) Commitments to disburse funds	-	-
n) Financial guarantees granted	35,385	34,171
of which: credit derivatives	-	-
o) Financing transactions	194,172	184,059
of which: factoring transactions	12,532	11,690
p) Currency dealing	12,590	10,846
q) Commodities	-	-
r) Other commission income	52,263	52,521
of which: management of multilateral trading facilities	-	-
of which: management of organised trading facilities	-	-
Total	**1,593,396**	**1,557,714**

2.2 Commission expense: breakdown

Type of services/Amounts	Total 30.09.2023	Total 30.09.2022
a) Financial instruments	1,576	1,936
of which: trading in financial instruments	1,542	1,700
of which: placement of financial instruments	-	150
of which: individual portfolio management	34	86
- Own portfolios	34	86
- Third party portfolios	-	-
b) Clearing and settlement	-	-
c) Collective portfolio management	74,097	89,608
1. Own portfolios	74,097	89,608
2. Third party portfolios	-	-
d) Custody and administration	4,787	4,117
e) Collection and payment services	30,918	34,357
of which: credit cards, debit cards and other payment cards	25,293	28,340
f) Securitisation servicing	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	2,514	1,753
of which: credit derivatives	-	-
i) "Out-of-branch" offer of financial instruments, products and services	5,243	6,061
j) Currency dealing	-	-
k) Other commission expense	13,219	16,566
Total	**132,354**	**154,398**

Dividends and similar income

Caption 70

3.1 Dividends and similar income: breakdown

Captions/Income	Total 30.09.2023		Total 30.09.2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	1,878	-	2,032	-
B. Other financial assets mandatorily measured at fair value	87	6,628	813	2,199
C. Financial assets measured at fair value through other comprehensive income	21,352	-	14,148	-
D. Equity investments	-	-	-	-
Total	**23,317**	**6,628**	**16,993**	**2,199**

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	**8,673**	**3,497**	**(3,094)**	**(2,036)**	**7,040**
1.1 Debt securities	165	1,761	(1,124)	(1,887)	(1,085)
1.2 Equity instruments	8,508	1,736	(1,970)	(149)	8,125
1.3 UCITS units	-	-	-	-	-
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**	**14,818**
4. Derivative instruments	**221,219**	**270,672**	**(148,622)**	**(323,603)**	**23,842**
4.1 Financial derivatives:	221,219	269,936	(148,622)	(323,129)	23,580
- on debt securities and interest rates	78,867	243,829	(95,151)	(237,357)	(9,812)
- on equities and stock indexes	139,977	17,103	(51,149)	(81,500)	24,431
- on currency and gold	X	X	X	X	4,176
- other	2,375	9,004	(2,322)	(4,272)	4,785
4.2 Credit derivatives	-	736	-	(474)	262
of which: natural hedges connected with the fair value option	X	X	X	X	-
Total	**229,892**	**274,169**	**(151,716)**	**(325,639)**	**45,700**

The item includes capital gains from valuation relating to the operational hedging of Certificates, for a total of Euro 18.6 million.

Net income from hedging activities

Caption 90

5.1 Net income from hedging activities: breakdown

Income items/Amounts	Total 30.09.2023	Total 30.09.2022
A. Income from:		
A.1 Fair value hedging derivatives	174,911	1,787,723
A.2 Hedged financial assets (fair value)	138,736	2
A.3 Hedged financial liabilities (fair value)	9,216	342,478
A.4 Cash-flow hedging derivatives	73	756
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging activity (A)	**322,936**	**2,130,959**
B. Charges from:		
B.1 Fair value hedges	122,048	339,691
B.2 Hedged financial assets (fair value)	105,818	1,788,162
B.3 Hedged financial liabilities (fair value)	68,467	46
B.4 Cash-flow hedging derivatives	80	762
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedging activity (B)	**296,413**	**2,128,661**
C. Net income from hedging activities (A-B)	**26,523**	**2,298**
of which: result of hedging on net positions	-	-

Gains (Losses) on disposal / repurchase

Caption 100

6.1 Gains (Losses) on disposal or repurchase: breakdown

Captions/Income items	Total 30.09.2023			Total 30.09.2022		
	Gains	Losses	Net result	Gains	Losses	Net result
Financial assets						
1. Financial assets measured at amortised cost	42,776	(1,423)	41,353	56,774	(9,391)	47,383
1.1 Loans to banks	269	(115)	154	-	-	-
1.2 Loans to customers	42,507	(1,308)	41,199	56,774	(9,391)	47,383
2. Financial assets measured at fair value through other comprehensive income	13,303	(723)	12,580	4,123	(158)	3,965
2.1 Debt securities	13,303	(723)	12,580	4,123	(158)	3,965
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**56,079**	**(2,146)**	**53,933**	**60,897**	**(9,549)**	**51,348**
Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities issued	2	-	2	13,207	(230)	12,977
Total liabilities (B)	**2**	**-**	**2**	**13,207**	**(230)**	**12,977**

The net result relating to “Financial assets” includes net profits deriving from transfers of loans for Euro 9.5 million plus the gains realised on the disposal of debt securities classified in the HTC and HTC&S portfolios.

