



## Annual report 2021

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

**EMILIA ROMAGNA FACTOR S.p.A.**

**Generally abbreviated to: EMIL-RO FACTOR S.p.A.**

**Head office: Strada Maggiore 29 – 40125 Bologna, Italy**

**Share capital Euro 54,590,910 fully paid-in Chamber of Commerce (REA) 366365**

**Companies Register and Tax Code 02231420361**

**VAT no. 04297210371 valid until 31 December 2018**

**The BPER VAT Group, which also includes EMIL-RO FACTOR S.p.A., is operational from 1 January 2019, with VAT number 03830780361**

**Financial intermediary enrolled in the Register of Financial Intermediaries as per art. 106 of Legislative Decree 385/1993 (CBA) at no. 9 with code 19432**

**Company belonging to the BPER Banca S.p.A. Banking Group**

**Enrolled in the Register of Banking Groups at no. 5387.6 on 7 August 1992**

**<http://www.bper.it>; e-mail: [bper@pec.gruppobper.it](mailto:bper@pec.gruppobper.it)**

**Tax Code and Companies Register no. 01153230360**

**Modena Chamber of Commerce no. 222528 Share capital Euro 2,100,435,182.40**

**Member of the Interbank Deposit Guarantee Fund and of the National Guarantee Fund**

**Ordinary shares listed on the MTA (Electronic Equity Market)**

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## CONTENTS

|   |            |
|---|------------|
| <b>Corporate Bodies .....</b>   | <b>6</b>   |
| <b>Shareholder structure.....</b>   | <b>7</b>   |
| <b>Directors' report on operations .....</b>  | <b>8</b>   |
| 1. The macroeconomic environment .....  | 8          |
| 2. The factoring market .....   | 12         |
| 3. BPER FACTOR IN 2021 .....  | 13         |
| 3.1 <i>COMPETITIVE POSITIONING</i> .....  | 13         |
| 3.2 <i>KEY FIGURES OF BPER FACTOR</i> .....   | 14         |
| 3.3 <i>2021 RESULTS</i> .....   | 19         |
| 4. <i>Relationship with customers</i> .....   | 32         |
| 5. Significant events .....   | 35         |
| 5.1 APPLICATION OF THE NEW DEFINITION OF DEFAULT (NDOD) .....                               | 35         |
| 5.2 PERSONNEL .....   | 36         |
| 5.3 PURCHASE OF THE WIP BRAND AND PLATFORM .....  | 37         |
| 5.4 CHANGE IN THE MEASUREMENT CRITERION ADOPTED FOR INVESTMENT PROPERTIES<br>(IAS 40) ..... | 37         |
| 5.5 OTHER SIGNIFICANT EVENTS AND OTHER INFORMATION .....                                    | 38         |
| 6. Outlook for 2022 .....   | 39         |
| 7. Proposed allocation of the result for the year .....                                     | 40         |
| <b>FINANCIAL STATEMENTS .....</b>   | <b>41</b>  |
| <b>Explanatory notes .....</b>  | <b>49</b>  |
| 1. INTRODUCTION .....   | 49         |
| <i>Part A - Accounting policies</i> .....   | 49         |
| Part B – Information on the balance sheet .....   | 77         |
| <b>PART C – Information on the income statement.....</b>                                    | <b>104</b> |
| Part D – Other information .....  | 118        |
| <b>SECTION 3 – INFORMATION ON RISKS AND HEDGING POLICIES .....</b>                          | <b>124</b> |
| CREDIT RISK .....   | 124        |
| MARKET RISKS .....  | 148        |
| <b>SECTION 4 – INFORMATION ON SHAREHOLDERS' EQUITY .....</b>                                | <b>162</b> |
| <b>SECTION 5 – ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME .....</b>                       | <b>166</b> |
| <b>SECTION 6 – RELATED-PARTY TRANSACTIONS.....</b>  | <b>167</b> |

**SECTION 7 – LEASES (LESSEE)..... 168**

**SECTION 8 – Other information ..... 170**

**REPORT OF THE BOARD OF STATUTORY AUDITORS..... 172**

**Report of the Independent Auditors ..... 175**

## CORPORATE BODIES

### Board of directors in office at 31 December 2021

|                 |                           |
|-----------------|---------------------------|
| Chairman        | <b>Paolo Licciardello</b> |
| Deputy Chairman | Matteo Bigarelli *        |
|                 | Pierpio Cerfogli**        |
| Directors       | Matteo Bigarelli ***      |
|                 | Mirco Capra               |
|                 | Tarcisio Fornaciari       |
|                 | Antonio Rosignoli         |
|                 | Antonio Ferretti          |
|                 | Alessia Keissidis         |

### Board of Statutory Auditors in office at 31 December 2021

|                    |                       |
|--------------------|-----------------------|
| Chairman           | Pierpaolo Ferrari     |
| Acting Auditors    | Grazia Marchesini     |
|                    | Andrea Montanari      |
| Alternate Auditors | Antonella Bortolomasi |
|                    | Giacomo Giovanardi    |

**General Manager** Franco Tomasi

**Independent Auditors** Deloitte & Touche S.p.A

\* In office since 14 December 2021

\*\* Resigned on 31 October 2021

\*\*\* Resigned on 13 December 2021

## SHAREHOLDER STRUCTURE

CONAD CONSORZIO NAZIONALE DETTAGLIANTI S.C. sold its entire equity interest in Società Emilia Romagna Factor s.p.a., comprising 51,489 ordinary shares with a par value of Euro 10.00 each and a total par value of Euro 514,890.00, representing 0.943% of the share capital, to BPER Banca s.p.a. on 02.11.2021.

The share capital of Euro 54,590,910.00= fully subscribed and paid, consists of 5,459,091 ordinary shares with a par value of Euro 10.00 each. At 31 December 2021, it is wholly owned by "**BPER Banca S.p.A**".

# DIRECTORS' REPORT ON OPERATIONS

## 1. The macroeconomic environment

The world economy recovered strongly during 2021. Global GDP rose above the pre-pandemic level due, in particular, to the decisive contribution made by two factors: the progress made by the vaccination campaign, above all in western countries, and the implementation of overall expansionary economic policies. The upward trend over the twelve-month period was inevitably affected by the pandemic, which evolved in waves that - given the outbreak of new COVID-19 variants such as Delta and Omicron - forced most countries to apply restrictive measures to mitigate the spread of contagion. The resurgence of the pandemic also contributed to the maintenance of numerous production bottlenecks that, together with markedly higher prices for a vast range of raw materials (especially energy commodities), have fuelled significant inflationary pressures.

In the **United States**, the positive economic signals were clear from the start of the year. On capturing the Senate, the Democratic Party obtained control over both houses of Congress and made it easier for the new Administration to pass legislation. Accordingly, just a few weeks later - in March - approval was given for an economic support package worth about USD 1,900 billion, representing one of the most massive aid packages in US history. Growth was also assisted by the success of the vaccination campaign that, by flattening the contagion curve, made possible a partial return to normality. Aggregate demand was also boosted by private consumption, which increased strongly in the wake of government subsidies, while the jobs market recovered quickly. In particular, the unemployment rate fell steadily throughout the year, from 6.4% in January. In the meantime however, the recovery began to generate a significant side effect: the increase in aggregate demand, the upturn in travel, the hike in energy prices and the shortage of materials all combined to stimulate inflation, which started to accelerate sharply in April. Despite the evidence, the FED initially kept its monetary policy unchanged in the asserted belief that the rise in consumer prices was only "transitory". During the second part of the year, the US economic cycle was partially held in check by a series of factors. The most significant included: spread of the Delta variant of COVID-19, which inevitably restricted private consumption; partial waning of the impulse received from the generous public aid given to tackle the pandemic; supply chain bottlenecks and shortages of raw materials that, without evidence of resolution, began to hit the productive sector. The most significant economic aspect was, however, the upturn in prices: after stabilising at a somewhat high level, the inflation rate began to take off due - beyond the transitory elements linked to the pandemic - to rather more structural components. This persistent upward price pressure convinced the FED to modify its monetary policy guidance in the final months of the year, with the announcement of a route towards normalisation: the first step was to start tapering, with a gradual reduction in the purchases of securities that was accelerated in December. On the rates front, individual governors of the Federal Reserve Board have begun to talk about multiple increases in 2022 and future years.



In the **Eurozone**, 2021 commenced with objectively greater difficulties. Most of the region was hit badly by the third wave of COVID-19, so much so that many governments were forced to introduce new social distancing measures or extend those already in place. The adverse effects of these measures were felt by services for the most part, while industry - more exposed to the international economic cycle - was barely troubled. The steady progress of the vaccination campaigns, following the arrival of a sufficient number of doses, and the consequent relaxation of restrictions enabled production to start expanding again; indeed, after a slight contraction in the first quarter, the GDP of the Euro area returned to growth. The cycle stabilised during the second half of the year, constrained by the same problems that affected the world's other major economies. Faced with robust demand, the bottlenecks on the supply side became increasingly obvious: shortages of components and raw materials, delivery delays and major increases in transport costs. Malfunctions in the supply chain, largely attributable to the spread of the Delta and Omicron variants of COVID-19, which slowed investment and production, resulted in greater upward price pressures. As a result, inflation accelerated in the Euro area, from 1.9% y/y in June to 5.0% y/y in December. On the monetary policy front however, the European Central Bank continued to minimise the inflation aspect and confirmed its overall accommodative approach; in particular, the ECB merely announced closure of the temporary PEPP (Pandemic Emergency Purchase Programme) in March 2022, while also - at the same time - increasing the conventional APP (Asset Purchase Programme). While the ECB has preferred a cautious approach, a survey of Europe as a whole identifies several central banks that - in order to contain inflation - have been more restrictive by raising the cost of money: among these, Norges Bank and the Bank of England.

The Italian economy essentially reflected the trends experienced in the Eurozone as a whole. After initial difficulties, overall economic activity began to expand into the summer months due to the strength of the manufacturing sector - which benefited from the global improvement in demand and industrial production - and the renewed buoyancy of the service sector. By contrast, there was a pandemic-induced slowdown in the second part of the year, which forced the government to adopt restrictive measures. In terms of inflation, consumer prices started to rise from the beginning of the year, sustained by higher energy costs and the issues mentioned earlier with regard to the other macro areas: the inflation rate, reported at +3.9% y/y in December, came in below average for the Eurozone.

The emerging countries, historically more sensitive to the fluctuations in international trade and highly integrated within the global tech-production chains, benefited of course from the global economic recovery - so much so that, based on the latest IMF projections, the GDP of emerging and developing countries, considered together, is expected to have grown by 6.4% y/y. Their recovery has, nevertheless, been impeded by two main elements: the proliferation of COVID-19 variants and the significant slowdown of the Chinese economy. China was impacted by various factors: among these, energy shocks sometimes constrained normal productive activities; the local authorities tightened regulatory controls over certain private businesses and sectors, including technology, in order to facilitate less impetuous and uncontrolled economic growth and combat unfair competitive practices; and the Evergrande affair that affected this colossus in the property sector.

Economic performance there continues to be mainly influenced by developments in the Covid-19 situation and the related prevention measures. The outlook in Italy remains largely influenced by expectations for the pandemic, the growth stimulated by the National Resilience and Recovery Plan (PNRR) and the expansive monetary and fiscal policies adopted around the world. Italian GDP is expected to have risen by 6.0% in 2021, while that forecast for 2022 is lower at 4.7%. Although the government has intervened to calm the spike in energy prices, the current upturn will erode the purchasing power of households and increase the production costs of businesses. This could slow the recovery in demand, both in Italy and abroad. The debt/GDP ratio is expected to have eased to 153.5% in 2021, from the peak of 155.6% touched in 2020. The robust economic growth expected, together with continued low returns along the entire sovereign yield curve, should contribute strongly to a reduction in the debt/GDP ratio in the next couple of years: the target ratio for 2022 is 149.4%, with a further reduction to 147.6% in 2023. The net indebtedness of the public administrations was 9.4% of GDP in 2021, down from 9.6% in 2020. The improvement with respect to the previous estimate, in April, reflects the more positive trend in the macroeconomic and healthcare situation, which benefited the public sector accounts in terms of greater income and lower expenditure, especially in order to support the economy. For the future, the ratio is expected to decline to 4.3% of GDP in 2022, 2.4% in 2023 and 2.0% in 2024 (Source: "2022 budget and planning document").

This past year, 2021, will be remembered not only in terms of performance - the asset classes at greatest risk have only offered similar returns on very few occasions - but also for the flood of events that flowed, one after the other, throughout the year. The higher cost of raw materials, the energy crisis and the supply shortages all played a decisive role in the sustained increase in prices, putting government securities under pressure. For their part, the leading central banks have continued to provide significant reassurance about their wish not to remove the monetary stimulus too early, considering the inflationary surge to be a temporary phenomenon; this approach contributed decisively to the good stockmarket performances achieved in the first part of the year. By contrast, the markets essentially froze in the third quarter, in the face of new uncertainties. In China - where, in the meantime, the debt crisis of the Evergrande property giant had heightened - the Authorities imposed regulatory restrictions on various sectors of the economy that might jeopardise future growth there; in terms of prices, on the other hand, the major surge in energy costs combined with the general shortage of goods and components pushed inflation higher, forcing the central banks to announce the normalisation of their monetary policies - albeit at different rates and using different tools. The volatility experienced towards the end of 2021 did not, however, prevent international stock prices from consolidating the good performance already achieved. The pandemic situation worsened around then, due to the spread of the Omicron variant: however, following initial fears about the repercussions on growth, the markets were reassured by early studies that confirmed the effectiveness of current vaccines and the milder nature of the virus. Investors were rather more interested in the start of the gradual process to remove monetary stimulus, with the acceleration of tapering (purchasing securities at a slower rate) by the Federal Reserve and rate hikes by the Bank of England.

In terms of performance, 2021 was a record year for the stockmarkets, with rises often in excess of 20%. The MSCI AC World Index, which measures global stockmarket performance (including in the emerging markets), rose by more than 16% - albeit with significant internal variations. In particular, the geographical dispersion was considerable, initially due to the progress of the respective vaccination campaigns, which rewarded market prices in the developed countries. In the United States, the S&P500 climbed by 26.9%, while the more technological Nasdaq Composite rose by 21.4%. The European indices performed similarly well, led by purchases of shares in the banking and technology sectors: the EuroStoxx 600 index of leading European shares jumped 22.2%, while the FTSE MIB Milan, up 23%, outperformed other important exchanges, such as Frankfurt (+15.8%) and London (+14.3%). Globally, the most significant growth was seen in the energy sector, due to the rally in the oil price.

By contrast, the bond market did rather less well: yields increased noticeably, both in the core countries and in the Euro periphery.

Performance varies in the spread markets: high-yield bonds benefited from the general risk-on climate, while the sovereigns of emerging countries closed lower.

In currency terms, the patient and accommodating approach (with respect to most other leading central banks) to inflation adopted by the ECB penalised the Euro, which fell against all other majors. The depreciation against the US dollar of 7.4%, compares with 6.4% against the British pound. The Japanese yen depreciated by 3.6% against the Euro, in the wake of higher global bond rates and the highly expansionary approach of the Bank of Japan.

With regard to raw materials, 2021 coincided with sharp rises in almost all sub-categories: from industrial metals to energy goods and soft commodities.

The macroeconomic dynamics, the changing social context and the regulatory and technological developments have resulted in profound structural changes in the global, European and Italian banking sectors, which have been heightened in the past two years by the spread of the Covid-19 pandemic. In detail, the unrelenting continuation of low interest rates, partly due to massive injections of liquidity by the central banks, has had an adverse impact on the core profitability of retail banks, which were already badly hit by sub-optimal levels of operational efficiency and the economic crises of 2007-2008 and 2011. The injections of liquidity by the European Central Bank, intended to support the economy during the Covid-19 period, contributed to the squeeze on rates and spreads that, despite rising from the levels seen at the end of 2020, are still historically very low.

As identified from the latest quarterly survey of bank loans, the criteria for lending to businesses were relaxed slightly towards the end of 2021, reflecting greater competition among banks and the perceived reduction in risk.

The credit quality of Italian banks has improved further. Doubtful loans, net of the writedowns and provisions already set aside directly by the banks, amounted to Euro 16.8 billion in November 2021, down from Euro 23.5 billion one year earlier. The ratio of net doubtful loans/total lending came in at 1.02% (1.35% in November 2020).

The spread for banks between the average lending rate and the average funding rate recognised to households and non-financial companies was 171 basis points in December

2021, compared with 178 basis points at the end of 2020. This spread exceeded 300 bp prior to the start of the financial crisis. Source: ABI Monthly Outlook (summary), January 2021.

## 2. The factoring market

The turnover of the Italian factoring market returned to growth in 2021, rising by 10% with respect to the year of the pandemic. Demand for factoring was led by the recovery of much economic activity, together with the rises in production, investment and consumption by Italian businesses. Domestic turnover rose by 10.6% and represented 80% of total turnover (79.3% in 2020). International turnover also grew, rising by 6.1%; the import component grew by 6.7%, while the export element rose by 6.1% (source: CERVED).

The data provided by Assifact (Italian Factoring Association) at 31 December 2021 indicates turnover of about Euro 251 billion. Both outstanding receivables and total loans are higher, respectively by 5.41% and 2.19%.

The table summarises the main market data.

### Key aggregates (source: Assifact)

(in millions of Euro)

| Captions   | dic-21  | dic-20  | Change |        |
|--|---------|---------|--------|--------|
|  |         |         | amount | %      |
| Turnover   | 250,630 | 227,829 | 22,800 | 10.01% |
| of which Turnover from Supply Chain Finance operations | 24,160  | 19,779  | 4,381  | 22.15% |
| Outstanding  | 65,600  | 62,234  | 3,366  | 5.41%  |
| Receivables at year-end                                | 51,441  | 50,340  | 1,100  | 2.19%  |

Analysis of the composition of volume highlights that turnover is weighted towards without-recourse products that amounted to Euro 197 billion, representing 79% of the total.

Supply chain finance, invoice trading and direct lending are no longer innovative and have become areas of competition in the search for the new "assignment models"; business linked to supply chain financing exceeded Euro 24 billion in the year to 31 December 2021, with growth of 22.15% compared with 2020; Euro 21.6 billion relates to reverse factoring agreements (Euro 18.5 billion in 2020), while Euro 2.5 billion relates to confirming business (Euro 1.3 billion in 2020). The rapid development of the confirming business, with an updated and innovative formula suited to the purchasing cycle of businesses, is based on the activation of an integrated digital platform that links the buyer, the factor and the suppliers in the chain. The process involves the buyer issuing payment mandates to the factor which, on the due date, pays the invoices issued by each supplier. Interactively, on the platform, the supplier is given the opportunity to request advances against the indicated invoices by assigning their receivables to the factor. In 2021, factors received about Euro

3.3 billion in invoices from businesses, of which Euro 2.5 billion (75.6%) was assigned by suppliers to obtain advances (source: Assifact).

## **2.1 Outlook for 2022**

The positive trend in volumes during 2021, due to the economic upturn, enables us to look at 2022 with some optimism. Considering the factoring/GDP ratio, the projections based on macroeconomic data indicate that turnover will grow during the year by between +5.68% and +10.79% (Source: Assifact). Operators are also confident about growth over the coming twelve months: data from the Assifact survey for 2022 (Source: Assifact-Forefact 2022-no. 2) suggests 6.84% growth over the year.

In addition, it is probable that there will be additional scope for factoring following implementation of the National Resilience and Recovery Plan (PNRR), prepared by the government for access to the EU Next Generation funds. Specifically, the supply chain finance services offered by factors may well accelerate the cash flows of the chains involved in the process, thus guaranteeing the financial sustainability of investments while helping to simplify the PA processes envisaged in the Plan; projects focused on digitalisation, the reduction of payment times, simplification of the spending process, simplification of procedures for the assignment of amounts due from the PA and further development of the platform for certifying receivables, with increased integration as part of systems for managing the expenditure cycle.

## **3. BPER FACTOR IN 2021**

### **3.1 Competitive positioning**

Despite the climate of uncertainty linked to continuation of the healthcare crisis and its impact on the economy, the factoring market grew by 10% in 2021.

Even with the containment measures still in place, the increase in turnover achieved by the Company during 2021 greatly outpaced the market, with growth of about 30%. In comparison with 2020, the pandemic year with lockdowns from March, the data indicates an upturn in economic activity; however and probably even more meaningful, comparison with 2019 data helps to provide an assessment of the return to "normality"; in fact, the turnover of BPER Factor has risen overall by about 40% compared with 2019, while the market is still off by 1.9%.

At 31 December, based on preliminary data published by Assifact, the domestic market share held by the Company is now 2.4%, following a rise of 17.3%. Within the Italian factoring market, BPER Factor places ninth in turnover terms at 31 December 2021.

Company market shares have also risen in terms of both outstanding receivables, up by 21.5%, and total loans, up by 16.1%.

#### Market share (Source: Assifact)

(in millions of Euro)

| Captions                 | Market  |         | Change |        | Emil-Ro Factor    |                   | Change |        |
|--------------------------|---------|---------|--------|--------|-------------------|-------------------|--------|--------|
|                          | 2021    | 2020    | Amount | %      | 2021 Market share | 2020 Market share | Amount | %      |
| Turnover                 | 250,630 | 227,829 | 22,800 | 10.01% | 2.39%             | 2.03%             | 0.35%  | 17.32% |
| Outstanding              | 65,600  | 62,234  | 3,366  | 5.41%  | 2.44%             | 2.01%             | 0.43%  | 21.54% |
| Receivables at year-end  | 51,441  | 50,340  | 1,100  | 2.19%  | 2.43%             | 2.09%             | 0.34%  | 16.10% |
| days of average rotation | 94      | 98      | -4     | -4.08% |                   |                   |        |        |

## 3.2 Key figures of BPER Factor

### 3.2.1 Factoring

Despite the critical economic background, the turnover of the Company rose by about 30% in 2021, after growth of 8.46% in 2020.

The trend in new production is also positive, with 259 (201 in 2020) new originators activated during the year generating total turnover of Euro 685 million (Euro 413 million in 2020), equal to 50% of the overall increase. Receivables purchased without recourse represented 51.64% of total turnover (55.15% in 2020). The principal factors contributing to this significant increase in business are found, above all, in the increased integration of the commercial network of the Company with that of the Group. This, in part, reflects expansion by the Parent Company of its scope of operations via the purchase of a line of business from the Intesa Sanpaolo Group and, consequently, the absorption of 620 new branches (587 former UBI Banca branches acquired on 22 February 2021 and 33 former Intesa Sanpaolo branches acquired on 21 June 2021).

Additionally, the macroeconomic effects of higher commodity prices have raised business turnover.

Average lending is also higher compared with 2020 by 6.2%. Outstanding receivables and total loans at year end amount, respectively, to Euro 1.6 billion and Euro 1.2 billion, up by 28.11% and 18.64%. The ratio of factored to outstanding receivables is 73.62%. The turnover of receivables has improved, although not significantly, from 97 days to 96.

## Breakdown of BPER Factor's turnover

(in millions of Euro)

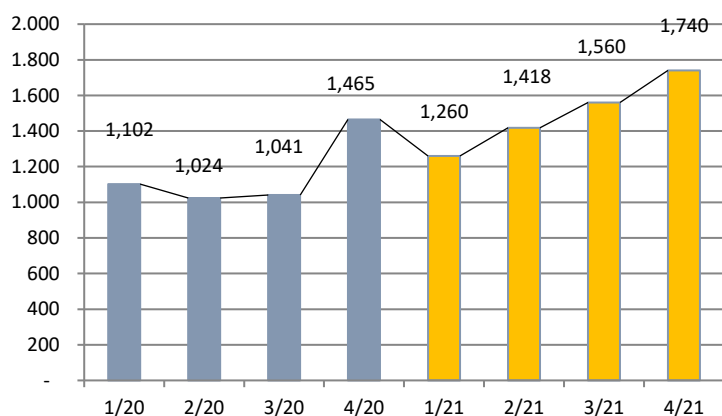
| Captions  | 31.12.2021    |             | 31.12.2020    |             | Change       |               |
|---|---------------|-------------|---------------|-------------|--------------|---------------|
|   | Amounts       | %           | Amounts       | %           | Amount       | %             |
| <b>Total turnover</b>   | <b>5,978</b>  | <b>100%</b> | <b>4,632</b>  | <b>100%</b> | <b>1,346</b> | <b>29.06%</b> |
| <i>of which: without recourse*</i>                            | 3,087         | 51.64%      | 2,545         | 54.93%      | 543          | 21.33%        |
| <i>of which: with recourse</i>                                | 2,891         | 48.36%      | 2,088         | 45.07%      | 803          | 38.47%        |
| <b>Outstanding</b>  | <b>1,602</b>  |             | <b>1,251</b>  |             | <b>352</b>   | <b>28.11%</b> |
| <b>Receivables at year-end</b>                                | <b>1,250</b>  |             | <b>1,054</b>  |             | <b>196</b>   | <b>18.64%</b> |
| <i>- of which: future receivables</i>                         | 71            |             | 77            |             | -6           | -8.28%        |
| <b>Receivables at y/e (net of future amounts)/Outstanding</b> | <b>73.62%</b> |             | <b>78.10%</b> |             | <b>-4.5%</b> | <b>-5.73%</b> |
| <b>average days rotation of receivables</b>                   | <b>96</b>     |             | <b>97</b>     |             | <b>-1</b>    | <b>-0.73%</b> |

\* including formal without recourse

Receivables purchased without recourse, Euro 3.1 billion, increased by 21.33%, while those purchased with recourse rose by 38.47%.

Turnover from "Medium/long term" transactions" amounted to Euro 3.5 million.

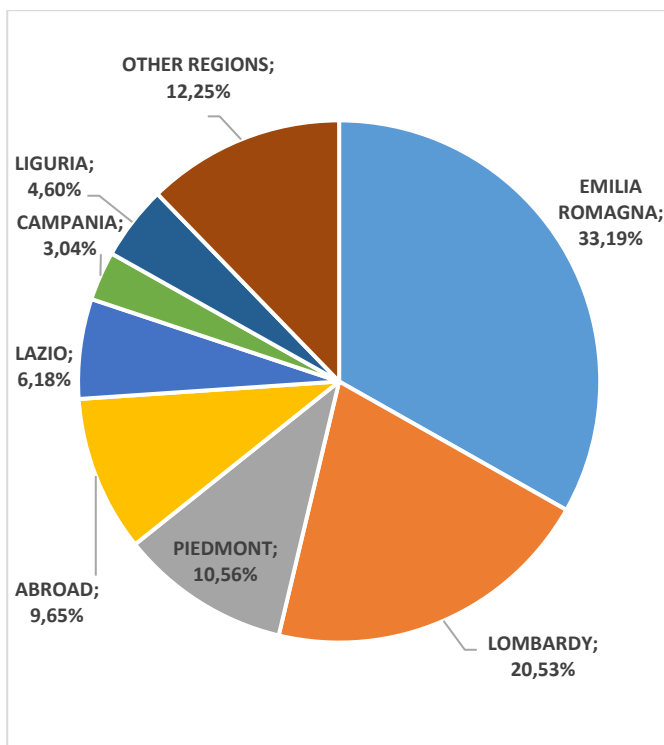
Quarterly trend in turnover (Euro million)



Turnover in 2021 was about Euro 6 billion. Growth was steady in each quarter. The 4th quarter contributed turnover of Euro 1.7 billion, which was 18.77% higher than in 2020.

The geographical distribution of turnover in relation to the location of the originator.

#### Geographical breakdown of turnover by Originator



Although 53.7% of volume was generated in Emilia Romagna and Lombardy (57.7% in 2020), the geographical breakdown of turnover by originator shows that the territorial distribution is more balanced. This improvement reflects the efforts made by the Company to integrate further with the commercial network of the Group, by opening outlets in different areas of Italy with teams actually operating within the Bank. This contributed to the growth in turnover in such regions as Piedmont (+88%), Liguria (+82%), Sicily (+166%) Puglia (+112%) Marche (+31%) and Lombardy (+102%). The major increase in Lombardy was, above all, due to expansion of the scope of operations on the acquisition of branches from the Intesa Sanpaolo Group. The volume of business with originators in Emilia Romagna remained essentially at 2020 levels (-4.24%), but its incidence with respect to the total has fallen considerably (45.7% in 2020).

The distribution of turnover by Ateco category of its originators is shown below (Euro/000):

| Distribution of turnover to non-financial companies               | 31.12.2021       | %            |
|---|------------------|--------------|
| A. Agriculture, forestry and fishing                              | 85,136           | 1.42         |
| B. Extraction of minerals from quarries and mines                 | 3,477            | 0.06         |
| C. Manufacturing activities                                       | 1,629,892        | 27.26        |
| D. Provision of electricity, gas, steam and air-conditioning      | 481,625          | 8.06         |
| E. Supply of water, sewerage, waste management and rehabilitation | 151,966          | 2.54         |
| F. Construction   | 326,869          | 5.47         |
| G. Wholesaling and retailing, car and motorcycle repairs          | 775,356          | 12.97        |
| H. Transport and storage  | 284,352          | 4.76         |
| I. Rentals and catering services                                  | 6,590            | 0.11         |
| J. Information and communication services                         | 39,438           | 0.66         |
| M. Professional, scientific and technical activities              | 74,385           | 1.24         |
| N. Rentals, travel agencies, business support services            | 711,360          | 11.90        |
| Q. Healthcare and social services                                 | 180,596          | 3.02         |
| R. Arts, sports, entertainment and recreation                     | 78,415           | 1.31         |
| S. Other services   | 7,672            | 0.01         |
| <b>Total turnover - non-financial companies</b>                   | <b>4,837,129</b> | <b>80.91</b> |



|  |                  |              |
|--|------------------|--------------|
| Households   | 33,596           | 0.56         |
| Non-profit institutions serving households           | 1,288            | 0.02         |
| Rest of world  | 577,064          | 9.65         |
| Financial companies                                  | 528,764          | 8.85         |
| Other companies not included in the above categories | 410              | 0.01         |
| <b>Total turnover - other companies</b>              | <b>1,141,123</b> | <b>19.09</b> |
| <b>Total turnover</b>                                | <b>5,978,252</b> | <b>100</b>   |

In terms of the concentration of turnover by the economic sector of the originator, over 80% of total volume was generated by non-financial businesses in 2021, while just under 20% was largely generated by foreign counterparties (9.65%) and financial companies (8.84%).

In addition to its own network and that of the Group, the turnover of the Company is also sourced from elsewhere, as summarised in the following table.

#### Turnover by referrer

(in millions of Euro)

| Captions  | 31.12.2021   | 31.12.2020   | of total net<br>receivables<br>cons. | of total net<br>receivables<br>cons. | Change       |               |
|---|--------------|--------------|--------------------------------------|--------------------------------------|--------------|---------------|
|   |              |              | 2021                                 | 2020                                 | amount       | %             |
| Direct development                                    | 2,227        | 2,063        | 37.25%                               | 44.54%                               | 164          | 7.93%         |
| Banking shareholders                                  | 2,046        | 1,470        | 34.23%                               | 31.74%                               | 576          | 39.15%        |
| Referrals by intermediaries                           | 918          | 606          | 15.36%                               | 13.09%                               | 312          | 51.39%        |
| Large reverse debtor                                  | 624          | 476          | 10.44%                               | 10.28%                               | 148          | 31.06%        |
| Agents  | 126          | 2            | 2.12%                                | 0.04%                                | 125          | 6511.92%      |
| Foreign operators and<br>international correspondents | 36           | 14           | 0.61%                                | 0.30%                                | 23           | 162.81%       |
| <b>Total</b>  | <b>5,978</b> | <b>4,632</b> | <b>100.00%</b>                       | <b>100.00%</b>                       | <b>1,346</b> | <b>29.06%</b> |

(the 2020 figure has been adjusted to the source in force at 31 December 2021, where modified compared with 2020)

The business generated by customers from the BPER Group network (banking shareholders) was Euro 2 billion, a value which in comparison with 2020 increased by 39.15% and which represents 42.79% of the Company's overall increase, a sign of an evident and continuous improvement in synergies with the Group. The "direct development" of the Company, which represents 37.25% of total turnover, grew by 7.93% compared with 2020.

A strong increase in the turnover generated by customers coming from referrals by intermediaries and those from large reverse debtors which grew by 51.39% and 31.06% respectively on 2020. Activity linked to agents has also increased sharply, to Euro 126 million from Euro 2 million in 2020, and that with foreign operators has more than doubled.

The number of assignors in 2021 totalled 1,104, which was down on 2020 (1,155).

### 3.2.2 Leasing

As in prior years and consistent with the strategic approach taken by the Company and the Group, the leasing business has not been developed. Work during 2021 comprised the management of those finance lease contracts that are still performing, the rescheduling of financial plans following requests for moratoria in accordance with the Covid-19 decrees, and the management of non-performing receivables.

"Performing" contracts are summarised in the table below. They are 10, 3 of them refer to capital goods and 7 to properties.

#### Contracts outstanding - implicit receivables

(in thousands of Euro)

| Type of contract   | No. of contracts at 31/12/2021 | Original value of assets | Direct costs | Total capital accrued | Residual capital |
|--------------------|--------------------------------|--------------------------|--------------|-----------------------|------------------|
|                    |                                |                          |              |                       | dic-21           |
| Business leases    | 3                              | 2,127                    | 21           | 1,626                 | 522              |
| Real estate leases | 7                              | 2,938                    | 32           | 1,627                 | 1,344            |
| <b>Total</b>       | <b>10</b>                      | <b>5,065</b>             | <b>53</b>    | <b>3,253</b>          | <b>1,865</b>     |

The performing contracts worth a residual amount of Euro 1.9 million at 31 December 2021.

The assets associated with contracts terminated due to non-performance by their users are summarised below.

#### Contracts suspended/terminated with assets withdrawn/to be withdrawn

(in thousands of Euro)

| Type of contract   | No. of contracts at 31/12/2021 | Original value of assets | Direct costs | Total capital accrued | Residual capital |
|--------------------|--------------------------------|--------------------------|--------------|-----------------------|------------------|
|                    |                                |                          |              |                       | dic-21           |
| Real estate leases | 4                              | 4,080                    | 50           | 796                   | 3,333            |
| <b>Total</b>       | <b>4</b>                       | <b>4,080</b>             | <b>50</b>    | <b>796</b>            | <b>3,333</b>     |

Four terminated "property" contracts, all involving the same user, had a residual value at the time of contract termination of Euro 3.3 million.

Net of impairment adjustments, the reported carrying amount of finance leases is Euro 3.6 million, of which Euro 2.3 million relates to non-performing receivables.

### **3.3 2021 results**

The net profit in 2021 was Euro 0.9 million, down Euro 3.9 million compared with 2020. This outcome was influenced by the provisions for impairment losses on significant receivables linked, principally, to customers operating in the energy sector, where activity has been compromised by extreme price volatility. Net impairment adjustments to receivables amount to Euro 8.3 million, to compare with the 2020 figure of Euro 0.9 million. The results were also affected by non-recurring, negative components of income, such as the provision for personnel leaving incentives that resulted in a charge of Euro 1.3 million in 2021, and the adverse impact amounting to Euro 0.5 million of the change in measurement criterion from cost to fair value of the investment properties held as a consequence of terminating lease contracts. Net loans increased by 19% and net interest and commission income reached Euro 20.8 million, also up by 19.5%. Operating costs increased by 12% due to the already mentioned measure related to personnel.

#### **3.3.1 Results**

Summary comparative income statement data is presented below (in thousands of Euro) for the years ended 31 December 2021 and 2020, highlighting the absolute and percentage changes. The results reported in the following tables, containing comparative data as of 31 December 2020, have been reclassified with respect to the formats envisaged in the regulations issued by the Bank of Italy.

The main reclassifications concern the following captions:

- the insurance recoveries against claims made in relation to receivables, shown in reporting line item 200 "Other operating income/charges", have been reclassified as a deduction from the related costs reported in "Net impairment adjustments for credit risk (+/-)" (Euro 1.2 million and Euro 0.8 million respectively in the years ended 31 December 2021 and 31 December 2020);
- the recoveries of insurance premiums from customers, also shown in reporting line item 200 "Other operating income/charges", have been reclassified as a deduction from the related costs classified as "Commission expense" (Euro 0.1 million for the year ended 31 December 2021);
- reporting line item 170 "Net provisions for risks and charges" includes the recovery of Euro 0.4 million and that of Euro 0.1 million relating, respectively, to a provision for an abandoned claim made, the cost of which is reflected among the losses on receivables classified in the "Net impairment adjustments for credit risk (+/-)", and to the provision recorded in 2020 to reflect the loss on sale of land recognised as part of the "Net result from measuring property, plant and equipment and intangible assets at fair value".

As indicated above, the following analysis of results refers to the reclassified data for the sake of consistency.

## Reclassified income statement

(in thousands of Euro)

| Captions  |   | 2021           | 2020          | Change        |               |
|---|---|----------------|---------------|---------------|---------------|
|   |   | 31-dic         | 31-dic        | Amount        | %             |
| 10+20   | Net interest income   | 11,437         | 10,403        | 1,034         | 9.9%          |
| 40+50   | Net commission income   | 9,447          | 6,999         | 2,448         | 35.0%         |
| 70  | Dividends and similar income  | 22             | -             | 22            | 100.0%        |
| 80  | Net trading income  | -13            | -14           | 1             | 7.1%          |
| 200   | Other operating income and expense  | 107            | 232           | -124          | -53.6%        |
| <b>Net operating income</b>   |   | <b>21,000</b>  | <b>17,620</b> | <b>3,380</b>  | <b>19.2%</b>  |
| 160a)   | Payroll costs   | -7,064         | -5,127        | 1,937         | 37.8%         |
| 160b)   | Other administrative costs  | -3,783         | -3,583        | 200           | 5.6%          |
| 180+190   | Depreciation and amortisation   | -757           | -714          | 43            | 6.0%          |
| <b>Operating costs</b>  |   | <b>-11,604</b> | <b>-9,424</b> | <b>2,180</b>  | <b>23.1%</b>  |
| <b>Operating profit (loss)</b>                                      |   | <b>9,396</b>   | <b>8,196</b>  | <b>1,200</b>  | <b>14.6%</b>  |
| 130   | Net impairment adjustments for credit risk  | -6,648         | -130          | 6,519         | 5024.5%       |
| <b>Net value adjustments for credit risk</b>                        |   | <b>-6,648</b>  | <b>-130</b>   | <b>6,519</b>  |               |
| 170   | Net provisions for risks and charges  | -1,017         | -1,187        | -170          | -14.3%        |
| 230   | Net result of measuring property, plant and equipment and intangible assets at fair value | -455           | -             | 455           | 100.0%        |
| <b>Profit (loss) from continuing operations before income taxes</b> |   | <b>1,276</b>   | <b>6,879</b>  | <b>-5,603</b> | <b>-81.5%</b> |
| 270   | Income taxes for the period   | -397           | -2,148        | -1,751        | -81.5%        |
| <b>300 Net profit (Losses) of the period</b>                        |   | <b>879</b>     | <b>4,731</b>  | <b>-3,852</b> | <b>-81.4%</b> |

## Quarterly analysis of the reclassified income statement

(in thousands of Euro)

| Captions   |   | 2021          |               |               |               | 2020          |               |               |               |
|--|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  |   | 4th Q         | 3rd Q         | 2nd Q         | 1st Q         | 4th Q         | 3rd Q         | 2nd Q         | 1Q            |
| 10+20  | Net interest income   | 2,937         | 3,030         | 2,784         | 2,685         | 2,818         | 2,401         | 2,473         | 2,711         |
| 40+50  | Net commission income   | 2,284         | 2,466         | 2,300         | 2,397         | 1,440         | 1,824         | 1,797         | 1,938         |
| 70   | Dividends and similar income  | 0             | 0             | 22            | -             | -             | -             | -             | -             |
| 80   | Net trading income  | -34           | 21            | 2             | -3            | -3            | -1            | -3            | -6            |
| 200  | Other operating income (expense)  | -21           | 42            | 74            | 12            | 46            | 86            | 52            | 48            |
| <b>Net operating income</b>                              |   | <b>5,166</b>  | <b>5,560</b>  | <b>5,182</b>  | <b>5,092</b>  | <b>4,301</b>  | <b>4,309</b>  | <b>4,318</b>  | <b>4,691</b>  |
| 160a)  | Payroll costs   | -2,885        | -1,403        | -1,415        | -1,361        | -1,307        | -1,226        | -1,288        | -1,306        |
| 160b)  | Administrative costs  | -1,097        | -867          | -1,031        | -788          | -1,088        | -843          | -818          | -833          |
| 180+190  | Depreciation and amortisation   | -201          | -201          | -182          | -173          | -177          | -171          | -172          | -194          |
| <b>OPERATING COSTS</b>                                   |   | <b>-4,182</b> | <b>-2,470</b> | <b>-2,629</b> | <b>-2,322</b> | <b>-2,573</b> | <b>-2,240</b> | <b>-2,278</b> | <b>-2,333</b> |
| <b>Net profit from operations</b>                        |   | <b>984</b>    | <b>3,089</b>  | <b>2,553</b>  | <b>2,769</b>  | <b>1,728</b>  | <b>2,070</b>  | <b>2,040</b>  | <b>2,358</b>  |
| 130  | Net impairment adjustments to receivables   | -6,707        | -329          | -120          | 508           | -545          | 729           | -957          | 644           |
| <b>Net value adjustments for credit risk</b>             |   | <b>-6,707</b> | <b>-329</b>   | <b>-120</b>   | <b>508</b>    | <b>-545</b>   | <b>729</b>    | <b>-957</b>   | <b>644</b>    |
| 170  | Net provisions for risks and charges  | 81            | -188          | -253          | -657          | -3            | -1,243        | 281           | -157          |
| 230  | Net result of measuring property, plant and equipment and intangible assets at fair value | -181          | 0             | -274          | 0             | -65           | 0             | 0             | 0             |
| <b>Profit (loss) from operations before income taxes</b> |   | <b>-</b>      | <b>5,823</b>  | <b>2,572</b>  | <b>1,906</b>  | <b>1,115</b>  | <b>1,555</b>  | <b>1,364</b>  | <b>2,845</b>  |
| 270  | Income taxes for the period   | 2,010         | -827          | -683          | -896          | -320          | -477          | -412          | -939          |
| <b>300 Net profit (Losses) of the period</b>             |   | <b>-3,813</b> | <b>1,744</b>  | <b>1,223</b>  | <b>1,724</b>  | <b>795</b>    | <b>1,078</b>  | <b>952</b>    | <b>1,906</b>  |

## Operating income

Given the general improvement in the economic situation affected by the pandemic, the net operating income of BPER Factor amounted to Euro 21 million in 2021, up by 19.2% from Euro 17.6 million in 2020. This dynamic benefited from the 35% improvement in net commission income and, to a lesser extent, to the 10% rise in net interest income. Operating profit (loss) was up 14.6%, despite the rise of 23.1% in operating costs.