Net income on 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	**786**	**-**	**(605)**	**-**	**181**
1.1 Debt securities	786	-	(605)	-	181
1.2 Loans	-	-	-	-	-
2. Financial Liabilities	**57,412**	**12**	**(44,011)**	**(41,878)**	**(28,465)**
2.1 Debt securities issued	57,412	12	(44,011)	(41,878)	(28,465)
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	X	X	X	X	-
Total	**58,198**	**12**	**(44,616)**	**(41,878)**	**(28,284)**

The results shown on Securities in Issue refer to the Certificates issued and are attributable to the change in fair value attributable to interest rate risk, to the change in fair value of the derivative component embedded in the instruments issued (which is similarly recognised with an entry of opposite sign in Caption 80 "Net income from trading activities" against the valuation of derivatives entered into on the market to balance the bank's position), as well as to so-called "commercial margins", which pass through the Income Statement at the time of the first valuation of the financial instrument.

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income items	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net Result [(A+B) - (C+D)]
1. Financial assets	**36,643**	**12,999**	**(31,346)**	**(436)**	**17,860**
1.1 Debt securities	3,534	2,059	(13,287)	(8)	(7,702)
1.2 Equity instruments	804	80	(533)	(253)	98
1.3 UCITS units	32,261	1,498	(17,526)	(175)	16,058
1.4 Loans	44	9,362	-	-	9,406
2. Foreign currency financial assets: exchange differences	**X**	**X**	**X**	**X**	**185**
Total	**36,643**	**12,999**	**(31,346)**	**(436)**	**18,045**

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	30.09.2023	30.09.2022
			Write-offs	Other	Write-offs	Other						
A. Loans to banks	**(79)**	**(2,712)**	**-**	**-**	**-**	**-**	**5,617**	**-**	**-**	**-**	**2,826**	**(21,401)**
- Loans	(1)	(2,712)	-	-	-	-	5,617	-	-	-	2,904	(21,244)
- Debt securities	(78)	-	-	-	-	-	-	-	-	-	(78)	(157)
B. Loans to customers	**(7,301)**	**(92,982)**	**(5,640)**	**(504,817)**	**(13,767)**	**(118,978)**	**28,043**	**18,815**	**211,715**	**117,405**	**(367,507)**	**(313,198)**
- Loans	(7,301)	(76,093)	(5,640)	(504,817)	(13,767)	(118,978)	26,595	17,079	211,715	117,405	(353,802)	(308,884)
- Debt securities	-	(16,889)	-	-	-	-	1,448	1,736	-	-	(13,705)	(4,314)
Total	**(7,380)**	**(95,694)**	**(5,640)**	**(504,817)**	**(13,767)**	**(118,978)**	**33,660**	**18,815**	**211,715**	**117,405**	**(364,681)**	**(334,599)**

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 30.09.2023	Total 30.09.2022
	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)	(885)	-	-	-	-	569	-	-	-	(319)	(246)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(3)	(885)	-	-	-	-	569	-	-	-	(319)	(246)

Administrative expenses

Caption 190

12.1 Staff costs: breakdown

Type of costs/Amounts	Total 30.09.2023	Total 30.09.2022
1) Employees	**1,191,574**	**1,042,554**
a) wages and salaries	848,562	746,105
b) social security charges	222,017	198,439
c) termination indemnities	45,097	39,732
d) pension expenses	490	470
e) provision for employee termination indemnities	4,618	893
f) provision for pension and similar commitments:	2,601	831
- defined contribution plan	-	-
- defined benefit plans	2,601	831
g) payments to external supplementary pension funds:	27,908	27,513
- defined contribution plan	27,908	27,513
- defined benefit plans	-	-
h) costs from share-based payments	4,816	126
i) other personnel benefits	35,465	28,445
2) Other not-retired employees	**31,195**	**21,863**
3) Directors and Statutory Auditors	**8,067**	**7,998**
4) Retired employees	**590**	**70**
Total	**1,231,426**	**1,072,485**