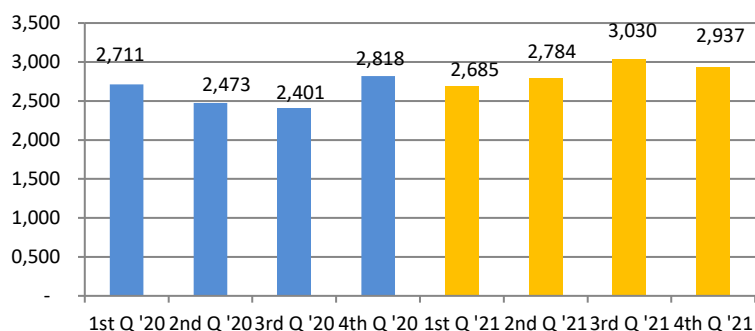
### Net interest income

(in millions of Euro)

| Captions                                   | dic-21      | dic-20      | Change     |                |
|--|-------------|-------------|------------|----------------|
|  |             |             | Amount     | %              |
| Interest income for factoring transactions | 9.3         | 8.8         | 0.5        | 5.23%          |
| Other loans (borrowing costs)              | 1.3         | 1.5         | -0.2       | -13.29%        |
| Interest income from lease transactions    | 0.1         | 0.1         | -0.0       | -6.37%         |
| Future receivables                         | 0.7         | 0.5         | 0.3        | 56.46%         |
| Interest income on financial liabilities   | 0.1         | 0.0         | 0.1        | 100.00%        |
| Other interest income                      | 0.1         | 0.1         | 0.1        | 84.35%         |
| <b>TOTAL INTEREST AND SIMILAR INCOME</b>   | <b>11.6</b> | <b>11.0</b> | <b>0.7</b> | <b>6.16%</b>   |
| Interest expense for amounts due to banks  | -0.2        | -0.6        | 0.4        | -63.91%        |
| <b>INTEREST AND SIMILAR EXPENSE</b>        | <b>-0.2</b> | <b>-0.6</b> | <b>0.4</b> | <b>-63.91%</b> |
| <b>Net interest income</b>                 | <b>11.4</b> | <b>10.4</b> | <b>1.0</b> | <b>9.95%</b>   |

Net interest income, Euro 11.4 million, shows an increase of 9.9% on 2020. In the context of a market in which interest rates are still negative, volumes with customers held up well; interest income totalled Euro 11.6 million, which was 5.4% ahead of 2020 due mainly to the increase in lending. Additionally, due to the fall in market rates, the cost of funding fell by 64%.

Quarterly trend in Net interest income (Euro/000)



The steady quarterly increase in net interest income during 2021 reflects the 6.2% rise in average lending during the year with respect to 2020. The average lending rate remained essentially at 2020 levels.

## Net commission income

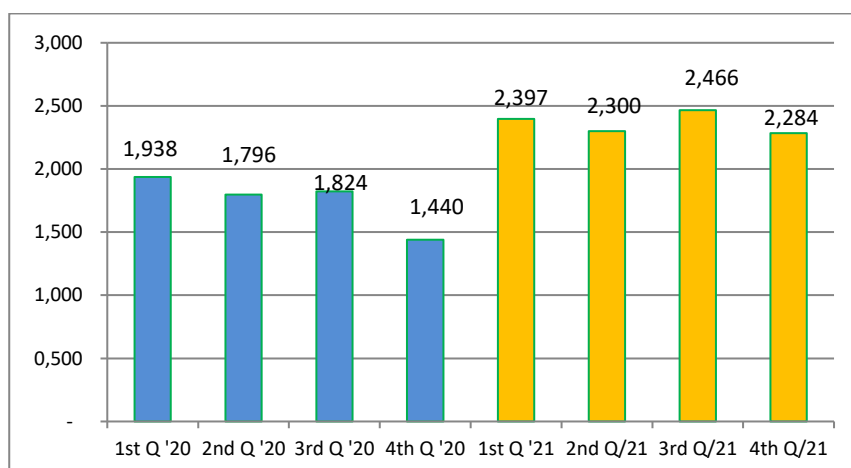
(in millions of Euro)

| Captions                                   | 2021        | 2020        | Change       |              |
|--|-------------|-------------|--------------|--------------|
|  | 31-dic      | 31-dic      | Amount       | %            |
| <b>Commission income</b>                   | <b>13.2</b> | <b>10.6</b> | <b>2.57</b>  | <b>24.3%</b> |
| - Factoring commission                     | 12.3        | 9.7         | 2.58         | 26.5%        |
| - Other commissions and expense recoveries | 0.8         | 0.9         | -0.00        | -0.4%        |
| <b>Commission expense</b>                  | <b>-3.8</b> | <b>-3.6</b> | <b>-0.20</b> | <b>5.5%</b>  |
| - Refactoring commission                   | -2.2        | -1.9        | -0.29        | 15.4%        |
| - Reinsurance commission                   | -1.3        | -1.4        | 0.10         | -6.7%        |
| - Other commission expense                 | -0.3        | -0.3        | 0.00         | 0.0%         |
| <b>Net commission income</b>               | <b>9.4</b>  | <b>7.0</b>  | <b>2.38</b>  | <b>34.0%</b> |

Net commission income, which accounts for 45% of net operating income, amounted to Euro 9.4 million, having increased in the year by 34%. This is due to the business commitment of the Company and of the Group. The improvement was due to the increased volume of business; as already mentioned in this report, turnover grew by 29%. Commission income increased by 24.3%, commission expense by 5.5%.

The rise in commission expense includes a 15.4% increase (volume effect) in the fees recognised to referrers (refactoring), while premiums for the reinsurance of loans were lower due to the decrease in m/l-term operations.

Quarterly trend in Net commission income (Euro/000)



The quarterly trend in net commission income was somewhat stable in 2021, after continuous quarterly declines in 2020. This steady contraction in commission income during 2020 was a pandemic effect, which resulted in the Company extending the deadlines on loans (legally-required and voluntary moratoria).

In comparison with 2020, other operating income and charges were lower by Euro 0.1 million due, in the main, to a reduction in the legal costs recovered and higher operational losses.

## Operating costs

Operating costs amounted to Euro 11.6 million, up by 23.1% on 2020. Payroll costs of Euro 7.1 million were 37.8% higher due, in large measure, to provisions of Euro 1.3 million recorded for the leaving incentives agreed with and coordinated by the Parent Company. Excluding this, the rise in payroll costs would have been 13.7% due, above all, to the increase in employment to 63 as of 31 December 2021, from 57 at the end of 2020.

Administrative costs, amounting to Euro 3.8 million, rose by 5.6% on the figure in 2020. This increase principally reflects higher business costs, such as travel expenses included in the "personnel" caption and commercial information costs included under "credit management". Savings were made on general costs and on outsourcing.

The total depreciation of property, plant and equipment and amortisation of intangible assets, including the right-of-use portion under operating leases pursuant to IFRS 16, was 6% higher.

The cost/income ratio of 55.25% reflects a deterioration from 53.48% in 2020; excluding the leaving incentives, this ratio would have been 48.86%.

The main items making up operating costs are shown below.

### Operating costs

(in millions of Euro)

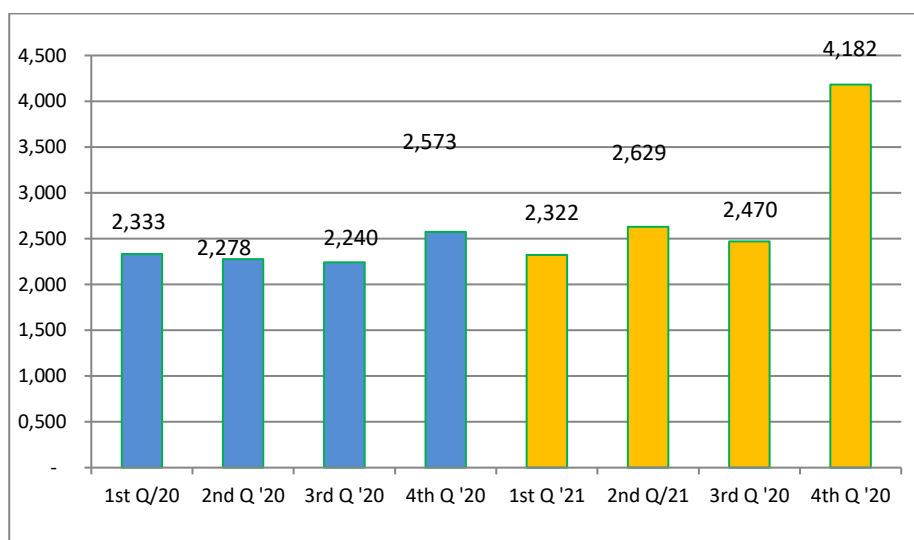
| Captions  | 2021        | 2020       | Change      |              |
|---|-------------|------------|-------------|--------------|
|   | 31-dic      | 31-dic     | Amount      | %            |
| <b>Administrative costs</b>   | <b>10.8</b> | <b>8.7</b> | <b>2.14</b> | <b>24.5%</b> |
| - <b>Payroll costs</b>  | <b>7.1</b>  | <b>5.1</b> | <b>1.94</b> | <b>37.8%</b> |
| of which: employees   | 4.09        | 3.93       | 0.16        | 4.1%         |
| of which: Directors and Statutory Auditors  | 0.28        | 0.26       | 0.02        | 6.9%         |
| of which: other personnel   | 0.10        | 0.02       | 0.08        | 428.1%       |
| of which: other costs   | 0.12        | 0.10       | 0.03        | 27.0%        |
| of which: voluntary redundancy payments   | 1.34        | 0.00       | 1.34        | 100.0%       |
| of which: seconded by other Group companies   | 1.23        | 0.91       | 0.32        | 34.7%        |
| of which: seconded to other Group companies   | -0.10       | -0.10      | -0.01       | 5.8%         |
| - <b>Other administrative costs</b>   | <b>3.8</b>  | <b>3.6</b> | <b>0.20</b> | <b>5.6%</b>  |
| Payroll costs   | 0.22        | 0.19       | 0.03        | 16.4%        |
| General costs   | 0.21        | 0.24       | -0.03       | -13.7%       |
| Outsourcing costs   | 1.38        | 1.41       | -0.04       | -2.6%        |
| Charges for regulatory compliance   | 0.09        | 0.09       | 0.00        | 3.4%         |
| Taxes   | 0.20        | 0.10       | 0.10        | 96.6%        |
| Image and communication   | 0.01        | 0.02       | -0.01       | -58.7%       |
| ICT (charges relating to data transmission, IT consulting, communication costs, telephone expense, etc ...) | 0.52        | 0.54       | -0.02       | -2.8%        |
| Property management   | 0.19        | 0.18       | 0.00        | 1.9%         |
| Credit management (information, litigation management, etc.)  | 0.85        | 0.74       | 0.11        | 14.1%        |
| Consultancy and professional services - Others  | 0.09        | 0.05       | 0.04        | 75.0%        |
| Other miscellaneous expenses  | 0.03        | 0.02       | 0.02        | 101.1%       |
| <b>Net impairment adjustments to property, plant and equipment and intangible assets</b>                    | <b>0.8</b>  | <b>0.7</b> | <b>0.0</b>  | <b>6.0%</b>  |
| <b>Operating costs</b>  | <b>11.6</b> | <b>9.4</b> | <b>2.18</b> | <b>23.1%</b> |

## Net adjustments to property, plant and equipment and intangible assets

(in millions of Euro)

| Captions                             | Type                                     | Depreciation |             | Change      |              |
|--------------------------------------|--|--------------|-------------|-------------|--------------|
|                                      |  | 2021         | 2020        | Amount      | %            |
| <b>Leases</b>                        | Real estate                              | 0.35         | 0.37        | -0.0        | -6.4%        |
|                                      | Automotive                               | 0.09         | 0.09        | 0.0         | 5.2%         |
|                                      | <b>TOTAL</b>                             | <b>0.44</b>  | <b>0.46</b> | <b>-0.0</b> | <b>-4.2%</b> |
| <b>Property, plant and equipment</b> | Furniture and electronic office machines | 0.02         | 0.02        | -0.0        | -19.9%       |
|                                      | Leasehold improvements                   | 0.02         | 0.01        | 0.0         | 30.9%        |
|                                      | Other                                    | 0.00         | 0.00        | 0.0         | 19.0%        |
|                                      | <b>TOTAL</b>                             | <b>0.04</b>  | <b>0.04</b> | <b>-0.0</b> | <b>-1.0%</b> |
| <b>Intangible assets</b>             | Software                                 | 0.28         | 0.22        | 0.1         | 28.8%        |
|                                      | <b>TOTAL</b>                             | <b>0.28</b>  | <b>0.22</b> | <b>0.1</b>  | <b>28.8%</b> |
| <b>Operating costs</b>               |  | <b>0.76</b>  | <b>0.71</b> | <b>0.0</b>  | <b>6.0%</b>  |

### Quarterly trend in operating costs (Euro/000)



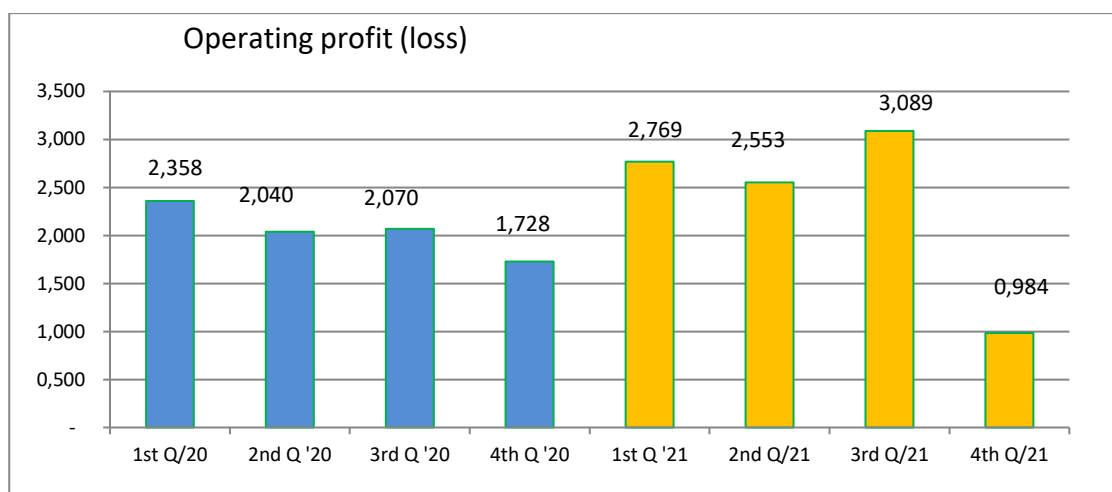
The quarterly trend in operating costs during 2021 highlights the increase in payroll costs recorded in Q4 and the rise in administrative expenses in Q3, as a result of increased outsourcing to the Parent Company and greater recourse to external lawyers.

### Operating profit (loss)

Given the dynamics of revenues and costs, the operating profit for the year improved by 14.6% to Euro 9.4 million.



### Quarterly trend in Operating profit (loss) (Euro/000)



### ***Adjustments, writebacks and accruals to the provisions for risks and charges.***

Net impairment adjustments to receivables, after deducting recoveries from insurance companies, amounted to Euro 6.6 million; the increase with respect to 2020 (Euro 0.1 million) reflects higher provisions of Euro 6.3 million recorded in relation to two significant UTP exposures, due to the crisis in the energy sector caused by extreme price volatility. The cost of credit, being the ratio of net impairment losses to net receivables, was 66 basis points in 2021 (53 basis points after the insurance reimbursements). This was higher than in 2020 due, as mentioned, to the recognition of significant new UTP amounts and the related impairment adjustments.

## Net adjustments/writebacks

(in millions of Euro)

| Captions   | 2021        | 2020        | Breakdown     |               | Change      |                |
|--|-------------|-------------|---------------|---------------|-------------|----------------|
|  | 31-dic      | 31-dic      | 2021          | 2020          | Amount      | %              |
| <b>Adjustments:</b>                                      | <b>-8.6</b> | <b>-3.2</b> | <b>100.0%</b> | <b>100.0%</b> | <b>-5.5</b> | <b>173.8%</b>  |
| Doubtful loans   | -1.6        | -2.4        | 19.0%         | 75.0%         | 0.7         | -30.5%         |
| Unlikely to pay exposures                                | -6.7        | -0.3        | 77.7%         | 8.1%          | -6.5        | 2521.4%        |
| Past-due loans (past-due >90 days)                       | -0.1        | -0.0        | 0.9%          | 1.5%          | -0.0        | 69.0%          |
| Performing receivables                                   | -0.2        | -0.5        | 2.4%          | 15.5%         | 0.3         | -57.7%         |
| <b>Writebacks:</b>                                       | <b>0.8</b>  | <b>2.2</b>  | <b>100.0%</b> | <b>100.0%</b> | <b>-1.4</b> | <b>-62.8%</b>  |
| Doubtful loans   | 0.4         | 1.9         | 46.0%         | 84.7%         | -1.5        | -79.8%         |
| Unlikely to pay exposures                                | 0.1         | 0.3         | 17.6%         | 13.0%         | -0.1        | -49.5%         |
| Past-due loans (past-due >90 days)                       | 0.0         | 0.1         | 5.2%          | 2.3%          | -0.0        | -16.4%         |
| Performing loans   | 0.3         | 0.0         | 31.2%         | 0.0%          | 0.3         |                |
| <b>NET ADJUSTMENTS GROSS OF INSURANCE CLAIM PROCEEDS</b> | <b>-7.8</b> | <b>-0.9</b> |               |               | <b>-6.9</b> | <b>744.5%</b>  |
| Proceeds from credit insurance claims                    | <b>1.2</b>  | <b>0.8</b>  |               |               | <b>0.4</b>  | 46.2%          |
| <b>NET ADJUSTMENTS</b>                                   | <b>-6.6</b> | <b>-0.1</b> |               |               | <b>-6.5</b> | <b>4990.0%</b> |
| Provisions for risks and charges                         | <b>-1.0</b> | <b>-1.2</b> |               |               | <b>0.2</b>  | -14.3%         |
| <b>TOTAL NET ADJUSTMENTS</b>                             | <b>-7.7</b> | <b>-1.3</b> |               |               | <b>-6.3</b> | <b>481.8%</b>  |

Specifically, total writedowns amounted to Euro 8.6 million, compared with Euro 3.2 million in 2020. This rise was due entirely to the increase in unlikely-to-pay loans (UTP). Doubtful exposures required net adjustments of Euro 1.2 million compared with Euro 0.5 million in 2020, reaching 84.3% coverage. Net adjustments to the UTP loans, Euro 6.6 million, now provide 13.3% coverage, while the increased adjustments for past due and overdrawn receivables provide 5.8% coverage. Lastly, no further adjustments to performing receivables were needed, with coverage of 0.21%. Insurance reimbursements of Euro 1.2 million were collected in 2021.

“Net provisions for risks and charges” report a charge of Euro 1 million, compared with the Euro 1.2 million recorded in the prior year, and relate to legal risks on claims received.

### *Profit for the year from continuing operations before tax*

The profit for the year before tax was Euro 1.3 million, compared with Euro 5.6 million in the year to December 2020.

### *Income taxes and net profit for the year*

The provision for income taxes was Euro 0.4 million. The effective tax rate for 2021 was 37.6%, compared with 31.2% in 2020, while the overall rate was 31.1%.

Income taxes, net profit and tax rate

(in millions of Euro)

| Captions  | 2021   | 2020   | Change |        |
|---|--------|--------|--------|--------|
|   | 31-dic | 31-dic | Amount | %      |
| Profit from continuing operations before income taxes | 1.3    | 6.9    | -5.6   | -81.5% |
| Income taxes for the year                             | -0.5   | -2.1   | 1.7    | -77.6% |
| Income taxes relating to prior years                  | 0.1    | -0.0   | 0.1    |        |
| Net profit  | 0.9    | 4.7    | -3.9   | -81.4% |
| Tax rate net of out-of-period taxes                   | -37.6% | -31.2% | -6.4%  | 20.6%  |
| Total tax rate  | -31.1% | -31.2% | 0.1%   | -0.3%  |

Net profit for the year amounted to Euro 0.9 million, compared with Euro 3.9 million in the prior year.

### 3.3.2 Balance sheet items

To facilitate understanding, a summary reclassified balance sheet is presented.

This format provides 2021 data in comparison with that for 2020. With respect to the format envisaged in current regulations, the data has been reclassified and restated to highlight the more significant elements. In particular, the following aggregations have been made:

- reclassification of line items 10 “Cash and cash equivalents” and 120 “Other assets” to “Other asset captions”;
- reclassification of line items 80 “Other liabilities” and 90 “Provision for termination indemnities” to “Other liability captions”.

#### Reclassified balance sheet

**Assets** (amounts in millions of Euro)

| Asset captions   | 2021            | 2020            | Change        |               |
|--|-----------------|-----------------|---------------|---------------|
|  | 31-dic          | 31-dic          | Amount        | %             |
| Financial assets measured at fair value through comprehensive income | 1.63            | 1.68            | -0.05         | -2.87%        |
| Receivables  | 1,258.15        | 1,055.11        | 203.04        | 19.24%        |
| Property, plant and equipment and intangible assets                  | 10.45           | 9.47            | 0.98          | 10.36%        |
| of which : goodwill  | 5.47            | 5.47            | 0.00          | 0.00%         |
| Tax assets   | 5.04            | 4.41            | 0.63          | 14.32%        |
| Other asset captions   | 4.93            | 2.71            | 2.22          | 81.79%        |
| <b>TOTAL ASSETS</b>  | <b>1,280.20</b> | <b>1,073.38</b> | <b>206.82</b> | <b>19.27%</b> |

**Liabilities** (amounts in millions of Euro)

| Liabilities and shareholders' equity              | 2021            | 2020            | Change        |               |
|---|-----------------|-----------------|---------------|---------------|
|   | 31-dic          | 31-dic          | Amount        | %             |
| Financial liabilities valued at amortised cost    | 1,079.18        | 864.25          | 214.93        | 24.87%        |
| Tax liabilities                                   | 0.03            | 0.04            | -0.01         | -24.95%       |
| Other liability captions                          | 49.65           | 57.27           | -7.62         | -13.31%       |
| Provisions for risks and charges                  | 16.13           | 14.12           | 2.00          | 14.19%        |
| <b>Shareholders' equity</b>                       | <b>135.22</b>   | <b>137.70</b>   | <b>-2.48</b>  | <b>-1.80%</b> |
| a) Share capital                                  | 54.59           | 54.59           | 0.00          | 0.00%         |
| b) Share premium reserve                          | 20.81           | 20.81           | 0.00          | 0.00%         |
| c) Reserves                                       | 59.16           | 57.68           | 1.47          | 2.55%         |
| d) Valuation reserves                             | -0.22           | -0.12           | -0.10         | 81.84%        |
| e) Net profit for the year                        | 0.88            | 4.73            | -3.85         | -81.42%       |
| <b>Total liabilities and shareholders' equity</b> | <b>1,280.20</b> | <b>1,073.38</b> | <b>206.82</b> | <b>19.27%</b> |

Total assets and liabilities amounted to Euro 1.3 billion, a rise of 19.27% compared with 2020.

### *Financial assets and liabilities measured at amortised cost*

Amounts due from customers, net of impairment losses, total Euro 1.3 billion, up by Euro 203 million since 31 December 2020.

#### Net receivables

(in millions of Euro)

| Captions                         | 31/12/2021      |              | 31/12/2020      |              | Change 2021-2020 |               |
|----------------------------------|-----------------|--------------|-----------------|--------------|------------------|---------------|
|                                  | Net receivables | %            | Net receivables | %            | Amount           | %             |
| <b>Factoring receivables:</b>    | <b>1,243</b>    | <b>98.8%</b> | <b>1,040</b>    | <b>82.7%</b> | <b>203.0</b>     | <b>19.5%</b>  |
| - from originators               | 752             | 59.8%        | 579             | 46.0%        | 172.9            | 29.8%         |
| - due to assigned debtors        | 491             | 39.0%        | 461             | 36.7%        | 30.1             | 6.5%          |
| <b>Finance lease receivables</b> | <b>4</b>        | <b>0.3%</b>  | <b>6</b>        | <b>0.5%</b>  | <b>-2.3</b>      | <b>-38.7%</b> |
| <b>Other receivables</b>         | <b>11</b>       | <b>0.9%</b>  | <b>9</b>        | <b>0.7%</b>  | <b>2.3</b>       | <b>26.7%</b>  |
| <b>total receivables</b>         | <b>1,258.15</b> | <b>100%</b>  | <b>1,055.11</b> | <b>84%</b>   | <b>203.04</b>    | <b>19.2%</b>  |

The increase in receivables include all technical forms, except for the stock of finance leases, which decreased by 38.7%. Factoring assets have grown overall by 19.5%. All components have risen, although the most significant increase relates to the amounts due from originators, up by 29.8% (this caption comprises the with-recourse advances on factoring

operations, as well as formal without-recourse transactions). Net loans against receivables assigned without recourse (IAS compliant) are also 6.5% higher.

The increase in "other receivables" by 26.7% relates to an item that only represents 0.9% of total net loans. The stock of net receivables reported in the balance sheet relates to loans to originators (59.8%), receivables from assigned debtors (39%) - mostly reinsured - and leasing assets (0.3%).

With regard to payables, the financial liabilities measured at amortised cost total Euro 1.1 billion following a 24.87% increase since 31 December 2020. This caption also includes the operating lease payable of Euro 2.5 million.

The **funding** needed to finance the company's operations is mainly provided by the Parent Company at market conditions.

### *Loans: credit quality*

Gross receivables have increased by 19.49% since 31 December 2020. The Company uses the service provided by the Risk Management offices of the Parent Company to calculate the impairment on performing receivables and carry out the staging (1 and 2).

#### Receivables

(in millions of Euro)

| Captions                                       | 31-dic-21       |               |               | 31-dic-20       |               |               | Changes       |               |
|--|-----------------|---------------|---------------|-----------------|---------------|---------------|---------------|---------------|
|  | Amounts         | %             | Coverage      | Amounts         | %             | Coverage      | Amount        | %             |
| <b>Gross non-performing exposure</b>           | <b>73.62</b>    | <b>5.73</b>   | <b>31.35%</b> | <b>24.44</b>    | <b>2.28</b>   | <b>65.67%</b> | <b>49.18</b>  | <b>201.19</b> |
| Doubtful                                       | 18.86           | 1.47          | 84.30%        | 20.79           | 1.93          | 74.35%        | -1.92         | -9.25         |
| Unlikely to pay exposures                      | 53.39           | 4.16          | 13.30%        | 2.87            | 0.27          | 19.22%        | 50.51         | 1757.39       |
| Past due                                       | 1.37            | 0.11          | 5.83%         | 0.78            | 0.07          | 5.83%         | 0.59          | 74.96         |
| <b>Gross performing exposures</b>              | <b>1,210.16</b> | <b>94.27</b>  | <b>0.21%</b>  | <b>1,049.94</b> | <b>97.72</b>  | <b>0.25%</b>  | <b>160.23</b> | <b>15.26</b>  |
| <b>Total gross exposure</b>                    | <b>1,283.79</b> | <b>100.00</b> | <b>2.00%</b>  | <b>1,074.38</b> | <b>100.00</b> | <b>1.74%</b>  | <b>209.41</b> | <b>19.49</b>  |
| <b>Adjustments to non-performing exposures</b> | <b>23.08</b>    | <b>90.04</b>  |               | <b>16.05</b>    | <b>86.04</b>  |               | <b>7.03</b>   | <b>43.79</b>  |
| Doubtful                                       | 15.90           | 62.03         |               | 15.45           | 82.83         |               | 0.45          | 2.89          |
| Unlikely to pay exposures                      | 7.10            | 27.70         |               | 0.55            | 2.96          |               | 6.55          | 1185.12       |
| Past due                                       | 0.08            | 0.31          |               | 0.05            | 0.25          |               | 0.03          | 74.96         |
| <b>Adjustments to performing exposures</b>     | <b>2.55</b>     | <b>9.96</b>   |               | <b>2.60</b>     | <b>13.96</b>  |               | <b>-0.05</b>  | <b>-2.00</b>  |
| <b>Total adjustments</b>                       | <b>25.63</b>    | <b>100.00</b> |               | <b>18.66</b>    | <b>100.00</b> |               | <b>6.98</b>   | <b>37.40</b>  |
| <b>Net non-performing exposures</b>            | <b>50.54</b>    | <b>4.02</b>   |               | <b>8.39</b>     | <b>0.79</b>   |               | <b>42.15</b>  | <b>502.29</b> |
| Doubtful                                       | 2.96            | 0.24          |               | 5.33            | 0.50          |               | -2.37         | -44.44        |
| Unlikely to pay exposures                      | 46.29           | 3.68          |               | 2.32            | 0.22          |               | 43.97         | 1893.57       |
| Past due                                       | 1.29            | 0.10          |               | 0.74            | 0.07          |               | 0.55          | 74.96         |
| <b>Net performing exposures</b>                | <b>1,207.61</b> | <b>95.98</b>  |               | <b>1,047.33</b> | <b>99.21</b>  |               | <b>160.28</b> | <b>15.30</b>  |
| <b>Total net exposure</b>                      | <b>1,258.15</b> | <b>100.00</b> |               | <b>1,055.72</b> | <b>100.00</b> |               | <b>202.43</b> | <b>19.17</b>  |

At 31 December 2021 the coverage of non-performing receivables is 31.35%, compared with 65.67% at the end of 2020. This large decrease in the coverage of non-performing receivables reflects the inclusion of 2 new exposures, reclassified from performing to UTP in December 2021, totalling Euro 45.2 million (gross), of which Euro 16.3 million covered by an insurance policy.

More specifically, net doubtful exposures amount to Euro 3.0 million, after adjustments of 84.30%, compared with Euro 5.3 million at the end of 2020, when coverage was 74.35%.

Net of adjustments providing coverage of 13.3%, UTP loans total Euro 46.3 million. This is considerably more than at the end of 2020 for the reasons already given.

Net past due and overdrawn exposures total Euro 1.3 million (Euro 0.74 million at the end of 2020) and, as last year, their coverage is 5.83%.

Net performing exposures amount to Euro 1.2 billion, up by 15.3% since the end of 2020. The coverage of 0.21% is down by 16% from 0.25% at the end of 2020.

The overall coverage ratio for receivables is 2%, compared with 1.74% at the end of the prior year.

The table below provides a further breakdown of customers by stages as established by IFRS 9.

(in millions of Euro)

|                            | 31-dic-21 |       |        |          | 31-dic-20 |       |        |          | CHANGES |        |         |        |         |         |          |        |
|----------------------------|-----------|-------|--------|----------|-----------|-------|--------|----------|---------|--------|---------|--------|---------|---------|----------|--------|
|                            |           |       |        |          |           |       |        |          | Amount  |        |         |        | %       |         |          |        |
| Staging                    | 1         | 2     | 3      | Total    | 1         | 2     | 3      | Total    | 1       | 2      | 3       | Total  | 1       | 2       | 3        | Total  |
| Gross exposure             | 1,115.17  | 95.00 | 73.62  | 1,283.79 | 982.08    | 67.25 | 24.44  | 1,073.77 | 133.09  | 27.74  | 49.18   | 210.02 | 11.93%  | 29.21%  | 66.80%   | 19.56% |
| Adjustments                | 1.98      | 0.57  | 23.08  | 25.63    | 2.04      | 0.56  | 16.05  | 18.66    | -0.06   | 0.01   | 7.03    | 6.98   | -3.08%  | 1.54%   | 30.45%   | 37.40% |
| Net exposure               | 1,113.19  | 94.42 | 50.54  | 1,258.15 | 980.03    | 66.69 | 8.39   | 1,055.11 | 133.15  | 27.73  | 42.15   | 203.04 | 11.96%  | 29.37%  | 83.40%   | 19.24% |
| Coverage ratio             | 0.18%     | 0.60% | 31.35% | 2.00%    | 0.21%     | 0.84% | 65.67% | 1.74%    | -0.03%  | -0.24% | -34.32% | 0.26%  | -17.05% | -39.07% | -109.47% | 14.92% |
| Composition of net amounts | 88.48%    | 7.50% | 4.02%  | 100.00%  | 92.88%    | 6.32% | 0.80%  | 100.00%  |         |        |         |        |         |         |          |        |

Net performing receivables classified in stage 2 represent 7.5% of total net receivables from customers. It should be noted that most of the exposures classified in stage 2 derive from automatic classifications triggers (mainly being past due by more than 30 days). The positions classified in stage 2 have been adjusted for 0.60% (0.84% in 2020). Gross receivables classified in stage 1 amounted to Euro 1.1 billion and, compared with the figure of December 2020, have increased by 11.93%; they were adjusted by a total of 0.18% (0.21% in 2020) and represent 88.5% of total net receivables.

The forborne positions within non-performing assets are covered 100%.

### Forborne (in millions of Euro)

|                              | Captions          | 31.12.2021            |                   |         | 31.12.2020 | Change |       |
|------------------------------|-------------------|-----------------------|-------------------|---------|------------|--------|-------|
|                              |                   | Factoring receivables | Other receivables | Total   | Total      | Amount | %     |
| Total non performing loans   | Gross amounts     | 0.33                  | -                 | 0.33    | 0.33       | - 0.01 | -0.02 |
|                              | Impairment losses | 0.33                  | -                 | 0.33    | 0.33       | - 0.01 | -0.02 |
|                              | Net amounts       | -                     | -                 | -       | -          | -      |       |
|                              | Coverage          | 100.00%               |                   | 100.00% | 100.00%    | 0.00%  | 0.00% |
|                              |                   |                       |                   |         |            |        |       |
| Total performing receivables | Gross amounts     | -                     | 6.73              | 6.73    | 7.73       | - 1.00 | -0.13 |
|                              | Impairment losses | -                     | 0.03              | 0.03    | 0.03       | 0.00   | 0.01  |
|                              | Net amounts       | -                     | 6.71              | 6.71    | 7.70       | - 1.00 | -0.13 |
|                              | Coverage          |                       | 0.40%             | 0.40%   | 0.34%      | 0.05%  | 0.16  |

As defined by the European Banking Authority, the forborne category reflects the concessions granted to customers that have difficulty in meeting their commitments. Since 31 December 2020, an additional position has been included among the forborne exposures, raising the number to 5; 3 cases involving non-performing forborne exposures and 1 unlikely-to-pay exposure, while 1 is a performing forborne exposure).

### 3.3.3 Financial assets and equity investments

Financial assets measured at fair value through comprehensive income amount to Euro 1.6 million and consist of debt securities and equity instruments. This line item includes both the investment in BPER Credit Management S.c.p.a., a BPER Group company set up specifically to handle the Group's non-performing loans. This caption has changed since December 2020 due to disposal of the entire equity interest in Emil-Ro Service S.r.l..

### 3.3.4 Goodwill and shareholders' equity

In accordance with the provisions of IAS 36, goodwill does not give rise to amortisation, but is annually tested for impairment, on the basis of which we assess whether the value of the business is justified by the cash flows generated by its operations. At 31 December 2021, the Company carried out an impairment test which showed that the goodwill had not changed in value.

Shareholders' equity including the net profit for the year ended 31 December 2021 totals Euro 135 million, which is Euro 2.5 million lower than at 31 December 2020.

## **4. Relationship with customers**

### **4.1. Covid-19 Emergency**

The measures adopted during the various phases of the emergency by the BPER Banca Group, including BPER Factor, protected the health of employees and customers while guaranteeing the continuity of the services provided by the Company. Group employees are updated constantly about the measures in force at the time. Where necessary and appropriate, employees were able to continue the practice known as "Emergency Smart Working" during the year. The action taken in timely response to the emergency is becoming strategic, with a structural change in the organisation of work, business processes, interactions with customers and business opportunities. Among the phenomena underlying this evolution, the recourse to smart working has led the way and now encompasses all operational areas within the Company, so that employees are able to work on a remote basis. This new method of working, based on a strengthening of personal responsibility and a better quality of life, allows employees to improve their work-life balance. Subject to the outcome of in-house negotiations, the approach may be extended to include the post-COVID period, so that employees can work on a more flexible basis: sometimes in the office and sometimes at home. Since 15 October, a Green Pass is needed to access all workplaces. Accordingly, an internal regulation was issued to govern access and checks were organised via the use of a smartphone app. With regard to the moratoria pursuant to Decree 18/2020, Decree 73/2021 (so-called "Support-bis") dated 25 May further extended the measures to 31 December 2021 subject to certain restrictions, including a specific request from customers, by 15 June, to extend their existing moratoria; a total of 2 additional extension requests pursuant to the "Support-bis" Decree were received by 15 June, both in relation to leasing activities. The Company did not receive any new requests for moratoria during 2021 and, as of 31 December 2021, the expiry date for the above decree, the Company no longer has any moratoria in force.

### **4.2. Strengthening of the commercial network**

During 2021, BPER Banca completed the acquisition of a line of business from Intesa Sanpaolo (the Gemini project). The new branches and outlets transferred with the line of business have enabled the Bank to increase its presence in Northern Italy and especially in Lombardy, where the concentration was greatest. This expansion of the "commercial scope" of the Parent Company resulted in a series of initiatives by BPER Factor to strengthen its presence in support of the commercial network of the Bank. Among these initiatives organised together with the Parent Company, the new "Milan 1" branch was opened together with 2 new Key Client branches (one for customers in Northern Italy and the other covering the Centre/South). These new Key Client branches mirror the service model adopted on reorganisation of the *Business Office* of the Bank that, via the development of *CIB -Corporate and Investment Banking*, has increased the number of account managers



dedicated to the Key Client model, including businesses with a turnover of between Euro 500 million and Euro 1 billion. Lastly, 2 new Commercial Points have been opened in Ancona and Pescara, which will provide commercial support to the respective BPER Regional Departments.

#### ***4.3. IT System development and management***

With regard to the project work carried out during 2021, various initiatives sought to improve customer waiting times via an increase in efficiency, linked to the simplification of critical processes with an impact on the operations of the Company. The principal projects addressed the following aspects:

- IT developments and implementations for the automatic of operations and increased efficiency, with particular reference to the management of assignments and the preparation of credit transfers. The new procedures allow the application of predetermined operational rules, facilitate the analysis of data and strengthen the ability to monitor the performance of activities, while also ensuring the more effective separation of business functions, in order to enhance efficiency for the customer;
- development of programs on the WIP platform for “Large Reverse Debtors” (under contract), which now have access to new operational procedures that facilitate communication with the Company and their own suppliers;
- technological and graphics upgrades to the WIP platform, that will make the tool more usable by customers;
- development and implementations for automation of the process of granting lines of credit to Italian borrowers and administering their facilities;
- action to improve CRM and enhance operational reporting, both internally and to the Parent Company.

With regard to the digital channel, as of 31 December 2021 more than 70% of customers are activated on and use the WIP platform, about 80% of the assignments processed were sourced in digital format from the platform, 64% of the credit transfer to customers were executed by the new automated procedure that was put into production in May 2021.

Consistent with the growing use of digital channels by customers, the Customer is paying even greater attention to IT security.

Working together with the Parent Company, the Company is considering additional Fintech implementations in order to develop products and services with a high technological profile.

#### **4.4. Credit policies**

The credit policies of the Company are defined by the Parent Company, which has established specific guidelines for product companies that take account of the intrinsic characteristics of the products distributed (leasing, factoring, personal loans and salary assignment), as well as the lower risk profile with respect to similar banking operations.

Important activities involving Company management during 2021 included a review of the *Credit Office* and the related mandates assigned. The decision-making powers within the Credit Office have been redefined and the organisation of the office reviewed in order to provide adequate and timely answers to customers seeking new facilities. Close attention continues to be paid, in all cases, to renewal of the facilities granted to existing originators and debtors, to their credit risk profiles, to their continued credit worthiness and to safeguarding the risks accepted by the Company.

#### **4.5. IBOR Reform**

During 2021, the BPER Banca Group continued work on adoption of the “New interest rate benchmarks”, following the roadmap for the progressive replacement of the current benchmark rates (deemed critical) with “alternative interest rates”. Following the assessments carried out during 2020, the Group activated a new project in April 2021 in order to:

- define a detailed plan involving all areas of the Bank affected by the reform;
- initiate key implementation work in compliance with the regulatory requirements.

These initiatives have also involved BPER Factor.

#### **4.6. Complaints**

A total of 11 complaints were received from customers during 2021, regarding:

- 5 cases involving technical issues;
- 1 case in which debt notes were issued subsequent to the signature date of an agreement between the parties;
- 1 request for a release relating to an alleged line of credit granted that did not exist;
- 3 claims for failure to make payments against assigned receivables;
- 1 request for clarification about overdrawing against a line of credit;

All 11 complaints were resolved promptly without any charges for the parties.

#### **4.7. Legal claims received and disputes**

During 2021, the Company was notified about one legal claim received from a bankruptcy administrator requesting the return of funds collected by BPER Factor from the assigned debtor. The claim relates to an amount of Euro 0.2 million.

With regard to the claims already outstanding, full and final settlement was reached during the year on a bankruptcy claim for Euro 0.5 million; the payout was adjusted and the entire cost of the settlement was covered by the provisions for risks and charges recorded in the income statement.

### **5. SIGNIFICANT EVENTS**

#### **5.1 Application of the New Definition of Default (NDoD)**

The regulation on receivables in default came into force on 1 January 2021. The scope of non-performing receivables (or those in default) defined in art. 178 of Reg. (EU) 575/2013 (CRR) has been updated with reference to the EBA Guidelines for applying the definition of default and the subsequent Reg. (EU) 1845/2018. Application of the "New Definition of Default – NDoD" by the BPER Banca Group involved:

- the necessary alignment of internal classifications;
- application of the new thresholds of significance for past due balances, without the possibility of offsetting lines of credit;
- application of the new rules for "classification contagion" to associated counterparts and members of groups of connected customers;
- application of the rules for managing the cure period that, in addition to the 12-month observation period for forborne positions, envisages the inclusion of other UTP situations for at least 3 months.

The principal quantitative effects deriving from application of the NDoD are indicated in the following table, which compares the gross non-performing past due balances as of 31/12/2021 with those as of 31/12/2020.

(figures in €/000)

| Caption                             | 31/12/2021 | 31/12/2020 | Change |         |
|-------------------------------------|------------|------------|--------|---------|
|                                     |            |            | Amount | %       |
| Non-performing past due receivables | 1,373      | 785        | 588    | 74.9%   |
| % Total receivables                 | 0.107%     | 0.073%     | 0.034% | 46.375% |

As shown in the table, comparison highlights an increase of 75% in the gross receivables classified as non-performing past due.

## 5.2 Personnel

The activities of the HR office of the Company are coordinated by the HR Department of the Parent Company, which collaborates closely with the various personnel functions within BPER Factor.

As specified in the Group union agreement dated 28 July 2021, the "Special Gemini payment" of Euro 150 for each Group employee was made available on the Welfare Portal at the end of September 2021. This initiative benefited all persons employed on 15/09/2021, in recognition of their special commitment as part of the "Gemini" operation.

On 16 March 2021, the Board of Directors of the Parent Company approved the variable remuneration calculation for 2020 and defined the number of phantom shares to be granted; completion of the process involved in calculating the variable remuneration for 2020 was made possible by the economic-financial results achieved at Group level. The programme for the purchase of ordinary treasury shares - commenced on 15 September 2021 - was completed on 20 September 2021. These shares will service the assignment without charge of ordinary shares in BPER Banca to Group employees pursuant to the "2019-2021 LTI Plan for key management personnel", the 2021 MBO incentive scheme and any severance payments.

Again in 2021, the Company and the Group continued to encourage the holding of meetings by video-conference, as well as smart working.

Since the end of 2020, the number of employees has risen by 6, as shown in the following table:

| Category                             | 31.12.2020 | New starts | Leavers  | 31.12.2021 |
|--------------------------------------|------------|------------|----------|------------|
| <b>Employees</b>                     | 49         | 7          | 2        | 54         |
| -of which:                           |            |            |          |            |
| Managers                             | 3          |            |          | 3          |
| Area Supervisors and Middle Managers | 46         | 7          | 2        | 51         |
|                                      |            |            |          |            |
| <b>Seconded personnel</b>            | 8          | 1          |          | 9          |
| -of which:                           |            |            |          |            |
| General Manager                      | 1          |            |          | 1          |
| Other personnel                      | 7          | 1          |          | 8          |
| <b>Total workforce</b>               | <b>57</b>  | <b>8</b>   | <b>2</b> | <b>63</b>  |

After reaching the "leaving incentive" agreement on 28/12/2021, involving all Group companies, BPER Banca carried out simulations of the likely early-retirement costs to be incurred in relation to the personnel concerned. These charges, covered by provisions totalling Euro 1.3 million recorded in these financial statements, reflect the estimates made with reference to the pool of "potential applicants" (Ecocert pension data collected as part of previous programmes) and the average rate of applications (based on previous programmes).

### **5.3 Purchase of the WIP brand and platform**

During 2021, the Company purchased the WIP brand and related software from Emil-Ro Service S.r.l., obtaining ownership of the source code.

This acquisition completed a project targeting the WIP platform that commenced with its use from 2015; the platform has become an increasingly strategic part of the operational processes used by BPER Factor, enabling the Company to keep up to date with computerisation, supporting the entire life cycle of trade receivables and, via virtualisation, facilitating both the acceleration of processing times and relations with customers.

### **5.4 Change in the measurement criterion adopted for investment properties (IAS 40)**

Commencing from 1 January 2021, the BPER Banca Group elected, solely for investment property, to change the measurement criterion for “Property, plant and equipment” as follows:

- change from the cost model to the remeasurement model for properties used for operational purposes, based on the requirements of IAS 16 Property, plant and equipment;
- change from recognition at cost to recognition at fair value for investment property, based on the requirements of IAS 40 Investment properties.

This change in the criterion for measuring properties, which also affected BPER Factor, represents a voluntary change in accounting policy governed by IAS 8 Accounting policies, changes in accounting estimates and errors, pursuant to which a voluntary change must only be made if, as a result, the financial statements provide reliable and more relevant information about the effects of transactions on the financial position, financial performance or cash flows. This change in measurement criterion from cost to fair value pursues that objective, as it allows:

- improved disclosures, providing a unified and current view of the value of properties, regardless of when or why they were recognised: with respect to cost, fair value makes it possible to provide current information that reflects more closely the characteristics of the appraised properties;
- more consistent comparison between years of both the financial position and financial performance: measurement at current values improves the significance and quality of the information, especially in view of its periodic remeasurement;
- constant alignment of carrying amounts with observable market values;
- improved comparability with the financial statements of competitors;
- more immediate understanding of the economic-financial impacts of the strategies adopted for managing the properties held;
- greater alignment of financial disclosures with future asset management strategies.

The property, plant and equipment of the Company includes properties obtained solely as a consequence of disputed leasing activities. These assets are held for sale at 31 December 2021 with a fair value of Euro 1.8 million. The first-time adoption of the fair value criterion did not have any effect on the Company, as the properties concerned were all acquired by BPER Factor during 2021.

## **5.5 Other significant events and other information**

1. Treasury shares or shares of the Parent Company: The Company does not hold any of its own shares nor shares of the Parent Company and did not buy or sell any of them during the year.
2. Transactions with the Parent Company and with other BPER Group companies, also for the purposes of art. 2497 bis of the Civil Code, consist of the following:
  - ✓ financing relationships regulated at market conditions;
  - ✓ service contracts in matters of prevention and protection, staff training and risk management activities and internal audit, personnel management, Anti-Money Laundering activities, compliance and credit control;
  - ✓ commercial agreements, aimed at promoting the BPER Factor's activity with the customers of BPER Group banks;
  - ✓ outsourcing of the anti-money laundering function;
  - ✓ outsourcing of the internal audit function;
  - ✓ outsourcing of the Compliance function;
  - ✓ outsourcing of the tax service function.
3. The Company continued with its disclosure and regulatory compliance process with reference to external regulations and BPER Group internal regulations, proceeding in the latter case, with the implementation of the guidelines issued by the Parent Company.
4. The usual reports of the Supervisory Body were prepared, as was the annual report of the Contact Person for the Compliance, Anti-Money Laundering and Claims Office.
5. In compliance with the transparency and disclosure requirements envisaged pursuant to Law 124 of 4 August 2017, article 1, paragraphs 125-129, it should be noted that the Company did not benefit from any public contributions during the year.
6. The Report of the Delegated Bodies pursuant to art. 2381, para. 5 c.c. has been prepared for the second half of 2020 and the first half of 2021.
7. The Report on the activities of the Internal Audit function has been prepared for 2020 and the first half of 2021.

8. In compliance with the current Supervisory Instructions for financial intermediaries issued by the Bank of Italy, the Report on the Organisational Structure has been prepared with reference to the changes that took place in the period from April 2020 to April 2021.
9. The "Organisation and Management Model pursuant to Decree 231/01 - Administrative liability of bodies" has been updated.
10. The Shareholders' Meeting held on 13 April 2021 approved the draft financial statements and allocation of the net profit for 2020, with the distribution of a dividend of Euro 0.60 per share, for a maximum total of Euro 3,275,454.60, and the allocation of Euro 1,456,023.40 to reserves.
11. In order to improve the level of commercial collaboration, distribution agreements have been signed with Sarda Factoring and Banca Cassa di Risparmio di Savigliano.
12. The Company sold the 8.33% equity interest held in Emil-Ro Service Srl on 21 July 2021.
13. The outsourcing contract with Exprivia S.p.A. has been renewed, covering the various components of the Factoring Information System and the BPO administrative services. This new agreement covers the period from 1 January 2021 - 31 December 2023.
14. Pierpio Cerfogli, Director and Deputy Chairman of the Board of Directors, resigned on 25 October 2021 with effect from 01.11.2021.
15. The Board appointed Matteo Bigarelli, already a director, as Deputy Chairman on 14 December 2021 with immediate effect; the same meeting also resolved not to co-opt a new director pursuant to art. 2386 c.c..

## **6. OUTLOOK FOR 2022**

The objectives for 2022 essentially consist in closer integration with the Group and, encouraged by the positive macroeconomic situation, are principally focused on acquiring additional shares of the domestic factoring market. Since the end of 2021, the Company has implemented a series of commercial and technological initiatives that seek to develop the area most heavily affected by the Gemini project pursued by BPER Banca i.e. Lombardy. These initiatives include:

- application of the A.I. (artificial intelligence) engines needed to perfect models for the identification of target customers;

- identification of the various production supply chains;
- integration of the WIP platform functionality within a Group context;
- joint Factor/Bank solutions for leveraging opportunities arising from the PNRR.
- focus on the “Fintech” world when determining the products to be developed together with the Bank.

Special attention will continue to be given to credit quality, and further efforts will be made to contain costs and enhance the efficiency of production systems, in order to improve the cost/income ratio.

## **7. PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR**

Shareholders, before proceeding with the proposal for allocation of the net profit, in my capacity as Chairman of the Board of Directors I would like to take this opportunity to thank all of the members of Board and all the Statutory Auditors for their effective collaboration and valuable suggestions. I would also like to thank the General Manager, the Managers and all of the Company's employees and consultants for their professionalism and commitment to the business. A special thank you to the Parent Company for the attention and support that it has provided. Lastly, many thanks to Assifact, our industry association, to EXPRIVIA S.p.A. for the constant and professional support provided to its members, and to the independent audit firm Deloitte & Touche S.p.A. and its employees.

I would like to inform you that with the approval of these financial statements the three-year term of office of the Company's Directors and Statutory Auditors Boards have expired, so it will be necessary to call a Shareholders' Meeting to elect new office bearers.

Shareholders, the draft financial statements for the year ended 31 December 2021 show a net profit of Euro 878,981 and the following allocation is proposed:

- Euro 43,949.05 = to the legal reserve;
- Euro 835,031.95= to the extraordinary reserve.

Bologna, 24 February 2022

The Board of Directors  
The Chairman  
*Paolo Licciardello*



# **FINANCIAL STATEMENTS**

## BALANCE SHEET

### ASSETS

| Asset captions   | 31.12.2021           | 31.12.2020           |
|--|----------------------|----------------------|
| 10. Cash and cash equivalents  | 2,350,042            | 610,405              |
| 30. Financial assets measured at fair value through comprehensive income | 1,627,815            | 1,675,859            |
| 40. Financial assets measured at amortised cost                          | 1,258,155,255        | 1,055,114,148        |
| <i>a) due from banks</i>   | 1,785,358            | 7,270,082            |
| <i>b) due from financial companies</i>                                   | 84,541,747           | 33,394,218           |
| <i>c) due from customers</i>   | 1,171,828,150        | 1,014,449,848        |
| 80. Property, plant and equipment  | 4,442,767            | 3,623,089            |
| 90. Intangible assets  | 6,008,402            | 5,846,600            |
| of which:  |                      |                      |
| - goodwill   | 5,468,739            | 5,468,739            |
| 100. Tax assets  | 5,040,526            | 4,409,331            |
| <i>a) current</i>  | 539,068              | 103,896              |
| <i>b) deferred</i>   | 4,501,458            | 4,305,435            |
| 120. Other assets  | 2,574,801            | 2,099,085            |
| <b>TOTAL ASSETS</b>  | <b>1,280,199,608</b> | <b>1,073,378,517</b> |

Following the updated Bank of Italy instructions on "The financial statements of IFRS intermediaries other than banking intermediaries", issued on 29 October 2021, the "Cash and cash equivalents" balance at 31 December 2021 includes, from the current year, the demand liquidity held in current and deposit accounts that, previously, was classified as "Financial assets measured at amortised cost", in sub-caption "a) due from banks". Consequently, the 2020 figures were also restated; this did not lead to any change in the result for the year.

### LIABILITIES AND SHAREHOLDERS' EQUITY

| Liabilities and shareholders' equity                 | 31.12.2021           | 31.12.2020           |
|--|----------------------|----------------------|
| 10. Financial liabilities measured at amortised cost | 1,079,179,244        | 864,253,757          |
| <i>a) payables</i>                                   | 1,079,179,244        | 864,253,757          |
| 60. Tax liabilities                                  | 28,711               | 38,254               |
| <i>b) deferred</i>                                   | 28,711               | 38,254               |
| 80. Other liabilities                                | 48,610,850           | 56,313,673           |
| 90. Provision for termination indemnities            | 1,034,392            | 952,412              |
| 100. Provisions for risks and charges:               | 16,125,322           | 14,121,838           |
| <i>a) commitments and guarantees given</i>           | 29,326               | 7,614                |
| <i>c) other provisions for risks and charges</i>     | 16,095,996           | 14,114,224           |
| 110. Share capital                                   | 54,590,910           | 54,590,910           |
| 140. Share premium reserve                           | 20,814,175           | 20,814,175           |
| 150. Reserves  | 59,155,007           | 57,681,896           |
| 160. Valuation reserves                              | (217,984)            | (119,876)            |
| 170. Net profit (loss) for the period                | 878,981              | 4,731,478            |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>    | <b>1,280,199,608</b> | <b>1,073,378,517</b> |

## INCOME STATEMENT

| Captions    |  | 31.12.2021          | 31.12.2020         |
|-------------|--|---------------------|--------------------|
| 10.         | Interest and similar income  | 11,640,095          | 10,964,980         |
|             | <i>of which: interest income calculated using the effective interest method</i>                      | <i>11,640,095</i>   | <i>10,964,980</i>  |
| 20.         | Interest and similar expense   | (203,032)           | (562,455)          |
| <b>30.</b>  | <b>NET INTEREST INCOME</b>   | <b>11,437,063</b>   | <b>10,402,525</b>  |
| 40.         | Commission income  | 13,160,332          | 10,586,598         |
| 50.         | Commission expense   | (3,820,892)         | (3,588,062)        |
| <b>60.</b>  | <b>NET COMMISSION INCOME</b>   | <b>9,339,440</b>    | <b>6,998,536</b>   |
| 70.         | Dividends and similar income   | 21,887              |                    |
| 80.         | Net trading income   | (12,970)            | (13,823)           |
| <b>120.</b> | <b>NET INTEREST AND COMMISSION INCOME</b>  | <b>20,785,420</b>   | <b>17,387,238</b>  |
| 130.        | Net impairment adjustments for credit risk:  | (8,250,437)         | (923,770)          |
|             | <i>a) financial assets measured at amortised cost</i>  | <i>(8,250,337)</i>  | <i>(923,817)</i>   |
|             | <i>b) financial assets measured at fair value through comprehensive income</i>                       | <i>(100)</i>        | <i>47</i>          |
| <b>150.</b> | <b>NET PROFIT FROM FINANCIAL ACTIVITIES</b>  | <b>12,534,983</b>   | <b>16,463,468</b>  |
| 160.        | Administrative costs:  | (10,846,719)        | (8,709,748)        |
|             | <i>a) payroll costs</i>  | <i>(7,063,607)</i>  | <i>(5,126,939)</i> |
|             | <i>b) other administrative costs</i>   | <i>(3,783,112)</i>  | <i>(3,582,809)</i> |
| 170.        | Net provisions for risks and charges   | (512,294)           | (1,186,801)        |
|             | <i>a) commitments and guarantees given</i>   | <i>(21,712)</i>     | <i>47,935</i>      |
|             | <i>b) other net provisions</i>   | <i>(490,582)</i>    | <i>(1,234,736)</i> |
| 180.        | Net adjustments to property, plant and equipment   | (477,765)           | (497,492)          |
| 190.        | Net adjustments to intangible assets   | (278,986)           | (216,544)          |
| 200.        | Other operating income and expense   | 1,376,557           | 1,026,589          |
| <b>210.</b> | <b>OPERATING COSTS</b>   | <b>(10,739,207)</b> | <b>(9,583,996)</b> |
| 220.        | Profit (loss) from equity investments  |                     |                    |
| 230.        | Net result della valutazione al fair value delle property, plant and equipment and intangible assets | (519,681)           |                    |
| <b>260.</b> | <b>PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX</b>   | <b>1,276,095</b>    | <b>6,879,472</b>   |
| 270.        | Income taxes from continuing operations  | (397,114)           | (2,147,994)        |
| <b>280.</b> | <b>PROFIT (LOSS) FROM CONTINUING OPERATIONS AFTER TAX</b>  | <b>878,981</b>      | <b>4,731,478</b>   |
| <b>300.</b> | <b>NET PROFIT (LOSS) FOR THE PERIOD</b>  | <b>878,981</b>      | <b>4,731,478</b>   |

# STATEMENT OF COMPREHENSIVE INCOME

|      | Captions   | 31.12.2021 | 31.12.2020 |
|------|--|------------|------------|
| 10.  | Net profit (loss) for the year   | 878,981    | 4,731,478  |
|      | Other income components, net of income taxes, without release to the income statement:               | (88,786)   | 9,958      |
| 20.  | Equity securities designated at fair value through comprehensive income                              | (19,561)   | 3,428      |
| 70.  | Defined benefit plans  | (69,226)   | 6,530      |
|      | Other income components, net of income taxes, with release to the income statement:                  | (9,322)    | 6,554      |
| 140. | Financial assets (other than equity instruments) measured at fair value through comprehensive income | (9,322)    | 6,554      |
| 170. | 110 Total other component of income net of income taxes  | (98,108)   | 16,512     |
| 180. | Total comprehensive income (Captions 10+170)   | 780,873    | 4,747,990  |

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

at 31 December 2021

(AMOUNTS IN EURO/000)

|                      | -Balance as<br>at 31.12.2020 | Changes in<br>opening<br>balances | -Balance as<br>at 01.01.2021 | Allocation of prior year results |                                       | Changes during the year |                                      |                        |                                   |   |                                     | Comprehen<br>sive income<br>31.12.2021 | Shareholder<br>s' equity as<br>at 31.12.2021 |
|----------------------|------------------------------|-----------------------------------|------------------------------|----------------------------------|---------------------------------------|-------------------------|--------------------------------------|------------------------|-----------------------------------|---|-------------------------------------|--|--|
|                      |                              |                                   |                              |                                  | Dividends and<br>other<br>allocations | Changes in<br>reserves  | Transactions on shareholders' equity |                        |                                   |   |                                     |  |  |
|                      |                              |                                   |                              |                                  |                                       |                         | Reserves                             | Issue of new<br>shares | Purchase of<br>treasury<br>shares | Extraordinary<br>distribution of<br>dividends | Changes in<br>equity<br>instruments |  |  |
| Share capital        | 54,590,910                   |                                   | 54,590,910                   | -                                | -                                     | -                       | -                                    | -                      | -                                 | -   | -                                   | -                                      | 54,590,910                                   |
| Share premium        | 20,814,175                   |                                   | 20,814,175                   | -                                | -                                     | -                       | -                                    | -                      | -                                 | -   | -                                   | -                                      | 20,814,175                                   |
| Reserves:            | -                            |                                   | -                            | -                                | -                                     | -                       | -                                    | -                      | -                                 | -   | -                                   | -                                      | 0  |
| a) from profits      | 50,807,227                   |                                   | 50,807,227                   | 1,456,023                        |                                       | 17,088                  |                                      | -                      | -                                 | -   | -                                   | -                                      | 52,280,338                                   |
| b) other             | 6,874,669                    |                                   | 6,874,669                    | -                                | -                                     | -                       | -                                    | -                      | -                                 | -   | -                                   | -                                      | 6,874,669                                    |
| Valuation reserves   | (119,876)                    |                                   | (119,876)                    | -                                | -                                     | -                       | -                                    | -                      | -                                 | -   | -                                   | (98,108)                               | (217,984)                                    |
| Equity instruments   | -                            |                                   | -                            | -                                | -                                     | -                       | -                                    | -                      | -                                 | -   | -                                   | -                                      | 0  |
| Treasury shares      | -                            |                                   | -                            | -                                | -                                     | -                       | -                                    | -                      | -                                 | -   | -                                   | -                                      | 0  |
| Net profit (loss)    | 4,731,478                    |                                   | 4,731,478                    | (1,456,023)                      | (3,275,455)                           | -                       | -                                    | -                      | -                                 | -   | -                                   | 878,981                                | 878,981                                      |
| Shareholders' equity | 137,698,583                  | -                                 | 137,698,583                  | (0)                              | (3,275,455)                           | 17088                   | -                                    | 0                      | 0                                 | 0   | 0                                   | 780,873                                | 135,221,089                                  |

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

at 31 December 2020

|                      | -Balance as<br>at 31.12.2019 | Changes in<br>opening<br>balances | -Balance as<br>at 01.01.2020 | Allocation of prior year results |                                       | Changes during the year |                                      |                                   |   |                                     |               | Comprehen<br>sive income<br>31.12.2020. | Shareholder<br>s' equity as<br>at 31.12.2020 |
|----------------------|------------------------------|-----------------------------------|------------------------------|----------------------------------|---------------------------------------|-------------------------|--------------------------------------|-----------------------------------|---|-------------------------------------|---------------|---|--|
|                      |                              |                                   |                              |                                  |                                       | Changes in<br>reserves  | Transactions on shareholders' equity |                                   |   |                                     |               |   |  |
|                      |                              |                                   |                              | Reserves                         | Dividends and<br>other<br>allocations |                         | Issue of new<br>shares               | Purchase of<br>treasury<br>shares | Extraordinary<br>distribution of<br>dividends | Changes in<br>equity<br>instruments | Other changes |   |  |
| Share capital        | 54,590,910                   |                                   | 54,590,910                   | -                                | -                                     | -                       | -                                    | -                                 | -   | -                                   | -             | -                                       | 54,590,910                                   |
| Share premium        | 20,814,175                   |                                   | 20,814,175                   | -                                | -                                     | -                       | -                                    | -                                 | -   | -                                   | -             | -                                       | 20,814,175                                   |
| Reserves:            | -                            |                                   | -                            | -                                | -                                     | -                       | -                                    | -                                 | -   | -                                   | -             | -                                       | 0  |
| a) from profits      | 45,597,731                   |                                   | 45,597,731                   | 5,209,496                        |                                       | -                       | -                                    | -                                 | -   | -                                   | -             | -                                       | 50,807,227                                   |
| b) other             | 6,874,669                    |                                   | 6,874,669                    |                                  | -                                     | -                       | -                                    | -                                 | -   | -                                   | -             | -                                       | 6,874,669                                    |
| Valuation reserves   | (136,388)                    |                                   | (136,388)                    | -                                | -                                     | -                       | -                                    | -                                 | -   | -                                   | -             | 16,512                                  | (119,876)                                    |
| Equity instruments   | -                            |                                   | -                            | -                                | -                                     | -                       | -                                    | -                                 | -   | -                                   | -             | -                                       | 0  |
| Treasury shares      | -                            |                                   | -                            | -                                | -                                     | -                       | -                                    | -                                 | -   | -                                   | -             | -                                       | 0  |
| Net profit (loss)    | 5,209,496                    |                                   | 5,209,496                    | (5,209,496)                      |                                       | -                       | -                                    | -                                 | -   | -                                   | -             | 4,731,478                               | 4,731,478                                    |
| Shareholders' equity | 132,950,593                  | -                                 | 132,950,593                  | 0                                | 0                                     | 0                       | -                                    | 0                                 | 0   | 0                                   | 0             | 4,747,990                               | 137,698,583                                  |

## CASH FLOW STATEMENT - INDIRECT METHOD

|  | 31.12.2021       | 31.12.2020    |
|--|------------------|---------------|
|  | Amount           | Amount        |
| <b>A. OPERATING ACTIVITIES (in thousands of Euro)</b>  | (+/-)            | (+/-)         |
| <b>1. Operations</b>   |                  |               |
| - net result (+/-)   | 879              | 4,731         |
| - plus/capital losses su financial assets held for trading e sulle other financial measured at fair value through profit or loss (-/+) |                  |               |
| - gains (losses) on hedging activities (-/+)   |                  |               |
| - net value adjustments for credit risk (+/-)  | 8,563            | 2,153         |
| - impairment to property, plant and equipment and intangible assets (+/-)  | 757              | 714           |
| - net provisions for risks and charges and other costs/income (+/-)  | 1,032            | 1,187         |
| - taxes and tax credits not settled (+)  |                  |               |
| - net impairment adjustments of discontinued operations net of tax (+/-)   |                  |               |
| - other adjustments (+/-)  | 195              | 93            |
| <b>2. Cash flow from/(used in) financial assets</b>  | (+/-)            | (+/-)         |
| - financial assets held for trading  |                  |               |
| - financial assets designated at fair value through profit and loss  |                  |               |
| - other assets mandatorily measured at fair value  |                  |               |
| - financial assets measured at fair value through comprehensive income   | 26               | -4            |
| - financial assets measured at amortised cost  | (213,596)        | 23,736        |
| - other assets   | (1,300)          | 479           |
| <b>3. Cash flow from/(used in) financial liabilities</b>   | (+/-)            | (+/-)         |
| - financial liabilities measured at amortised cost   | 30,306           | (3,492)       |
| - financial liabilities held for trading   |                  |               |
| - financial liabilities designated at fair value through profit or loss  |                  |               |
| - other liabilities  | (6,199)          | 397           |
| Net cash from (used in) operating activities   | <b>(179,337)</b> | <b>29,994</b> |
| <b>B. INVESTING ACTIVITIES</b>   |                  |               |
| <b>1. Cash flow generated by</b>   | (+)              | (+)           |
| - sale of equity investments   |                  |               |
| - dividends collected on equity investments  |                  |               |
| - sale of property, plant and equipment  | 360              |               |
| - sale of intangible assets  |                  |               |
| - sale of business units   |                  |               |
| <b>2. Cash flow used in</b>  | (-)              | (-)           |
| - purchase of equity investments   |                  |               |
| - purchase of property, plant and equipment  | (7)              | (122)         |
| - purchase of intangible assets  | (441)            | (196)         |
| - purchase of lines of business  |                  |               |
| Net cash generated by (used in) investing activities   | <b>(88)</b>      | <b>(318)</b>  |
| <b>C. FINANCING ACTIVITIES</b>   |                  |               |
| - issue/purchase of treasury shares  |                  |               |
| - issue/purchase of equity instruments   |                  |               |
| - dividends distributed and other allocations  | (3,275)          |               |
| Net cash generated by (used in) financing activities   | <b>(3,275)</b>   | <b>0</b>      |
| <b>NET CASH GENERATED (USED) DURING THE YEAR</b>   | <b>(182,700)</b> | <b>29,676</b> |

## RECONCILIATION

|  | Amount      |            |
|--|-------------|------------|
|  | 31.12.2021  | 31.12.2020 |
| Cash and cash equivalents at beginning of the year             | (848,199)   | (877,875)  |
| Net increase (decrease) in cash and cash equivalents           | (182,700)   | 29,676     |
| Cash and cash equivalents: effect of changes in exchange rates | -           | -          |
| Cash and cash equivalents at end of the year                   | (1,030,899) | (848,199)  |

Cash and cash equivalents include cash in hand as well as receivable and payable balances with banks on current and deposit accounts, the latter being shown in the balance sheet under caption 10) Financial liabilities valued at amortised cost.



# EXPLANATORY NOTES

## 1. INTRODUCTION

The Explanatory Notes are divided into the following parts:

- 1) part A - Accounting policies;
- 2) Part B – Information on the balance sheet;
- 3) Part C – Information on the income statement;
- 4) part D – Other information.

Each part of the notes is divided into sections, each of which illustrates an aspect of the business. The sections contain both qualitative and quantitative data.

In accordance with the provisions of art. 2423, paragraph 5 of the Civil Code and art. 5 Legislative Decree 38/2005, the financial statements and interim reports of limited liability companies must be drawn up in euros.

The transition of the figures from the books of account, expressed in euro cents, to the financial statements, expressed in euro, involves rounding up or down, with any rounding differences being posted to "other assets/liabilities" in the balance sheet and to "other operating income and expense" in the income statement, to "comprehensive Income" in the Statement of Comprehensive Income, to "equity" for the statement of changes in shareholders' equity and to caption "Total net cash generated/absorbed during the year" in the cash flow statement.

### ***Part A - Accounting policies***

#### ***A.1 General information***

#### **SECTION 1 – Declaration of compliance with International Financial Reporting Standards**

The financial statements are drawn up according to Legislative Decree 38 of 28 February 2005 in compliance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), endorsed by the European Commission, as established by Regulation 1606 of 19 July 2002.

Reference was also made, where necessary, to the "Framework for the preparation and presentation of financial statements" and to the documents prepared by the Italian Accounting Body (OIC), the Bank of Italy, the Italian Banking Association (ABI) and the Trade Association (Assifact).

In the absence of an accounting standard or interpretation specifically applicable to a particular transaction, the Company applies professional judgement, including that of the Administration and Financial Reporting Department of the Parent Company BPER, to develop accounting recognition rules that ensure that the financial reporting process is reliable, capable of ensuring that the financial statements give a true and fair view of the results and financial position of the Company and that it reflects the economic substance of a transaction as well as the aspects related thereto.

In drafting the accounting recognition rules, reference is made as much as possible to guidance provided by international accounting standards and related interpretations that deal with similar or comparable cases.

## SECTION 2 – Basis of preparation

The financial statements at 31 December 2021 consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes and are accompanied by the directors' report on operations. The financial statements have been prepared in accordance with the instructions relating to the "Financial statements of IFRS intermediaries other than banking intermediaries" issued by the Bank of Italy on 9 December 2016 and updated on 29 October 2021, as permitted by art. 9 of Legislative Decree 38/2005, and the additional instructions given in specific communications not yet included in the overall document<sup>1</sup>. These instructions replace in full the Regulation 02/06 of 14 February 2006, as amended.

The balance sheet and income statement schedules are made up of captions, sub-captions and additional details. They do not include any captions with zero balances in both years. In the income statement, revenues are indicated without a sign, whereas costs are indicated in brackets. The balance sheet, income statement, statement of comprehensive income and statement of changes in shareholders' equity are presented in euros, whereas the cash flow statement and the notes are presented in thousands of euros, rounded up for fractions of more than Euro 500.

The general criteria underlying the preparation of the financial statements are presented below in accordance with IAS 1:

- **going concern:** assets, liabilities and off-balance sheet transactions are measured in the context of continuity over time; the directors and general management periodically check the going-concern assumption, paying particular attention to the current difficulties of the market. The balance sheet, access to sources of finance and the quality of outstanding receivables are such as to ensure the Company's ability to continue operating in the near future, so as things stand the Company does not present any uncertainties or concerns with respect to the going-concern assumption;
- **accrual basis of accounting:** costs and revenues are recognised in the period in accordance with the matching principle, regardless of when they are settled;
- **materiality and aggregation:** each material class of similar captions 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 of financial intermediaries;
- **comparative information:** comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements, unless required otherwise by a standard or an interpretation;
- **consistency of presentation:** to ensure that information is comparable, the presentation and classification of items is maintained over time, 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 reclassification made in relation to caption 10. Cash and cash equivalents is discussed at the foot of the assets table in the balance sheet;
- **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.

The description of the accounting policies adopted in relation to the principal financial statements aggregates is presented in sufficient detail to identify the principal assumptions and assessments made for the preparation of the financial statements. The notes and attachments provide additional information to help to provide a complete, true and fair view of the company's situation, even if such information is not expressly required by the regulations.

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<sup>1</sup> In this regard, see the instructions given in the communication dated 21 December 2021, addressing the impact of Covid-19, measures to support the economy.

## **Uncertainty in the use of estimates**

The preparation of financial statements requires recourse to estimates and assumptions that may significantly affect the amounts recorded in the balance sheet and the income statement, as well as the information about contingent assets and liabilities disclosed. 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 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:

- a. quantification of the losses arising from the impairment of loans and receivables and, in general, other financial assets;
- b. quantification of the provisions for employee benefits and the provisions for risks and charges;
- c. estimates and assumptions about the recoverability of deferred tax assets;
- d. measurement of goodwill;
- e. estimate of the fair value of buildings.

The measurements, estimates and assumptions made and used when preparing the financial statements may change, as new information steadily becomes available about the effects deriving from the Covid-19 pandemic. These changes may affect, in particular, quantification of the impairment losses on receivables and other financial assets, determination of the fair value of financial instruments and assessment of the recoverability of deferred tax assets.

Current income taxes are calculated based on an estimate of taxable income. Current tax receivables and payables are recognised at the amount that is expected to be recoverable from/payable to the tax authorities, by applying current fiscal regulations and current tax rates, or those substantially approved at the reporting date.

Deferred tax receivables and payables are recorded at the tax rates expected to be applicable in the year when the liability will be paid or the receivable recovered, in accordance with tax laws ruling or substantially ruling at the year end.

The description of the accounting policies adopted in relation to the principal financial statement aggregates is presented in sufficient detail to identify the principal subjective assumptions and assessments made for the preparation of the financial statements.

### **SECTION 3 – Subsequent events**

No significant events occurred after the balance sheet date.

### **SECTION 4 – Other aspects**

The Company did not benefit from “public contributions” during 2021.

### **Risks, uncertainties and impact of the COVID-19 epidemic**

For an analysis of the effects of the pandemic crisis on the risks and uncertainties faced by the Company, see Chapter 4 – “Relationship with customers – COVID-19 Emergency” in this Directors' report on operations.

Commencing from the second quarter of 2020, the changes in the general macroeconomic situation and sector conditions made it necessary to update the assessment of credit risk. This parameter was very significantly affected by uncertainties about the evolution of the Covid-19 pandemic and the related containment measures, as well as about the scale and duration of the public support measures introduced.

As a result, EmilRO has also had to monitor closely the impact on credit risk and the related assessments made for reporting purposes. In this regard, the Parent Company performed analyses to identify the best way to adapt the systems used to measure and forecast credit risk, aligning them subsequently to the evolving environment in order to avoid making excessive pro-cyclical general provisions as, indeed, recommended by the regulators (including, in particular, the ESMA and the ECB).

The Company has therefore implemented the various instructions issued by the Italian government, confirming its commitment to supporting business and private customers and, at the same time, identifying the best way to report the measures adopted in the financial statements, consistent with the established accounting policies and regulatory guidance. With regard to the recognition, classification, measurement and derecognition of loans granted as "Financial assets measured at amortised cost" when preparing the financial statements, the criteria adopted by the Company when using the overlay approach are described on a case-by-case basis.

#### 1) Contractual amendments and derecognition (IFRS9)

When contractual amendments are made to financial assets recorded in the financial statements, BPER Factor per recognises those assets as forborne exposures if related financial difficulties have already been identified. As stated by the EBA in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customers pursuant to the law, are not considered indicators of financial difficulty for the purpose of classifying the individual positions concerned as forborne exposures. The Company also grants voluntary moratoria to customers, upon specific request from them. Most of these defer the due dates for settling assigned receivables. Given that these voluntary moratoria are not granted for the specific purpose of assisting situation of financial difficulty, they are not classified as forborne exposures either.

#### 2) Amendment to IFRS 16

The IFRS 16 amendment regarding contractual changes to operating leases consequent to the Covid-19 pandemic, has not had a significant effect on the Company given that no changes were made to leasing contracts in 2021 as a result of the spread of the pandemic.

### **Accounting estimates – Overlay approach applied to the assessment of credit risk**

When determining the ECL on the portfolio of performing receivables, the Company uses the IFRS 9 calculation engine made available by the BPER Group. The following changes made by the Group during 2021 have therefore had an effect on the financial statements of the Company.

#### 1) Assessment of the significant increase in credit risk (SICR)

As already last year, due to the unexpected situation caused by the Covid-19 pandemic, the following changes were made to the SICR model adopted by the BPER Group:

- adoption of the various EBA recommendations for the treatment of moratoria (both required by law and decided voluntarily at category level), made on several occasions during 2020, making relevant amendments to internal processes and procedures for subsequent application dependent on changes in the portfolio;
- "expert" Stage 2 assessments of counterparties active in the economic sectors most hit, already carrying intrinsic risk evidenced by internal ratings higher than the average for the sector, that were considered likely to face financial difficulties under reasonable assumptions that took account of any Covid-19 moratoria granted.

More specifically with regard to adoption of the EBA guidelines on the Covid-19 moratoria, the Group issued internal circulars specifying how to analyse counterparties requesting moratoria or their renewal, which were updated promptly to take account of the revisions issued by the EBA in April, September and December 2020. As a result, the processes necessary to identify forbearance measures on a case-by-case basis were reactivated, following their specific suspension in relation to the moratoria required by law and implemented by the financial system between March and September 2020.

Consistent with the previous analyses carried out on earlier extension to the moratoria, consideration was given to classifying the new suspensions granted until December 2021 among the forbearance measures: in particular, an analysis of the exposures was performed with reference to the sectors concerned and the current rating, having regard for the sectors already identified as vulnerable given their greater exposure to the pandemic.

In addition, in the context of the IFRS 9 framework used by the BPER Banca Group, the criteria for identifying significant increases in credit risk were updated during 2021, as described in more detail later.

## 2) Measurement of expected losses

### Performing

With regard to the macroeconomic scenarios adopted at Group level, in the context of applying the ECL model used to prepare the financial statements at 31 December 2021 reference was made to the updated forecasts provided by the specialist company normally used by the Group. These were more positive than the previous forecasts published during 2021.

In order to contain pro-cyclical effects linked with the expected economic recovery, a number of top-down correction were made, including:

- "expert" assignment of the probabilities of occurrence of the macroeconomic scenarios considered by the multi-scenario ECL model, with work on selecting the adverse scenario to consider ("extremely adverse", i.e. the most pessimistic macroeconomic scenario) and raising its probability of occurrence to 50% (from 0.003% at 31 December 2020). The probability of occurrence of the "baseline" scenario was also revised to 50% (from 96.503% at 31 December 2020), resulting in elimination of the remaining "best" scenario – probability of occurrence now 0% (3.494% at 31 December 2020);
- application of a prudent correction factor to the ECL, downstream of the above model, to take account of the probability that customers might encounter financial difficulties linked, for example, to fears about the adverse effects on life and the economy of the fourth wave of the pandemic, the explosion of energy costs and commodity prices, and the correlated rise in inflation; quantification of this correction factor took account of the sensitivity analysis carried out on the probability of occurrence of the extremely adverse scenario, by considering to be 100%.

In addition, again with a view to prudence, controls were applied in relation to the Covid-19 moratoria in existence at 31 December 2021, in order to avoid rating improvements with respect to the situation of the positions concerned when the moratoria were originally granted.

The top-down overlays described, which adapt the ECL calculation model used by the Group to take specific account of the uncertainties linked to the Covid-19 emergency, were applied to the results of the above ECL model following the refinement of certain parameters during 2021 (mainly PD and SICR).

The IFRS 9 framework used by the BPER Banca Group was also updated during 2021, refining the criteria for identifying significant increases in credit risk, as well as the PD parameter used for "satellite models".

### 3) Effects of overlay management the methodological refinements made in 2021

The above actions resulted in a moderate increase in the ECL on the portfolio of performing receivables that, however, was essentially offset by the general improvement in customer ratings.

#### **Change in the measurement criterion adopted for investment properties (IAS 40)**

Commencing from 1 January 2021, the BPER Banca Group and, therefore EmilRo, elected - solely for investment property - to change the measurement criterion for "Property, plant and equipment" as follows:

- change from the cost model to the remeasurement model for properties used for operational purposes, based on the requirements of IAS 16 Property, plant and equipment;
- change from recognition at cost to recognition at fair value for investment property, based on the requirements of IAS 40 Investment properties.

This change in the criterion for measuring properties represents a voluntary change in accounting policy governed by IAS 8 Accounting policies, changes in accounting estimates and errors, pursuant to which a voluntary change must only be made if, as a result, the financial statements provide reliable and more relevant information about the effects of transactions on the financial position, financial performance or cash flows.

This change in measurement criterion from cost to fair value pursues that objective, as it allows:

- improved disclosures, providing a unified and current view of the value of properties at Group level, regardless of when or why they were recognised: with respect to cost, fair value makes it possible to provide current information that reflects more closely the characteristics of the appraised properties;
- more consistent comparison between years of both the financial position and financial performance: measurement at current values improves the significance and quality of the information, especially in view of its periodic remeasurement;
- constant alignment of carrying amounts with observable market values;
- improvement of comparability with the financial statements of the largest Italian banks;
- more immediate understanding of the economic-financial impacts of the strategies adopted by the Group for managing the properties held;
- greater alignment of financial disclosures with the future investment property management strategies of the Group.

As required by IAS 8, the Company has restated the related comparative data with effect from 1 January 2020. In particular:

- the differences, at the level of each property unit, between their fair value at 1 January 2020 and their carrying amount at the same date were recognised in equity caption 150 "Reserves";
- the 2020 economic effects deriving from the measurement at cost of each property unit (represented by depreciation charges and writedowns) were reversed, and the change in fair value between 1 January 2020 and 31 December 2020 was recognised in the restated 2020 income statement with, lastly, recognition of the overall impact in equity caption 150 "Reserves – Retained earnings (losses)";
- the economic effects of disposals during 2020 were recalculated together with the related impact on the restated 2020 income statement and, lastly, on equity caption 150 "Reserves – Retained earnings (losses)".

This change did not have any first-time adoption effects for the Company, as the properties held in the portfolio at 31/12/2021 solely comprise IAS 40 investment properties deriving from terminated leasing contracts, which returned to Company ownership in 2020 and 2021 and, therefore, had already been measured at fair value recently.

### **Treatment of right-of-use properties held for operating and investment purposes**

With regard to the right-of-use properties held for operating purposes and recognised among property, plant and equipment pursuant to IFRS 16 (paras. 30 and 35), the BPER Banca Group has elected to continue measuring them at cost rather than apply the remeasurement model (option only available if the lessee also applies the remeasurement criterion to owned properties).

### **Domestic tax group election**

The Company joins the Group Tax Consolidation. BPER Factor, together with other Group companies, has elected to establish a domestic tax group, which was introduced by Legislative Decree 344/2003 and is governed by arts. 117-129 of the Consolidated Income Tax Act. This consists of an optional arrangement, whereby the net income or tax loss of each subsidiary participating in the tax group – together with tax withheld at source, deductions and tax credits – are transferred to the parent, which then calculates the consolidated taxable income or tax loss carried forward (resulting from the sum of its own income/loss and the income/losses of the participating subsidiaries) and, consequently, a consolidated tax liability/receivable. Under this option, Group companies that are members of the domestic tax group calculate their own tax charge and the corresponding taxable income is transferred to the parent.