12.5 Other administrative expenses: breakdown

Captions	30.09.2023	30.09.2022
Indirect taxes and duties	**239,547**	**320,671**
Stamp duty	195,310	171,279
Other indirect taxes with right of recourse	11,226	14,229
Municipal property tax	16,707	13,274
Other	16,304	121,889
Other costs	**730,379**	**718,524**
Maintenance and repairs	75,437	70,448
Rental expense	16,202	19,005
Post office, telephone and telegraph	23,294	18,486
Data transmission fees and use of databases	71,246	70,053
Advertising	29,609	18,011
Consulting and other professional services	111,131	122,023
Lease of IT hardware and software	40,629	38,884
Insurance	19,706	15,025
Cleaning of office premises	9,158	9,204
Printing and stationery	6,524	7,689
Energy and fuel	43,146	38,430
Transport	12,081	11,934
Staff training and expense refunds	14,092	8,718
Information and surveys	11,399	12,361
Security	7,812	8,200
Administrative services	13,869	21,255
Use of external data gathering and processing services	12,338	29,423
Membership fees	7,638	5,952
Condominium expenses	10,168	5,612
Contribution to SRF, DGS, IDPF-VS	175,237	169,001
Sundry other	19,663	18,810
Total	**969,926**	**1,039,195**

The caption “Contributions to SRF, DGS, FITD-VS” refers to the ordinary 2023 contribution to the SRF (European Single Resolution Fund) of Euro 49.5 million and to the DGS (Deposit Guarantee Fund) of Euro 125.8 million.

Other operating expense/income

Caption 230

16.1 Other operating expense: breakdown

Description/Amounts	30.09.2023	30.09.2022
Loss from loss data collection	13,015	13,024
Amortisation of leasehold improvement expenditure	2,951	3,578
Other expense	82,500	65,302
Total	**98,466**	**81,904**

16.2 Other operating income: breakdown

Description/Amounts	30.09.2023	30.09.2022
Rental income	9,105	7,366
Recovery of taxes	204,637	183,349
Income from Loss data collection	23,169	14,893
Fast-track facility fee	6,521	7,393
Other income	97,294	51,923
Total	**340,726**	**264,924**

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Information on risks and related hedging policies

Banking group risk

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 30 September 2023, prepared pursuant to the requirements of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and subsequent updates, illustrates the key metrics used by the BPER Banca Group (own funds, capital requirements, financial leverage and liquidity coverage ratio) as required by art. 447 of Regulation (EU) 575/2013, as later amended.

The disclosure at 30 September 2023 is published on the same date as or as soon as possible after this Consolidated interim report on operations is published on the Parent Company's website https://istituzionale.bper.it.

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		199,184	709,412	171,698	1,159,035	107,571,795	109,811,124
2. Financial assets measured at fair value through other comprehensive income		-	707	-	-	6,604,830	6,605,537
3. Financial assets designated at fair value		-	-	-	-	1,969	1,969
4. Other financial assets mandatorily measured at fair value		-	-	-	-	166,953	166,953
5. Financial assets held for sale		-	-	-	-	-	-
Total	**30.09.2023**	**199,184**	**710,119**	**171,698**	**1,159,035**	**114,345,547**	**116,585,583**
Total	**31.12.2022**	**220,917**	**963,920**	**109,936**	**1,142,869**	**121,660,507**	**124,098,149**

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	Overall impairment provisions	Net exposure	Overall partial write-off	Gross exposure	Overall impairment provisions	Net exposure	
1. Financial assets measured at amortised cost	2,529,573	1,449,279	1,080,294	50,648	109,513,790	782,960	108,730,830	109,811,124
2. Financial assets measured at fair value through other comprehensive income	1,480	773	707	-	6,607,928	3,098	6,604,830	6,605,537
3. Financial assets designated at fair value	-	-	-	-	X	X	1,969	1,969
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	166,953	166,953
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 30.09.2023	**2,531,053**	**1,450,052**	**1,081,001**	**50,648**	**116,121,718**	**786,058**	**115,504,582**	**116,585,583**
Total 31.12.2022	**3,007,330**	**1,712,557**	**1,294,773**	**68,495**	**123,353,197**	**757,012**	**122,803,376**	**124,098,149**

Portfolios/quality	Low credit quality assets		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	829	670,363
2. Hedging derivatives	-	-	1,690,412
Total 30.09.2023	**-**	**829**	**2,360,775**
Total 31.12.2022	**-**	**1,340**	**2,455,078**

Risks of prudential consolidation

1.1 Credit risk

The BPER Banca Group's organisation provides for centralisation of the credit risk control function at the Parent Company.

Qualitative Information

1. General aspects

In 2023, the Italian economy recorded a downward trend following the strong performances in 2022. The post-Covid expansionary cycle is gradually coming to an end, with forward-looking estimates of contained growth taking shape. Following the second quarter on a downtrend, preliminary assessments point to a continuation of the phase of weakness in the third quarter of the current year, affecting both manufacturing and services, including on the back of the slowdown in international demand. Exports are in fact weighed down by the lack of vitality of foreign demand and, in particular, the contraction of the German economy, the main outlet market for Italian goods.
Household spending remains weak due to the reduction in purchasing power, already weighed down by the persistently high inflation rates and the increase in interest rates, which reverberates negatively on debt servicing charges, reducing household liquidity buffers.
Inflation, after having peaked in the autumn of 2022, gradually fell, reaching 5.3%[41] in September 2023. This reduction was mostly due to the significant decrease in the energy component, which, however, showed certain volatility after the summer due to the increase in fuel prices. From a forward-looking perspective, household and business expectations are oriented towards a gradual easing of inflationary pressures over the coming months.
As regards the job market, employment is still performing well, leading to a reduction in the unemployment rate. However, some signs of a slowdown emerged in the summer months.
Based on the trend in fundamentals and the characteristics of the macroeconomic context, growth of 0.7% in GDP is forecast for 2023, while an expansion is expected for 2024-2025, due to the driving effect of the NRRP and the gradual recovery of household purchasing power[42].

As a result of the gradual and significant hikes in interest rates, the trend in loans has tapered off, starting from the fourth quarter of 2022, especially for businesses.

The impairment rates for banking assets are still at very contained levels. The portion of performing loans for which banks have recognised a significant increase in credit risk remains limited.

Management objectives and macroeconomic uncertainties

In pursuit of the general objectives of credit policy and with the desire to support customers most exposed to the effects of the Russia-Ukraine war, to unexpected economic dynamics such as the recent energy and inflation shock and to the effect of the increase in interest rates, a forward-looking approach was adopted with the aim of:

- incorporating sectoral and micro-sectoral forecasts;
- evaluating the resilience of companies through forward-looking estimates of company financial statements;
- extending portfolio segmentation to the various branches of the economy in order to intercept dissimilar micro-sector dynamics within the same business areas;
- introducing assessments of climatic, environmental and sustainability risks, with particular reference to those sectors with greater energy absorption or characterised by a high dependence on fossil fuels;
- providing for the development of "green financing" and "technological innovation", transversal to all sectors of the economy and intended to ensure greater competitiveness for the companies concerned;
- continuing to finance consumer households in the various technical forms (home mortgages, personal loans, etc.).

[41] Harmonised index of consumer prices, percentage change over the corresponding period, Istat
[42] Banca d'Italia, Economic Bulletin no. 4, October 2023.

Quantitative information

A. Credit quality

A.1.4 Prudential consolidation - On- and off-balance sheet credit exposures to banks: 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. ON-BALANCE SHEET CREDIT EXPOSURES												
A.1. ON DEMAND	**10,844,812**	**10,844,758**	**54**	**-**	**-**	**1,504**	**1,504**	**-**	**-**	**-**	**10,843,308**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	10,844,812	10,844,758	54	X	-	1,504	1,504	-	X	-	10,843,308	-
A.2 OTHER	**10,947,057**	**10,752,486**	**176,483**	**-**	**-**	**25,461**	**2,896**	**22,565**	**-**	**-**	**10,921,596**	**-**
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	69,322	46,774	22,548	X	-	22,293	-	22,293	X	-	47,029	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	10,877,735	10,705,712	153,935	X	-	3,168	2,896	272	X	-	10,874,567	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**21,791,869**	**21,597,244**	**176,537**	**-**	**-**	**26,965**	**4,400**	**22,565**	**-**	**-**	**21,764,904**	**-**
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	4,267,423	1,872,679	79,090	X	-	5,549	75	5,475	X	-	4,261,874	-
TOTAL (B)	**4,267,423**	**1,872,679**	**79,090**	**-**	**-**	**5,549**	**75**	**5,475**	**-**	**-**	**4,261,874**	**-**
TOTAL (A+B)	**26,059,292**	**23,469,923**	**255,627**	**-**	**-**	**32,514**	**4,475**	**28,040**	**-**	**-**	**26,026,778**	**-**