### **Joining the VAT group**

The BPER VAT Group is operational from 1 January 2019. The VAT group is a new VAT payer – regulated by the EU legislation recently introduced into national law (Law 232 of 11 December 2016) – which just for VAT purposes replaces the individual participants, which maintain their separate legal status in every other statutory, fiscal and accounting profile. The VAT Group operates externally with a single VAT number, fulfils the obligations and exercises the rights deriving from application of the rules on Value Added Tax through the group representative (BPER Banca), who is responsible for performance of these obligations, as well as for payment of the sums due for tax, interest and penalties together with the other participants.

### **Audit**

The financial statements are audited by Deloitte & Touche S.p.A. who were appointed for the period 2017-2025 by the Shareholders' Meeting on 6 April 2017.

### **Comparative information**

As required by law, the comparative information reported in the financial statements reflects that published in the Annual Financial Report for the year ended 31.12.2020.

Following the updated Bank of Italy instructions on "The financial statements of IFRS intermediaries other than banking intermediaries", issued on 29 October 2021, the "Cash and cash equivalents" balance at 31 December 2021 includes, from the current year, the demand liquidity held in current and deposit accounts that, previously, was classified as "Financial assets measured at amortised cost", in sub-caption "a) due from banks". As a consequence, the 2020 amount has also been reclassified; this had no effect on the results for the year.

### **Legislative updates**

As required by IAS 8, the following table shows the new international accounting standards, or the amendments to standards already in force, with the related endorsement regulations, which became mandatory from 2021.

Commission Regulation (EU) 2021/25 of 13 January 2021 amended Regulation (EC) 1126/2008, which adopted IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16.

This amendment was necessary following publication on 27 August 2020 by the International Accounting Standards Board of the document entitled «Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)».

These amendments supplement those made in 2019 (IBOR – Phase 1) and concentrate on the effects on entities when, following the reform, an existing benchmark rate is replaced with a new benchmark rate.

The new standards and amendments that entered into force from 1 January 2021 have not had a significant impact on the financial statements at 31 December 2021.

The following table shows the new international accounting standards or amendments to standards already in force, whose application is mandatory from 1 January 2022 or later date (if the financial statements do not coincide with the calendar year).

IAS 16-37-41, IFRS 1-3-9: amendments to the accounting standards starting from 1 January 2022

Official Journal of the European Union L239 of 2 July 2021 published Commission Regulation (EU) 2021/1080 of 28 June 2021, which amends the following accounting standards with effect from 1 January 2022: IAS 16 Property, plant and equipment; IAS 37 Provisions, liabilities and contingent assets; IAS 41 Agriculture; IFRS 1 First-Time Adoption of International Financial Reporting Standards; IFRS 3 Business combinations; IFRS 9 Financial instruments.

Amendments to IAS 1, IFRS Practice Statement 2 and IAS 8

The International Accounting Standards Board (IASB) published some amendments to the IFRS standards: Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2, Definition of Accounting Estimates - Amendments to IAS 8. The amendments are intended to improve the disclosure of accounting policies, in order to provide more useful information to investors and other primary users of the financial statements, as well as to help entities distinguish between changes in accounting estimates and changes in accounting policies. The amendments to IAS 1 and IAS 8 will apply to the accounting periods that commence on or after 1 January 2023, although early application is allowed.

The directors do not expect effects from the future application of these amendments.

Other regulations: documents of the Bank of Italy and other supervisory authorities already issued

Instructions for "The financial statements of IFRS intermediaries other than banking intermediaries" issued on 29 October 2021.

These instructions replace those attached to the Bank of Italy measures dated 30 November 2018, in order to align disclosures with the consolidated financial reporting to the regulator harmonised at European level (FINREP) and avoid the "dual track" management of supervisory information and financial reporting, thereby containing the reporting costs incurred by intermediaries.

The principal changes relate to the reporting of: i) certain categories of financial asset (demand deposits with banks and central banks and impaired receivables - purchased or originated), which are now classified in the manner envisaged in the harmonised European reports (FINREP) and the reporting circulars issued by the Bank of Italy; ii) intangible assets, which must classify software separately if it is not an integral part of hardware pursuant to IAS 38; iii) payments to the resolution fund and deposit guarantee schemes, which must be disclosed separately in the



captions concerned. The changes also reflect the amendments made to IFRS 7 regarding the disclosure of financial instruments, as endorsed by Regulation (EU) 2021/25 of 13 January 2021 and applicable from 1 January 2021. Adoption of the amendments to IFRS 7 takes account of the new disclosures required following reform of the benchmark rates used to determine the interest rates on financial instruments. Lastly, certain instructions included in earlier communications have also been adopted.

Communication dated 21 December 2021 – Supplements to the instructions contained in the measure entitled "The financial statements of IFRS intermediaries other than banking intermediaries" on the impact of COVID-19 and the measures in support of the economy. The instructions apply to the financial statements for annual periods ending on or after 31 December 2021. This communication, which abrogates and replaces the earlier communication dated 27 January 2021, updates the additions made to the document entitled "The financial statements of IFRS intermediaries other than banking intermediaries", providing information to the market about the effects of COVID-19 and the economic support measures on risk management strategies, objectives and policies, as well as on the economic and financial position of intermediaries. The update takes account of the changes in EU regulations on the treatment of moratoria, the recent updates to the reporting circulars and the amendments to IFRS 16 Leasing related to Covid-19.

On 19 March, the Official Journal of the European Union published Implementing Regulation (EU) 2021/451 laying down implementing technical standards for the application of Regulation (EU) 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) 680/2014. Following the issue of Regulation (EU) 2019/876 (CRR 2 – Basel 4) that amended Regulation (EU) 575/2013 in a number of ways, such as the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures and reporting and disclosure obligations, it was necessary to revise the reporting reference framework specified in Implementing Regulation (EU) 680/2014 and update the forms used to collect information for supervisory reporting purposes. Lastly, Regulation (EU) 2019/630 amended Regulation (EU) 575/2013 as regards minimum loss coverage for non-performing exposures (NPE), requiring a deduction from the own funds of entities if their NPEs are not sufficiently covered by provisions or other adjustments, based on a predetermined calendar intended to obtain complete coverage over time. Implementing Regulation (EU) 2021/451 applies from 28 June 2021.

## **OTHER SOURCES OF RULES – INTERNAL RULES FOR ACCOUNTING RECOGNITION**

As mentioned in the paragraph on "General criteria for measurement", in the absence of a standard or interpretation specifically applicable to a transaction, an internal accounting recognition rule has to be identified and formalized.

Internal interpretations are no longer active since 2015 and it was not necessary to establish any new rule in 2021.

### **A.2 Main captions in the financial statements**

This section discusses the accounting principles applied in preparing the financial statements. The explanation is based on the criteria for recognition, classification, measurement and derecognition of the various captions in the financial statements.

#### **1. Financial assets measured at fair value through comprehensive income**

##### *Recognition*

Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while loans are recognised on the pay-out date.

On initial recognition, financial assets are accounted for at fair value, which is usually the amount paid for them. In cases where the price is different from the fair value, the financial asset is recorded at its fair value and the difference between the price and the fair value is charged to the income statement. The value on initial recognition includes any income and expenses directly attributable to the transaction and quantifiable on the date it is accounted for, even if paid later.

### *Classification*

This category includes:

- financial assets for which the defined Business Model is "Hold to Collect & Sell" (HTC&S) and their contractual terms pass the SPPI Test;
- investments in equity instruments, not held in the context of a trading business model, for which an irrevocable election was made on initial recognition to record subsequent changes in fair value in the statement of comprehensive income.

### *Measurement*

Subsequent to initial recognition, financial assets continue to be measured at fair value.

As an exception, if the fair value of equity instruments cannot be determined reliably, they are valued at cost. An impairment test is performed at each year end or interim reporting date to check if there is any objective evidence of a reduction in value.

If subsequently the reasons for impairment cease to apply, the amounts concerned are written back without causing the value of the asset to exceed the amortised cost that would have been reported in the absence of earlier adjustments.

### *Derecognition*

Financial assets are derecognised from the balance sheet on expiry of the contractual rights over the related cash flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits.

### *Recognition of components affecting the income statement*

The components of income deriving from "Financial assets measured at fair value through other comprehensive income", excluding investments in equity instruments for which the above irrevocable election has been made, are recognised as described below:

- interest is calculated using the effective interest rate, i.e. the rate that exactly discounts cash flows over the expected life of the instrument (IRR rate). The IRR is determined taking into account any discounts or premiums on the acquisition, costs or commissions that are an integral part of the carrying amount;
- expected credit losses recognised during the period are recorded in caption "Write-downs/write-backs for credit risks" on: b) financial assets measured at fair value through comprehensive income";
- on derecognition, the amount accumulated in the specific equity reserve is released to income statement caption "Gains/losses on disposal/repurchase of: b) financial assets measured at fair value through other comprehensive income".

Dividends are recognised when the right to collect them is established.

With regard to investments in equity instruments for which the above irrevocable election has been made, only the related dividends are recognised in the income statement, in caption "Dividends and similar income".

Changes in fair value subsequent to initial recognition are recorded in a specific equity reserve; on derecognition, the amount accumulated in the above reserve is not released to the income statement, but is reclassified among the profit reserves in equity.

## **2. Financial assets measured at amortised cost**

### *Definition and classification*

These include financial assets associated with the Hold to Collect Business Model whose contractual terms, at certain dates, provide for cash flows represented solely by payments of principal and interest on capital to be repaid and which therefore passed the SPPI test.

"Financial assets measured at amortised cost" include:

- due from banks
- due from financial companies
- receivables from customers.

These captions include the loans disbursed, the loans originating from finance leases (which, in accordance with IFRS 16, are recognised according to the so-called "financial method"). Receivables purchased without recourse are also recorded, after ascertaining that there are no contractual clauses that hinder the effective transfer of all the risks and benefits. With regard to the portfolio acquired with recourse, the amounts paid to the assignor as an advance are recognised in the same category.

### *Recognition*

Financial instruments measured at amortised cost are initially recorded at fair value, understood as the cost of the instrument, including any directly attributable costs and proceeds. Factoring operations give rise to exposures to assignors representing loans disbursed for with-recourse assignments and exposures to assigned debtors representing the fair value of the receivables purchased versus without-recourse assignments. The first registration of a loan takes place on the date of sale following the signing of the contract (in the case of without-recourse assignment) and coincides with the disbursement date for with-recourse assignments. For the assignor and factor, this activity entails an assessment of the presence or not of the conditions required by IFRS 9 for derecognition (a company can cancel a financial asset from its financial statements only if, as the result of a sale, it has transferred the risks and benefits connected with the instrument sold, or if: a) the financial asset is transferred and with it substantially all the risks and contractual rights to the financial flows deriving from the asset expire; b) the benefits connected to its ownership ceases to apply) and consequent recognition on the factor's side.

To assess effective transfer of risks and benefits, it is necessary to compare the assignor's exposure to the variability of the current value or of the cash flows generated by the financial asset transferred, before and after the sale. The assignor essentially maintains all the risks and benefits when its exposure to the 'variability' of the present value of the net future cash flows of the financial asset does not change significantly following its transfer. Instead, transfer occurs when the exposure to this 'variability' is no longer significant.

The most frequently used forms of transfer of a financial instrument may have profoundly different accounting effects:

- in the case of a without-recourse assignment (without any guarantee obligation), the assets transferred can be cancelled from the assignor's financial statements;
- in the case of a with-recourse transfer, it is to be assumed that in most cases the risk associated with the asset sold remains with the seller and therefore the sale does not meet the requirements for derecognition of the instrument in question; only the amounts paid to the assignor as an advance of the consideration will be recorded.

Verification of the derecognition criteria, in the context of the without-recourse assignments underlying the factoring activity, also takes into consideration the risk mitigation clauses adopted by the Company through specific

contractual provisions agreed with the assignors. These are clauses aimed at defining limits on individual assigned debtors, absolute and relative deductibles, so-called "bonus-malus" clauses and ones for late payment.

Loans to customers also include receivables for finance leases (as lessor).

### *Classification*

This category comprises the financial assets whose defined business model is "Hold to Collect" and whose contractual terms pass the SPPI test.

"Financial assets measured at amortised cost" include receivables from customers, receivables from financial businesses and from banks.

These captions comprise commercial loans, repurchase agreements, loans originated by finance leases (recognised using the "financial method" pursuant to IFRS 16) and debt securities.

The Company has recorded under "Financial assets measured at amortised cost" the financial instruments purchased without recourse, subject to verification that there are no contractual clauses that hinder effective transfer of all the risks and benefits. With regard to the portfolio acquired with recourse, the amounts paid to the assignor as an advance are recognised in the same category.

### *Measurement*

After initial recognition, loans are valued at their amortised cost, corresponding to the initially recognised amount less principal repayments, net adjustments and amortisation - calculated using the effective interest method – of the difference between the amount paid out and the amount repayable on maturity, which is generally attributable to the costs/income directly allocated to the individual loans.

The effective interest rate is the rate that discounts the flow of estimated payments over the expected duration of the loan back to its initial net book value, inclusive of directly-related costs and revenues. In financial terms, this method of recognition distributes the economic effect of these costs and revenues over the expected residual life of the loan.

The amortised cost method is not used in relation to short-term loans (up to 12 months), since the effect of discounting would be negligible. These loans are stated at historical cost.

Costs and revenues relating to loans without a fixed term or repayable on demand are recorded directly in the income statement.

At each reporting date, financial assets measured at amortised cost are adjusted for impairment by recognising any Expected Credit Losses (ECLs).

The following items fall within this sphere, with specific assessment methods:

- Non-performing loans (in "Stage 3") which have been assigned the status of bad, unlikely to pay or past due loans in compliance with the current rules of the Bank of Italy's supervisory regulations, in line with IAS/IFRS and European supervisory regulations.

The amount of the adjustment of each balance is equal to the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows.

The estimate of expected cash flows comes from assessing analytically the position of doubtful and "unlikely to pay" loans. For past due loans, the expected loss is determined by making use of statistical impairment methodologies. Any adjustments are recorded in the income statement.

The original value of loans is reinstated in subsequent periods, to the extent that the reasons for the adjustments made cease to apply, on condition that this assessment is objectively linked with events that took place subsequent to such adjustments. Any writebacks, also recorded in the income statement, cannot in any case exceed the amortised cost of the loan if the previous adjustments had not taken place.

- Ordinary loans, classified as performing loans, feed "Stage 1" and "Stage 2"; the measurement is carried out periodically in a differentiated manner, according to ECL model adopted by the BPER Banca Group, at 12 months or lifetime, respectively, the characteristics of which are summarised in paragraph "Methods for determining impairment losses - Impairment".

Forborne exposures, which by their nature can be classified as either non-performing or performing, are subject to the same valuation methods described above. If these are performing loans, the classification is in Stage 2. In the case of forborne exposures, the contractual amendments made subsequent to initial recognition generally result in changing the value of the receivable, within an impact on income statement caption 140. "Profits/losses from contractual changes without derecognition".

### *Derecognition*

Financial assets measured at amortised cost are derecognised from the balance sheet if one of the following situations occurs:

- the contractual rights to the cash flows deriving from them have expired;
- the financial asset is sold with the substantial transfer of all the risks and benefits deriving from its ownership;
- the financial asset is subject to write-off when there are no longer reasonable expectations of recovering the financial asset, also in the event of a waiver of the asset;
- the entity retains the contractual right to receive the cash flows deriving from the assets, but at the same time assumes the contractual obligation to pay the flows to a third party;
- amendments to the contract constitute "substantial" changes.

### *Recognition of components affecting the income statement*

The effect of derecognising financial assets measured at amortised cost is recognised in income statement caption "100.a) Profits (losses) on disposal or repurchase of: financial assets measured at amortised cost", in the case of disposal. The result of measurement and write-off of financial assets valued at amortised cost is recorded under caption "130. Net impairment adjustments/write-backs relating to credit risk".

### *Criteria for the classification of financial instruments in Stages*

The Stage Assignment Framework adopted contains the requirements for classifying financial instruments on the basis of the actual "deterioration" of the credit risk, in accordance 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: comprises all performing loans (originated or acquired) without any "significant increase in credit risk" (SICR) since initial recognition; the impairment adjustments reflect the expected losses that might arise on default within 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, BPER Banca and EmiRO have 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 and EmilRO have decided to use all the following available significant factors as criteria for the analysis of credit quality:

- relative quantitative criteria, represented by internal thresholds of change between the PD identified on origination of the contractual relationship and the PD at the measurement date, which - if exceeded - represent a significant increase in credit risk. In this regard, from 31 December 2021 an estimation framework has been applied in order to identify the difference in PD and the related thresholds that require reference to the Lifetime PD curves. The SICR thresholds defined differ by risk segment of the counterparty, residual duration cluster of the financial instrument and rating class on origination;
- 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;absence of rating or default status on origination of the receivable.

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 and EmilRO have decided not to adopt this practical expedient.

For information about the amendments made to the method of classifying financial assets as a consequence of Covid-19, see the earlier section entitled "Accounting estimates – Overlay approach in the measurement of credit risk".

#### *Purchased Originated Credit Impaired (POCI) financial assets*

If a credit exposure classified in caption 30 "Financial assets measured at fair value through other comprehensive income" or in caption 40 "Financial assets measured at amortised cost" at the time of initial recognition becomes impaired, it is identified as "Purchased Originated Credit Impaired (POCI)".

By convention, POCI financial assets are classified in Stage 3 on initial recognition.

Should these assets become performing, following an improvement in the creditworthiness of the counterparty, they are reclassified to Stage 2.

They can never be classified in Stage 1, as the expected credit loss must always be calculated over the residual duration.

### **3. Property, plant and equipment**

#### *Recognition*

Property, plant and equipment are recognised initially at cost that, in addition to the purchase price, includes any charges directly attributable to the purchase and commissioning of the asset.

Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement.

Lease contracts (as a lessee) are accounted for (in application of IFRS 16) on the basis of the right of use model.

At the time of initial recognition, the right-of-use amount is deemed equal to the initial lease liability, as adjusted by the following components:

- payments due for leases made on or before the effective date, net of lease incentives received;
- direct initial costs incurred by the lessee;
- the estimate of the costs that the lessee will incur for the dismantling and removal of the underlying asset and for the restoration of the site in which it is located or for the restoration of the underlying asset under the conditions set by the terms and conditions of the lease.

When the asset is made available to EmilRO for its use (initial recognition date), the related right of use is recognised.

In identifying the rights of use, EmilRO applies the "simplifications" allowed by IFRS 16, so contracts with the following characteristics are not taken into consideration:

- "short-term contracts, i.e. those with a residual life of less than 12 months;
- "low-value contracts, i.e. those with an estimated asset value of less than Euro 5,000.

The other choices made are as follows:

- with reference to the duration of the "Real estate" leases, EmilRo considers "reasonably certain" only the first renewal period, subject to contractual clauses and specific circumstances that could lead to different contractual durations being considered;
- as regards "Cars" and "Other contracts", the Company has taken advantage of the practical expedient by which the lessee is allowed not to separate the lease components from the other components, i.e. treating them as a single lease component.

### *Classification*

This aggregate includes tangible fixed assets consisting of assets used in current operations (business properties, plant, machinery, furnishings and any kind of equipment). It also includes assets arising from finance leases that have been repossessed by the Company as a result of interruption of the contract and a negotiated settlement that envisages complete closure of the customer's obligations in exchange for restitution of the assets and payment of an indemnity. This caption also includes leasehold improvements, relating to identifiable and separable property, plant and equipment.

### *Measurement*

Following initial recognition, property, plant and equipment, including right-of-use assets, are measured using the cost method, net of any depreciation and impairment losses, except for the following categories:

- owned business property (IAS 16) that, from 1 January 2021, is stated using the remeasurement method, under which properties whose fair value can be determined reliably are stated at the redetermined amount, being their fair value at the remeasurement date, net of accumulated depreciation and any accumulated impairment losses;
- investment properties (IAS 40), including right-of-use assets, that are measured retrospectively from 1 January 2020 using the fair value method, whereby all investment properties are measured at fair value and no longer depreciated or adjusted for impairment;
- properties held for sale (IAS 2) that are measured at the lower of cost or net realisable value, being the estimated selling price less expected completion costs and any other costs needed in order to finalise the sale.

Following initial recognition, the following accounting entries may be made at each reporting date in relation to business property:

- if the carrying amount has risen following the remeasurement of value, the increase is recognised in a specific revaluation reserve within shareholders' equity. However, the increase must be credited to the income statement to the extent it recovers a loss in value of the same asset that was previously charged to the income statement;

- if the carrying amount has fallen following the remeasurement of value, the decrease must be charged to the income statement. However, the decrease must be recognised in the schedule of other comprehensive income as an over valuation, to the extent there is a credit balance on the revaluation reserve for that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve within shareholders' equity.

When an IAS 16 property unit is remeasured, its carrying amount is adjusted to the restated amount by eliminating the accumulated depreciation deducted from its gross book value (elimination approach). With regard to investment property on the other hand, at each reporting date after initial recognition the income statement recognises:

- a positive component of income if the difference between fair value and carrying amount is positive;
- a negative component of income if the difference between fair value and carrying amount is negative.

Further information about how the fair value of property is determined can be found later, in the note within section A.2 of this document entitled "Information on fair value - Method and frequency of determining the fair value of owned property".

Property, plant and equipment is depreciated systematically over its useful life, determined by category of similar assets. In the case of property, the depreciation rate is decided on initial recognition of each unit and applied on a straight-line basis, except for:

- land, whether acquired separately or included in the value of buildings (excluding the value in use of the property), as it has an indefinite useful life. If the value of land is included in that of buildings, the embedded portion is considered to be separable; the value of land is separated from that of the buildings on the basis of appraisals carried out by independent experts;
- investment properties, because they are measured at fair value and not depreciated;
- artistic assets, because the useful life of a work of art cannot be estimated and its value will normally increase over time;
- assets held for sale and classified in accordance with IAS 2.

The useful life of operating assets is reviewed at the end of every year, or more frequently, and any changes with respect to the prior year are treated as a change in accounting estimate. These changes are governed by IAS 8 and, consequently, they are recognised on a prospective basis with an effect on the depreciation charged in the year of the change and in future years.

If there is evidence that the value of an asset may be impaired at each annual or interim reporting date, its carrying amount is compared with its recoverable value, being the fair value of the asset net of any selling costs or, if higher, its value in use, being the present value of the future cash flows to be generated by the asset, as described later in the note within section A.2 entitled "Method used to determine impairment losses". Any impairment losses are recognised in the income statement. Investment property is excluded from the process of determining impairment losses.

Should the reasons for the recognition of losses cease to apply, a writeback is recorded without exceeding the value that the asset would have had, net of the depreciation charges calculated without considering the previous impairment losses.

For business property that is valued using the remeasurement method, all impairment losses on a revalued asset must be treated as a reduction in the revaluation until it has been fully absorbed, after which any further differences are charged to the income statement.

### *Derecognition*

A tangible asset is derecognised from the balance sheet on disposal or when it has been permanently retired from use and no future economic benefits are expected from its disposal. When a business property is derecognised, any related valuation reserve classified in equity is transferred directly to "Reserves – Retained earnings (losses)", without passing through the income statement.



### *Recognition of components affecting the income statement*

The depreciation on a straight-line basis of assets measured at cost or fair value in accordance with IAS 16 is charged to income statement caption "Net adjustments to property, plant and equipment".

Positive adjustments on the remeasurement of business property are credited to equity caption "Valuation reserves", unless they restore a reduction in the value of the asset previously charged to the income statement (in which case, the positive adjustments are credited to income statement caption "Net result of measuring property, plant and equipment and intangible assets at fair value").

Negative adjustments on the remeasurement of business property are charged to income statement caption "Net result of measuring property, plant and equipment and intangible assets at fair value", unless they can be absorbed by any "Valuation reserve" recognised for that specific asset (in which case, the negative adjustments are recognised in equity as a reduction of the "Valuation reserve").

Any impairment adjustments or writebacks of property, plant and equipment stated on a cost or remeasurement basis are recognised in income statement caption "Net adjustments to property, plant and equipment", unless - for assets stated on a remeasurement basis - any losses can be absorbed by any valuation reserve recognised for that specific asset.

Any changes, whether positive or negative, in the fair value of investment property are recognised in income statement caption "Net result of measuring property, plant and equipment and intangible assets at fair value".

Disposal gains and losses are, on the other hand, recognised in income statement caption "Gains (Losses) on the disposal of investments".

### *Method used to determine impairment losses - Property, plant and equipment and intangible assets with a finite useful life*

With the exception of investment property, property, plant and equipment and intangible assets with a finite useful life are subjected to impairment tests if there is evidence that their carrying amounts may no longer be recoverable. Recoverable value is determined with reference to the fair value of the tangible or intangible asset net of disposal costs or, if determinable and greater, its value in use. With regard to property, plant and equipment, the impairment loss is only determined if the greater of

fair value (net of selling costs) or value in use is lower than the carrying amount recorded.

The procedures for determining fair value are described below in the note providing "Information on fair value", which highlights that impairment is only recognised following a full appraisal of the property concerned.

In order to determine a single criterion for the recognition of impairment (and not just the remeasurement of value) when market value is lower than the net carrying amount, reference thresholds have been identified to flag potential issues with the property that, if exceeded, result in the activation of supplementary appraisals or in the need for writedowns.

The following criteria are applied to select positions for analysis and for the production of adequate documentation on the sustainability of negative differences found between fair value and the net carrying amount:

- business property: no further analysis is performed if positive values emerge from comparison of the overall value of the property (land/sky and otherwise), or if any negative differences are within 10% of the net carrying amount. If negative differences exceed that limit, a further check is carried out to determine if they are less than 5 years of depreciation;
- special complexes: the appraisal must be carried out by experts and submitted to the Board of Directors for a specific decision.

Any writedowns are made to reflect the overall market value of the complex, giving priority to the building component.

As with owned business properties, the right-of-use assets recognised in relation to leased business properties (IFRS 16) are checked periodically for impairment, having regard for their forecast usage (decided branch closures and related contractual amendments made) and relevant market indications with respect to future rental costs.

In order to determine the fair value of owned property, the BPER Banca Group uses an experienced appraisal firm to prepare valuations for all Group companies.

The mandate granted to this external appraisal firm establishes the procedures for estimating fair value, based on the characteristics, business usage and potential uses of each property, including:

- *comparative method:*

the value of the property is determined by comparison with the current market prices for similar properties (comparables), as adjusted to reflect the special features of the property to be valued with respect to those of the comparables;

- *discounted cash flow (DCF) method:*

the value of the property is determined by discounting the cash flows expected from the rental contracts and/or sales proceeds, net of the related ownership costs; the procedure uses an appropriate discount rate that considers in detail the inherent risks associated with the property concerned;

- *transformation method:*

the transformation value is the market value of the asset following its transformation for the uses envisaged in the town planning regulations. The transformation value is obtained by determining the final market value of the property after transformation and deducting the transformation costs to be incurred, having regard for the risk component linked to the time required to complete the work and property market trends.

For investment properties, each year the Group also asks an experienced firm for a "desktop" assessment of their fair value, based on the average prices for comparable properties without any on-site inspections. Solely for properties worth more than Euro 1 million, or in the case of major differences in value with respect to the prior year (differences greater than 10%), the Group requests an experienced firm to make a full appraisal, determining fair value with reference to all information about the property, including that obtained from a physical inspection. For business properties, the Group carries out an annual "desktop" update of their valuations. A full appraisal is only requested for property units whose carrying amount at the valuation date is significantly different to the "desktop" estimate of their fair value.

In particular, the difference is significant if the comparison between "desktop" fair value and carrying amount identifies:

- a positive difference of more than 10%; or:
- a negative difference of more than 10% with, at the same time, satisfaction of the parameters described in the note on "Method used to determine impairment losses" (highlighting the need for a full appraisal in order to recognise impairment). If the negative difference exceeds 10%, but is lower than the thresholds for the recognition of impairment, the value of the property is remeasured with reference to the "desktop" valuation.

When determining fair value and useful life, the external valuer takes into account any and all special maintenance costs (e.g. costs incurred to expand, modernise or improve the structural elements of the property unit).

#### **4. Intangible assets**

##### *Recognition*

Intangible assets other than goodwill are initially recognised at cost, as represented by the purchase price paid plus any directly-related costs incurred to obtain use of the assets concerned. Goodwill may be recognised as an intangible asset when the positive difference between the acquisition cost of an equity interest (including related charges) and the fair value of the net assets acquired, including those identified as part of the Purchase Price Allocation (PPA), is representative of the investee's ability to generate income in the future (goodwill). If the difference is negative (badwill) or the goodwill is not justified by the investee's ability to generate income in the future, the difference is recognised in the income statement.

### *Classification*

This aggregate includes intangible factors of production of long-term utility with a limited or unlimited duration, represented in particular by software and goodwill.

Intangible assets include intangible factors of production that benefit several years, whose cost can be measured reliably, providing they involve elements that are:

- identifiable, i.e. legally protected or traded separately from other corporate assets;
- controlled by the Company;
- able to generate future economic benefits.

### *Measurement*

Intangible assets of limited duration are carried at cost, net of accumulated amortisation and any impairment losses. The period of amortisation corresponds to the estimated useful life of the assets and is charged over time on a straight-line basis, with the exception of land, as it has an indefinite useful life.

Subjecting assets of limited duration to amortisation involves systematically charging portions of cost to the income statement over the residual useful life of the assets:

- 1) the duration of amortisation schedules corresponds to the period of time between the moment when the assets are available for use and the moment when it is expected that they will no longer be used;
- 2) straight-line depreciation rates are used;
- 3) periodically assets are reviewed to see if substantial changes have taken place in their original condition that would make it necessary to amend the initial amortisation schedules.

If there is any indication of impairment, intangible assets are subjected to an impairment test. The impairment loss, expensed to income, is the difference between the carrying value of an asset and its recoverable amount.

Intangible assets with an indefinite life, such as goodwill, are not amortised and are tested for impairment at the reporting date.

### *Derecognition*

Intangible assets are derecognised upon disposal or when no future economic benefits are expected.

### *Recognition of components affecting the income statement*

Amortisation charges and any impairment adjustments or recoveries, other than in relation to goodwill, are recognised in income statement caption "Net adjustments to intangible assets".

Disposal gains and losses are, on the other hand, recognised in income statement caption "Gains (Losses) on the disposal of investments".

Impairment losses on goodwill are recognised in income statement caption "Impairment losses on goodwill".

## **5. Other assets and liabilities**

This caption includes assets and liabilities not attributable to other asset or liability captions in the balance sheet. This includes, among other things, receivables from the provision of goods and services of a non-financial nature, as well as tax items other than those identified under "Tax assets/liabilities".

Other assets and liabilities are generally measured at their nominal value.

## **6. Current and deferred taxation**

This caption includes tax items recognised in accordance with IAS 12.

Taxes for the year were determined by applying the regulations in force at 31 December 2021.

Deferred tax assets and liabilities are recorded following the positive outcome of the probability test required by IAS 12 relating to temporary changes and tax losses. The time horizon used for the forecasts is five years: 2022-2026.

#### *Recognition*

Current and deferred taxes are calculated in accordance with current Italian tax legislation and recognised on an accrual basis to match the costs and revenues that generated them, applying the tax rates currently in force. Deferred tax assets and liabilities are determined on the basis of temporary differences (without time limits) between the value attributed to an asset or a liability according to statutory criteria and the corresponding amounts used for tax purposes. On account of the fact that the Company has opted to be a member of the domestic tax group, deferred tax assets are recognised to the extent that it is probable that they will be recovered on the basis of the Company's and the Group's ability to continue generating positive taxable income.

#### *Classification*

Current taxes include advances paid, tax credits for withholding taxes paid and those for which reimbursement has been requested to the pertinent Tax Authorities (current assets) and amounts still to be paid (current liabilities) on income taxes due for the period.

Deferred taxes represent the income taxes recoverable in future periods as a result of deductible temporary differences (deferred tax assets), and the income taxes payable in future periods as a result of taxable temporary differences (deferred tax liabilities).

#### *Measurement*

Current taxes, for the current year and for prior years, have to be determined at the amount expected to be paid or recovered from the tax authorities, applying the tax rates and fiscal legislation currently in force.

Deferred taxes must be accounted for using the tax rates that are expected to apply in the period when the tax asset will be realised or the tax liability settled, based on the tax rates and fiscal legislation currently in force.

The valuation of deferred tax items has to reflect the fiscal consequences that derive from the way in which the company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

#### *Recognition of components affecting the income statement*

The contra-entry for the tax assets and liabilities goes to the income statement caption "Income taxes for the year on current operations", except for those attributable to equity as they derive from situations or transactions whose results directly affected equity.

## **7. Financial liabilities valued at amortised cost**

#### *Recognition*

These liabilities are initially recognised at their fair value, usually corresponding to the amount collected or the issue price, plus any additional costs/proceeds directly attributable to the individual funding transaction or issue.

This caption includes:

- due to banks;
- due to customers;
- lease liabilities.

In relation to lease payables, on the effective date the lessee has to assess the lease payable at the present value of the payments due for the lease not already paid at that date. The payments due for the lease are discounted

using the implicit interest rate of the lease, where it is possible to determine it, otherwise at the incremental borrowing rate, which the BPER Banca Group has identified as its funds transfer rate (FTR).

The future payments to be considered in determining the lease payable are:

- fixed payments, net of any lease incentives to be received;
- variable payments due for leasing that depend on an index or a rate;
- amounts that are expected to be paid by the lessee as guarantees of the residual value;
- the exercise price of the purchase option, if the lessee has a reasonable certainty of exercising the option;
- lease penalty payments, if the lease term takes into account the exercise of the lease termination option by the lessee.

#### *Classification*

This portfolio includes payables, whatever their technical form, other than those included in "Financial liabilities held for trading" and "Financial liabilities designated at fair value through profit or loss" Payables relating to the provision of financial activities and services as defined by the CBA and the CFA are included. They represent amounts due to banks, financial institutions and customers that constitute the type of funding (regardless of their contractual form). This caption also includes amounts due to assignors for receivables acquired without recourse, if all the risks and rewards have been transferred, for the part of the consideration that has not yet been paid to the assignor.

#### *Measurement*

After initial recognition at fair value, financial liabilities are subsequently carried at amortised cost. The amortised cost method is not used for short-term financial liabilities as the effect of discounting is considered negligible; they continue to be measured at the amount collected and any costs are charged to the income statement. Amendments to the contractual conditions of the medium-long term items (also including lease payables) will entail the adjustment of the book value based on discounting the flows envisaged by the contract modified to the original effective interest rate, without prejudice to the changes made to lease payables which, as indicated by IFRS 16, involve the use of the updated rate (for example: a modification of the lease term or a change in the rental amount).

#### *Derecognition*

Financial liabilities are derecognised when they expire or are extinguished. Previously-issued securities are also derecognised when repurchased.

The difference between the carrying amount of the liability and the amount paid to repurchase it is recorded in the income statement.

#### *Recognition of components affecting the income statement*

Interest and similar expense deriving from financial liabilities are recognised in the income statement in caption "20. Interest and similar expense".

## **8. Foreign currency transactions**

#### *Recognition and measurement*

On initial recognition, foreign currency transactions are recorded in the reporting currency, by translating the foreign currency amounts using the exchange rates prevailing on the transaction dates. Subsequently, assets and liabilities denominated in foreign currencies are adjusted to the exchange rate at the balance sheet date.

### *Classification*

All transactions involving assets and liabilities not denominated in Euro are classified as foreign currency transactions.

### *Derecognition*

The criteria applying to the balance sheet captions concerned are used. The exchange rate applying on the settlement date is used.

### *Recognition of components affecting the income statement*

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the income statement for the period in which they arise (under "Net trading income").

## **9. Provision for termination indemnities**

### *Recognition*

The provision for termination indemnities is recorded on the basis of its actuarial value, as indicated in IAS 19 Revised.

Advances paid as per Law 297/1982 are charged against the provision. The amounts which employees have asked to be transferred to the Company's pension fund are charged against the provision, as established by the regulations of the Bank of Italy.

### *Classification*

Pursuant to Law no. 296 dated 27 December 2006 (2007 Finance Law):

- the termination indemnities accruing from 1 January 2007 are considered a defined-contribution plan for which no actuarial calculations are required;
- the termination indemnities already accrued at the dates indicated above, on the other hand, continue to be treated as a defined-benefit plan, even though the benefits have already been earned. As a consequence, the actuarial value of the liability must be redetermined at every accounting date subsequent to 31 December 2006.

The provision for termination indemnities is classified separately as a liability, while other post-employment benefits and other long-term benefits are classified among the provisions for risks and charges.

### *Measurement*

The provision for employee termination benefits is measured using the "Projected Unit Credit Method" applied by an independent actuary; this method involves projecting future outlays based on historical statistical analysis of the demographic curve and the present value of those cash flows discounted at a market interest rate.

### *Derecognition*

The payables are derecognised on termination of the employment relationship.

### *Recognition of components affecting the income statement*

Service costs are recorded as payroll costs, together with the related interest costs.

Actuarial gains and losses (remeasurements) relating to post-employment, defined benefit plans are recorded in shareholders' equity in the year they are identified. These actuarial gains and losses are reported in the Statement of comprehensive income, as required by IAS 1. The actuarial gains and losses (remeasurements) relating to other

long-term benefits are recognised in full as part of payroll costs in the year in which they arise. Expense and income relating to seconded personnel is recorded in caption 110 a) "Payroll costs".

In accordance with IAS 19 and 37, amounts relating to collective bargaining manoeuvres as a consequence of framework agreements entered into with the trade unions, which normally provide for redundancy incentives or a solidarity fund, are recognised upon the execution of the agreement. The expense is recognised in profit or loss as payroll costs with a contra entry to Provisions for risks and charges.

## **10. Provisions for risks and charges**

### *Recognition*

Provisions for risks and charges are charged to the income statement and recognised as liabilities in the balance sheet if the following conditions are met:

- there is a present current, legal or constructive obligation based on a past event;
- there is a likelihood that the obligation will be onerous;
- the loss associated with the liability can be reliably estimated.

As a source of only potential and unlikely liabilities, no provision is recognised, but information is provided on existing risks.

### *Classification*

This caption includes the provisions relating to long-term benefits and post-employment benefits governed by IAS 19 and the "Provisions for risks and charges" dealt with in IAS 37. The sub-caption "commitments and guarantees granted" includes provisions for credit risk in connection with commitments to disburse loans and financial guarantees given that are subject to IFRS 9 impairment rules and provisions for other commitments and other guarantees that are not subject to IFRS 9 impairment rules.

### *Measurement*

Provisions are recorded at management's best estimate of the amount required to settle the obligation, or to transfer it to a third party at the end of the period.

When the effect of the passage of time is significant and the payment dates of the obligations can be reliably estimated, the provision is discounted at the market rate prevailing at the balance sheet date.

### *Derecognition*

Provisions are used only to cover the charges for which they were originally recorded. If it is no longer deemed likely that settling the obligation will require an outflow of resources, the provision is reversed through the income statement.

### *Recognition of components affecting the income statement*

Write-downs and write-backs of commitments and guarantees granted are recorded in caption "Net provisions for risks and charges – commitments and guarantees granted". Provisions for risks and charges and the related write-backs, including the effects of the passage of time, are classified in caption "Net provisions for risks and charges – Other net provisions" of the income statement. Provisions are made on the basis of the best estimate of the amount that the company would reasonably pay to settle the obligation or to transfer it to third parties at the balance sheet date. When the financial effect of time is significant and the payment dates of obligations can be reliably estimated, the provision is calculated by discounting the expected future cash flows taking into account the risks associated with the obligation; the increase in the provision due to the passage of time is recognised in the income statement.

## Cash and cash equivalents

Cash and cash equivalents include cash on hand, i.e. those items that meet the requirements of availability on demand or at very short term, with no collection problems and no collection expenses.

For the purposes of the cash flow statement, cash and cash equivalents include the positive or negative balances on the Company's bank accounts at the periods end.

## 11. Other information

In addition to the details provided above in relation to the principal captions (Recognition of components of affecting the income statement), revenue from contracts with customers is, as envisaged in IFRS 15, recognised as the consideration to which the Company expects to be entitled in exchange for the transfer of goods and services to the customer. Revenue can be recognised as follows:

- at a specific point in time, when the entity satisfies its performance obligation by transferring the promised goods or services to the customer, or
- over time, as the entity satisfied its performance obligation by transferring the promised goods or services to the customer.

In this regard, the goods are transferred when, or during the period in which, control over them is passed to the customer.

The transaction price is the amount to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding any amounts collected on behalf of third parties (e.g. sales taxes). When determining the transaction price, the Company takes account of the contract terms and past customary business practices, including all of the following elements, where applicable:

- variable consideration, if it is highly probable that the amount will not be adjusted in future;
- restrictions on the estimates of variable consideration;
- existence of a significant funding component in the contract;
- non-monetary consideration;
- consideration payable to the customer.

The Company has identified types of revenue from services provided to customers that are all included in income statement caption 40. "Commission income"; information about the breakdown of revenues, about how the performance obligation is satisfied and about the existence of any variable consideration and how it is estimated, as well as the additional information required by IFRS 15 is contained in the explanatory notes to the annual financial report.

The Company has not identified significant situations with regard to:

- consideration relating different performance obligations towards customers;
- costs incurred and deferred in order to obtain and perform contracts with customers.

Other types of revenue, such as interest and dividends, are recognised using the following criteria:

- interest on instruments measured at amortised costs is recognised using the effective interest method;
- dividends are recognised when the right of the shareholders to receive payment is established.

### Income statement: Costs

In addition to the details provided above in relation to the principal captions (Recognition of components of affecting the income statement), costs are recognised in the income statement on an accruals basis; as mentioned, no identified costs have been incurred to obtain and perform contracts with customers, which should be recognised in the income statement in a manner that matches the related revenue.



Marginal costs and revenues, directly attributable to the acquisition of a financial asset or the issue of a financial liability measured at amortised cost, are recognised in the income statement together with the interest on the related financial asset or liability, determined using the effective interest method.

## **A.2 Information on transfer of financial asset portfolios**

As regards the requirements of IFRS 7, there have not been any transfers of financial assets between portfolios.