(*) Amount to be shown for information purposes

A.1.5 Prudential consolidation - On- and off-balance sheet credit exposures to customers: 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		Stage 1	Stage 2	Stage 3	Purchased or originated credit		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Bad loans	952,670	X	-	681,455	271,215	753,486	X	-	531,765	221,721	199,184	50,648
- of which: forborne exposures	147,744	X	-	98,081	49,663	104,382	X	-	68,523	35,859	43,362	2,868
b) Unlikely to pay loans	1,338,436	X	-	955,190	383,246	628,317	X	-	420,891	207,426	710,119	-
- of which: forborne exposures	589,800	X	-	368,011	221,789	257,297	X	-	158,236	99,060	332,503	-
c) Non-performing past due exposures	239,947	X	-	229,537	10,410	68,249	X	-	65,042	3,207	171,698	-
- of which: forborne exposures	13	X	-	13	-	1	X	-	1	-	12	-
d) Performing past due exposures	1,172,028	534,503	620,781	X	16,744	60,022	2,236	56,650	X	1,136	1,112,006	-
- of which: forborne exposures	69,184	-	68,292	X	892	11,841	-	11,672	X	170	57,343	-
e) Other performing exposures	104,217,744	93,929,354	9,784,734	X	411,045	700,575	209,364	470,197	X	21,014	103,517,169	-
- of which: forborne exposures	1,006,312	6,426	896,848	X	103,037	93,836	-	84,518	X	9,318	912,476	-
TOTAL (A)	**107,920,825**	**94,463,857**	**10,405,515**	**1,866,182**	**1,092,660**	**2,210,649**	**211,600**	**526,847**	**1,017,698**	**454,504**	**105,710,176**	**50,648**
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	363,001	X	-	363,001	-	58,780	X	-	58,780	-	304,221	-
b) Performing	38,518,885	35,276,776	3,226,090	X	-	77,355	65,975	11,380	X	-	38,441,530	-
TOTAL (B)	**38,881,886**	**35,276,776**	**3,226,090**	**363,001**	**-**	**136,135**	**65,975**	**11,380**	**58,780**	**-**	**38,745,751**	**-**
TOTAL (A+B)	**146,802,711**	**129,740,633**	**13,631,605**	**2,229,183**	**1,092,660**	**2,346,784**	**277,575**	**538,227**	**1,076,478**	**454,504**	**144,455,927**	**50,648**

(*) Amount to be shown for information purposes

The loans measured at amortised cost, that constitute new liquidity granted through public guarantee mechanisms issued in response to the Covid-19 pandemic are reported below, when the stage of risk in which the exposures are found at the date of this disclosure is different from the stage in which the exposures were classified at the start of the period.

	Gross exposure					Total impairment provisions					Exposure Net
		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	159	-	-	103	56	159	-	-	103	56	-
B. Unlikely to pay loans	120,515	-	-	112,974	7,541	16,748	-	-	15,598	1,150	103,767
C. Non-performing past due exposures	34,470	-	-	33,500	970	1,048	-	-	988	60	33,422
D. Performing loans	65,960	10,420	55,008	-	532	1,706	8	1,655	-	43	64,254
E. Other performing loans	6,276,850	5,228,681	1,035,747	-	12,422	16,060	4,813	11,097	-	150	6,260,790
TOTAL (A+B+C+D+E)	**6,497,954**	**5,239,101**	**1,090,755**	**146,577**	**21,521**	**35,721**	**4,821**	**12,752**	**16,689**	**1,459**	**6,462,233**

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)	**961,093**	**1,886,020**	**160,217**
- of which: sold but not derecognised	-	-	-
B. Increases	**247,799**	**937,177**	**233,570**
B.1 inflows from performing exposures	27,196	406,057	136,452
B.2 inflows from purchased or originated credit impaired financial assets	-	-	-
B.3 transfers from other non-performing exposures	174,060	54,919	212
B.4 contractual modifications without derecognition	-	-	-
B.5 other increases	46,543	476,201	96,906
C. Decreases	**256,222**	**1,484,761**	**153,840**
C.1 outflows to performing exposures	3	110,470	28,069
C.2 write-offs	36,821	22,887	830
C.3 recoveries	77,605	340,820	56,523
C.4 sales proceeds	12,392	288,147	-
C.5 losses on disposals	1,002	260	-
C.6 transfers to other non-performing exposures	668	160,627	67,896
C.7 contractual modifications without derecognition	-	-	-
C.8 other decreases	127,731	561,550	522
D. Closing balance (gross amounts)	**952,670**	**1,338,436**	**239,947**
- of which: sold but not derecognised	-	-	-

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	**740,176**	**-**	**922,100**	**-**	**50,281**	**-**
- of which: sold but not derecognised	-	-	-	-	-	-
B. Increases	**230,300**	**-**	**571,801**	**-**	**53,612**	**-**
B.1 impairment losses on purchased or originated impaired financial assets	-	X	-	X	-	X
B.2 other value adjustments	163,090	-	429,795	-	52,678	-
B.3 losses on disposals	1,002	-	260	-	-	-
B.4 transfers from other non-performing exposures	63,402	-	18,011	-	32	-
B.5 contractual modifications without derecognition	-	-	-	-	-	-
B.6 other increases	2,806	-	123,735	-	902	-
C. Decreases	**216,990**	**-**	**865,584**	**-**	**35,644**	**-**
C.1 write-backs from assessments	19,784	-	236,276	-	9,871	-
C.2 write-backs from recoveries	26,508	-	39,437	-	2,903	-
C.3 gains on disposal	1,864	-	8,949	-	-	-
C.4 write-offs	36,821	-	22,887	-	830	-
C.5 transfers to other categories of non-performing exposures	95	-	59,810	-	21,540	-
C.6 contractual modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	131,918	-	498,225	-	500	-
D. Closing balance: total impairment provisions	**753,486**	**-**	**628,317**	**-**	**68,249**	**-**
- of which: sold but not derecognised	-	-	-	-	-	-