## **A.4 Information on fair value**

### **Qualitative information**

#### **A.4.1 – Fair value level 2 and 3: measurement techniques and input used.**

The fair value is defined as the amount at which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

According to IFRS 13 the existence of published price quotations in an active market is the best evidence of fair value and, when they exist, they are used to measure the financial asset or financial liability. A financial instrument is regarded as quoted in an active market if prices are readily and regularly available from an exchange and represent actual market transactions that take place regularly in normal market negotiations.

If the market for a financial instrument is not active, the fair value is determined using estimates and valuations that take into account all of the risk factors related to the instruments that are based on observable market data, such as: methods based on the valuation of listed instruments with similar characteristics, the present values of expected cash flows and values recorded in recent comparable transactions in order to adequately reflect the market price of the financial instrument at the measurement date.

For assets and liabilities recognised in the balance sheet at cost or amortised cost, maturing in the short term or indefinitely, we consider that the carrying amount, net of collective/analytical writedowns, represents a good approximation of fair value.

In the fair value hierarchy, these receivables are ranked third level as the contractual agreements arise from agreements made on each occasion by the parties and therefore not observable in the marketplace.

Financial debts also take on the characteristic of short-term liabilities, whose fair value corresponds to the value of the sums or funds received by the Company.

The Company classifies its financial assets and liabilities by decreasing degree of fair value quality on the basis of the following principles:

- Fair value Level 1. Measurement is based on the price of the financial instrument concerned, being a quoted price in an active market.
- Fair value Level 2. Measurement is not based on quoted prices in active markets for the financial instrument concerned, but on meaningful prices obtained from non-active markets or reliable infoprovers, or on prices determined using an appropriate valuation technique largely based on observable market parameters, including credit spreads, derived from quotations of instruments that are substantially similar in terms of risk factors considered. The objective of the use of valuation techniques is to reaffirm the aim of obtaining a closing price at the valuation date from the point of view of a market participant that holds the financial instrument.
- Fair value Level 3. Measurement is based on various inputs that include subjective parameters, that is, parameters whose value cannot be derived from quoted prices observable in active markets. Since the

parameters are not observable directly in the market, it follows that the valuer is required to make estimates and assumptions.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. In accordance with Group guidelines, the Company has established:

- the analyses to be performed in the event of changes in valuation techniques used to measure fair value;
- the policy for determining when transfers between fair value hierarchy levels are deemed to have occurred and which is constantly adhered to.

As a general principle, to be allocated to Level 1 of the fair value hierarchy, if there is a quoted price in an active market for an asset or a liability, that price should be used without adjustment when measuring fair value. In fact, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

An allocation to Levels 2 and 3 depends on how the inputs used for the fair value measurement of an asset or liability are categorised within different levels of the fair value hierarchy: in those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assessing the significance of a particular input to the entire measurement requires judgement, taking into account factors specific to the asset or liability.

The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques.

## Quantitative information

### A.4.5 – Fair value hierarchy

#### A.4.5.1 – Assets and liabilities valued at fair value on a recurring basis: breakdown by level of fair value.

|  | 31.12.2021 |    |       | 31.12.2020 |    |     |
|--|------------|----|-------|------------|----|-----|
| Assets/liabilities measured at fair value                                | L1         | L2 | L3    | L1         | L2 | L3  |
| 1. Financial assets designated at fair value through profit or loss      |            |    |       |            |    |     |
| a) financial assets held for trading                                     |            |    |       |            |    |     |
| b) financial assets designated at fair value through profit or loss      |            |    |       |            |    |     |
| c) other financial assets mandatorily measured at fair value             |            |    |       |            |    |     |
| 2. Financial assets measured at fair value through comprehensive income  | 1,618      |    | 10    | 1,631      |    | 45  |
| 3. Hedging derivatives   |            |    |       |            |    |     |
| 4. Property, plant and equipment   |            |    | 1,811 |            |    | 699 |
| 5. Intangible assets   |            |    |       |            |    |     |
| <b>Total</b>   | 1,618      | -  | 1,821 | 1,631      | -  | 744 |
| 1. Financial liabilities held for trading                                |            |    |       |            |    |     |
| 2. Financial liabilities designated at fair value through profit or loss |            |    |       |            |    |     |
| 3. Hedging derivatives   |            |    |       |            |    |     |
| <b>Total</b>   |            |    |       |            |    |     |

**Key:** L.1=Level 1 L.2=Level 2; L.3=Level 3.

#### A.4.5.2 – Change in year in assets measured at fair value on a recurring basis (Level 3)

|   | Financial assets measured at fair value through profit or loss |  |   |  | Financial assets measured at fair value through comprehensive income | Hedging derivatives | Property, plant and equipment | Intangible assets |
|---|--|--|---|--|--|---------------------|-------------------------------|-------------------|
|   | Total  | of which: a) financial assets held for trading | of which: b) financial assets designated at fair value through profit or loss | of which: c) financial assets mandatorily measured at fair value |  |                     |                               |                   |
| <b>1 Opening balance</b>                        |  |  |   |  | <b>45</b>  |                     | <b>699</b>                    |                   |
| <b>2 Increases</b>                              | -  | -  | -   | -  | -  | -                   | <b>1,992</b>                  | -                 |
| 2.1. Purchases                                  |  |  |   |  |  |                     |                               |                   |
| 2.2. Profits recognised in:                     | -  | -  | -   | -  | -  | -                   | -                             | -                 |
| 2.2.1 Income statement of which: capital gains  |  |  |   |  |  |                     |                               |                   |
| 2.2.2 Shareholders' equity                      |  |  |   |  |  |                     |                               |                   |
| 2.3 Transfers from other levels                 |  |  |   |  |  |                     |                               |                   |
| 2.4 Other increases                             |  |  |   |  |  |                     | 1992                          |                   |
| <b>3 Decreases</b>                              | -  | -  | -   | -  | <b>35</b>  | -                   | <b>880</b>                    | -                 |
| 3.1. Sales                                      |  |  |   |  | 25   |                     | 360                           |                   |
| 3.2. Redemptions                                |  |  |   |  |  |                     |                               |                   |
| 3.3 Losses recognised in:                       | -  | -  | -   | -  | 10   | -                   | 520                           | -                 |
| 3.3.1 Income statement of which: capital losses |  |  |   |  |  |                     | 520                           |                   |
| 3.3.2 Shareholders' equity                      |  |  |   |  | 10   |                     | 65                            |                   |
| 3.4 Transfers from other levels                 |  |  |   |  |  |                     |                               |                   |
| 3.5 Other decreases                             |  |  |   |  |  |                     |                               |                   |
| <b>4. Closing balance</b>                       | -  | -  | -   | -  | 10   | -                   | 1,811                         | -                 |

**A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a not recurring basis: breakdown by level of fair value.**

| Assets and liabilities not measured at fair value or measured at fair value on a not recurring basis | 31.12.2021       |          |          |                  | 31.12.2020       |          |          |                  |
|--|------------------|----------|----------|------------------|------------------|----------|----------|------------------|
|  | CA               | L1       | L2       | L3               | CA               | L1       | L2       | L3               |
| 1. Financial assets measured at amortised cost   | 1.258.155        |          |          | 1.258.155        | 1.055.114        |          |          | 1.055.114        |
| 2. Investment property   |                  |          |          | -                |                  |          |          | -                |
| 3. Non-current assets and disposal groups held for sale  |                  |          |          |                  |                  |          |          |                  |
| <b>Total</b>   | <b>1.258.155</b> | <b>-</b> | <b>-</b> | <b>1.258.155</b> | <b>1.055.114</b> | <b>-</b> | <b>-</b> | <b>1.055.114</b> |
| 1. Financial liabilities measured at amortised cost  | 1.079.179        |          |          | 1.079.179        | 864.254          |          |          | 864.254          |
| 2. Liabilities associated with non-current assets held for sale                                      |                  |          |          |                  |                  |          |          |                  |
| <b>Total</b>   | <b>1.079.179</b> | <b>-</b> | <b>-</b> | <b>1.079.179</b> | <b>864.254</b>   | <b>-</b> | <b>-</b> | <b>864.254</b>   |

**Key:**

CA = carrying amount

L1 = level 1

L2 = level 2

L3 = level 3

The fair value of receivables and payables is assumed to equate to their carrying amount, since they relate to transactions that are almost entirely short term.

**A.5 Information on "Day one profit/loss"**

As defined in para. 28 of IFRS 7, the Company has not arranged any transactions that have given rise to the recognition of a "day one profit/loss".

## PART B – INFORMATION ON THE BALANCE SHEET

### ASSETS

#### SECTION 1 – CASH AND CASH EQUIVALENTS – CAPTION 10

##### Cash and cash equivalents: breakdown

| Breakdown |  | 31.12.2021 | 31.12.2020 |
|-----------|--|------------|------------|
| 1.        | Cash and stamps                              | 1          | 1          |
| 2.        | Bank current accounts and deposits on demand | 2,349      | 609        |
| Total     |  | 2,350      | 610        |

The amount for the prior year has been reclassified to include the demand liquidity held in bank accounts, as envisaged in IAS 8 to ensure comparability with the current year.

#### SECTION 3 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH COMPREHENSIVE INCOME – CAPTION 30

##### 3.1 Financial assets measured at fair value through comprehensive income: breakdown by product

| Captions/Amounts             | Total 31.12.2021 |    |    | Total 31.12.2020 |    |    |
|------------------------------|------------------|----|----|------------------|----|----|
|                              | L1               | L2 | L3 | L1               | L2 | L3 |
| <b>1. Debt securities</b>    | <b>1,618</b>     |    |    | <b>1,631</b>     |    |    |
| 1.1 structured securities    |                  |    |    |                  |    |    |
| 1.2 other debt securities    | 1,618            |    |    | 1,631            |    |    |
| <b>2. Equity instruments</b> |                  |    | 10 |                  |    | 45 |
| <b>3. Loans</b>              |                  |    |    |                  |    |    |
| Total                        | 1,618            | -  | 10 | 1,631            |    | 45 |

##### Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Financial assets through comprehensive income are valued at fair value according to the methods indicated in Part A of these explanatory notes.

Debt securities consist of CCTs maturing on 15.02.2024 and BTPs maturing on 01.08.2022 (purchased on 23.05.2017 and 22.11.2017, respectively). These securities are held by the Company to comply with the provisions of Decree Law no. 29 of 17.2.2009 on financial intermediaries on the special list of those that carry on the business of issuing guarantees to the public.

Subcaption 2 "Equity instruments" relates to the 2015 investment in BPER Credit Management Soc. Consortile per azioni, formed on 22 December 2015 with a share capital of Euro 1 million, in which BPER Factor holds a 1% interest with a nominal value of Euro 10 thousand.

The investment in Emil-Ro Service S.r.l. was sold on 21.07.2021 for Euro 25 thousand.

### 3.2 Financial assets measured at fair value through comprehensive income: breakdown by debtor/issuer

|   | Total 31.12.2021 | Total 31.12.2020 |
|---|------------------|------------------|
| 1. <b>Debt securities</b>                                     |                  |                  |
| a) Public administration                                      | 1,618            | 1,631            |
| b) Banks  |                  |                  |
| c) Other financial companies<br>of which: insurance companies |                  |                  |
| d) Non-financial companies                                    |                  |                  |
| 2. <b>Equity instruments</b>                                  |                  |                  |
| a) Public administration                                      |                  |                  |
| b) Banks  |                  |                  |
| c) Other financial companies<br>of which: insurance companies |                  |                  |
| d) Non-financial companies                                    | 10               | 45               |
| 3. <b>Loans</b>   |                  |                  |
| a) Public administration                                      |                  |                  |
| b) Banks  |                  |                  |
| c) Other financial companies<br>of which: insurance companies |                  |                  |
| d) Non-financial companies                                    |                  |                  |
| e) Households   |                  |                  |
| <b>Total</b>  | <b>1,628</b>     | <b>1,676</b>     |

### 3.3 Financial assets measured at fair value through comprehensive income: gross value and total adjustments

|                            | Gross value  |  |          |          |                                 | Total writedowns |          |          |                                 | Total partial write-offs (*) |
|----------------------------|--------------|--|----------|----------|---------------------------------|------------------|----------|----------|---------------------------------|------------------------------|
|                            | Stage 1      | of which: instruments with low credit risk | Stage 2  | Stage 3  | Impaired acquired or originated | Stage 1          | Stage 2  | Stage 3  | Impaired acquired or originated |                              |
| Debt securities            | 1,619        |  |          |          |                                 | 1                |          |          |                                 |                              |
| Loans                      |              |  |          |          |                                 |                  |          |          |                                 |                              |
| <b>Total 31.12.2021</b>    | <b>1,619</b> | <b>-</b>                                   | <b>-</b> | <b>-</b> | <b>-</b>                        | <b>1</b>         | <b>-</b> | <b>-</b> | <b>-</b>                        | <b>-</b>                     |
| <b>Total at 31.12.2020</b> | <b>1,632</b> | <b>-</b>                                   | <b>-</b> | <b>-</b> | <b>-</b>                        | <b>1</b>         |          |          | <b>-</b>                        |                              |
|                            |              |  |          |          |                                 |                  |          |          |                                 |                              |

(\*) Value to be shown for disclosure purposes

#### 3.3a Loans measured at fair value through comprehensive income object of support measures against Covid-19: gross value and total writedowns

At the reporting date, there are no loans subject to moratoria or other concessions intended to provide Covid-19 support. Those outstanding at 31.12.2020, of modest amount and reported in the financial statements at that date, all expired prior to 31.12.2021.

## SECTION 4 – FINANCIAL ASSETS MEASURED AT AMORTISED COST – CAPTION 40

This section shows receivables net of impairment losses and are classified by type of counterparty.

"Other loans and receivables" include the amounts accrued from maturity transactions (*extended credit terms granted to assigned debtors*) and receivables purchased but not eligible for inclusion under Law 52/91.

### 4.1 Financial assets measured at amortised cost: breakdown by product of amounts due from banks

| Breakdown                           | 31.12.2021    |         |                                 |            |    |       | 31.12.2020    |         |                                 |            |    |       |
|-------------------------------------|---------------|---------|---------------------------------|------------|----|-------|---------------|---------|---------------------------------|------------|----|-------|
|                                     | Book value    |         |                                 | Fair value |    |       | Book value    |         |                                 | Fair value |    |       |
|                                     | Stage 1 and 2 | Stage 3 | Impaired acquired or originated | L1         | L2 | L3    | Stage 1 and 2 | Stage 3 | Impaired acquired or originated | L1         | L2 | L3    |
| <b>1. Deposits held to maturity</b> |               | -       |                                 |            |    |       | -             | -       |                                 |            |    | -     |
| <b>2. Current accounts</b>          |               |         |                                 |            |    |       |               |         |                                 |            |    |       |
| <b>3. Loans</b>                     | 1,785         |         |                                 |            |    | 1,785 | 7,270         |         |                                 |            |    | 7,270 |
| 2.1 R                               |               |         |                                 |            |    |       |               |         |                                 |            |    |       |
| 2.2 Lease loans                     |               |         |                                 |            |    |       |               |         |                                 |            |    |       |
| 2.3 Factoring                       | 1,785         | -       |                                 |            |    | 1,785 | 7,270         | -       |                                 |            |    | 7,270 |
| - with recourse                     | -             |         |                                 |            |    | -     | -             |         |                                 |            |    | -     |
| - without recourse                  | 1,785         |         |                                 |            |    | 1,785 | 7,270         |         |                                 |            |    | 7,270 |
| 2.4 Other loans                     |               |         |                                 |            |    |       |               |         |                                 |            |    |       |
| <b>4. Debt securities</b>           |               |         |                                 |            |    |       |               |         |                                 |            |    |       |
| 3.1 structured securities           |               |         |                                 |            |    |       |               |         |                                 |            |    |       |
| 3.2 other debt securities           |               |         |                                 |            |    |       |               |         |                                 |            |    |       |
| <b>5. Other assets</b>              |               |         |                                 |            |    |       |               |         |                                 |            |    |       |

**Key:** L1= level 1; L2 = level 2; L3 = level 3.

There are no non-performing positions reclassified to "Due from banks".

The amount for the prior year reflects the reclassification to asset caption 10 *Cash and cash equivalents* of the demand current and deposit accounts with banks, Euro 609 thousand, as envisaged in the current regulations applicable to financial companies.

4.2 Financial assets measured at amortised cost: breakdown by product of receivables from financial companies

| Breakdown                 | 31.12.2021    |          |                                 |            |    |               | 31.12.2020    |          |                                 |            |    |               |
|---------------------------|---------------|----------|---------------------------------|------------|----|---------------|---------------|----------|---------------------------------|------------|----|---------------|
|                           | Book value    |          |                                 | Fair value |    |               | Book value    |          |                                 | Fair value |    |               |
|                           | Stage 1 and 2 | Stage 3  | Impaired acquired or originated | L1         | L2 | L3            | Stage 1 and 2 | Stage 3  | Impaired acquired or originated | L1         | L2 | L3            |
| <b>1. Loans</b>           | <b>84,542</b> | <b>-</b> |                                 |            |    | <b>84,542</b> | <b>33,394</b> | <b>-</b> |                                 |            |    | <b>33,394</b> |
| 1.1 Repurchase agreements |               |          |                                 |            |    |               |               |          |                                 |            |    |               |
| 1.2 Lease loans           |               |          |                                 |            |    |               |               |          |                                 |            |    |               |
| 1.3 Factoring             | 84,542        | -        |                                 |            |    | 84,542        | 33,394        | -        |                                 |            |    | 33,394        |
| - with recourse           | 84,542        |          |                                 |            |    | 84,542        | 33,394        |          |                                 |            |    | 33,394        |
| - without recourse        |               |          |                                 |            |    |               |               |          |                                 |            |    |               |
| 1.4 Other loans           |               |          |                                 |            |    |               |               |          |                                 |            |    |               |
| <b>2. Debt securities</b> |               |          |                                 |            |    |               |               |          |                                 |            |    |               |
| 2.1 structured securities |               |          |                                 |            |    |               |               |          |                                 |            |    |               |
| 2.2 other debt securities |               |          |                                 |            |    |               |               |          |                                 |            |    |               |
| <b>3. Other assets</b>    |               |          |                                 |            |    |               |               |          |                                 |            |    |               |
| <b>Total</b>              | <b>84,542</b> | <b>-</b> | <b>-</b>                        |            |    | <b>84,542</b> | <b>33,394</b> | <b>-</b> | <b>-</b>                        |            |    | <b>33,394</b> |



#### 4.3 Financial assets measured at amortised cost: breakdown by product of receivables from customers

| Breakdown   | Total 31.12.2021 |               |                                 |            |    |                  | Total 31.12.2020 |              |                                 |            |    |                  |
|---|------------------|---------------|---------------------------------|------------|----|------------------|------------------|--------------|---------------------------------|------------|----|------------------|
|   | Book value       |               |                                 | Fair value |    |                  | Book value       |              |                                 | Fair value |    |                  |
|   | Stage 1 and 2    | Stage 3       | Impaired acquired or originated | L1         | L2 | L3               | Stage 1 and 2    | Stage 3      | Impaired acquired or originated | L1         | L2 | L3               |
| <b>1. Loans</b>   | <b>1,121,266</b> | <b>50,561</b> |                                 |            |    | <b>1,171,827</b> | <b>1,006,056</b> | <b>8,392</b> |                                 |            |    | <b>1,014,448</b> |
| 1.1. Lease loans  | 1,284            | 2,330         |                                 |            |    | 3,614            | 1,370            | 4,525        |                                 |            |    | 5,895            |
| of which: without purchase option                           |                  |               |                                 |            |    |                  |                  |              |                                 |            |    |                  |
| 1.2. Factoring  | 1,108,900        | 48,225        |                                 |            |    | 1,157,125        | 995,922          | 3,865        |                                 |            |    | 999,787          |
| - with recourse   | 621,753          | 47,107        |                                 |            |    | 668,860          | 542,535          | 3,312        |                                 |            |    | 545,847          |
| - without recourse  | 487,147          | 1,118         |                                 |            |    | 488,265          | 453,387          | 553          |                                 |            |    | 453,940          |
| 1.3. Consumer credit  |                  |               |                                 |            |    | -                |                  |              |                                 |            |    | -                |
| 1.4. Credit cards   |                  |               |                                 |            |    |                  |                  |              |                                 |            |    |                  |
| 1.5. Pledged loans  |                  |               |                                 |            |    |                  |                  |              |                                 |            |    |                  |
| 1.6. Loans granted in relation to payment services provided |                  |               |                                 |            |    |                  |                  |              |                                 |            |    |                  |
| 1.7. Other loans  | 11,082           | 6             |                                 |            |    | 11,088           | 8,764            | 2            |                                 |            |    | 8,766            |
| of which: enforcement of guarantees and commitments         |                  |               |                                 |            |    |                  |                  |              |                                 |            |    |                  |
| <b>2. Debt securities</b>                                   | <b>-</b>         |               |                                 |            |    |                  |                  |              |                                 |            |    |                  |
| 2.1. Structured securities                                  |                  |               |                                 |            |    |                  |                  |              |                                 |            |    |                  |
| 2.2. Other debt securities                                  |                  |               |                                 |            |    |                  |                  |              |                                 |            |    |                  |
| <b>3. Other assets</b>                                      | <b>1</b>         |               |                                 |            |    | <b>1</b>         | <b>1</b>         |              |                                 |            |    | <b>1</b>         |
| Total   | <b>1,121,267</b> | <b>50,561</b> |                                 |            |    | <b>1,171,828</b> | <b>1,006,057</b> | <b>8,392</b> |                                 |            |    | <b>1,014,449</b> |

**Key: L1 = Level 1; L2 = level 2; L3= level 3**

#### 4.4 Financial assets measured at amortised cost: breakdown by debtor/issuer of receivables from customers

| Type of transactions/Amounts | Total 31.12.2021 |               |                                 | Total 31.12.2020 |              |                                 |
|------------------------------|------------------|---------------|---------------------------------|------------------|--------------|---------------------------------|
|                              | Stage 1 and 2    | Stage 3       | Impaired acquired or originated | Stage 1 and 2    | Stage 3      | Impaired acquired or originated |
| <b>1. Debt securities</b>    |                  |               |                                 |                  |              |                                 |
| a) Public administration     |                  |               |                                 |                  |              |                                 |
| b) Non-financial companies   |                  |               |                                 |                  |              |                                 |
| <b>2. Loans to:</b>          |                  |               |                                 |                  |              |                                 |
| a) Public administration     | 8,747            | -             |                                 | 1,243            |              |                                 |
| b) Non-financial companies   | 1,079,757        | 50,442        |                                 | 888,541          | 8,125        |                                 |
| c) Households                | 32,763           | 119           |                                 | 116,273          | 267          |                                 |
| <b>3. Other assets</b>       |                  |               |                                 |                  |              |                                 |
| <b>Total</b>                 | <b>1,121,267</b> | <b>50,561</b> | <b>-</b>                        | <b>1,006,057</b> | <b>8,392</b> | <b>-</b>                        |

#### 4.5 Financial assets measured at amortised cost: gross value and total impairment adjustments

|  | Gross value                                   |               |               |                                 | Total impairment adjustments |            |               |                                 | Total partial write-offs (*) |
|--|---|---------------|---------------|---------------------------------|------------------------------|------------|---------------|---------------------------------|------------------------------|
|  | Stage 1                                       | Stage 2       | Stage 3       | Impaired acquired or originated | Stage 1                      | Stage 2    | Stage 3       | Impaired acquired or originated |                              |
|  | of which:<br>instruments with low credit risk |               |               |                                 |                              |            |               |                                 |                              |
| <b>Debt securities</b>   |   |               |               |                                 |                              |            |               |                                 |                              |
| <b>Loans</b>   | 1,115,169                                     | 94,995        | 73,625        |                                 | 1,980                        | 572        | 23,082        |                                 | 4,830                        |
| <b>Other assets</b>  |   |               |               |                                 |                              |            |               |                                 |                              |
| <b>Total 31.12.2021</b>  | <b>1,115,169</b>                              | <b>94,995</b> | <b>73,625</b> |                                 | <b>1,980</b>                 | <b>572</b> | <b>23,082</b> |                                 | <b>4,830</b>                 |
| <b>Total 31.12.2020</b>  | <b>982,686</b>                                | <b>67,252</b> | <b>24,445</b> |                                 | <b>2,042</b>                 | <b>563</b> | <b>16,053</b> |                                 | <b>3,033</b>                 |
| of which: non-performing financial assets acquired or originated | X   | X             |               |                                 | X                            |            |               |                                 |                              |

(\*) Value to be shown for disclosure purposes

Stage 3 includes all categories of non-performing receivables (doubtful, UTP and past due receivables).

4.5a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total writedowns (represents an "of which" in table 4.5)

At 31 December 2021 the Company has no outstanding loans subject to COVID-19 support measures.

4.6 Financial assets measured at amortised cost: secured assets

|   | 31.12.2021     |    |                              |        |                    |         | 31.12.2020     |    |                              |        |                    |         |
|---|----------------|----|------------------------------|--------|--------------------|---------|----------------|----|------------------------------|--------|--------------------|---------|
|   | Due from banks |    | Due from financial companies |        | Loans to customers |         | Due from banks |    | Due from financial companies |        | Loans to customers |         |
|   | CA             | FV | CA                           | FV     | CA                 | FV      | CA             | FV | CA                           | FV     | CA                 | FV      |
| <b>1.</b> Performing assets secured by:     | -              | -  | 83,190                       | 83,190 | 647,495            | 603,839 | -              | -  | 33,385                       | 33,385 | 545,589            | 521,438 |
| - Assets under finance leases               | -              | -  | -                            | -      | 1,284              | 1,284   | -              | -  | -                            | -      | 1,370              | 1,370   |
| - Factoring receivables                     | -              | -  | 83,190                       | 83,190 | 568,951            | 568,951 | -              | -  | 33,385                       | 33,385 | 464,533            | 464,533 |
| - Mortgages                                 | -              | -  | -                            | -      | -                  | -       | -              | -  | -                            | -      | 24                 | 24      |
| - Pledges                                   | -              | -  | -                            | -      | -                  | -       | -              | -  | -                            | -      | 2,382              | 2,382   |
| - Personal guarantees                       | -              | -  | -                            | -      | 77,260             | 33,604  | -              | -  | -                            | -      | 77,280             | 53,129  |
| - Credit derivatives                        | -              | -  | -                            | -      | -                  | -       | -              | -  | -                            | -      | -                  | -       |
| <b>2.</b> Non-performing assets secured by: | -              | -  | -                            | -      | 49,330             | 49,000  | -              | -  | -                            | -      | 10,174             | 10,073  |
| - Assets under finance leases               | -              | -  | -                            | -      | 2,330              | 2,330   | -              | -  | -                            | -      | 4,525              | 4,525   |
| - Factoring receivables                     | -              | -  | -                            | -      | 29,843             | 29,843  | -              | -  | -                            | -      | 3,258              | 3,258   |
| - Mortgages                                 | -              | -  | -                            | -      | -                  | -       | -              | -  | -                            | -      | -                  | -       |
| - Pledges                                   | -              | -  | -                            | -      | -                  | -       | -              | -  | -                            | -      | -                  | -       |
| - Personal guarantees                       | -              | -  | -                            | -      | 17,157             | 16,827  | -              | -  | -                            | -      | 2,391              | 2,290   |
| - Credit derivatives                        | -              | -  | -                            | -      | -                  | -       | -              | -  | -                            | -      | -                  | -       |

key:

CA = carrying amount of exposures

FV= fair value of the guarantees

The table shows secured receivables, broken down by type of collateral and by type of secured asset. In cases where the value of the collateral is higher than the value of the secured asset, the "FV" column (fair value of the guarantees) shows the carrying amount of the asset (CA).

If there were multiple guarantees underlying the advances paid to assignors in the factoring of receivables "with recourse", the order of priority was as follows:

1. Factoring receivables
2. Mortgages
3. Pledges
4. Personal guarantees.

Receivables acquired with factoring transactions "without recourse", if guaranteed, are indicated according to the technical form of the guarantees, attributing them first to secured guarantees and subsequently to unsecured guarantees.

In the presence of personal guarantees on the same asset, they were classified according to the following counterparty hierarchy:

1. guarantees of governments and other public sector entities
2. guarantees of banks
3. guarantees of non-banking companies
4. guarantees of other entities.

The value of the portion of insured receivables in factoring transactions without recourse and for which the Company has signed an insurance policy that indemnifies it in the event of insolvency on the part of the assigned debtor is Euro 223,409 thousand.

Assets under finance leases relate solely to properties. Those classified as performing are measured at their residual value, whereas those classified as non-performing are measured at their estimated realisable value.

## SECTION 7 – EQUITY INVESTMENTS – CAPTION 70

### 7.3 "Significant investments: accounting information"

The investment held by the Company in Erifin S.p.A., Euro 55 thousand, has been written down in full.

## SECTION 8 – PROPERTY, PLANT AND EQUIPMENT – CAPTION 80

### 8.1 Property, plant and equipment used in operations: breakdown of assets carried at cost

| Assets/Amounts   | 31.12.2021   | 31.12.2020   |
|--|--------------|--------------|
| <b>1. Owned property</b>                                 | <b>132</b>   | <b>862</b>   |
| a) land  |              | 425          |
| b) buildings   |              |              |
| c) furniture   | 39           | 48           |
| d) electronic equipment                                  | 33           | 38           |
| e) other   | 60           | 351          |
| <b>2. Right of use assets acquired with leases</b>       | <b>2,500</b> | <b>2,761</b> |
| a) land  |              |              |
| b) buildings   | 2,262        | 2,540        |
| c) furniture   |              |              |
| d) electronic equipment                                  |              |              |
| e) other   | 238          | 221          |
| <b>Total</b>   | <b>2,632</b> | <b>3,623</b> |
| of which: obtained through the enforcement of guarantees |              |              |

#### 8.4 Investment property: breakdown of assets measured at fair value

| Assets/Amounts   | Total 31.12.2021 |            |          |              | Total 31.12.2020 |            |          |            |
|--|------------------|------------|----------|--------------|------------------|------------|----------|------------|
|  | Carrying value   | Fair value |          |              | Carrying value   | Fair value |          |            |
|  |                  | L1         | L2       | L3           |                  | L1         | L2       | L3         |
| <b>1. Owned property</b>                                 |                  |            |          |              |                  |            |          |            |
| a) land  |                  |            |          |              |                  |            |          |            |
| b) buildings   | 1,811            |            |          | 1,811        | 699              |            |          | 699        |
| <b>2. Right of use assets acquired with leases</b>       |                  |            |          |              |                  |            |          |            |
| a) land  |                  |            |          |              |                  |            |          |            |
| b) buildings   |                  |            |          |              |                  |            |          |            |
| <b>Total</b>   | <b>1,811</b>     | <b>-</b>   | <b>-</b> | <b>1,811</b> | <b>699</b>       | <b>-</b>   | <b>-</b> | <b>699</b> |
| of which: obtained through the enforcement of guarantees |                  |            |          |              |                  |            |          |            |

#### 8.6 Property, plant and equipment used in operations: changes during the year

|   | Land | Buildings    | Furniture  | Electronic equipment | Other      | Total        |
|---|------|--------------|------------|----------------------|------------|--------------|
| <b>A. Gross opening balance</b>                         | -    | <b>3,396</b> | <b>695</b> | <b>789</b>           | <b>748</b> | <b>5,628</b> |
| A.1 Net total decreases                                 | -    | (856)        | (647)      | (751)                | (450)      | (2,704)      |
| <b>A.2 Net opening balance</b>                          | -    | <b>2,540</b> | <b>48</b>  | <b>38</b>            | <b>298</b> | <b>2,924</b> |
| <b>B. Increases:</b>                                    | -    | <b>69</b>    | -          | <b>7</b>             | <b>115</b> | <b>191</b>   |
| B.1 Purchases   | -    | 69           | -          | 7                    | 115        | 191          |
| B.2 Capitalized leasehold improvements                  | -    | -            | -          | -                    | -          | -            |
| B.3 Writebacks  | -    | -            | -          | -                    | -          | -            |
| B.4 Increases in fair value posted to                   | -    | -            | -          | -                    | -          | -            |
| a) shareholders' equity                                 | -    | -            | -          | -                    | -          | -            |
| b) income statement                                     | -    | -            | -          | -                    | -          | -            |
| B.5 Exchange gains                                      | -    | -            | -          | -                    | -          | -            |
| B.6 Transfers from investment property                  | -    | -            | -          | -                    | -          | -            |
| B.7 Other changes                                       | -    | -            | -          | -                    | -          | -            |
| <b>C. Decreases:</b>                                    | -    | <b>347</b>   | <b>9</b>   | <b>12</b>            | <b>115</b> | <b>483</b>   |
| C.1 Sales   | -    | -            | -          | -                    | -          | -            |
| C.2 Depreciation  | -    | 347          | 9          | 12                   | 110        | 478          |
| C.3 Impairment losses recognised to                     | -    | -            | -          | -                    | -          | -            |
| a) shareholders' equity                                 | -    | -            | -          | -                    | -          | -            |
| b) income statement                                     | -    | -            | -          | -                    | -          | -            |
| C.4 Negative changes in fair value posted to            | -    | -            | -          | -                    | -          | -            |
| a) shareholders' equity                                 | -    | -            | -          | -                    | -          | -            |
| b) income statement                                     | -    | -            | -          | -                    | -          | -            |
| C.5 Exchange losses                                     | -    | -            | -          | -                    | -          | -            |
| C.6 Transfers to:                                       | -    | -            | -          | -                    | -          | -            |
| a) investment property                                  | -    | -            | -          | -                    | -          | -            |
| b) non-current assets and disposal groups held for sale | -    | -            | -          | -                    | -          | -            |
| C.7 Other changes                                       | -    | -            | -          | -                    | 5          | 5            |
| <b>D. Net closing balance</b>                           | -    | <b>2,262</b> | <b>39</b>  | <b>33</b>            | <b>298</b> | <b>2,632</b> |
| D.1 Net total decreases                                 | -    | (1,203)      | (656)      | (733)                | (257)      | (3,182)      |
| <b>D.2 Gross closing balance</b>                        | -    | <b>1,059</b> | <b>695</b> | <b>766</b>           | <b>555</b> | <b>5,814</b> |
| <b>E. Measurement at cost</b>                           | -    | <b>2,262</b> | <b>39</b>  | <b>33</b>            | <b>298</b> | <b>2,632</b> |

## 8.7. Investment property: change in year

|   | Land       | Buildings    |
|---|------------|--------------|
| <b>A. Gross opening balance</b>                         | <b>425</b> | <b>274</b>   |
| <b>B. Increases:</b>                                    | <b>-</b>   | <b>2,127</b> |
| B.1 Purchases   |            | 1,992        |
| B.2 Capitalized leasehold improvements                  |            | -            |
| B.3 Increases in fair value                             |            | 135          |
| B.4 Writebacks  |            |              |
| B.5 Exchange gains                                      |            | -            |
| B.6 Transfers from business property                    |            | -            |
| B.7 Other changes                                       |            | -            |
| <b>C. Decreases:</b>                                    | <b>425</b> | <b>590</b>   |
| C.1 Sales   | 360        | -            |
| C.2 Depreciation  | -          |              |
| C.3 Decreases in fair value                             | 65         | 590          |
| C. 4. Impairment writedowns                             | -          | -            |
| C.5 Exchange losses                                     | -          | -            |
| C.6 Transfers to:                                       | -          | -            |
| a) business property                                    | -          | -            |
| b) non-current assets and disposal groups held for sale | -          | -            |
| C.7 Other changes                                       | -          | -            |
| <b>D. Net closing balance</b>                           | <b>-</b>   | <b>1,811</b> |
| <b>E. Measurement at fair value</b>                     | <b>-</b>   | <b>1,811</b> |

## SECTION 9 – INTANGIBLE ASSETS – CAPTION 90

### 9.1 Intangible assets: breakdown

| Captions/Measurement                         | 31.12.2021             |                               | 31.12.2020             |                               |
|--|------------------------|-------------------------------|------------------------|-------------------------------|
|  | Assets carried at cost | Assets measured at fair value | Assets carried at cost | Assets measured at fair value |
| <b>1. Goodwill</b>                           | <b>5,469</b>           | <b>-</b>                      | <b>5,469</b>           | <b>-</b>                      |
| <b>2. Other intangible assets</b>            | <b>539</b>             | <b>-</b>                      | <b>378</b>             | <b>-</b>                      |
| <i>of which software</i>                     | <i>378</i>             |                               |                        |                               |
| 2.1 owned                                    | 539                    |                               | 378                    |                               |
| - internally generated                       |                        |                               |                        |                               |
| - other                                      | 539                    |                               | 378                    |                               |
| 2.2 . Rights of use acquired with leases     |                        |                               |                        |                               |
| <b>Total 2</b>                               | <b>539</b>             | <b>-</b>                      | <b>378</b>             | <b>-</b>                      |
| <b>3. Assets related to finance leases</b>   | <b>-</b>               | <b>-</b>                      | <b>-</b>               | <b>-</b>                      |
| 3.1 unredeemed goods                         |                        |                               |                        |                               |
| assets repossessed following cancellation of |                        |                               |                        |                               |
| 3.2 the contract                             |                        |                               |                        |                               |
| 3.3 other assets                             |                        |                               |                        |                               |
| <b>Total 3</b>                               | <b>-</b>               | <b>-</b>                      | <b>-</b>               | <b>-</b>                      |
| <b>Total 31.12.2021</b>                      | <b>6,008</b>           | <b>-</b>                      |                        |                               |
| <b>Total 31.12.2020</b>                      |                        |                               | <b>5,847</b>           | <b>-</b>                      |

The goodwill refers to the difference between the consideration paid and the fair value of the assets and liabilities, arisen on the merger between BPER Factor S.p.A. and ABF Factoring S.p.A. which took place in 2010.

## 9.2 Intangible assets: change in the period

|           |                              | <b>Total</b> |
|-----------|------------------------------|--------------|
| <b>A.</b> | <b>Opening balance</b>       | <b>5,847</b> |
| <b>B.</b> | <b>Increases</b>             | <b>440</b>   |
|           | B.1 Purchases                | 440          |
|           | B.2 Writebacks               |              |
|           | B.3 Increases in fair value: |              |
|           | - to shareholders' equity    |              |
|           | - to income statement        |              |
|           | B.4 Other changes            |              |
| <b>C.</b> | <b>Decreases</b>             | <b>279</b>   |
|           | C.1 Sales                    |              |
|           | C.2 Amortisation             | 279          |
|           | C.3 Impairment losses:       |              |
|           | - to shareholders' equity    |              |
|           | - to income statement        |              |
|           | C.4 Decreases in fair value: |              |
|           | - to shareholders' equity    |              |
|           | - to income statement        |              |
|           | C.5 Other changes            |              |
| <b>D.</b> | <b>Closing balance</b>       | <b>6,008</b> |

## 9.3 Intangible assets: other information

### Goodwill impairment testing

Impairment testing is performed considering the CGU to be the entire legal entity BPER Factor, which also includes goodwill.

For the purpose of impairment testing, reference was made to value in use, estimated using the discounted cash flow (DCF) valuation method. This method estimates the value in use of an asset by discounting expected cash flows, determined by management on the basis of financial projections for the asset being valued.

Cash flow beyond the last year of the planning period is projected into perpetuity by using an appropriate long-term growth rate "g" to estimate the terminal value.

Free cash flow means distributable cash flow taking account of capital restrictions imposed by the Regulatory Authorities or considered reasonable for the coverage of risk that is typical for the asset in question. Accordingly, future cash flows are identifiable as flows that could potentially be distributed after meeting the minimum constraints for allocation of capital, or DCF in the Excess Capital Method version.

Future cash flows are discounted using a discount rate that reflects the present value of the time value of money and the specific risks associated with an asset. Specifically, discount rates used incorporate current market rates with reference to the risk free rate and risk premium

associated with the equity component observed over a sufficiently long time period that reflects different market conditions and economic cycles and the use of an appropriate beta coefficient that takes account of risks.

### *Estimation of prospective cash flows*

The value in use was estimated on the basis of the Excess Capital Method by discounting the prospective financial flows referring to an explicit forecast period of five years up to 2026. The forecasts were prepared considering the latest information about current operations, strategic actions taken and their effects and the latest-available system forecasts prepared prior to the verification date. The projections are founded on reasonable and consistent assumptions that represent the best possible estimate, on the verification date, regarding the change in economic-financial conditions over the coming years. The projections also take account of the probable effects on the economic situation as a result of the COVID-19 pandemic.

The terminal value, being the value for the period beyond that covered by the explicit projections, has been estimated by considering a normalised cash flow generated by income in the last year of the projections, net of physiological capital absorption, and by applying a nominal long-term growth rate ("g") of 1.5%; this "g" rate is substantially in line with expected long-term inflation, thus assuming average real growth of zero.

Distributable cash flows have been calculated assuming a target CET 1 ratio in line with the supervisory provisions and able to maintain a satisfactory level of capitalisation that is consistent with the expected growth in business.

### *Discount rate*

The value in use is based on the discounting of the expected cash flows at an appropriate opportunity cost of capital, estimated in line with the provisions of IAS 36 and the Guidelines relating to the impairment test of goodwill, based on the model of the Capital Asset Pricing Model (CAPM), in formula:

$$k_e = R_f + \beta \times (R_m - R_f)$$

Key:

$R_f$  = Risk free rate;

$(R_m - R_f)$  = Market Risk Premium;

$\beta$  = Beta.

CAPM expresses a linear relationship in market equilibrium conditions between the return on an investment and its systematic risk. More specifically, the return on an investment is calculated as the sum of the risk free rate (expression of the time value of money) and the risk premium, the latter corresponding to the product between the Beta of the security and the premium for the overall risk of the market (so-called "Market Risk Premium").

The opportunity cost of capital has been estimated here at 8.06%, compared with 9.17% at 31 December 2020.



## Results of impairment testing

Comparison of the recoverable value determined as above with the book value of the CGU (determined as the book value of the Company's equity) tended to confirm the carrying amount of goodwill for BPER Factor .

### Sensitivity analysis

It should be noted that the main parameters used in the valuation model, such as financial flows and the opportunity cost of capital, can be influenced, even significantly, by developments in the overall economic framework. The effect that these changes could have on the estimate of the assumed cash flows, as well as on the main financial assumptions considered, could lead to future results substantially different from those used in the verification of the sustainability of goodwill.