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Information on consolidated shareholders' equity

Consolidated shareholders' equity

Qualitative Information

Equity management and its continuous monitoring in terms of size and quality compared with the risks assumed is an activity that the BPER Banca Group carries on constantly to ensure an adequate level of capitalisation in compliance with the prudential rules.
As Parent Company, BPER Banca performs the role of coordination and guidance of Group banks and companies, coordinating the management of capital in each Legal Entity and providing appropriate guidelines.
By means of active capital management, a suitable combination of different capitalisation instruments and continuous monitoring, the Parent Company has managed to combine projects for capital growth and optimisation that have enabled the Group to maintain one of the strongest capital profiles among Italian banking groups.
The size of the Group's consolidated capital resources and those of the individual Group companies are verified and periodically brought to the attention of management and of the Board of Directors and Board of Statutory Auditors. The capital position is monitored as part of the RAF (Risk Appetite Framework) process, at meetings of the Risk Committee, in periodic reports relating to the financial statements and in the impact simulations relating to extraordinary transactions and regulatory changes.
The capital management and planning activities are aimed at governing and improving the current and prospective financial strength of the Group. There are also plans to improve the capital base, such as conservative pay-out policies, strategic finance operations (capital increases, convertible loans, subordinated bonds) and levers connected to the containment of risks, such as insurance coverage, management of loans as a function of counterparty risk, technical form and guarantees assumed.

The Parent Company is subject to the capital adequacy requirements established by the Basel Committee, in accordance with the rules defined by EU Regulation 575/2013 (CRR). In regulatory terms, BPER Banca, Banco di Sardegna and Bibanca were authorised from 30 June 2016 to use the AIRB approach for measuring credit risk for the Corporate and Retail segments. Other BPER Banca Group companies apply the Standardised Approach (SA) for the measurement of credit risk while, at the same time, continuing preparations to extend the use of advanced methodologies to other Group entities whose IT systems have already been aligned.

Lastly, with reference to the transition to IFRS 9, the Board of Directors of BPER Banca has decided to make the election allowed by Regulation (EU) 2395/2017 of the European Parliament and of the Council as regards "transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds". The five-year transition period envisaged in that regulation ended on 1 January 2023 (for 2022 a 25% correction factor has been applied, 50% for 2021, 70% for 2020), fully including in the calculation of Own Funds the provisions recognised at transition on 1 January 2018. It should also be noted that BPER Banca went for the "static" option, which limits deferral of the impact on capital solely to the FTA component.

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	2,895,478	-	-	(767,023)	2,128,455
2. Share premium reserve	1,562,181	-	-	(323,564)	1,238,617
3. Reserves	5,379,087	-	-	(1,039,067)	4,340,020
4. Equity instruments	150,000	-	-	-	150,000
5. (Treasury shares)	(2,284)	-	-	-	(2,284)
6. Valuation reserves:	78,113	-	-	10,945	89,058
- Equity instruments measured at fair value through other comprehensive income	152,173	-	-	(1,002)	151,171
- Hedging of equity instruments measured at fair value through other comprehensive income	(100)	-	-	966	866
- Financial assets (no equity instruments) measured at fair value through other comprehensive income	(218,662)	-	-	3,008	(215,654)
- Property, plant and equipment	98,277	-	-	-	98,277
- Intangible assets	-	-	-	-	-
- Foreign investment hedges	-	-	-	-	-
- Cash flow hedges	(1,166)	-	-	-	(1,166)
- 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)	(2,048)	-	-	-	(2,048)
- Actuarial gains (losses) on defined benefit plans	(129,972)	-	-	-	(129,972)
- Share of valuation reserves of equity investments valued at equity	-	-	-	7,973	7,973
- Financial revenues or costs relating to insurance contracts issued	-	-	-	-	-
- Financial revenues or costs relating to outwards reinsurance	-	-	-	-	-
- Special revaluation laws	179,611	-	-	-	179,611
7. Profit (loss) for the period (+/-) of the Group and minority interests	1,217,391	-	-	(107,581)	1,109,810
Total	**11,279,966**	**-**	**-**	**(2,226,290)**	**9,053,676**

Own funds and capital adequacy ratios

The disclosures about own funds and capital adequacy are provided in the document entitled "Public Disclosure as at 30 September 2023 – 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. The disclosure is published on the same date as or as soon as possible after the Consolidated interim report as at 30 September 2023 on the Parent Company's website https://istituzionale.bper.it.