For this reason, pursuant to IAS 36, sensitivity analyses were carried out in order to assess the effects produced on the estimates of value in use, and consequently on the results of the impairment test, by changes in the main parameters at the basis of the valuation model.

In particular, the impact on the value in use of a change of some key variables was verified:

- +25bps and +50bps of the "basic" cost of capital (8.06%);
- +50bps and +100bps maximum of the target regulatory minimum requirement in the last year of forecast (2026);
- -25bps and -50bps of the "base" long-term growth "g" rate (1.5%).

| CGU         | Change in CGU's value in use |         |                    |          |          |         |
|-------------|------------------------------|---------|--------------------|----------|----------|---------|
|             | k <sub>e</sub> rate          |         | CET 1 ratio target |          | "g" rate |         |
|             | +25 bps                      | +50 bps | +50 bps            | +100 bps | -25 bps  | -50 bps |
| BPER Factor | -2.5%                        | -4.8%   | -4.5%              | -8.9%    | -1.0%    | -1.9%   |

Again from a stress test point of view, alternative changes were considered in the opportunity cost of capital and in the normalised cash flow for the last period of the projections (used to estimate the terminal value) until the changes resulted in the CGU's value in use equalling its carrying amount, or, in other words, the threshold value of the main inputs, beyond which impairment testing of the CGU would result in a loss.

| CGU         | k <sub>e</sub> limit rate | Maximum reduction in profit in the period considered and in normalised profit | Maximum change in the normalised flow |
|-------------|---------------------------|---|---------------------------------------|
| BPER Factor | 11.91%                    | -33.0%  | -50.0%                                |

This analysis shows that for the BPER Factor CGU the occurrence of a 385 bps increase in the opportunity cost of capital from 8.06% to 11.91%, a 33.0% reduction in profit each year or a 50.0% decrease in the cash flow underlying the terminal value, would bring the recoverable amount into line with the carrying amount.

## SECTION 10 – TAX ASSETS AND LIABILITIES - ASSET CAPTION 100 AND LIABILITY CAPTION 60

### 10.1 "Current and deferred tax assets": breakdown

The Company again elected to be part of the BPER Group Tax Consolidation, which means that its IRES (corporation tax) receivables and payables, with the exclusion of the impact deriving from the surtax, are transferred to the Parent Company and therefore classified as "other assets" or "other liabilities".

#### 10.1.1 Current tax assets

| Breakdown of caption 100      | 31.12.2021 | 31.12.2020  |
|-------------------------------|------------|-------------|
| Tax credit for previous years | 100        | 120         |
| Advance of IRES surcharge     | 365        | 250         |
| IRES surcharge for the period | (57)       | (227)       |
| Receivable for substitute tax | 33         | -           |
| <b>Amount of IRES offset</b>  | <b>441</b> | <b>143</b>  |
| Tax credit for previous years | 14         | -           |
| IRAP advance                  | 307        | 416         |
| IRAP for the year             | (223)      | (455)       |
| <b>IRAP off-set</b>           | <b>98</b>  | <b>(39)</b> |
| <b>Total carrying amount</b>  | <b>539</b> | <b>104</b>  |

### 10.1.2 Deferred tax assets (through income statement)

| Type of addback/taxable income                                | TOTAL<br>31.12.2021 | TOTAL<br>31.12.2020 |
|---|---------------------|---------------------|
| Directors not paid during the year                            | -                   | 32                  |
| Virtual stamp duty  | 29                  | 29                  |
| provision for commitments to grant funding                    | 29                  | 7                   |
| Provisions for bonuses for an uncertain amount                | 1,545               | 244                 |
| Provisions for bonuses for an uncertain amount                | 1,342               | -                   |
| Writedown of equity investments and assets available for sale | -                   | 55                  |
| Other non-deductible provisions                               | -                   | 1                   |
| Writedown of receivables etc. art. 106 (IRES) – 2006          | 5,192               | 6,181               |
| Writedown of receivables etc. art. 106 (IRAP) – 2013          | 2,143               | 2,551               |
| Provisions for lawsuits                                       | 3,635               | 3,635               |
| Provisions for legal compensation                             | 270                 | 85                  |
| Provisions for bankruptcy clawback actions                    | 2,040               | 1,735               |
| Step-up of tax basis of goodwill                              | 1,903               | 2,122               |
| <b>Total taxable income for IRES purposes</b>                 | <b>14,643</b>       | <b>14,126</b>       |
| <b>Total taxable income for IRAP purposes</b>                 | <b>7,428</b>        | <b>6,493</b>        |
| IRES tax rate   | 27.50%              | 27.50%              |
| IRAP tax rate   | 5.57%               | 5.57%               |
| <b>IRES payable</b>   | <b>4,027</b>        | <b>3,885</b>        |
| <b>IRAP payable</b>   | <b>414</b>          | <b>362</b>          |
| <b>Total deferred tax assets</b>                              | <b>4,441</b>        | <b>4,246</b>        |

The “provisions for bonuses of an uncertain amount” caption includes leaving incentives.

### 10.1.3 Deferred tax assets (through shareholders’ equity)

| Type of addback/taxable income   | TOTAL<br>31.12.2021 | TOTAL<br>31.12.2020 |
|--|---------------------|---------------------|
| Writedowns of financial assets measured at fair value through comprehensive income | 5                   | -                   |
| Reserves as per IAS 19   | 215                 | 215                 |
| <b>Total taxable income for IRES purposes</b>                                      | <b>220</b>          | <b>215</b>          |
| <b>Total taxable income for IRAP purposes</b>                                      | <b>-</b>            | <b>-</b>            |
| IRES tax rate  | 27.50%              | 27.50%              |
| IRAP tax rate  | 5.57%               | 5.57%               |
| <b>IRES payable</b>  | <b>61</b>           | <b>59</b>           |
| <b>IRAP payable</b>  | <b>-</b>            | <b>-</b>            |
| <b>Total tax payable</b>   | <b>61</b>           | <b>59</b>           |

## 10.2 "Current and deferred tax liabilities": breakdown

### 10.2.2 Deferred tax liabilities (through income statement)

| Type of addback/taxable income                | TOTAL<br>31.12.2021 | TOTAL<br>31.12.2020 |
|---|---------------------|---------------------|
| Sep. fin. stats./loan former Emil-Ro Leasing  | 74                  | 74                  |
| <b>Total taxable income for IRES purposes</b> | <b>74</b>           | <b>74</b>           |
| <b>Total taxable income for IRAP purposes</b> | <b>74</b>           | <b>74</b>           |
| IRES tax rate                                 | 27.50%              | 27.50%              |
| IRAP tax rate                                 | 5.57%               | 5.57%               |
| <b>IRES payable</b>                           | <b>20</b>           | <b>20</b>           |
| <b>IRAP payable</b>                           | <b>4</b>            | <b>4</b>            |
| <b>Total tax payable</b>                      | <b>24</b>           | <b>24</b>           |

### 10.2.3 Deferred tax liabilities (through shareholders' equity)

| Type of addback/taxable income                | 31.12.2021 | 31.12.2020 |
|---|------------|------------|
| Revaluation of equity investment              |            | 27         |
| Revaluation of Government Securities          | 15         | 23         |
| <b>Total taxable income for IRES purposes</b> | <b>15</b>  | <b>50</b>  |
| <b>Total taxable income for IRAP purposes</b> | <b>-</b>   | <b>-</b>   |
| IRES tax rate                                 | 27.50%     | 27.50%     |
| IRAP tax rate                                 | 5.57%      | 5.57%      |
| <b>IRES payable</b>                           | <b>5</b>   | <b>14</b>  |
| <b>IRAP payable</b>                           | <b>-</b>   | <b>-</b>   |
| <b>Total tax payable</b>                      | <b>5</b>   | <b>14</b>  |

### 10.3 Changes in deferred tax assets (through income statement)

|  | Total<br>31.12.2021 | Total<br>31.12.2020 |
|--|---------------------|---------------------|
| <b>1. Opening balance</b>                              | <b>4,246</b>        | <b>4,167</b>        |
| <b>2. Increases</b>                                    | <b>791</b>          | <b>663</b>          |
| 2.1 Deferred tax assets recognised during the year     | 791                 | 663                 |
| a) related to prior years                              |                     | 15                  |
| b) due to changes in accounting policies               |                     |                     |
| c) writebacks  |                     |                     |
| d) other   | 791                 | 648                 |
| 2.2 New taxes or increases in tax rates                |                     |                     |
| 2.3 Other increases                                    |                     |                     |
| <b>3. Decreases</b>                                    | <b>596</b>          | <b>584</b>          |
| 3.1 Deferred tax assets cancelled during the year      | <b>596</b>          | <b>584</b>          |
| a) reversals   | 596                 | 584                 |
| b) written down as no longer recoverable               |                     |                     |
| c) changes in accounting policies                      |                     |                     |
| d) other   | -                   |                     |
| 3.2 Reduction in tax rates                             | -                   | -                   |
| 3.3 Other decreases                                    | -                   | -                   |
| a) transformation into tax credits as per Law 214/2011 | -                   | -                   |
| b) other   |                     |                     |
| <b>4. Closing balance</b>                              | <b>4,441</b>        | <b>4,246</b>        |

### 10.3.1 Changes in deferred tax assets as per Law 214/2011 (through the income statement)

|                                     | Total 31.12.2021 | Total<br>31.12.2020 |
|-------------------------------------|------------------|---------------------|
| <b>1. Opening balance</b>           | <b>2,544</b>     | <b>2,860</b>        |
| <b>2. Increases</b>                 |                  |                     |
| <b>3. Decrease</b>                  | <b>367</b>       | <b>316</b>          |
| 3.1 Reversals                       | 367              | 316                 |
| 3.2 Transformation into tax credits |                  |                     |
| a) arising from operating losses    |                  |                     |
| b) arising from tax losses          |                  |                     |
| 3.3 Other decreases                 | -                | -                   |
| <b>4. Closing balance</b>           | <b>2,177</b>     | <b>2,544</b>        |

### 10.4 Changes in deferred tax liabilities (through income statement)

|   | TOTAL<br>31.12.2021 | TOTAL<br>31.12.2020 |
|---|---------------------|---------------------|
| <b>1. Opening balance</b>                               | <b>24</b>           | <b>39</b>           |
| <b>2. Increases</b>                                     | -                   | -                   |
| 2.1 Deferred tax liabilities recognised during the year |                     |                     |
| a) related to prior years                               |                     |                     |
| b) due to changes in accounting policies                |                     |                     |
| c) other  |                     |                     |
| 2.2 New taxes or increases in tax rates                 |                     |                     |
| 2.3 Other increases                                     |                     |                     |
| <b>3. Decreases</b>                                     | -                   | <b>15</b>           |
| 3.1 Deferred tax liabilities cancelled during the year  | -                   | 15                  |
| a) reversals  |                     | 15                  |
| b) due to changes in accounting policies                |                     |                     |
| c) other  |                     |                     |
| 3.2 Reduction in tax rates                              |                     |                     |
| 3.3 Other decreases                                     |                     |                     |
| <b>4. Closing balance</b>                               | <b>24</b>           | <b>24</b>           |

### 10.5 Changes in deferred tax assets (through shareholders' equity)

|  | TOTAL<br>31.12.2021 | TOTAL 31.12.2020 |
|--|---------------------|------------------|
| <b>1. Opening balance</b>                          | <b>59</b>           | <b>62</b>        |
| <b>2. Increases</b>                                | <b>2</b>            | -                |
| 2.1 Deferred tax assets recognised during the year | -                   |                  |
| a) related to prior years                          |                     |                  |
| b) due to changes in accounting policies           |                     |                  |
| c) other   |                     |                  |
| 2.2 New taxes or increases in tax rates            |                     |                  |
| 2.3 Other increases                                | 2                   |                  |
| <b>3. Decreases</b>                                | -                   | <b>3</b>         |
| 3.1 Deferred tax assets cancelled during the year  |                     | 3                |
| a) reversals                                       |                     |                  |
| b) written down as no longer recoverable           |                     |                  |
| c) due to changes in accounting policies           |                     |                  |
| d) other   |                     |                  |
| 3.2 Reduction in tax rates                         |                     |                  |
| 3.3 Other decreases                                |                     |                  |
| <b>4. Closing balance</b>                          | <b>61</b>           | <b>59</b>        |

## 10.6 Changes in deferred tax liabilities (through shareholders' equity)

|   | Total at<br>31.12.2021 | Total at 31.12.2020 |
|---|------------------------|---------------------|
| <b>1. Opening balance</b>                               | <b>14</b>              | <b>10</b>           |
| <b>2. Increases</b>                                     | -                      | <b>4</b>            |
| 2.1 Deferred tax liabilities recognised during the year | -                      | <b>4</b>            |
| a) related to prior years                               |                        |                     |
| b) due to changes in accounting policies                |                        |                     |
| c) other  |                        | 4                   |
| 2.2 New taxes or increases in tax rates                 |                        |                     |
| 2.3 Other increases                                     |                        |                     |
| <b>3. Decreases</b>                                     | <b>10</b>              | -                   |
| 3.1 Deferred tax liabilities cancelled during the year  |                        |                     |
| a) reversals  | 10                     |                     |
| b) due to changes in accounting policies                |                        |                     |
| c) other  |                        |                     |
| 3.2 Reduction in tax rates                              |                        |                     |
| 3.3 Other decreases                                     |                        |                     |
| <b>4. Closing balance</b>                               | <b>4</b>               | <b>14</b>           |

## SECTION 12 – OTHER ASSETS – CAPTION 120

### 12.1 Other assets: breakdown

| Breakdown                                       | 31.12.2021   | 31.12.2020   |
|---|--------------|--------------|
| Outstanding items to be received                | 370          | 319          |
| Receivable from the Group for tax consolidation | 1,160        | 228          |
| Other debtors                                   | 108          | 110          |
| Virtual stamp duty credits                      | 89           | 142          |
| Costs in suspense as pertaining to the future   | 84           | 77           |
| Suspense accounts                               | 506          | 767          |
| Invoices to be issued                           | 103          | 274          |
| Other receivables                               | 124          | 153          |
| Inail advance                                   | 9            | 8            |
| Guarantee deposits                              | 21           | 21           |
| <b>Total</b>                                    | <b>2,574</b> | <b>2,099</b> |

## LIABILITIES AND SHAREHOLDERS' EQUITY

### SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST – CAPTION 10

#### 1.1 Financial liabilities measured at amortised cost: breakdown by product of payables

| Captions                    | TOTAL 31.12.2021 |                            |                  | TOTAL 31.12.2020 |                            |                  |
|-----------------------------|------------------|----------------------------|------------------|------------------|----------------------------|------------------|
|                             | due to banks     | due to financial companies | due to customers | due to banks     | due to financial companies | due to customers |
| <b>1. Loans</b>             | <b>1,032,971</b> | -                          | -                | <b>848,694</b>   | -                          | -                |
| 1.1 Repurchase agreements   | -                | -                          | -                | -                | -                          | -                |
| 1.2 Other loans             | 1,032,971        | -                          | -                | 848,694          | -                          | -                |
| <b>2. Lease liabilities</b> |                  | <b>2,516</b>               |                  |                  | -                          | <b>2,767</b>     |
| <b>3. Other payables</b>    | <b>353</b>       | <b>279</b>                 | <b>43,060</b>    | <b>348</b>       | <b>87</b>                  | <b>12,358</b>    |
| <b>Total</b>                | <b>1,033,324</b> | <b>279</b>                 | <b>45,576</b>    | <b>849,042</b>   | <b>87</b>                  | <b>15,125</b>    |
| <i>Fair value - level 1</i> | -                | -                          | -                | -                | -                          | -                |
| <i>Fair value - level 2</i> | -                | -                          | -                | -                | -                          | -                |
| <i>Fair value - level 3</i> | <b>1,033,324</b> | <b>279</b>                 | <b>45,576</b>    | <b>849,042</b>   | <b>87</b>                  | <b>15,125</b>    |

Financial debts contain almost exclusively amounts due by the Company to banks to finance its business. These mainly consist of bank overdrafts, term loans and bill discounting. The majority of this funding comes from banks of the BPER Group.

Other debts consist of amounts due to assignors for the portion of the consideration that was not settled at the time of the sale of receivables purchased without recourse. They also include the amounts to be paid to customers, which comes from the difference between the amount collected and the amount advanced on the receivables sold.

#### 1.5 Lease liabilities

| Time bands            | Present value<br>31.12.2021 | Present value<br>31.12.2020 |
|-----------------------|-----------------------------|-----------------------------|
| Up to 3 months        | 112                         | 113                         |
| 3 to 12 months        | 319                         | 312                         |
| Between 1 and 5 years | 1,392                       | 1397                        |
| Beyond 5 years        | 692                         | 944                         |
| <b>Total</b>          | <b>2,516</b>                | <b>2,767</b>                |

Lease liabilities relate solely to the operating lease contracts signed by the Company.

## SECTION 6 – TAX LIABILITIES – CAPTION 60

See asset section 10.

## SECTION 8 – OTHER LIABILITIES – CAPTION 80

### 8.1 Other liabilities: breakdown

| Breakdown   | 31.12.2021    | 31.12.2020    |
|---|---------------|---------------|
| Suspense accounts   | 43,399        | 51,138        |
| Due to assignors  | -             | 166           |
| Payables from leasing transactions                                      | 740           | 740           |
| Revenues in suspense as pertaining to the future                        | 1,951         | 2,170         |
| Due to suppliers  | 632           | 666           |
| Invoices to be received   | 944           | 840           |
| Other liabilities   | 516           | -             |
| Amounts due to the tax authorities on behalf of customers and personnel | 157           | 153           |
| Due to social security institutions                                     | 184           | 166           |
| Payroll accruals  | 31            | 35            |
| Outstanding items to be paid  | 59            | 240           |
| <b>Total</b>  | <b>48,611</b> | <b>56,314</b> |

The "suspense accounts" of Euro 43,399 thousand relate to payments received from debtors for factoring transactions outstanding. They were posted to the relevant accounts in early days of January 2022.

"Payables from leasing transactions", amounting to Euro 740 thousand, include:

- Euro 5 thousand relating to credit notes to be issued for fee indexing referring to the last quarter of 2021.
- for Euro 735 thousand for an amount due to a guarantor whose guarantee was enforced. It represents the amount guaranteeing the implicit credit at the time that the contract with the customer for the lease of real estate was cancelled. Once the assets have been sold, this amount should cover any loss incurred or, alternatively, it will be returned to the guarantor.

## SECTION 9 – PROVISION FOR TERMINATION INDEMNITIES – CAPTION 90

### 9.1 "Provision for termination indemnities": change during the year

|                             | 31.12.2021   | 31.12.2020 |
|-----------------------------|--------------|------------|
| <b>A. Opening balance</b>   | <b>952</b>   | <b>994</b> |
| <b>B. Increases</b>         | <b>121</b>   | <b>60</b>  |
| B.1 Provisions for the year | 52           | 60         |
| B.2 Other increases         | 69           |            |
| <b>C. Decreases</b>         | <b>39</b>    | <b>102</b> |
| C.1 Payments made           | 39           | 93         |
| C.2 Other decreases         |              | 9          |
| <b>D. Closing balance</b>   | <b>1,034</b> | <b>952</b> |



## 9.2 Other information

BPER Factor, through the Parent Company BPER Banca, appointed an actuary to determine the current value of termination indemnities. Under IAS 19, defined-benefit post-employment benefits and other long-term benefits have to be determined by means of the actuarial "Projected Unit Credit Method". According to this method, for each time unit of service an additional unit of benefits is recognised in favour of the employee. Each unit is calculated separately and when added together they constitute the company's final obligation. As required by IAS 19 paragraph 72 et seq., reasonable demographic, economic and financial assumptions are used to determine the average present value of future benefits provided by the company. The current average value is then adjusted according to the employee's period of service at the time of the measurement, compared with the overall period of service that could be accrued in the future. Full application of IAS 19 requires determining the changes in the liability at the measurement date compared with the opening of the accounting provision in accordance with IAS 19. The actuarial valuation of the benefits has therefore required the determination of the following income statement captions: the current service cost, the interest cost and the actuarial (gains)/losses.

| Principal actuarial assumptions/Percentages | 31.12.2021 | 31.12.2020 |
|---|------------|------------|
| Discount rates                              | 1.00%      | 0.41%      |
| Expected increase in remuneration           | 1.92%      | 1.92%      |
| Turnover                                    | 2.90%      | 2.90%      |
| Inflation rate                              | 1.75%      | 0.80%      |

In addition to the average data included in the table, the approach taken to identify the principal actuarial assumptions is described below:

- Discount rates: the curve of "Euro Composite AA" rates for prime corporate bonds listed in the Euro market on the measurement date has been used.
- Turnover: time series analysis for the period 2014-2016 of the phenomena giving rise to the terminations and adjustments to take account of any "anomalies" that occurred in the past. The assumptions made about turnover took account of grade, seniority, age and gender.
- Inflation rate: it was calculated at 1.75%;
- Net Interest Cost: this was calculated at a rate that reflected the duration of the liability.

### **Demographic assumptions.**

As regards the demographic bases, the analyses performed on the time series of staff of the Company that forms part of the scope of consolidation focused on monitoring the trend in the following reasons for elimination between 2014 and 2016:

- rate of employee mortality: the 2016 ISTAT survival table for the resident population, analysed by age and gender, was used;
- rate of employee disability: the tables used for the INPS model to generate "Initial prospects for 2010" were used;
- frequency and amount of advances on termination indemnities: in order to take into account the effects that these advances have on the timing of severance payments and, consequently on the

discounting of the Company's liability, a probability table for the release of part of the accrued volumes was created. The frequency of advance payments and the average percentage of termination indemnities requested as an advance were taken from corporate data;

- probability of retirement, resignation, dismissal: this was taken from corporate data; in particular, a table showing the propensity of departure from the Company was created, based on age and gender. For early retirement, a 100% probability to achieve the pension requirements adjusted for Legislative Decree 4/2019 was used.

## Sensitivity analysis

As required by IAS 19 Revised, we carried out a sensitivity analysis on the provision for termination indemnities with respect to the more significant actuarial assumptions to show how the liability would change in relation to possible fluctuations in each of these assumptions. The following table shows how the provision would change in the event of a 50 basis point increase or decrease in the discount and inflation rates compared with the parameters actually used.

| Provision for termination indemnities | 31.12.2021 | +50 bps   | -50 bps   |
|---------------------------------------|------------|-----------|-----------|
|                                       | DBO        | DBO       | DBO       |
| discount rates                        | 1,034,392  | 991,291   | 1,082,217 |
| inflation rate                        | 1,034,392  | 1,073,089 | 997,937   |

In compliance with the requirements of IAS 19 Revised with regard to additional disclosures, an estimate of future cash flows was carried out at 31 December 2021, as shown in the following table:

| Provision for termination indemnities | 1st year | 2nd year | 3rd year | 4th year | 5th year |
|---------------------------------------|----------|----------|----------|----------|----------|
|                                       | 68,668   | 62,624   | 60,143   | 80,878   | 60,465   |

## SECTION 10 – PROVISIONS FOR RISKS AND CHARGES – CAPTION 100

### 10.1 Provisions for risks and charges: breakdown

| Description/Amounts |   | 31.12.2021    | 31.12.2020    |
|---------------------|---|---------------|---------------|
| 1.                  | Provisions for credit risk relating to financial commitments and guarantees given | 29            | 8             |
| 2.                  | Provisions for other commitments and other guarantees given                       | -             | -             |
| 3.                  | Pensions and similar commitments  | -             | -             |
| 4.                  | Other provisions for risks and charges  | 16,096        | 14,114        |
|                     | 4.1 legal and tax disputes  | 14,361        | 13,870        |
|                     | 4.2 personnel costs   | 1,735         | 244           |
|                     | 4.3 other   | -             | -             |
| <b>Total</b>        |   | <b>16,125</b> | <b>14,122</b> |

The content of caption "4 – Other provisions for risks and charges" is illustrated at 10.6

## 10.2 Provisions for risks and charges: change during the year

|  | Provisions for other commitments and other guarantees given | Pensions and similar commitments | Other provisions for risks and charges | Total         |
|--|---|----------------------------------|--|---------------|
| <b>A. Opening balance</b>                          | <b>8</b>  | -                                | <b>14,114</b>                          | <b>14,122</b> |
| <b>B. Increases</b>                                | <b>22</b>   | -                                | <b>2,678</b>                           | <b>2,700</b>  |
| B.1 Provisions for the year                        | 22  |                                  | 2,678                                  | 2,700         |
| B.2 Changes due to the passage of time             |   |                                  |  | -             |
| B.3 Changes due to amendments in the discount rate | -   | -                                | -                                      | -             |
| B.4 Other changes                                  |   |                                  |  | -             |
| <b>C. Decreases</b>                                | <b>1</b>  | -                                | <b>696</b>                             | <b>697</b>    |
| C.1 Use during the year                            |   |                                  | 191                                    | 191           |
| C.2 Changes due to amendments in the discount rate |   |                                  |  | -             |
| C.3 Other changes                                  | 1   | -                                | 505                                    | 506           |
| <b>D. Closing balance</b>                          | <b>29</b>   | -                                | <b>16,096</b>                          | <b>16,125</b> |

The "other provisions for risks and charges" column includes the provisions for personnel that cover leaving incentives, employee bonuses and other charges.

## 10.3 Provisions for credit risk relating to financial commitments and guarantees given

| Provisions for credit risk relating to financial commitments and guarantees given |          |          |           |                                 |           |
|---|----------|----------|-----------|---------------------------------|-----------|
|   | Stage 1  | Stage 2  | Stage 3   | Impaired acquired or originated | Total     |
| 1. Commitments to grant funding   | 9        | -        | 20        | -                               | <b>29</b> |
| 2. Financial guarantees given   | -        | -        | -         | -                               | -         |
| <b>Total</b>  | <b>9</b> | <b>-</b> | <b>20</b> |                                 | <b>29</b> |

## 10.4. Provisions for other commitments and other guarantees given

At 31 December 2021 there are no provisions for other commitments and other guarantees given.

## 10.5 Pensions and similar commitments - defined benefit plans

No pensions and similar commitments - defined benefit plans are present at 31 December 2021.

## 10.6 Provisions for risks and charges - other provisions

The provisions for legal and tax disputes mainly cover criminal proceedings and disputes for operational irregularities, as well as credit collection cases. More detailed information about the risks

associated with legal disputes are provided in Part D: other information of the explanatory notes, in section 3.3 Operational risks – Chapter: Legal Risks.

The provisions for personnel charges cover voluntary leaving incentives, employee bonuses and other charges.

| Description/Amounts |   | 31.12.2021    | 31.12.2020    |
|---------------------|---|---------------|---------------|
| 4.                  | Other provisions for risks and charges  |               |               |
|                     | 4.1 legal and tax disputes              | 14,361        | 13,805        |
|                     | - operating irregularities              | 14,221        | 12,980        |
|                     | - Risks for bankruptcy clawback actions | 140           | 825           |
|                     | 4.2 personnel costs                     | 1,735         | 244           |
|                     | - "Long Time" incentives                | 117           | 53            |
|                     | - staff redundancy incentives           | 1,342         | -             |
|                     | - other incentives                      | 276           | 191           |
|                     | 4.3 other                               |               | 65            |
|                     | - Operational writedowns                | -             | 65            |
| <b>Total</b>        |   | <b>16,096</b> | <b>14,114</b> |

## SECTION 11 – SHAREHOLDERS' EQUITY – CAPTIONS 110, 120, 130, 140, 150, 160 AND 170

### 11.1 Share capital: breakdown

| Types |                      | Amount        |
|-------|----------------------|---------------|
| 1.    | <b>Share capital</b> | <b>54,591</b> |
| 1.1   | Ordinary shares      | 54,591        |
| 1.2   | Other shares         | -             |

At 31 December 2021, the issued and fully-paid share capital amounts to Euro 54,590,910.00=, represented by 5,459,091 ordinary shares with a nominal value of Euro 10.00 each that are wholly owned by BPER Banca S.p.A.

### 11.4 Share premium reserve: breakdown

The amount of Euro 20,814 thousand relates:

- for Euro 18,672 thousand to the share premium received at the time of the cash increases in capital;
- for Euro 2,142 thousand to the share exchange difference that emerged from the merger of ABF Factoring S.p.A;

#### 4.4 Other information

Breakdown and changes in captions 150/160 "Reserves" and "Valuation reserves"

| <i>(in thousands of euro)</i>   | <b>Legal<br/>reserve</b> | <b>Other<br/>reserves</b> | <b>Valuation<br/>reserves</b> | <b>Total</b>  |
|---|--------------------------|---------------------------|-------------------------------|---------------|
| A. Opening balance  | <b>3,582</b>             | <b>54,099</b>             | <b>(119)</b>                  | <b>57,562</b> |
| <b>B. Increases</b>   | <b>237</b>               | <b>1,237</b>              | <b>-</b>                      | <b>1,474</b>  |
| B. 1 Allocation of profit   | 237                      | 1,220                     | 0                             | 1,457         |
| B.2 Other changes   | -                        | 17                        | 0                             | 17            |
| - financial assets measured at fair value through<br>comprehensive income |                          |                           |                               | -             |
| - release   |                          |                           |                               | -             |
| - change in reserves  | -                        | 17                        | -                             | 17            |
| - from FTA IFRS 9   |                          |                           |                               | 0             |
| <b>C. Decreases</b>   | <b>-</b>                 | <b>-</b>                  | <b>(99)</b>                   | <b>(99)</b>   |
| C. 1 Uses:  | -                        | -                         | 0                             | 0             |
| - coverage of losses  |                          |                           |                               | -             |
| - distribution  |                          |                           |                               | -             |
| - transfer to share capital   |                          |                           |                               | -             |
| C.2 Other changes   | -                        | -                         | (99)                          | (99)          |
| - financial assets measured at fair value through<br>comprehensive income |                          |                           | (29)                          | -             |
| - discounting termination indemnities.                                    |                          |                           | (70)                          | (70)          |
| <b>D. Closing balance</b>   | <b>3,819</b>             | <b>55,336</b>             | <b>(218)</b>                  | <b>58,937</b> |

## Analysis on the availability and distribution of shareholders' equity

| Nature/description                    | Amount         | Possibility of use | Available portion | Summary of uses in the previous three years |                   |
|---------------------------------------|----------------|--------------------|-------------------|---|-------------------|
|                                       |                |                    |                   | To cover losses                             | For other reasons |
| <b>Share capital</b>                  | <b>54,591</b>  |                    |                   | -   | -                 |
| <b>Capital reserves:</b>              |                |                    |                   |   |                   |
| Reserve for treasury shares           |                |                    |                   |   |                   |
| Reserve for shares of parent company  |                |                    |                   |   |                   |
| Share premium reserve                 | 20,814         | A, B, C            | 20,814            |   |                   |
| Bond conversion reserve               |                |                    |                   |   |                   |
| <b>Revenue reserves:</b>              |                |                    |                   |   |                   |
| Legal reserve                         | 3,819          | B                  |                   | -   | -                 |
| Reserve for treasury shares           |                |                    |                   |   |                   |
| - Other reserves                      | 48,383         | A, B, C            | 48,383            |   |                   |
| - reserve for exchange gains          | 78             | A, B               | 78                |   |                   |
| <b>Reserves - other:</b>              |                |                    |                   |   |                   |
| Other                                 | 6,875          | A, B, C            | 6,875             |   |                   |
| <b>Valuation reserves:</b>            |                |                    |                   |   |                   |
| Reserve for actuarial gains (losses)  | (225)          |                    |                   |   |                   |
| OCI reserves (*)                      | 7              |                    |                   |   |                   |
| <b>Total</b>                          | <b>134,342</b> |                    | <b>76,150</b>     | <b>-</b>                                    | <b>-</b>          |
| <b>Non-distributable portion</b>      |                |                    | <b>21,432</b>     |   |                   |
| <b>Residual distributable portion</b> |                |                    | <b>54,718</b>     |   |                   |

Key: **A** to increase capital - **B** to cover losses - **C** for distribution to shareholders

(\*) In accordance with Legislative Decree 38/05, art. 6.4

## Other information

### 1. Commitments and financial guarantees given (other than those designated at fair value)

|                                      | Nominal amount of commitments and financial guarantees given |         |         |                                 | Total<br>31.12.2021 | Total<br>31.12.2020 |
|--------------------------------------|--|---------|---------|---------------------------------|---------------------|---------------------|
|                                      | Stage 1  | Stage 2 | Stage 3 | Impaired acquired or originated |                     |                     |
| 1. Commitments to grant funding      |  |         |         |                                 |                     |                     |
| a) Public administration             |  |         |         |                                 | -                   |                     |
| b) Banks                             |  |         |         |                                 | -                   |                     |
| c) Other financial companies         | 1  | -       | -       |                                 | 1                   |                     |
| d) Non-financial companies           | 48,118   | 152     | 25      |                                 | 48,295              | 27,367              |
| e) Households                        |  |         |         |                                 |                     | 44                  |
| <b>2. Financial guarantees given</b> |  |         |         |                                 |                     |                     |
| a) Public administration             |  |         |         |                                 |                     |                     |
| b) Banks                             |  |         |         |                                 |                     |                     |
| c) Other financial companies         |  |         |         |                                 |                     |                     |
| d) Non-financial companies           |  |         |         |                                 |                     |                     |
| e) Households                        |  |         |         |                                 |                     |                     |

For factoring transactions arranged without recourse, the stages refer to the originator as the beneficiary of the commitment.



## PART C – INFORMATION ON THE INCOME STATEMENT

### SECTION 1 – INTEREST – CAPTIONS 10 AND 20

#### 1.1 Interest and similar income: breakdown

| Captions/Technical forms  | Debt securities | Loans         | Other transactions | 31.12.2021    | 31.12.2020    |
|---|-----------------|---------------|--------------------|---------------|---------------|
| <b>1. Financial assets measured at fair value through profit or loss:</b> |                 |               |                    |               |               |
| 1.1 Financial assets held for trading                                     |                 |               |                    |               |               |
| 1.2 Financial assets designated at fair value through profit and loss     |                 |               |                    |               |               |
| 1.3 Other financial assets mandatorily measured at fair value             |                 |               |                    |               |               |
| <b>2. Financial assets measured at fair value through comprehensive</b>   | <b>9</b>        |               |                    | <b>9</b>      | <b>10</b>     |
| <b>3. Financial assets measured at amortised cost:</b>                    |                 |               |                    |               |               |
| 3.1 Due from banks  |                 | 37            |                    | 37            | 147           |
| 3.2 Due from financial companies  |                 | 673           |                    | 673           | 182           |
| 3.3 Due from customers  |                 | 10,828        |                    | 10,828        | 10,626        |
| <b>4. Hedging derivatives</b>   |                 |               |                    |               |               |
| <b>5. Other assets</b>  |                 |               | 6                  | 6             | -             |
| <b>6. Financial liabilities</b>   |                 |               |                    | 87            |               |
| <b>Total</b>  | <b>9</b>        | <b>11,538</b> | <b>6</b>           | <b>11,640</b> | <b>10,965</b> |
| of which: interest income on non-performing financial assets              |                 | 858           |                    | 858           | 258           |
| of which: interest income on leases                                       |                 | 90            |                    | 90            | 99            |

Interest accrued in the year on positions classified as "non-performing" at the reporting date amount to Euro 858 thousand, of which Euro 827 thousand relates to factoring transactions, while the remainder of Euro 31 thousand relates to lease transactions.

#### 1.2 Interest and similar income: other information

| Captions                             | 31.12.2021    | 31.12.2020    |
|--------------------------------------|---------------|---------------|
| <b>1. Factoring transactions</b>     | <b>10,042</b> | <b>9,309</b>  |
| Ordinary factoring                   | 5,775         | 6,249         |
| Future receivables                   | 743           | 475           |
| Discount interest                    | 3,524         | 2,585         |
| <b>2. Finance lease transactions</b> | <b>90</b>     | <b>99</b>     |
| Interest on leasing                  | 90            | 99            |
| <b>3. Other transactions</b>         | <b>1,508</b>  | <b>1,557</b>  |
| Other loans and receivables          | 1,404         | 1,547         |
| Other interest                       | 17            | 10            |
| Interest on financial liabilities    | 87            | -             |
| <b>Total</b>                         | <b>11,640</b> | <b>10,965</b> |



Interest income on financial assets in foreign currency amounted to Euro 454 thousand. The interest on financial liabilities relates solely to loans received with a negative rate of interest.

### 1.3 Interest and similar expense: breakdown

| Captions/Technical forms   | Payables     | Securities | Other    | TOTAL<br>31.12.2021 | TOTAL<br>31.12.2020 |
|--|--------------|------------|----------|---------------------|---------------------|
| <b>Financial liabilities valued at amortised cost</b>                            |              |            |          |                     |                     |
| 1.1 Due to banks   | (178)        |            |          | (178)               | (536)               |
| 1.2 Due to financial companies   |              |            |          |                     |                     |
| 1.3 Due to customers   | (25)         |            |          | (25)                | (26)                |
| 1.4 Securities issued  |              |            |          |                     |                     |
| <b>2. Financial liabilities held for trading</b>                                 |              |            |          |                     |                     |
| <b>3. Financial liabilities designated at fair value through profit and loss</b> |              |            |          |                     |                     |
| <b>4. Other liabilities</b>  |              |            |          |                     |                     |
| <b>5. Hedging derivatives</b>  |              |            |          |                     |                     |
| <b>6. Financial assets</b>   |              |            |          |                     |                     |
| <b>Total</b>   | <b>(203)</b> | <b>-</b>   | <b>-</b> | <b>(203)</b>        | <b>(562)</b>        |
| of which: interest expense relating to lease payables                            | (25)         |            |          | (25)                | (26)                |

### 1.4. Interest and similar expense: other information

#### 1.4.1 Interest expense on foreign currency liabilities

Interest expense on financial liabilities in foreign currency amounted to Euro 133 thousand.

## SECTION 2 – COMMISSIONS – CAPTIONS 40 AND 50

### 2.1 Commission income: breakdown

| Details (in thousands of euro)                                  | 31.12.2021    | 31.12.2020    |
|---|---------------|---------------|
| a) lease transactions   |               |               |
| b) factoring  | 12,355        | 9,734         |
| c) consumer credit  |               |               |
| d) guarantees given   |               |               |
| e) services:  |               |               |
| - fund management on behalf of third parties                    |               |               |
| - currency brokerage  |               |               |
| - product distribution  |               |               |
| - other   |               |               |
| f) collection and payment services                              |               |               |
| g) servicing of securitisation transactions                     |               |               |
| h) other commission   | 805           | 853           |
| - administrative charges  | 321           | 313           |
| - recovery of preliminary investigation costs                   | 415           | 242           |
| - recovery of bank and post office charges and other recoveries | 69            | 298           |
| <b>Total</b>  | <b>13,160</b> | <b>10,587</b> |

## 2.2 Commission expense: breakdown

| Details/Sectors                         | 31.12.2021     | 31.12.2020     |
|---|----------------|----------------|
| a) Guarantees received                  | (100)          | (166)          |
| b) Distribution of third-party services |                |                |
| c) Collection and payment services      |                |                |
| d) Other commissions:                   | (3,721)        | (3,422)        |
| - <i>bank charges</i>                   | (69)           | (80)           |
| - <i>financial fees</i>                 | (19)           | (13)           |
| - <i>refactoring commission</i>         | (2,195)        | (1,902)        |
| - <i>credit insurance premiums</i>      | (1,438)        | (1,427)        |
| <b>Total</b>                            | <b>(3,821)</b> | <b>(3,588)</b> |

The refactoring commission sub-caption relates to amounts paid to third parties for the referral of factoring transactions.

## Section 3 – Dividends and similar income - Caption 70

### 3.1 Dividends and similar income: breakdown

| Captions/Income  | Total 31.12.2021 |                | Total 31.12.2020 |                |
|--|------------------|----------------|------------------|----------------|
|  | Dividends        | Similar income | Dividends        | Similar income |
| A. Financial assets held for trading   |                  |                |                  |                |
| B. Other financial assets mandatorily measured at fair value                   |                  |                |                  |                |
| C. Other) financial assets measured at fair value through comprehensive income | 22               |                |                  |                |
| D. Equity investments  |                  |                |                  |                |
| <b>Total</b>   | <b>22</b>        | <b>-</b>       | <b>-</b>         | <b>-</b>       |

This amount relates to the payment made on 21 April 2021 by EmilRo Service S.r.l.