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Attachments

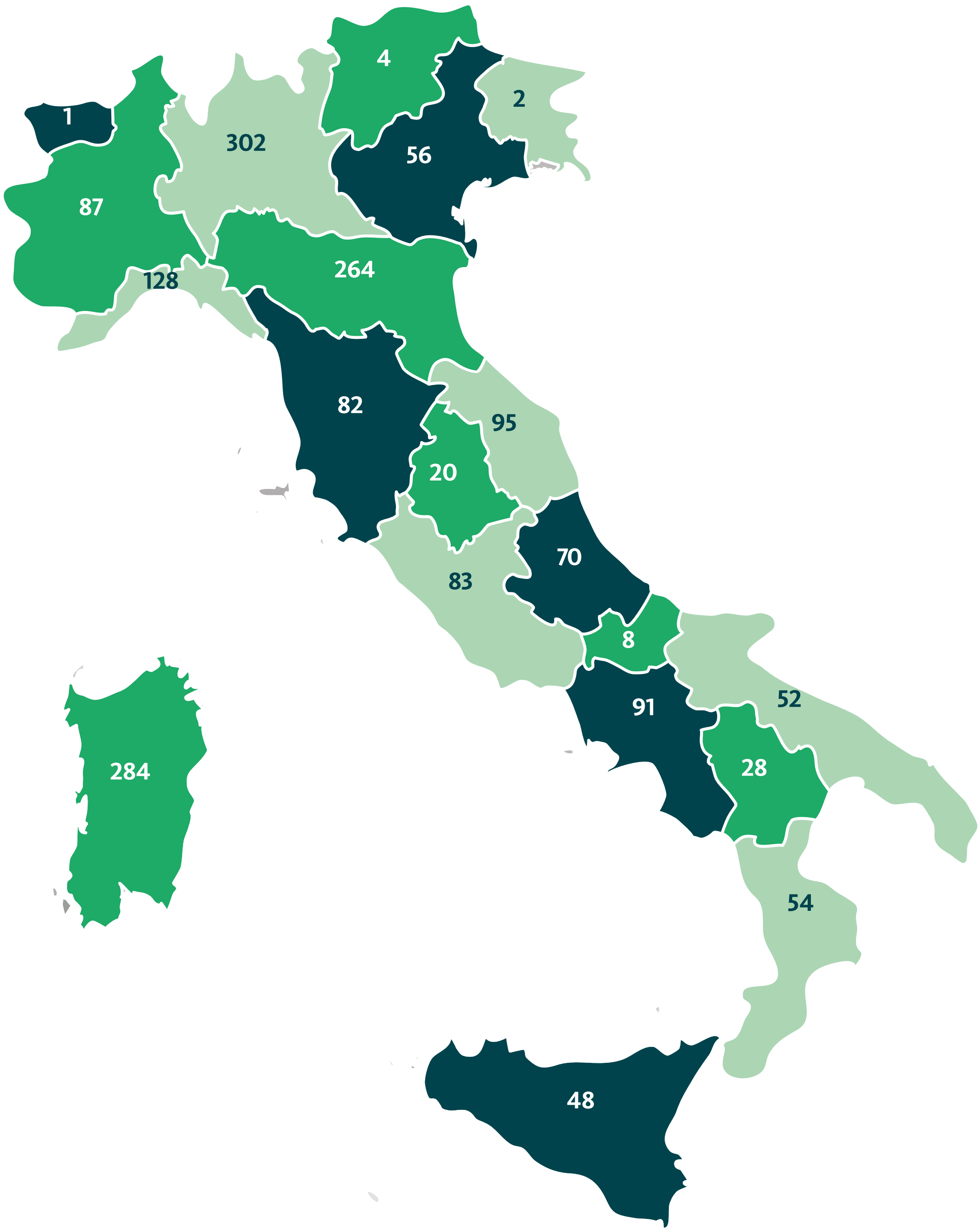
Contents

Geographical organisation of the Group

Details	BPER Banca	Banco di Sardegna	Banca Cesare Ponti	30.09.2023	31.12.2022
Emilia - Romagna	**264**	-	-	**264**	**277**
Bologna	50			50	52
Ferrara	28			28	28
Forlì – Cesena	23			23	24
Modena	65			65	69
Parma	23			23	23
Piacenza	5			5	6
Ravenna	27			27	29
Reggio Emilia	30			30	32
Rimini	13			13	14
Abruzzo	**70**	-	-	**70**	**74**
Chieti	27			27	28
L'Aquila	25			25	27
Pescara	9			9	9
Teramo	9			9	10
Basilicata	**28**	-	-	**28**	**28**
Matera	13			13	13
Potenza	15			15	15
Calabria	**54**	-	-	**54**	**57**
Catanzaro	10			10	11
Cosenza	22			22	24
Crotone	7			7	7
Reggio Calabria	12			12	12
Vibo Valentia	3			3	3
Campania	**91**	-	-	**91**	**97**
Avellino	16			16	17
Benevento	4			4	4
Caserta	9			9	10
Naples	37			37	40
Salerno	25			25	26
Friuli Venezia G.	**2**	-	-	**2**	**2**
Pordenone	1			1	1
Trieste	1			1	1
Lazio	**80**	**3**	-	**83**	**93**
Frosinone	6			6	8
Latina	12			12	15
Rieti	5			5	5
Rome	50	3		53	58
Viterbo	7			7	7
Liguria	**126**	**1**	**1**	**128**	**147**
Genoa	68	1	1	70	76
Imperia	17			17	19
La Spezia	13			13	19
Savona	28			28	33
Lombardy	**300**	**1**	**1**	**302**	**330**
Bergamo	61			61	66
Brescia	77			77	81
Como	14			14	19
Cremona	7			7	7
Lecco	1			1	1
Lodi	3			3	3
Mantua	10			10	10
Milan	34	1	1	36	39
Monza Brianza	13			13	14
Pavia	28			28	31
Varese	52			52	59
Marche	**95**	-	-	**95**	**104**
Ancona	31			31	34
Ascoli Piceno	9			9	10
Fermo	11			11	11
Macerata	19			19	22
Pesaro-Urbino	25			25	27

Details	BPER Banca	Banco di Sardegna	Banca Cesare Ponti	30.09.2023	31.12.2022
Molise	**8**	-	-	**8**	**8**
Campobasso	5			5	5
Isernia	3			3	3
Piedmont	**87**	-	-	**87**	**98**
Alessandria	16			16	17
Asti	3			3	3
Biella	1			1	1
Cuneo	24			24	27
Novara	5			5	5