## Section 4 – Net trading income - Caption 80

### 4.1 Net trading income: breakdown

| Caption/Income captions<br>thousands of Euro                          | Capital<br>gains (A) | Trading<br>profits<br>(B) | Capital losses<br>(C) | Trading losses<br>(D) | Net result<br>[(A+B)-(C+D)] |
|---|----------------------|---------------------------|-----------------------|-----------------------|-----------------------------|
| <b>1. Financial assets held for trading</b>                           |                      |                           |                       |                       |                             |
| 1.1 Debt securities   |                      |                           |                       |                       |                             |
| 1.2 Equity instruments  |                      |                           |                       |                       |                             |
| 1.3 UCITS units   |                      |                           |                       |                       |                             |
| 1.4 Loans   |                      |                           |                       |                       |                             |
| 1.5 Other   |                      |                           |                       |                       |                             |
| <b>2. Financial liabilities held for trading</b>                      |                      |                           |                       |                       |                             |
| 2.1 Debt securities   |                      |                           |                       |                       |                             |
| 2.2 Payables  |                      |                           |                       |                       |                             |
| 2.3 Other   |                      |                           |                       |                       |                             |
| <b>3. Financial assets and liabilities: exchange differences</b>      |                      |                           |                       |                       | (13)                        |
| <b>4. Derivatives</b>   |                      |                           |                       |                       |                             |
| 4.1 Financial derivatives   |                      |                           |                       |                       |                             |
| 4.2 Credit derivatives  |                      |                           |                       |                       |                             |
| <i>of which: natural hedges associated with the fair value option</i> |                      |                           |                       |                       |                             |
| <b>Total</b>  | -                    | -                         | -                     | -                     | (13)                        |

## SECTION 8 – NET IMPAIRMENT ADJUSTMENTS FOR CREDIT RISK – CAPTION 130

| Transactions/income elements    | Impairment losses |         |            |         |                                 |       | Recoveries |         |         |                                 | 31.12.2021 | 31.12.2020 |
|---------------------------------|-------------------|---------|------------|---------|---------------------------------|-------|------------|---------|---------|---------------------------------|------------|------------|
|                                 | Stage 1           | Stage 2 | Stage 3    |         | Impaired acquired or originated |       | Stage 1    | Stage 2 | Stage 3 | Impaired acquired or originated |            |            |
|                                 |                   |         | Write-offs | Other   | Write-offs                      | Other |            |         |         |                                 |            |            |
| 1. Due from banks               | (1)               | -       | -          | -       | -                               | -     | -          | -       | -       | -                               | (1)        | -          |
| - for leasing                   | (1)               |         |            |         |                                 |       |            |         |         |                                 |            |            |
| - for factoring                 |                   |         |            |         |                                 |       |            |         |         |                                 |            |            |
| - other receivables             |                   |         |            |         |                                 |       |            |         |         |                                 |            |            |
| 2. Due from financial companies | (34)              | -       | -          | -       | -                               | -     | -          | -       | -       | -                               | (34)       | -          |
| - for leasing                   |                   |         |            |         |                                 |       |            |         |         |                                 | 0          |            |
| - for factoring                 | (34)              |         |            |         |                                 |       |            |         |         |                                 | (34)       |            |
| - other receivables             |                   |         |            |         |                                 |       |            |         |         |                                 | 0          |            |
| 3. Due from customers           | (97)              | (157)   | (704)      | (8,049) | -                               | -     | 194        | 148     | 450     | -                               | (8,215)    | (924)      |
| - for leasing                   |                   | (4)     |            | (234)   |                                 |       | 3          |         | 92      |                                 | (143)      | (215)      |
| - for factoring                 | (75)              | (147)   | (704)      | (7,813) |                                 |       | 191        | 148     | 358     |                                 | (8,042)    | (617)      |
| - for consumer credit           |                   |         |            |         |                                 |       |            |         |         |                                 | 0          |            |
| - Pledged loans                 |                   |         |            |         |                                 |       |            |         |         |                                 | 0          |            |
| - other receivables             | (22)              | (6)     |            | (2)     |                                 |       |            |         |         |                                 | (30)       | (92)       |
| Total                           | (132)             | (157)   | (704)      | (8,049) | 0                               | 0     | 194        | 148     | 450     | 0                               | (8,250)    | (924)      |

### 8.1 Net impairment adjustments for credit risk on financial assets at amortised cost: breakdown

## 8.1a Net impairment adjustments for credit risk on loans at amortised cost subject to Covid-19 support measures: breakdown

| Transactions/income elements  | Impairment losses, net |         |            |       |                                 |       | 31.12.2021 | 31.12.2020 |
|---|------------------------|---------|------------|-------|---------------------------------|-------|------------|------------|
|   | Stage 1                | Stage 2 | Stage 3    |       | Impaired acquired or originated |       |            |            |
|   |                        |         | Write-offs | Other | Write-offs                      | Other |            |            |
| 1. Loans subject to forbearance measures consistent with the GL   |                        |         |            |       |                                 |       |            |            |
| 2. Loans subject to current moratoria no longer consistent with the GL and not measured as subject to forbearance |                        |         |            |       |                                 |       |            |            |
| 3. Loans subject to other forbearance measures  |                        |         |            |       |                                 |       |            |            |
| 4 New loans   |                        |         |            |       |                                 |       |            |            |
| Total 31.12.2021  | 0                      |         | 0          | 0     | 0                               | 0     | 0          | 0          |
| Total 31.12.2020  | 2                      |         | 0          | 0     | 0                               | 0     | 2          | 0          |

## SECTION 10 – ADMINISTRATIVE EXPENSES – CAPTION 160

### 10.1 Payroll costs: breakdown

| Type of expense/Amounts   | Total 31.12.2021 | Total<br>31.12.2020 |
|---|------------------|---------------------|
| <b>1. Employees</b>   | <b>(5,557)</b>   | <b>(4,029)</b>      |
| a) wages and salaries   | (3,051)          | (2,892)             |
| b) social security charges  | (829)            | (794)               |
| c) termination indemnities  |                  |                     |
| d) pension expenses   |                  |                     |
| e) provision for termination indemnities                            | (52)             | (60)                |
| f) provision for post-retirement benefits and similar commitments:  |                  |                     |
| - defined contribution plans  |                  |                     |
| - defined benefit plans   |                  |                     |
| g) payments to external supplementary pension funds:                | (185)            | (188)               |
| - defined contribution plans  | (185)            | (188)               |
| - defined benefit plans   |                  |                     |
| h) other employee benefits  | (1,440)          | (95)                |
| <b>2. Other active employees</b>                                    | <b>(98)</b>      | <b>(19)</b>         |
| <b>3. Directors and statutory auditors</b>                          | <b>(283)</b>     | <b>(265)</b>        |
| <b>4. Retired personnel</b>   |                  |                     |
| <b>5. Recovery of cost of employees seconded to other companies</b> | <b>104</b>       | <b>98</b>           |
| <b>6. companies</b>   | <b>(1,230)</b>   | <b>(912)</b>        |
| <b>Total</b>  | <b>(7,064)</b>   | <b>(5,127)</b>      |

The increase in caption “h) other employee benefits” relates to the provision for leaving incentives.

The "provision for termination indemnities" as per art. 2120 of the Italian Civil Code amounts to Euro 84 thousand.

### 10.2 Average number of employees, by level

|                    | 31.12.2021 | 31.12.2020 |
|--------------------|------------|------------|
| Employees          | 50         | 51         |
| a) Managers        | 3          | 4          |
| b) Middle Managers | 27         | 26         |
| c) Other employees | 20         | 21         |
| Other personnel    | 8          | 8          |
|                    | <b>59</b>  | <b>59</b>  |

Number of employees by level.

|                    | 31.12.2021 | 31.12.2020 |
|--------------------|------------|------------|
| Employees:         | 56         | 51         |
| a) Managers        | 3          | 3          |
| b) Middle Managers | 29         | 26         |
| c) Other employees | 24         | 22         |
| Other personnel    | 9          | 8          |
| <b>Total</b>       | <b>65</b>  | <b>59</b>  |

The above data is stated gross of secondments, comprising 2 persons sent out and 9 persons received at 31 December 2021. The workforce therefore amounts to 63 persons.

### 10.3 Other administrative expenses: breakdown

| Type of expense/Amounts                | 31.12.2021     | 31.12.2020     |
|--|----------------|----------------|
| Direct and indirect taxes              | (262)          | (195)          |
| Maintenance and repairs                | (231)          | (215)          |
| Rent and cleaning                      | (68)           | (63)           |
| Condominium expenses                   | (62)           | (66)           |
| Post office and telephone              | (297)          | (311)          |
| Software and equipment                 | (29)           | (48)           |
| Audit                                  | (41)           | (41)           |
| Legal and other consulting             | (424)          | (360)          |
| Car expenses                           | (111)          | (120)          |
| Promotional and entertainment expenses | (12)           | (17)           |
| Insurance                              | (2)            | (1)            |
| Consumables                            | (35)           | (28)           |
| Sundry third-party services            | (44)           | (85)           |
| Transport                              | (14)           | (20)           |
| Commercial and operational services    | (466)          | (380)          |
| Outsourced services                    | (1,338)        | (1,325)        |
| Membership fees                        | (43)           | (41)           |
| Sundry other                           | (304)          | (266)          |
| <b>Total</b>                           | <b>(3,783)</b> | <b>(3,582)</b> |

Pursuant to Article 149-duodecies of the Issuers' Regulation, we have attached a schedule that shows the fees paid to the independent auditors by type of service, net of expenses and VAT.

| Type of services | Party providing the service | Recipient            | Fees (€/000) |
|------------------|-----------------------------|----------------------|--------------|
| Audit            | Deloitte & Touche<br>S.p.A. | BPER Factor<br>S.p.A | (28)         |
| Other services   |                             |                      | (5)          |
| <b>Total</b>     |                             |                      | <b>(33)</b>  |

Other services refer to the English translation of the 2020 financial statements.

## SECTION 11 – NET PROVISIONS FOR RISKS AND CHARGES – CAPTION 170

11.1 Net provisions for credit risk relating to commitments to grant funding and financial guarantees given: breakdown

|                              | Adjustments |         |         | Recoveries |         |         |
|------------------------------|-------------|---------|---------|------------|---------|---------|
|                              | Stage 1     | Stage 2 | Stage 3 | Stage 1    | Stage 2 | Stage 3 |
| Commitments to grant funding | (4)         | (19)    |         | -          | 1       |         |
| Financial guarantees given   |             |         |         |            |         |         |

The sub-caption of provisions for risks and charges “commitments to grant funds” includes provisions for credit risk in connection with commitments to disburse loans given that these are subject to IFRS 9 impairment rules. In these cases, in principle, the methods for allocating between stages and calculating the LGD are the same as those applied for the financial assets measured at amortised cost.

11.2 Net provisions for other commitments and other financial guarantees given: breakdown

At 31 December 2021 there are no provisions for commitments and other guarantees given.

11.3 Net provisions for other risks and charges: breakdown

| Category                      | 31.12.2021   | 31.12.2020     |
|-------------------------------|--------------|----------------|
| <b>A. Provisions</b>          | <b>(995)</b> | <b>(1,735)</b> |
| 1 for legal disputes:         |              |                |
| - operating irregularities    | (184)        | (845)          |
| - bankruptcy clawback actions | (811)        | (825)          |
| 2 other:                      |              |                |
| - operational writedowns      | 0            | (65)           |
| <b>B. Reallocations</b>       | <b>505</b>   | <b>500</b>     |
| 1 for legal disputes:         |              |                |
| - operating irregularities    | 440          | 500            |
| 2 other:                      |              |                |
| - operational writedowns      | 65           |                |
| <b>Net provision</b>          | <b>(490)</b> | <b>(1,235)</b> |

Net provisions for risks and charges, amounting to Euro 0.5 million, include provision relating to bankruptcy clawback actions and other disputes. The reallocations relate to the abandonment of a legal case classified in subcaption “Operating irregularities” and the recovery associated with subcaption “operational writedowns”, deriving from reversal of a 2020 provision for the difference between the purchase proposal by the lessee in a rent-to-buy contract and the carrying amount of the asset, which was recognised on realisation in the relevant income statement caption “Net result of measuring property, plant and equipment and intangible assets at fair value”.



## SECTION 12 – NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT – CAPTION 180

### 12.1 Net adjustments to property, plant and equipment: breakdown

| Assets/Elements of income               | Depreciation (a) | Impairment losses (b) | Recoveries (c) | Net result (a+b-c) |
|---|------------------|-----------------------|----------------|--------------------|
| <b>A. Property, plant and equipment</b> |                  |                       |                | -                  |
| <b>A.1 Used in operations</b>           | <b>(478)</b>     |                       |                | <b>478</b>         |
| - owned                                 | (40)             |                       |                | (40)               |
| - rights of use acquired with leases    | (438)            |                       |                | (438)              |
| <b>A.2 Investment property</b>          |                  |                       |                |                    |
| - owned                                 |                  |                       |                |                    |
| - rights of use acquired with leases    |                  |                       |                |                    |
| <b>A.3 Inventories</b>                  |                  |                       |                |                    |
| <b>Total</b>                            | <b>(478)</b>     | <b>0</b>              | <b>0</b>       | <b>(478)</b>       |

## SECTION 13 – NET ADJUSTMENTS TO INTANGIBLE ASSETS – CAPTION 190

### 13.1 Net adjustments to intangible assets: breakdown

| Assets/Elements of income                      | Depreciation (a) | Impairment losses (b) | Recoveries (c) | Net result (a+b-c) |
|--|------------------|-----------------------|----------------|--------------------|
| <b>1 Intangible assets other than goodwill</b> | <b>(279)</b>     |                       |                | <b>(279)</b>       |
| <i>of which software</i>                       | (279)            |                       |                | (279)              |
| 1.1 owned                                      | (279)            |                       |                | (279)              |
| 1.2 rights of use acquired with leases         |                  |                       |                |                    |
| <b>2 Assets related to finance leases</b>      |                  |                       |                |                    |
| <b>3 Assets granted under operating leases</b> |                  |                       |                |                    |
| <b>Total</b>                                   | <b>(279)</b>     | <b>-</b>              | <b>-</b>       | <b>(279)</b>       |

## SECTION 14 – OTHER INCOME AND EXPENSES – CAPTION 200

### 14.1 Other operating expenses: breakdown

### 14.2 Other operating income: breakdown

| Category     |   | 31.12.2021   | 31.12.2020   |
|--------------|---|--------------|--------------|
| <b>1.</b>    | <b>Other operating income</b>   | <b>1,481</b> | <b>1,053</b> |
| <b>1.1</b>   | <b>Recovery of administrative costs</b>                                     | <b>201</b>   | <b>202</b>   |
|              | Recovery of legal expenses and other charges                                | 103          | 95           |
|              | Recovery of postage expenses and stamps                                     | 98           | 100          |
|              | Rental income   | -            | 7            |
| <b>1.2</b>   | <b>Sundry claim proceeds</b>  | <b>1,168</b> | <b>809</b>   |
|              | Insurance claim proceeds relating to receivables without recourse           | 1,162        | 794          |
|              | Gain on sale of repossessed or unexercised leased assets                    | 6            | 15           |
|              | Proceeds from lease agreement penalties                                     |              |              |
| <b>1.3</b>   | <b>Other income</b>   | <b>112</b>   | <b>42</b>    |
|              | Out-of-period income  | -            | 16           |
|              | Sundry income   | 112          | 26           |
| <b>2.</b>    | <b>Other operating expenses</b>   | <b>(104)</b> | <b>(27)</b>  |
| <b>2.1</b>   | <b>Capital losses and other losses</b>                                      | <b>(20)</b>  | <b>0</b>     |
|              | Operating losses  | (20)         | -            |
| <b>2.2.</b>  | <b>Other operating expenses</b>   | <b>(84)</b>  | <b>(27)</b>  |
|              | Charitable donations  | (21)         | (20)         |
|              | Fines and penalties   | (3)          | (2)          |
|              | Out-of-period expense   | (52)         | -            |
|              | Repairs and maintenance of assets pertaining to terminated lease agreements | (4)          | (4)          |
|              | Other non-recurring operating expenses                                      | (4)          | (1)          |
| <b>Total</b> |   | <b>1,377</b> | <b>1,027</b> |

**SECTION 16 – NET RESULT OF MEASURING TANGIBLE AND INTANGIBLE ASSETS AT FAIR VALUE –  
CAPTION 230**

16.1 Net result of measuring property, plant and equipment and intangible assets at fair value (or restated value) or at estimated realisable value: composition

| Assets/Elements of income               | Revaluation<br>(a) | Writedowns<br>(b) | Exchange differences |                 | Net result<br>[(a-b+c-d)] |
|---|--------------------|-------------------|----------------------|-----------------|---------------------------|
|   |                    |                   | Positive<br>(c)      | Negative<br>(d) |                           |
| <b>A Property, plant and equipment</b>  |                    |                   |                      |                 |                           |
| A.1. Used in operations                 |                    |                   |                      |                 |                           |
| - owned                                 |                    |                   |                      |                 |                           |
| - rights of use acquired with leases    |                    |                   |                      |                 |                           |
| A.2. Investment property                |                    |                   |                      |                 |                           |
| - owned                                 | 135                | (654)             |                      |                 | (519)                     |
| - rights of use acquired with leases    |                    |                   |                      |                 |                           |
| A.3. Inventories                        |                    |                   |                      |                 |                           |
| <b>B Intangible assets</b>              |                    |                   |                      |                 |                           |
| B.1 owned                               |                    |                   |                      |                 |                           |
| - Internally generated                  |                    |                   |                      |                 |                           |
| - Other                                 |                    |                   |                      |                 |                           |
| B.2. Rights of use acquired with leases |                    |                   |                      |                 |                           |
| <b>Total</b>                            | <b>135</b>         | <b>(654)</b>      | <b>0</b>             | <b>0</b>        | <b>(519)</b>              |

## SECTION 19 – INCOME TAXES FROM CONTINUING OPERATIONS – CAPTION 270

### 19.1 Income taxes from continuing operations: breakdown

|   | 31.12.2021   | 31.12.2020     |
|---|--------------|----------------|
| 1. Current taxes(-)   | (674)        | (2,235)        |
| 2. Change in prior period income taxes (+/-)  | 82           | (7)            |
| 3. Reduction in current taxes for the year (+)  |              |                |
| 3.bis Reduction in current taxes for the year for tax credits as per Law 214/2011 (+) |              |                |
| 4. Change in deferred tax assets (+/-)  | 195          | 79             |
| 5. Change in deferred tax liabilities (+/-)   |              | 15             |
| <b>6. Income taxes for the year</b>   | <b>(397)</b> | <b>(2,148)</b> |

### 19.2 Reconciliation of the theoretical tax charge with total tax expense

| Captions  | Ires          | Irap         | Total         |
|---|---------------|--------------|---------------|
| Profit from continuing operations before income taxes                                 | 1,276         | 1,276        |               |
| <b>Total theoretical taxable income</b>   | <b>1,276</b>  | <b>1,276</b> |               |
| <b>Theoretical tax rate</b>   | <b>27.50%</b> | <b>5.57%</b> | <b>33.07%</b> |
| Theoretical tax charge  | (351)         | (71)         | (422)         |
| - lower taxation due to income that is not taxable or taxed at a flat rate (decrease) | 814           |              | 814           |
| - Higher taxes for non-deductible expenses in the current year                        | (914)         | (152)        | (1,066)       |
| <b>Total current taxes</b>  | <b>(451)</b>  | <b>(223)</b> | <b>(674)</b>  |
| Change in prior period income taxes   | 84            | (2)          | 82            |
| change in deferred tax assets of prior years  |               |              | 0             |
| Change in deferred tax assets   | 143           | 52           | 195           |
| Change in deferred tax liabilities  |               |              | 0             |
| <b>Total income taxes</b>   | <b>(224)</b>  | <b>(173)</b> | <b>(397)</b>  |

## SECTION 21 – INCOME STATEMENT: OTHER INFORMATION

### 21.1 Breakdown of interest income and commission income

| Captions/Counterparty                              | Interest income |                        |               | Commission income |                        |               | Total<br>31.12.2021 | Total<br>31.12.2020 |
|--|-----------------|------------------------|---------------|-------------------|------------------------|---------------|---------------------|---------------------|
|  | Banks           | Financial<br>companies | Customers     | Banks             | Financial<br>companies | Customers     |                     |                     |
| <b>1. Finance leases</b>                           | -               | -                      | <b>90</b>     | -                 | -                      | -             | <b>90</b>           |                     |
| - properties                                       |                 |                        | 64            |                   |                        |               | 64                  |                     |
| - moveable goods                                   |                 |                        |               |                   |                        |               | -                   |                     |
| - capital goods                                    |                 |                        | 26            |                   |                        |               | 26                  |                     |
| - intangible assets                                |                 |                        |               |                   |                        |               | -                   |                     |
| <b>2. Factoring</b>                                | <b>35</b>       | <b>673</b>             | <b>10,738</b> |                   | <b>348</b>             | <b>12,812</b> | <b>24,606</b>       | <b>21,140</b>       |
| - current receivables                              | -               | 322                    | 6,483         |                   | 312                    | 8,566         | 15,683              | 14,100              |
| - future receivables                               | -               | -                      | 743           |                   | -                      | 657           | 1,400               | 1,400               |
| - receivables purchased outright                   | 35              | 351                    | 2,108         |                   | 36                     | 1,652         | 4,182               | 2,108               |
| - receivables purchased below their original value | -               | -                      | -             |                   |                        |               | -                   | -                   |
| - other loans                                      | -               | -                      | 1,404         |                   |                        | 1,937         | 3,341               | 3,341               |
| <b>3. Consumer credit</b>                          | -               | -                      | -             |                   |                        | -             | -                   | -                   |
| - personal loans                                   |                 |                        |               |                   |                        |               | -                   | -                   |
| - specific-purpose loans                           |                 |                        |               |                   |                        |               | -                   | -                   |
| - salary assignment                                |                 |                        |               |                   |                        |               | -                   | -                   |
| <b>4. Pledged loans</b>                            |                 |                        |               |                   |                        |               | -                   | -                   |
| <b>5. Guarantees and commitments</b>               |                 |                        |               |                   |                        |               | -                   | -                   |
| - trade  |                 |                        |               |                   |                        |               | -                   | -                   |
| - financial  |                 |                        |               |                   |                        |               | -                   | -                   |
| <b>Total</b>                                       | <b>35</b>       | <b>673</b>             | <b>10,828</b> | <b>-</b>          | <b>348</b>             | <b>12,812</b> | <b>24,696</b>       | <b>21,140</b>       |

Total interest income comprises solely amounts relating to the specific subcaptions and, therefore, excludes all other forms of interest income.

### 21.2 Other information

The above table does not include interest and similar income relating to: deposits on bank current accounts and government securities not falling into the categories indicated.

## **PART D – OTHER INFORMATION**

### **SECTION 1 – SPECIFIC REFERENCE TO THE COMPANY'S OPERATIONS**

#### **A. LEASES (LESSOR)**

##### **Qualitative information**

Lease contracts in which BPER Factor acts as the lessor have been classified as finance or operating leases. Finance leases are those that substantially transfer all of the risks and rewards deriving from ownership of the asset to the lessee.

The substantial and financial reality of these contracts is that the lessee acquires the economic benefits deriving from use of the leased asset for most of its economic life, against a commitment to pay the lessor a fee that approximates the fair value of the asset and related financial charges.

Recognition in the lessor's financial statements therefore takes place as follows:

- to assets, the value of the credit disbursed, net of the principal portion of the lease instalments matured and paid by the lessee;
- in the income statement, interest income.

Operating lease contracts do not transfer substantially all of the risks and rewards deriving from ownership of the asset to the lessee, which remain with the lessor.

In the case of operating leases, the lessor records the lease instalments in the income statement on an accrual basis.

Please refer to Part A – Accounting Policies of the notes for further details.

The credit risk to which the Company is exposed in the finance lease business due to the legal structure of transactions is reduced by the maintenance of ownership of the asset until the lessee redeems it. This circumstance is particularly significant especially in real estate leases and those involving high-use assets. Furthermore, in order to cope with the risk of losses more effectively and if required by the preliminary investigation report, BPER Factor could ask customers for additional guarantees, whether secured (mainly a pledge on securities) or unsecured (personal or bank guarantees). There are also specific guarantees in finance leases, such as the commitment to take over or the commitment to repurchase (sometimes by the suppliers of the assets).

##### **Quantitative information**

###### **A.1 - balance sheet and income statement information**

Lease loans: please refer to the notes: Part B – Assets, table 4.1 Financial assets measured at amortised cost: breakdown by product of amounts due from banks; 4.2 Financial assets measured at amortised cost: breakdown by product of receivables from financial companies and table 4.3 Financial assets measured at amortised cost: breakdown by product of receivables from customers.

Interest income on lease loans: please refer to the notes: Part C - Income Statement, table 1.1 Interest income and similar income: breakdown.

Other income from operating leases: please refer to the notes: Part C - Income Statement, table 14.2 Other operating income: breakdown.

## A.2 – Finance leases

### A.2.1 Classification by time bands of payments to be received and non-performing exposures. Reconciliation of payments to be received with lease loans shown under assets.

| Time bands                                 | Total 31.12.2021              |                      |                                     | Total 31.12.2020              |                      |                                     |
|--|-------------------------------|----------------------|-------------------------------------|-------------------------------|----------------------|-------------------------------------|
|  | Lease payments to be received |                      | Total lease payments to be received | Lease payments to be received |                      | Total lease payments to be received |
|  | Non-performing exposures      | Performing exposures |                                     | Non-performing exposures      | Performing exposures |                                     |
| Up to 1 year                               | 394                           | 90                   | 485                                 | 86                            | 173                  |                                     |
| Between 1 and 2 years                      | 3,520                         | 85                   | 3,605                               | 6,694                         | 396                  |                                     |
| Between 2 and 3 years                      | 187                           | 85                   | 271                                 | 85                            | 187                  |                                     |
| Between 3 and 4 years                      | 187                           | 85                   | 271                                 | 85                            | 187                  |                                     |
| Between 4 and 5 years                      | 187                           | 85                   | 271                                 | 85                            | 187                  |                                     |
| Beyond 5 years                             | 414                           | 262                  | 676                                 | 349                           | 574                  |                                     |
| <b>Total lease payments to be received</b> | <b>4,889</b>                  | <b>691</b>           | <b>5,580</b>                        | <b>7,384</b>                  | <b>1,704</b>         |                                     |
| <b>RECONCILIATION</b>                      |                               |                      |                                     |                               |                      |                                     |
| Unrealised financial gains (-)             | (261)                         | (120)                | (381)                               | (153)                         | (350)                |                                     |
| Residual value not guaranteed (-)          | 0                             | 0                    | 0                                   | 0                             | 0                    |                                     |
| <b>LEASE LOANS</b>                         | <b>4,627</b>                  | <b>571</b>           | <b>5,198</b>                        | <b>7,231</b>                  | <b>1,354</b>         | <b>8,585</b>                        |

### A.2.2 Classification of finance leases by quality and type of leased asset

|                            | Lease loans         |                     |                      |                     |
|----------------------------|---------------------|---------------------|----------------------|---------------------|
|                            | Performing loans    |                     | Non-performing loans |                     |
|                            | Total<br>31.12.2021 | Total<br>31.12.2020 | Total<br>31.12.2021  | Total<br>31.12.2020 |
| A. Properties:             | 1,032               | 1,072               | 2,204                | 4,358               |
| - Land                     | -                   | -                   | -                    | -                   |
| - Buildings                | 1,032               | 1,072               | 2,204                | 4,358               |
| B. Capital goods           | 253                 | 298                 | 126                  | 167                 |
| C. Moveable goods:         | -                   | -                   | -                    | -                   |
| - Motor vehicles           | -                   | -                   | -                    | -                   |
| - Planes, boats and trains | -                   | -                   | -                    | -                   |
| - Other                    | -                   | -                   | -                    | -                   |
| D. Intangible assets:      | -                   | -                   | -                    | -                   |
| - Trademarks               | -                   | -                   | -                    | -                   |
| - Software                 | -                   | -                   | -                    | -                   |
| - Other                    | -                   | -                   | -                    | -                   |
| <b>Total</b>               | <b>1,284</b>        | <b>1,370</b>        | <b>2,330</b>         | <b>4,525</b>        |

### A.2.3 Classification of assets related to finance leases

|                            | Unredeemed goods    |                     | Assets repossessed following cancellation of |                     | Other assets        |                     |
|----------------------------|---------------------|---------------------|--|---------------------|---------------------|---------------------|
|                            | Total<br>31.12.2021 | Total<br>31.12.2020 | Total<br>31.12.2021                          | Total<br>31.12.2020 | Total<br>31.12.2021 | Total<br>31.12.2020 |
| A. Properties:             | -                   | -                   | 3,333  | 6,609               | 1,343               | 1,387               |
| - Land                     | -                   | -                   | -  | -                   | -                   | -                   |
| - Buildings                | -                   | -                   | 3,333  | 6,609               | 1,343               | 1,387               |
| B. Capital goods           | -                   | -                   | -  | 94                  | 522                 | 589                 |
| C. Moveable goods:         | -                   | -                   | -  | -                   | -                   | -                   |
| - Motor vehicles           | -                   | -                   | -  | -                   | -                   | -                   |
| - Planes, boats and trains | -                   | -                   | -  | -                   | -                   | -                   |
| - Other                    | -                   | -                   | -  | -                   | -                   | -                   |
| D. Intangible assets:      | -                   | -                   | -  | -                   | -                   | -                   |
| - Trademarks               | -                   | -                   | -  | -                   | -                   | -                   |
| - Software                 | -                   | -                   | -  | -                   | -                   | -                   |
| - Other                    | -                   | -                   | -  | -                   | -                   | -                   |
| <b>Total</b>               | <b>-</b>            | <b>-</b>            | <b>3,333</b>                                 | <b>6,703</b>        | <b>1,865</b>        | <b>1,976</b>        |

Assets repossessed following cancellation of the contract are recognised as property, plant and equipment held for investment purposes if the related settlements include, in final settlement of the procedures against the customer, both return of the assets and recognition of the indemnity due.

### A.2.4 – Other information

The Company has for some years decided to leave the finance lease business, so its mission is now oriented exclusively to collecting payment of the loan on performing receivables and selling the assets involved in contracts that have been terminated.

### A.3 – Operating leases

The Company does not have any other operating leases.



## B. FACTORING AND ASSIGNMENT OF RECEIVABLES

### B.1 Gross value and carrying amounts

#### B.1.1 Factoring

| Caption/Amounts                                   | TOTAL 31.12.2021 |                   |                  | TOTAL 31.12.2020 |                   |                  |
|---|------------------|-------------------|------------------|------------------|-------------------|------------------|
|   | Gross value      | Impairment losses | Net value        | Gross value      | Impairment losses | Net value        |
| <b>1. Performing</b>                              | <b>1,197,708</b> | <b>2,481</b>      | <b>1,195,227</b> | <b>1,039,148</b> | <b>2,560</b>      | <b>1,036,588</b> |
| exposure to assignors (with recourse):            | 706,823          | 1,767             | 705,056          | 577,512          | 1,581             | 575,931          |
| - assignment of future receivables                | 53,021           | 618               | 52,403           | 77,421           | 475               | 76,946           |
| - other   | 653,802          | 1,149             | 652,653          | 500,091          | 1,106             | 498,985          |
| exposures to assigned debtors (without recourse): | 490,885          | 714               | 490,171          | 461,636          | 979               | 460,657          |
| <b>2. Non-performing</b>                          | <b>66,195</b>    | <b>17,987</b>     | <b>48,208</b>    | <b>14,438</b>    | <b>10,574</b>     | <b>3,864</b>     |
| <b>2.1 Doubtful receivables</b>                   | <b>11,444</b>    | <b>10,813</b>     | <b>631</b>       | <b>10,786</b>    | <b>9,982</b>      | <b>804</b>       |
| exposure to assignors (with recourse):            | 5,041            | 4,444             | 597              | 5,072            | 4,335             | 737              |
| - assignment of future receivables                | -                | -                 | -                | -                | -                 | -                |
| - other   | 5,041            | 4,444             | 597              | 5,072            | 4,335             | 737              |
| exposures to assigned debtors (without recourse): | 6,403            | 6,369             | 34               | 5,714            | 5,647             | 67               |
| - purchases below nominal amount                  | -                | -                 | -                | -                | -                 | -                |
| - other   | 6,403            | 6,369             | 34               | 5,714            | 5,647             | 67               |
| <b>2.2 Unlikely to pay receivables</b>            | <b>53,378</b>    | <b>7,094</b>      | <b>46,284</b>    | <b>2,867</b>     | <b>546</b>        | <b>2,321</b>     |
| exposure to assignors (with recourse):            | 53,335           | 7,051             | 46,284           | 2,824            | 503               | 2,321            |
| - assignment of future receivables                | 18,050           | 896               | 17,154           | -                | -                 | -                |
| - other   | 35,285           | 6,155             | 29,130           | 2,824            | 503               | 2,321            |
| exposures to assigned debtors (without recourse): | 43               | 43                | -                | 43               | 43                | -                |
| - purchases below nominal amount                  | -                | -                 | -                | -                | -                 | -                |
| - other   | 43               | 43                | -                | 43               | 43                | -                |
| <b>2.3 Non-performing past due receivables</b>    | <b>1,373</b>     | <b>80</b>         | <b>1,293</b>     | <b>785</b>       | <b>46</b>         | <b>739</b>       |
| exposure to assignors (with recourse):            | 221              | 13                | 208              | 269              | 16                | 253              |
| - assignment of future receivables                | -                | -                 | -                | -                | -                 | -                |
| - other   | 221              | 13                | 208              | 269              | 16                | 253              |
| exposures to assigned debtors (without recourse): | 1,152            | 67                | 1,085            | 516              | 30                | 486              |
| - purchases below nominal amount                  | -                | -                 | -                | -                | -                 | -                |
| - other   | 1,152            | 67                | 1,085            | 516              | 30                | 486              |
| <b>Total</b>                                      | <b>1,263,903</b> | <b>20,468</b>     | <b>1,243,435</b> | <b>1,053,586</b> | <b>13,134</b>     | <b>1,040,452</b> |

### B.2 Breakdown by residual life

#### B.2.1 Factoring with recourse: advances and total receivables

| Time bands                      | Advances       |                | Total receivables |                |
|---------------------------------|----------------|----------------|-------------------|----------------|
|                                 | 31.12.2021     | 31.12.2020     | 31.12.2021        | 31.12.2020     |
| - on demand                     | 81,844         | 130,283        | 198,929           | 166,611        |
| - up to 3 months                | 562,501        | 333,784        | 670,050           | 437,852        |
| - between 3 and 6 months        | 65,188         | 73,791         | 115,939           | 104,379        |
| - between six and twelve months | 39,070         | 30,606         | 23,673            | 30,863         |
| - beyond 1 year                 | 3,542          | 10,778         | 13,933            | 17,368         |
| - unspecified duration          |                |                | 68,860            | 24,618         |
| <b>Total</b>                    | <b>752,145</b> | <b>579,242</b> | <b>1,091,384</b>  | <b>781,691</b> |

This table does not include assignments other than those considered in Law 52/91, for receivables totalling Euro 555 million.

## B.2.2 Factoring without recourse: exposures

| Time bands                      | Exposures      |                |
|---------------------------------|----------------|----------------|
|                                 | 31.12.2021     | 31.12.2020     |
| - on demand                     | 25,218         | 40,692         |
| - up to 3 months                | 351,965        | 304,621        |
| - between 3 and 6 months        | 95,295         | 61,994         |
| - between six and twelve months | 7,203          | 35,135         |
| - beyond 1 year                 | 11,609         | 18,767         |
| - unspecified duration          | -              | -              |
| <b>Total</b>                    | <b>491,290</b> | <b>461,209</b> |

The margin between the credit limit granted to customers and the amount of receivables factored with recourse at 31 December 2021 amounts to Euro 1,369,950 thousand.

## B.3 Other information

### B.3.1 Turnover of factoring receivables

| Captions                                 | TOTAL 31.12.2021 | TOTAL 31.12.2020 |
|--|------------------|------------------|
| <b>1. Transactions without recourse</b>  | <b>1,739,912</b> | <b>1,914,470</b> |
| of which: purchased below nominal amount | -                | -                |
| <b>2. Transactions with recourse</b>     | <b>4,238,340</b> | <b>2,717,776</b> |
| <b>Total</b>                             | <b>5,978,252</b> | <b>4,632,246</b> |

This information differs from that indicated in the report on operations, as this table also includes the turnover relating to the "formal" without-recourse element within with-recourse operations.

### B.3.3 Nominal amount of contracts for the purchase of future receivables

| Captions   | 31.12.2021     | 31.12.2020     |
|--|----------------|----------------|
| Flow of contracts for the purchase of future receivables during the year | 263,881        | 72,107         |
| Amount of contracts outstanding at the period end                        | 162,405        | 157,110        |
| <b>Total</b>   | <b>426,286</b> | <b>229,217</b> |

## D. GUARANTEES GIVEN AND COMMITMENTS

### D.1 Value of secured or unsecured guarantees given and commitments

| Transactions   | 31.12.2021    | 31.12.2020    |
|--|---------------|---------------|
| <b>1) Financial guarantees given payable on first request</b>          | -             | -             |
| a) Banks   | -             | -             |
| b) Financial companies   | -             | -             |
| c) Customers   | -             | -             |
| <b>2) Financial guarantees given</b>                                   |               |               |
| a) Banks   |               |               |
| b) Financial companies   |               |               |
| c) Customers   |               |               |
| <b>3) Commercial guarantees given</b>                                  | -             | -             |
| a) Banks   | -             | -             |
| b) Financial companies   | -             | -             |
| c) Customers   | -             | -             |
| <b>4) Irrevocable commitments to grant funding</b>                     | <b>48,296</b> | <b>27,411</b> |
| a) Banks   | -             | -             |
| i) of certain use  | -             | -             |
| ii) of uncertain use   | -             | -             |
| b) Financial companies   | -             | -             |
| i) of certain use  | -             | -             |
| ii) of uncertain use   | -             | -             |
| a) Customers   | 48,296        | 27,411        |
| i) of certain use  | -             | -             |
| ii) of uncertain use   | 48,296        | 27,411        |
| <b>5) Commitments underlying credit derivatives: protection sale</b>   | -             | -             |
| <b>6) Assets pledged to guarantee the commitments of third parties</b> | -             | -             |
| <b>7) Other irrevocable commitments</b>                                | -             | -             |
| a) to give guarantees  | -             | -             |
| b) other   | -             | -             |
| <b>Total</b>   | <b>48,296</b> | <b>27,411</b> |

## **SECTION 3 – INFORMATION ON RISKS AND HEDGING POLICIES**

Information is provided in this section on the risk profiles indicated below and the risk management and hedging policy in place. Some of the information provided in this section is based on internal management accounting figures and, accordingly, may not coincide with those reported in Parts B and C of these financial statements.

### **CREDIT RISK**

#### **QUALITATIVE INFORMATION**

##### **1. GENERAL ASPECTS**

##### **1.1 Changes to the system of monitoring connected with the Covid-19 crisis and related support measures**

Consistent with the expectations expressed by the European and Italian supervisory authorities, since the start of the crisis caused by the Covid-19 pandemic, EmilRO has identified the need to monitor and assess carefully those counterparties that have benefited from the support measures made available under governmental decrees and internal initiatives (under the law and voluntary). The granting of payment moratoria has, in fact, made it difficult for the principal monitoring systems to identify certain anomalies and triggers that would signal possible difficulties or deterioration in the position of counterparties. As it was impossible to revise rapidly the applications, certain operational measures have been adopted to identify possible future customer difficulties, with a view to continuing the provision of active support for counterparties faced with temporary problems linked to the consequences of Covid-19.

The Company in fact monitors carefully the customers granted deferrals in order to identify any elements suggesting a significant increase in credit risk.

This work includes assessment of the significant increase in credit risk and, in particular, the concession of forbearance measures, in compliance with current regulations and the reminders issued by the European Supervisory Authorities.

For more information on the changes implemented as a result of Covid-19, please refer to paragraph "Accounting estimates - Overlay approach applied in the assessment of credit risk" in Part A of the explanatory notes.

##### **1.2 The factoring business**

Factoring is now the only product on the financial market that, as part of a single relationship, can offer a variety of services to respond efficiently to the needs of companies in terms of management, insurance and financing of receivables.

Factoring is therefore not an alternative to bank loans, but has a financial component that can be used to supplement other sources of borrowing available to the company.

In view of this, the credit risk assumed by the factor only has a few features in common with the traditional credit risk from lending typical of banking operations.

When the factor makes an advance on receivables that are not yet due, the financial intermediary is exposed for an amount equal to the agreed advance, which generally does not exceed a certain percentage of the total receivables acquired.

The insolvency guarantee protects the assignor against default by the debtor, except in those cases explicitly regulated in the factoring contract: apart from some specific products, in the absence of advance, the factor is obliged to pay the amount of assigned receivables after a certain number of days from when the receivables become collectible. Unless the assigned receivables were purchased outright or in advance, this service gives the factor an endorsement exposure equal to the revolving credit limit within which the factor has undertaken to guarantee payment of the receivables to the assignor. In order to mitigate the risk that it has assumed, the factor can negotiate specific technical clauses that restrict the extent of the guarantee.

As regards the leasing business, the Company will operate exclusively in risk management for the existing contracts; no attempt will be made to expand the business.

## **2. CREDIT RISK MANAGEMENT POLICIES**

### **2.1 Organisational aspects**

The provision of financing and guarantee services means that the factor is exposed to credit risk; if the factor only provides a management service, there is no exposure to risk.

Generally speaking, when the factor provides a financing and/or guarantee service, the possibility of incurring a loss depends primarily on a deterioration in the creditworthiness of the counterparties, in other words the risk of non-payment by the assigned debtor (whether the assignment is with or without recourse) or the risk of non-repayment of the amounts advanced on the part of the assignor in the case of a transaction with recourse.

When a bank makes a loan to a borrower, default is brought about by a temporary or permanent inability to pay. Unlike traditional bank exposures, the factor provides its services in the context of a pre-existing business relationship; there is a possible risk of dilution in the event that the debtor refuses to pay (or makes partial payments), considering various situations that could affect the underlying relationship between supplier and customer. For example, they might include offsetting balances, allowances, disputes concerning the quality of the goods and promotional discounts.

The Company has drawn up its own credit policy, which defines the basic rules that allow it to develop the credit business, at the same time creating the conditions that enable the managers to operate while limiting the risk.

On assumption of the assignor and debtor risks, the credit risk is analysed and assessed by the competent departments of the Company. During operations, it is monitored by the Credit Management Department by means of risk reviews of without-recourse credit limits and assignor credit risk positions.

## **2.2 Systems for managing, measuring and monitoring**

Having defined credit risk as the possibility that an unexpected change in the creditworthiness of a counterparty with which there is an exposure could generate a corresponding decrease in the value of the credit position, the Company uses the simplified standardised approach for measurement purposes.

This risk differs according to the type of credit assignment. In sales without recourse, there is the risk of default on the part of the assigned debtor.

In the case of assignment with recourse, in the first instance the risk is that of the assigned debtor and in case of non-payment, there is a risk of default by the assignor.

The credit acquired with recourse is protected by the possibility of a double appeal against both the assignor and the debtor. The original credit quality risk is also monitored by notifying the debtor that the receivable has been assigned.

Appreciation of the risk associated with loans to customers is related to internal records on the status of each position, as defined in the Bank of Italy's instructions (Circ. 217 of 5 August 1996).

Risk management techniques considered appropriate to the products that the Company offers have been implemented, and thanks to the experience gained over the years, management is of the opinion that the Company has adequate tools to monitor credit risk properly: such monitoring includes first-level controls, carried out by the staff of the units responsible for the timely reporting to the Area Manager of all anomalies detected by the performance controls, as well as second-level controls. The analysis and evaluation of the checks carried out by the units on the management of the financing given to customers is carried out systematically by the Area Managers using, to this end, a series of reports produced by the information system.

An analysis of interest rate risk, implemented according to the procedures laid down in the ICAAP Directive, confirms that the Company is in line with the limits laid down by the Supervisory Authority.

The measurement of the credit risk on financing granted to customers is carried out with an analytical assessment of receivables showing anomalies (i.e. those that are non-performing), whereas a collective assessment is made for the rest of the receivables as required by the legislation.