Turin	33			33	40
Verbano-Cusio-Ossola	3			3	3
Vercelli	2			2	2
Apulia	**52**	-	-	**52**	**53**
Bari	12			12	12
Barletta Andria Trani	7			7	7
Brindisi	6			6	6
Foggia	14			14	14
Lecce	5			5	5
Taranto	8			8	9
Sardinia	-	**284**	-	**284**	**307**
Cagliari		26		26	30
Nuoro		60		60	62
Oristano		39		39	44
Sassari		84		84	94
South Sardinia		75		75	77
Sicily	**48**	-	-	**48**	**57**
Agrigento	5			5	5
Catania	8			8	9
Enna	3			3	3
Messina	8			8	9
Palermo	16			16	20
Ragusa	1			1	1
Siracusa	3			3	6
Trapani	4			4	4
Tuscany	**81**	**1**	-	**82**	**95**
Arezzo	14			14	15
Florence	17			17	18
Grosseto	4			4	5
Livorno	4	1		5	6
Lucca	16			16	18
Massa e Carrara	16			16	21
Pisa	3			3	4
Pistoia	3			3	4
Prato	2			2	2
Siena	2			2	2
Aosta Valley	**1**	-	-	**1**	**1**
Aosta	1			1	1
Trentino-Alto Adige	**4**	-	-	**4**	**4**
Trento	4			4	4
Umbria	**20**	-	-	**20**	**22**
Perugia	16			16	17
Terni	4			4	5
Veneto	**56**	-	-	**56**	**59**
Belluno	2			2	2
Padua	14			14	15
Rovigo	5			5	6
Treviso	4			4	4
Venice	13			13	14
Verona	12			12	12
Vicenza	6			6	6
Total 30.09.2023	**1,467**	**290**	**2**	**1,759**	
Total 31.12.2022	**1,603**	**308**	**2**		**1,913**
Changes to the Group's geographical organisation during the year					**(154)**

Total branches of the Group



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

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

The Manager responsible for preparing the company's financial reports Marco Bonfatti, certifies, pursuant to para. 2 of art. 154-bis of Decree 58/1998 (Consolidated Financial Law) that the accounting information contained in this Consolidated interim report on operations as at 30 September 2023, agrees with the underlying accounting entries, records and documentation.

Modena, 8 November 2023

Signed by
Marco Bonfatti

The Manager responsible for preparing the
company's financial reports