## **2.3 Methods for measuring expected losses**

The ECL model for calculating expected credit losses is based on the risk parameters estimated for regulatory purposes, appropriately modified to ensure that they fully comply with IFRS 9. The changes concerned the following aspects:

- introduction of "point-in-time" elements in the regulatory parameters estimated according to through-the-cycle logic;
- implementation of components based on forecast information (scenario analysis);
- extension of the time horizon of the credit risk parameters (long-term).

Further details are provided below on the methods by which the EmilRO determined the IFRS 9 risk parameters.

### *Estimate of the PD parameter*

The characteristics of the rating models developed by the Parent Company for the calculation of PD (Probability of default: i.e. the probability that the borrower will not be able to meet their commitments) depend on the risk segment to which the counterparty belongs, the amount of the exposure and the stage in the lending process at which they are applied (initial pay-out or monitoring). The classifications are represented by 13 classes of merit differentiated by risk segment.<sup>2</sup> All of the Parent Company's systems share a number of common characteristics:

- the rating is determined with reference to the specific counterparty;
- the rating systems are established with reference to the loan portfolio of the BPER Banca group (the rating is unique for each counterparty, even if shared by several banks in the Group);
- the models process internal performance information derived from reports issued by the central risk database, as well as financial information in the case of businesses;
- the models for Corporate SMEs, Long-term Property SMEs, Holding Companies, Financial Companies and Large Corporates add a qualitative element to the purely statistical side. The rating allocation process for these segments also allows the account manager to activate an override process i.e. to request an exception to the quantitative rating based on true and documented information not processed by the model. The requested exception is evaluated by a central function that operates at Group level;
- to support risk analysis in the Large Corporate, Holding and Financial Companies segment, another component was added to the model to take into account whether counterparties belong to a group;
- the Probability of Default is calibrated with reference to regulatory anomalies, which include past due amounts;
- the time series used in order to develop and calibrate the models cover a broad time horizon, consistent with the requirements of current regulations;
- the ratings are analysed and reviewed at least once each year; the Bank has also defined a process for the monitoring of each rating, causing the rating to lapse if it no longer represents the true risk profile of the counterparty and there are signs of deterioration in the quality of the related lending;
- use is made of a rating calculation model for counterparties acting as guarantors for individuals, aimed at the quantification and measurement of credit risk attributable to private counterparties that provide personal guarantees to BPER Banca Group customers.

Determination of the final rating depends on the type of counterparty. In particular, the rating allocation process involves a level of investigation that is proportional to the complexity/scale of the counterparty under review: a more complex and sophisticated structure is foreseen for medium-large businesses (Corporate SMEs, Long-term Property SMEs, Holding Companies, Financial Companies and Large Corporates), which are fewer but with larger average exposures, while there is a simpler structure for Retail customers (Retail SMEs, Individuals and Small Businesses), which are more numerous, but with lower exposures.

The introduction of a Lifetime Expected Loss model implies the need to estimate the probability of default not only in the twelve months following the reporting date, but also in subsequent years.

For this purpose, multi-year PD dynamics accumulated by rating class based on the product among the matrices of Point-in-Time (PIT) migrations conditioned to the expected economic cycle were defined for each model of the internal rating system.

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<sup>2</sup>9 classes of merit for the Large Corporate segment

More specifically, the cumulative PD curves are determined, for the first three years from the reporting date, by multiplying future PIT matrices derived from the conditioning of PIT matrices, according to the application of satellite models, to different weighted macro-economic scenarios with the relative probabilities of occurrence. From the fourth year onwards, long-term matrices TTC (through-the-cycle) are used, obtained as the average of historical PIT migration matrices.

#### *Estimate of the LGD parameter*

The estimate of the LGD (Loss Given Default: which represents the expected rate of loss on default of the borrower, differentiated by type of exposure) is based on information about the product (factoring) and the presence, type and degree of coverage of any guarantees.

#### *EAD Estimate*

The concept of exposure (EAD) considered in the various future payment moments is based on the residual debt, increased by any unpaid/overdue instalments.

With reference to off-balance sheet exposures (guarantees and margins), EAD is determined by applying a credit conversion factor (CCF) to the nominal amount of the exposure.

#### *IFRS 9 ECL estimation methodology: scenario update frequency*

For IFRS 9 purposes, the Group has decided to update the macroeconomic scenarios every six months in order to guarantee greater consistency between forward-looking macroeconomic scenario and the projected lifetime ECL.

The updates are made on 30 June and 31 December each year. This decision was motivated by the following considerations:

- macroeconomic scenarios updated at the two key moments during the year;
- consistency with the date on which the principal business processes that use macroeconomic scenarios are updated.

More information about the scenarios adopted in order to determine the expected loss 31 December 2021 can be found above, in the Part A section entitled "Accounting estimates – Overlay approach applied to the assessment of credit risk".

## **2.4 Credit risk mitigation techniques**

BPER Factor's main risk mitigation technique and strategic option, which has been confirmed in the long-term plan, is to cover the risk on receivables acquired without recourse by means of reinsurance with a primary operator; this even in the presence of a margin reduction due to the cost of the reinsurance service and to the fact that receivables are more finely selected for insurance purposes.

The contractual rules in the case of insuring against assignor credit risk and subsequent actions are defined in terms that are a mirror-image of what is agreed with the reinsurance company.

The action taken by the offices involved ensures constant control over risks by constantly monitoring the debtors.



The validity of the credit management and control procedures in place at the Company and the processes for granting funds, which are governed by the internal regulations mentioned previously, as approved by the Board of Directors, are confirmed by the proportion of doubtful receivables and/or credit losses which continue to be very low and well below the industry average.

With regard to finance leases, the credit risk is mitigated by ownership of the asset until such time that the user exercises the bargain purchase option. The properties under finance leases are valued at least once a year by independent expert appraisers.

### **3. NON-PERFORMING CREDIT EXPOSURES**

For Bper Factor, definitions of the various categories of "non-performing" receivables (doubtful, unlikely to pay, past due receivables) coincide with the definitions issued by the Bank of Italy. The Supervisory Authority's instructions are supplemented by internal provisions that establish the criteria and automatic rules for the transfer of loans or receivables to the various risk categories.

To summarise:

Doubtful receivables – the entire outstanding exposure with entities that are in a serious and non-transitory situation of insolvency and/or subjected to judicial procedures is classified under "doubtful receivables".

In particular, the following are classified as doubtful:

- a) those in a state of "judicially established insolvency", identifying this situation with those of an arrangement with creditors, bankruptcy, compulsory liquidation and extraordinary administration (except as provided in paragraph below);
- b) those, even if not in a state of judicially established insolvency, that are in a serious and non-transitory situation of insolvency, including customers already classified as unlikely to pay for whom the requirements for classification as unlikely to pay no longer apply because of an aggravation or deterioration of the risk (repayment plans not met, etc.);
- c) local entities in a state of financial distress.

Unlikely to pay – classification in this category is primarily the result of judgement applied by a company as to the improbability that, without recourse to actions such as the enforcement of collateral, the debtor fully fulfils his credit obligations. This assessment is made regardless of whether there are any past due amounts.

Past due non-performing exposure - exposures other than those classified as doubtful or unlikely to pay, which, at the reporting date, are past due. Past due exposures may be determined at individual debtor level or, alternatively, at individual transaction level.

The New Definition of Default, envisaged in the European Regulation on prudential requirements for credit institutions and investment firms (art. 178 of Regulation (EU) 575/2013), came into force on 1 January 2021.

Past due exposures may be determined at individual debtor level or, alternatively, at individual transaction level.

The past due non-performing exposures include the total exposure (or the individual transaction, if the related approach is adopted) to parties that satisfy the conditions for classification as past due non-performing exposures and have one or more lines of credit that satisfy the definition of "Non-performing exposures with forbearance measures", as defined in Attachment V, Part 2, para. 262, ITS.

#### a) Individual debtor

The total exposure to a debtor must be recognised as past due non-performing, as envisaged in Commission Delegated Regulation (EU) 171/2018 of 19 October 2017, if, on the reference date of the report, the amount of principal, interest or commission not paid on the due date exceeds both the following thresholds:

- a) absolute limit of Euro 100 for retail exposures and Euro 500 for non-retail exposures;
- b) relative limit of 1%, considering the ratio of the total past-due amount to the total of all credit exposures to the same debtor (2).

These thresholds must have been exceeded continuously for at least 90 consecutive days, with the exception of certain types of commercial exposure to central administrations, local authorities and public sector undertakings, for which paras. 25 and 26 of the Guidelines apply.

In the case of instalment payment exposures, payments are allocated to individual past-due instalments in accordance with art. 1193 c.c. (1) unless specified otherwise in the contract. The allocation of credit exposures to past-due bands and calculation of the number of days past due commence - for each exposure - from the date of the first failure to pay, regardless of whether or not the established thresholds are exceeded.

#### b) Individual transaction

The past-due exposures to retail customers may be determined at individual transaction level.

The past-due exposure must be recognised as past due, pursuant to Commission Delegated Regulation (EU) 171/2018 of 19 October 2017, if both the following thresholds are exceeded on the reference date of the report:

- a) absolute limit of Euro 100;
- b) relative limit of 1%, considering the ratio of the total past-due amount to the total of the entire credit exposure.

These thresholds must have been exceeded continuously for at least 90 consecutive days. If the ratio of the entire cash exposure past due for more than 90 days to the total cash exposure towards the same debtor is 20% or more, the total cash and "off-balance sheet" exposure to that debtor must be treated as past due (so-called "pulling effect").

For all stages of default, the return to performing only takes place after a cure period of at least three months, during which the condition for classification as in default is no longer satisfied.

In particular, for factoring:

- with recourse, the parameter used to determine the existence of a past-due balance is the amount by which the advance rate is exceeded (when, in a commercial factoring transaction, advances to the originator against the assigned receivables exceed the contractual advance rate agreed between the factor and the originator) or, in the case of a contractual line of credit granted to the originator, by which the advances exceed the agreed credit limit: the quality of the receivables sold is completely disregarded;
- without recourse, the receivables with their due dates and dispute events remain relevant; special cases are envisaged for the treatment of "technical" past-due amounts and for operations without notification of assignment.

The Company adopts the individual transaction approach.

#### **4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATION AND FORBORNE EXPOSURES**

In October 2013 the EBA released its "EBA FINAL draft Implementing Technical Standards" relating to the definition of non-performing exposures and forbearance. The document was approved by the Commission on 9 January 2015 and published on the Official Journal of the European Union on 20 February 2015 with Regulation 227/2015.

Forbearance measures (concessions) are the modification of the terms and conditions of a contract, granted to a counterparty in financial difficulties that could have negative effects on its ability to meet its originally assumed contractual commitments and that would not have been granted to another borrower with a similar risk profile not in financial difficulties.

Concessions are to be identified at the level of each forborne exposure and may relate to exposures to borrowers classified as both performing and non-performing.

In all cases, when contractual amendments are made to financial assets recorded in the financial statements, BPER Factor per recognises those assets as forborne exposures if related financial difficulties have already been identified. As stated by the EBA in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customers pursuant to the law, are not considered indicators of financial difficulty for the purpose of classifying the individual positions concerned as forborne exposures. The Company also grants voluntary moratoria to customers, upon specific request from them. Most of these defer the due dates for settling assigned receivables.

Given that these voluntary moratoria are not granted for the specific purpose of assisting situations of financial difficulty, they are not classified as forborne exposures either.

Forborne exposures do not form a separate category of non-performing exposures, but are considered to be an attribute of the foregoing credit categories.

With regard to with recourse factoring transactions, the concession and the status of financial difficulty should be with reference to an assignor, whereas, for without recourse transactions, reference should be made to the assigned debtor.

## QUANTITATIVE INFORMATION

### 1. Financial assets by portfolio and credit quality (carrying value)

| Portfolio/Quality   | Doubtful     | Unlikely to pay loans | Past due doubtful loans | Past due unimpaired loans | Other performing exposures | Total            |
|---|--------------|-----------------------|-------------------------|---------------------------|----------------------------|------------------|
|   |              |                       |                         |                           |                            |                  |
| 1. Financial assets measured at amortised cost                          | 2,962        | 46,287                | 1,293                   | 141,321                   | 1,066,292                  | 1,258,155        |
| 2. Financial assets measured at fair value through comprehensive income |              |                       |                         |                           | 1,618                      | 1,618            |
| 3. Financial assets designated at fair value through profit and loss    |              |                       |                         |                           |                            | -                |
| 4. Other financial assets mandatorily measured at fair value            |              |                       |                         |                           |                            | -                |
| 5. Financial assets being sold  |              |                       |                         |                           |                            | -                |
| <b>Total 31.12.2021</b>   | <b>2,962</b> | <b>46,287</b>         | <b>1,293</b>            | <b>141,321</b>            | <b>1,067,910</b>           | <b>1,259,773</b> |
| <b>Total 31.12.2020</b>   | <b>5,331</b> | <b>2,322</b>          | <b>739</b>              | <b>64,200</b>             | <b>984,763</b>             | <b>1,057,355</b> |

### 2. Financial assets by portfolio and credit quality (gross and net amounts)

| Portfolio/Quality   | Non-performing |                              |               |                            | Performing       |                              |                  |                      |
|---|----------------|------------------------------|---------------|----------------------------|------------------|------------------------------|------------------|----------------------|
|   | Gross exposure | Total impairment adjustments | Net exposure  | Total partial write-offs * | Gross exposure   | Total impairment adjustments | Net exposure     | Total (net exposure) |
| 1. Financial assets measured at amortised cost                          | 73,624         | 23,082                       | 50,542        | 4,830                      | 1,210,165        | 2,552                        | 1,207,613        | 1,258,155            |
| 2. Financial assets measured at fair value through comprehensive income | -              | -                            | -             | -                          | 1,619            | 1                            | 1,618            | 1,618                |
| 3. Financial assets designated at fair value through profit and loss    |                |                              | -             |                            |                  |                              | -                |                      |
| 4. Other financial assets mandatorily measured at fair value            |                |                              | -             |                            |                  |                              | -                |                      |
| 5. Financial assets being sold  |                |                              | -             |                            |                  |                              | -                |                      |
| <b>Total 31.12.2021</b>   | <b>73,624</b>  | <b>23,082</b>                | <b>50,542</b> | <b>4,830</b>               | <b>1,211,784</b> | <b>2,553</b>                 | <b>1,209,231</b> | <b>1,259,773</b>     |
| <b>Total 31.12.2020</b>   | <b>24,445</b>  | <b>16,053</b>                | <b>8,392</b>  | <b>3,033</b>               | <b>1,051,614</b> | <b>2,606</b>                 | <b>1,049,008</b> | <b>1,057,400</b>     |

\* Amount to be shown for disclosure purposes

Performing exposures have not been renegotiated under collective agreements.

### 3 Distribution of financial assets by past due bands (carrying amounts)

| Portfolios/stages of risk   | Stage 1       |               |                | Stage 2      |               |                | Stage 3      |               |                | Impaired acquired or originated |               |                |
|---|---------------|---------------|----------------|--------------|---------------|----------------|--------------|---------------|----------------|---------------------------------|---------------|----------------|
|   | 1 to 30 days  | 30 to 90 days | Beyond 90 days | 1 to 30 days | 30 to 90 days | Beyond 90 days | 1 to 30 days | 30 to 90 days | Beyond 90 days | 1 to 30 days                    | 30 to 90 days | Beyond 90 days |
| 1. Financial assets measured at amortised cost                          | 92,879        | 530           | 4              | 326          | 28,103        | 19,479         | 140          | 21,705        | 669            |                                 |               |                |
| 2. Financial assets measured at fair value through comprehensive income |               |               |                |              |               |                |              |               |                |                                 |               |                |
| 3. Financial assets being sold  |               |               |                |              |               |                |              |               |                |                                 |               |                |
| <b>Total 31.12.2021</b>   | <b>92,879</b> | <b>530</b>    | <b>4</b>       | <b>326</b>   | <b>28,103</b> | <b>19,479</b>  | <b>140</b>   | <b>21,705</b> | <b>669</b>     |                                 |               | <b>-</b>       |
| <b>Total 31.12.2020</b>   | <b>34,952</b> | <b>10,148</b> | <b>18,937</b>  | <b>67</b>    | <b>59</b>     | <b>37</b>      | <b>-</b>     | <b>14</b>     | <b>6,230</b>   |                                 |               | <b>-</b>       |

#### 4 Financial assets, commitments to grant funding and financial guarantees given: trend of total adjustments and total provisions

| Captions/stages of risk   | Total impairment adjustments |  |  |                             |                                 |                                 |                          |  |  |                             |                                 |                                 |                          |  |  | Of which: non-performing or originated financial assets |                                 |                                 |  |  | Total provisions on commitments to grant funding and financial guarantees given |                                 |                                 | Total   |         |         |        |
|---|------------------------------|--|--|-----------------------------|---------------------------------|---------------------------------|--------------------------|--|--|-----------------------------|---------------------------------|---------------------------------|--------------------------|--|--|---|---------------------------------|---------------------------------|--|--|---|---------------------------------|---------------------------------|---------|---------|---------|--------|
|   | Assets included in Stage 1   |  |  |                             |                                 | Assets included in the Stage 2  |                          |  |  |                             | Assets included in Stage 3      |                                 |                          |  |  |   |                                 |                                 |  |  |   |                                 |                                 |         |         |         |        |
|   | Due from banks on demand     | Financial assets measured at a mortised cost | Financial assets measured at fair value through comprehensive income | Financial assets being sold | of which: individual writedowns | of which: collective writedowns | Due from banks on demand | Financial assets measured at a mortised cost | Financial assets measured at fair value through comprehensive income | Financial assets being sold | of which: individual writedowns | of which: collective writedowns | Due from banks on demand | Financial assets measured at a mortised cost | Financial assets measured at fair value through comprehensive income | Financial assets being sold                             | of which: individual writedowns | of which: collective writedowns | Financial assets measured at a mortised cost | Financial assets measured at fair value through comprehensive income | Financial assets being sold   | of which: individual writedowns | of which: collective writedowns | Stage 1 | Stage 2 | Stage 3 |        |
| Total opening adjustments   |                              | 2,042  | 1  |                             | 0                               | 2,042                           |                          | 563  | 0  |                             | 0                               | 563                             |                          | 16,053                                       | 0  |   | 16,007                          | 46                              |  |  |   |                                 | 0                               | 6       | 1       | 1       | 18,667 |
| Increases from financial assets acquired or originated              |                              |  |  |                             |                                 |                                 |                          |  |  |                             |                                 |                                 |                          |  |  |   |                                 |                                 |  |  |   |                                 |                                 |         |         |         | 0      |
| Derecognitions other than write-offs                                |                              |  |  |                             |                                 |                                 |                          |  |  |                             |                                 |                                 |                          |  |  |   |                                 |                                 |  |  |   |                                 |                                 |         |         |         | 0      |
| Net impairment adjustments for credit risk (+/-)                    |                              | (62)   |  |                             |                                 | (61)                            |                          | 9  |  |                             |                                 | 9                               |                          | 7,659  |  |   | 7,625                           | 34                              |  |  |   |                                 |                                 | 3       | (1)     | 19      | 7,627  |
| Contract changes without derecognitions                             |                              |  |  |                             |                                 |                                 |                          |  |  |                             |                                 |                                 |                          |  |  |   |                                 |                                 |  |  |   |                                 |                                 |         |         |         | 0      |
| Changes in estimation method  |                              |  |  |                             |                                 |                                 |                          |  |  |                             |                                 |                                 |                          |  |  |   |                                 |                                 |  |  |   |                                 |                                 |         |         |         | 0      |
| Write-offs not recognised directly to the income statement          |                              |  |  |                             |                                 |                                 |                          |  |  |                             |                                 |                                 |                          | (121)  |  |   | (121)                           |                                 |  |  |   |                                 |                                 |         |         |         | (121)  |
| Other changes   |                              |  |  |                             |                                 |                                 |                          |  |  |                             |                                 |                                 |                          | (509)  |  |   | (509)                           |                                 |  |  |   |                                 |                                 |         |         |         | (509)  |
| Total closing adjustments   |                              | 1,980  | 1  |                             | 0                               | 1,981                           |                          | 572  | 0  |                             | 0                               | 572                             |                          | 23,082                                       | 0  | 0   | 23,002                          | 80                              |  |  |   |                                 | 0                               | 9       | 0       | 20      | 25,664 |
| Recoveries from collection of financial assets subject to write-off |                              |  |  |                             |                                 |                                 |                          |  |  |                             |                                 |                                 |                          | 61   |  |   | 61                              |                                 |  |  |   |                                 |                                 |         |         |         | 61     |
| Write-offs recognised directly to the income statement              |                              |  |  |                             |                                 |                                 |                          |  |  |                             |                                 |                                 |                          | (704)  |  |   | (704)                           |                                 |  |  |   |                                 |                                 |         |         |         | (704)  |

**5 Financial assets, commitments to grant funding and financial guarantees given: transfers between the different stages of credit risk (gross and nominal amounts)**

| Portfolios/stages of risk   | Gross amounts/nominal value      |                         |                                  |                         |                                  |                         |
|---|----------------------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|-------------------------|
|   | Transfers between Stages 1 and 2 |                         | Transfers between Stages 2 and 3 |                         | Transfers between Stages 1 and 3 |                         |
|   | From Stage 1 to Stage 2          | From Stage 2 to Stage 1 | From Stage 2 to Stage 3          | From Stage 3 to Stage 2 | From Stage 1 to Stage 3          | From Stage 3 to Stage 1 |
| 1. Financial assets measured at amortised cost                          | 69,327                           | 16,151                  | 5,716                            | 174                     | 28,039                           |                         |
| 2. Financial assets measured at fair value through comprehensive income |                                  |                         |                                  |                         |                                  |                         |
| 3. Financial assets being sold  |                                  |                         |                                  |                         |                                  |                         |
| 4. Commitments to grant funding and financial guarantees given          | 591                              | 275                     | -                                | -                       | 114                              |                         |
| <b>TOTAL 31.12.2021</b>   | <b>69,918</b>                    | <b>16,426</b>           | <b>5,716</b>                     | <b>174</b>              | <b>28,153</b>                    | <b>-</b>                |
| <b>TOTAL 31.12.2020</b>   | <b>66,528</b>                    | <b>45,775</b>           | <b>801</b>                       | <b>-</b>                | <b>1,201</b>                     | <b>8,012</b>            |

**Table 5a Loans subject to Covid-19 support measures: transfers between the different stages of credit risk (gross amounts)**

| Portfolios/stages of risk  | Gross amounts                    |                         |                                  |                         |                                  |                         |
|--|----------------------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|-------------------------|
|  | Transfers between Stages 1 and 2 |                         | Transfers between Stages 2 and 3 |                         | Transfers between Stages 1 and 3 |                         |
|  | From Stage 1 to Stage 2          | From Stage 2 to Stage 1 | From Stage 2 to Stage 3          | From Stage 3 to Stage 2 | From Stage 1 to Stage 3          | From Stage 3 to Stage 1 |
| <b>A. Loans at amortised cost</b>  |                                  |                         |                                  |                         |                                  |                         |
| A.1 subject to forbearance measures consistent with the GL A.  |                                  |                         |                                  |                         |                                  |                         |
| A.2 subject to current moratoria no longer consistent with the GL and not measured as subject to forbearance |                                  |                         |                                  |                         |                                  |                         |
| A.3 subject to other forbearance measures  |                                  |                         |                                  |                         |                                  |                         |
| A.4 new loans  |                                  |                         |                                  |                         |                                  |                         |
| <b>B. Loans measured at fair value through comprehensive income</b>  |                                  |                         |                                  |                         |                                  |                         |
| B.1 subject to forbearance measures consistent with the GL   |                                  |                         |                                  |                         |                                  |                         |
| B.2 subject to current moratoria no longer consistent with the GL and not measured as subject to forbearance |                                  |                         |                                  |                         |                                  |                         |
| B.3 subject to other forbearance measures  |                                  |                         |                                  |                         |                                  |                         |
| B.4 new loans  |                                  |                         |                                  |                         |                                  |                         |
| <b>TOTAL 31.12.2021</b>  | -                                | -                       | -                                | -                       | -                                | -                       |
| <b>TOTAL 31.12.2020</b>  | -                                | -                       | -                                | -                       | -                                | -                       |

At 31 December 2021 there are no outstanding exposures subject to Covid-19 support measures. Those agreed have expired and are being repaid normally.



## 6. Credit exposures to customers, banks and financial companies

### 6.1 Credit and off-balance sheet exposures to banks and financial companies: gross and net amounts

| Type of exposures/amounts                    | Gross exposure |         |         |                                 | Total adjustments and provisions |         |         |                                 | Net exposure  | Total partial write-offs * |
|--|----------------|---------|---------|---------------------------------|----------------------------------|---------|---------|---------------------------------|---------------|----------------------------|
|  | Stage 1        | Stage 2 | Stage 3 | Impaired acquired or originated | Stage 1                          | Stage 2 | Stage 3 | Impaired acquired or originated |               |                            |
| <b>A. ON-BALANCE SHEET CREDIT EXPOSURES</b>  |                |         |         |                                 |                                  |         |         |                                 |               |                            |
| <b>A.1 On demand</b>                         |                |         |         |                                 |                                  |         |         |                                 |               |                            |
| a) Non-performing                            |                |         |         |                                 |                                  |         |         |                                 |               |                            |
| b) Non non-performing                        | 2,349          |         |         |                                 |                                  |         |         |                                 | 2,349         |                            |
| <b>A.2 Other</b>                             |                |         |         |                                 |                                  |         |         |                                 |               |                            |
| a) Doubtful exposures                        |                |         |         |                                 |                                  |         |         |                                 |               |                            |
| of which: forborne exposures                 |                |         |         |                                 |                                  |         |         |                                 |               |                            |
| b) Unlikely to pay exposure                  |                |         |         |                                 |                                  |         |         |                                 |               |                            |
| of which: forborne exposures                 |                |         |         |                                 |                                  |         |         |                                 |               |                            |
| c) Past due non-performing exposure          |                |         |         |                                 |                                  |         |         |                                 |               |                            |
| of which: forborne exposures                 | 51,341         |         |         |                                 | 38                               |         |         |                                 | 51,303        |                            |
| d) Past due performing exposure              |                |         |         |                                 |                                  |         |         |                                 |               |                            |
| of which: forborne exposures                 | 35,041         |         |         |                                 | 17                               |         |         |                                 | 35,024        |                            |
| e) Other performing exposures                |                |         |         |                                 |                                  |         |         |                                 |               |                            |
| of which: forborne exposures                 |                |         |         |                                 |                                  |         |         |                                 |               |                            |
| <b>TOTAL (A)</b>                             | <b>88,731</b>  |         |         |                                 | <b>55</b>                        |         |         |                                 | <b>88,676</b> |                            |
| <b>B. OFF-BALANCE SHEET CREDIT EXPOSURES</b> |                |         |         |                                 |                                  |         |         |                                 |               |                            |
| a) Non-performing                            |                |         |         |                                 |                                  |         |         |                                 |               |                            |
| a) Performing                                | 223            |         |         |                                 |                                  |         |         |                                 | 223           |                            |
| <b>TOTAL (B)</b>                             | <b>223</b>     |         |         |                                 |                                  |         |         |                                 | <b>223</b>    |                            |
| <b>TOTAL (A+B)</b>                           | <b>88,954</b>  |         |         |                                 |                                  |         |         |                                 | <b>88,899</b> |                            |

\* Amount to be shown for disclosure purposes

## **6.2 On-balance sheet exposures to banks and financial companies: trend in gross non-performing exposures**

There are no non-performing exposures to banks and financial companies

## **6.3 On-balance sheet exposures to banks and financial companies: trend in total adjustments**

There are no non-performing exposures to banks and financial companies

## 6.4 Credit and off-balance sheet exposures to customers: gross and net amounts

| Type of exposures/amounts                    | Gross exposure   |               |               |                      | Total adjustments and provisions |              |               |                                 | Net exposure     | Total partial write-offs * |
|--|------------------|---------------|---------------|----------------------|----------------------------------|--------------|---------------|---------------------------------|------------------|----------------------------|
|  | Stage 1          | Stage 2       | Stage 3       | Impaired acquired or | Stage 1                          | Stage 2      | Stage 3       | Impaired acquired or originated |                  |                            |
| <b>A. ON-BALANCE SHEET CREDIT EXPOSURES</b>  |                  |               |               |                      |                                  |              |               |                                 |                  |                            |
| a) Doubtful exposures                        |                  |               | 18,863        |                      |                                  |              | 15,902        |                                 | 2,961            | 4,830                      |
| of which: forborne exposures                 |                  |               | 427           |                      |                                  |              | 426           |                                 | 1                |                            |
| b) Unlikely to pay exposure                  |                  |               | 53,389        |                      |                                  |              | 7,101         |                                 | 46,288           |                            |
| of which: forborne exposures                 |                  |               | 4             |                      |                                  |              | -             |                                 | 4                |                            |
| c) Past due non-performing exposure          |                  |               | 1,373         |                      |                                  |              | 80            |                                 | 1,293            |                            |
| of which: forborne exposures                 |                  |               |               |                      |                                  |              |               |                                 | -                |                            |
| d) Past due performing exposure              | 42,161           | 47,998        |               |                      | 51                               | 89           |               |                                 | 90,019           |                            |
| of which: forborne exposures                 |                  |               |               |                      |                                  |              |               |                                 | -                |                            |
| e) Other performing exposures                | 988,245          | 46,997        |               |                      | 1,874                            | 483          |               |                                 | 1,032,885        |                            |
| of which: forborne exposures                 |                  | 6,734         |               |                      |                                  | 27           |               |                                 | 6,707            |                            |
| <b>TOTAL (A)</b>                             | <b>1,030,406</b> | <b>94,995</b> | <b>73,625</b> | <b>-</b>             | <b>-</b>                         | <b>1,925</b> | <b>572</b>    | <b>23,083</b>                   | <b>1,173,446</b> | <b>4,830</b>               |
| <b>B. OFF-BALANCE SHEET CREDIT EXPOSURES</b> |                  |               |               |                      |                                  |              |               |                                 |                  |                            |
| a) Non-performing                            |                  |               | 25            |                      |                                  |              | 20            |                                 | 5                |                            |
| a) Performing                                | 47,896           | 152           |               |                      | 9                                |              |               |                                 | 48,039           |                            |
| <b>TOTAL (B)</b>                             | <b>47,896</b>    | <b>152</b>    | <b>25</b>     |                      | <b>9</b>                         |              | <b>20</b>     |                                 | <b>48,044</b>    |                            |
| <b>TOTAL (A+B)</b>                           | <b>1,078,302</b> | <b>95,147</b> | <b>73,650</b> |                      | <b>1,934</b>                     | <b>572</b>   | <b>23,103</b> |                                 | <b>1,221,490</b> | <b>4,830</b>               |

\* Amount to be shown for disclosure purposes

**Table 6.4a Loans object support measures against Covid-19: gross and net amounts**

| Type of exposures/amounts   | Gross exposure |         |         |                                 | Total adjustments and provisions |         |         |                                 | Net exposure | Total partial write-offs * |
|---|----------------|---------|---------|---------------------------------|----------------------------------|---------|---------|---------------------------------|--------------|----------------------------|
|   | Stage 1        | Stage 2 | Stage 3 | Impaired acquired or originated | Stage 1                          | Stage 2 | Stage 3 | Impaired acquired or originated |              |                            |
| <b>A. Doubtful loans:</b><br>a) Subject to forbearance measures consistent with the GL<br>b) Subject to current moratoria no longer consistent with the GL and not measured as subject to forbearance<br>c) Subject to other forbearance measures<br>d) New loans<br><b>B. Unlikely to pay loans:</b><br>a) Subject to forbearance measures consistent with the GL<br>b) Subject to current moratoria no longer consistent with the GL and not measured as subject to forbearance<br>c) Subject to other forbearance measures<br>d) New loans<br><b>C. Non-performing loans expired:</b><br>a) Subject to forbearance measures consistent with the GL<br>b) Subject to current moratoria no longer consistent with the GL and not measured as subject to forbearance<br>c) Subject to other forbearance measures<br>d) New loans<br><b>D. Other performing loans and receivables expired:</b><br>a) Subject to forbearance measures consistent with the GL<br>b) Subject to current moratoria no longer consistent with the GL and not measured as subject to forbearance<br>c) Subject to other forbearance measures<br>d) New loans<br><b>E. Other performing loans and receivables :</b><br>a) Subject to forbearance measures consistent with the GL<br>b) Subject to current moratoria no longer consistent with the GL and not measured as subject to forbearance<br>c) Subject to other forbearance measures<br>d) New loans |                |         |         |                                 |                                  |         |         |                                 |              |                            |
| <b>Total (A+B+C+D+E)</b>  |                |         |         |                                 |                                  |         |         |                                 |              |                            |

At 31 December 2021 there are no loans subject to Covid-19 support measures.

## 6.5 On-balance sheet exposures to customers: trend in gross non-performing exposures

| Captions/Categories   | Doubtful exposures | of which: with recourse | of which: without recourse | of which: other transactions | Unlikely to pay loans | of which: with recourse | of which: without recourse | of which: other transactions | Past due non-performing exposure | of which: with recourse | of which: without recourse | of which: other transactions |
|---|--------------------|-------------------------|----------------------------|------------------------------|-----------------------|-------------------------|----------------------------|------------------------------|----------------------------------|-------------------------|----------------------------|------------------------------|
| <b>A. Opening gross exposure</b><br>of which: exposures assigned but not derecognised | <b>20,786</b>      | <b>5,072</b>            | <b>5,714</b>               | <b>10,000</b>                | <b>2,874</b>          | <b>2,824</b>            | <b>43</b>                  | <b>7</b>                     | <b>785</b>                       | <b>269</b>              | <b>516</b>                 |                              |
| <b>B. Increases</b>   | <b>2,291</b>       | <b>1,347</b>            | <b>938</b>                 | <b>6</b>                     | <b>57,001</b>         | <b>56,758</b>           | <b>238</b>                 | <b>5</b>                     | <b>14,123</b>                    | <b>10,906</b>           | <b>3,217</b>               |                              |
| B.1 transfers from performing exposures   | 801                | 796                     | 5                          |                              | 46,871                | 46,662                  | 209                        |                              | 11,993                           | 10,046                  | 1,947                      |                              |
| B.2 transfers from non-performing financial assets acquired or originated             |                    |                         |                            |                              |                       |                         |                            |                              |                                  |                         |                            |                              |
| B.3 transfers from other categories of non-performing exposures                       | 130                | 101                     | 29                         |                              | 9,247                 | 9,247                   |                            |                              |                                  |                         |                            |                              |
| B.4 contractual changes without derecognitions  |                    |                         |                            |                              |                       |                         |                            |                              |                                  |                         |                            |                              |
| B.5 other increases   | 1,360              | 450                     | 904                        | 6                            | 883                   | 849                     | 29                         | 5                            | 2,130                            | 860                     | 1,270                      |                              |
| <b>C. Decreases</b>   | <b>4,214</b>       | <b>1,378</b>            | <b>249</b>                 | <b>2,587</b>                 | <b>6,486</b>          | <b>6,247</b>            | <b>238</b>                 | <b>1</b>                     | <b>13,535</b>                    | <b>10,954</b>           | <b>2,581</b>               |                              |
| C.1 transfers to performing exposures   |                    |                         |                            |                              |                       |                         |                            |                              |                                  |                         |                            |                              |
| C.2 write-offs  | 559                | 440                     | 119                        |                              | 163                   |                         | 162                        | 1                            | 103                              |                         | 103                        |                              |
| C.3 collections   | 1,160              | 938                     | 130                        | 92                           | 6,193                 | 6,146                   | 47                         |                              | 3,764                            | 1,509                   | 2,255                      |                              |
| C.4 recoveries through assignments  |                    |                         |                            |                              |                       |                         |                            |                              |                                  |                         |                            |                              |
| C.5 losses from assignments   |                    |                         |                            |                              |                       |                         |                            |                              |                                  |                         |                            |                              |
| C.6 transfers to other categories of non-performing exposures                         |                    |                         |                            |                              | 130                   | 101                     | 29                         |                              | 9,247                            | 9,038                   | 209                        |                              |
| C.7 contractual changes without derecognitions  |                    |                         |                            |                              |                       |                         |                            |                              |                                  |                         |                            |                              |
| C.8 Other decreases   | 2,495              |                         |                            | 2,495                        |                       |                         |                            |                              | 421                              | 407                     | 14                         |                              |
| <b>D. Closing gross exposure</b><br>of which: exposures assigned but not derecognised | <b>18,863</b>      | <b>5,041</b>            | <b>6,403</b>               | <b>7,419</b>                 | <b>53,389</b>         | <b>53,335</b>           | <b>43</b>                  | <b>11</b>                    | <b>1,373</b>                     | <b>221</b>              | <b>1,152</b>               |                              |

## 6.5 bis On-balance sheet exposures to customers: trend in gross forborne exposures by credit quality

| Caption/Quality   | Non-performing<br>forborne exposures | of which: with<br>recourse | other<br>transaction<br>s | Forborne<br>exposures:<br>performing | of which: other<br>transactions |
|---|--------------------------------------|----------------------------|---------------------------|--------------------------------------|---------------------------------|
| <b>A. Opening gross exposure</b><br>of which: exposures assigned but not derecognised | <b>433</b>                           | 334                        | 99                        | <b>7,731</b>                         | 7,731                           |
| <b>B. Increases</b>   | 4                                    | 4                          | -                         | -                                    | -                               |
| B.1 transfers from performing exposures not subject to forbearance                    | 4                                    | 4                          |                           | -                                    |                                 |
| B.2 transfers from performing exposures subject to forbearance                        |                                      |                            |                           |                                      |                                 |
| B.3 transfers from non-performing forborne exposures                                  |                                      |                            |                           |                                      |                                 |
| B.4 transfers from non-performing exposures not subject to forbearance                |                                      |                            |                           |                                      |                                 |
| B.5 other increases   |                                      |                            |                           |                                      |                                 |
| <b>C. Decreases</b>   | <b>6</b>                             | 6                          | -                         | <b>997</b>                           | 997                             |
| C.1 transfers to performing exposures not subject to forbearance                      |                                      |                            |                           |                                      |                                 |
| C.2 transfers to performing exposures subject to forbearance                          |                                      |                            |                           |                                      |                                 |
| C.3 Transfers to non-performing forborne exposures                                    |                                      |                            |                           |                                      |                                 |
| C.4 write-offs  |                                      |                            |                           |                                      |                                 |
| C.5 collections   | 6                                    | 6                          |                           | 1                                    | 1                               |
| C.6 recoveries through assignments  |                                      |                            |                           |                                      |                                 |
| C.7 losses on disposal  |                                      |                            |                           |                                      |                                 |
| C.8 other decreases   |                                      |                            |                           | 996                                  | 996                             |
| <b>D. Closing gross exposure</b><br>of which: exposures assigned but not derecognised | <b>431</b>                           | 332                        | 99                        | <b>6,734</b>                         | 6,734                           |

## 6.6 On-balance sheet exposures to customers: trend in total adjustments

| Captions/Categories   | Doubtful |                            |                                  |  |                                    | Unlikely to pay exposures |                               |                                  |                                    |                                    | Past due non-performing exposures |                               |                                  |  |                                    |
|---|----------|----------------------------|----------------------------------|--|------------------------------------|---------------------------|-------------------------------|----------------------------------|------------------------------------|------------------------------------|-----------------------------------|-------------------------------|----------------------------------|--|------------------------------------|
|   | Total    | of which:<br>with recourse | of which:<br>without<br>recourse | of which:<br>other<br>transaction<br>s | of which:<br>forborne<br>exposures | Total                     | of which:<br>with<br>recourse | of which:<br>without<br>recourse | of which:<br>other<br>transactions | of which:<br>forborne<br>exposures | Total                             | of which:<br>with<br>recourse | of which:<br>without<br>recourse | of which:<br>other<br>transaction<br>s | of which:<br>forborne<br>exposures |
| <b>A. Total opening adjustments</b><br>of which: exposures assigned but not<br>derecognised | 15,454   | 4,335                      | 5,647                            | 5,472                                  | 431                                | 553                       | 503                           | 43                               | 7                                  | 0                                  | 46                                | 16                            | 30                               |  | 0                                  |
| <b>B. Increases</b>   | 1,776    | 556                        | 978                              | 242                                    | -                                  | 6,873                     | 6,711                         | 162                              | -                                  | -                                  | 182                               | 13                            | 169                              | -                                      | 0                                  |
| B.1 adjustments for non-performing<br>financial assets acquired or originated               |          |                            |                                  |  |                                    |                           |                               |                                  |                                    |                                    |                                   |                               |                                  |  |                                    |
| B.2 other adjustments   | 1,698    | 495                        | 962                              | 241                                    |                                    | 6,873                     | 6,711                         | 162                              |                                    |                                    | 182                               | 13                            | 169                              |  |                                    |
| B.3 losses on disposal  |          |                            |                                  |  |                                    |                           |                               |                                  |                                    |                                    |                                   |                               |                                  |  |                                    |
| B.4 transfers from other categories of<br>non-performing exposures                          | 16       |                            | 16                               |  |                                    |                           |                               |                                  |                                    |                                    |                                   |                               |                                  |  |                                    |
| B.5 contractual changes without<br>derecognitions   |          |                            |                                  |  |                                    |                           |                               |                                  |                                    |                                    |                                   |                               |                                  |  |                                    |
| B.6 other increases   | 62       | 61                         |                                  | 1                                      |                                    |                           |                               |                                  |                                    |                                    |                                   |                               |                                  |  |                                    |
| <b>C. Decreases</b>   | 1,329    | 447                        | 256                              | 626                                    | 6                                  | 325                       | 162                           | 162                              | 1                                  | -                                  | 147                               | 16                            | 131                              | -                                      | 0                                  |
| C.1 writebacks on remeasurement   | 188      | 1                          | 70                               | 117                                    |                                    | 146                       | 146                           |                                  |                                    |                                    | 44                                | 16                            | 28                               |  |                                    |
| C.2 writebacks on collection  | 73       | 6                          | 67                               |  |                                    |                           |                               |                                  |                                    |                                    |                                   |                               |                                  |  |                                    |
| C.3 gains on disposal   |          |                            |                                  |  |                                    |                           |                               |                                  |                                    |                                    |                                   |                               |                                  |  |                                    |
| C.4 write-offs  | 559      | 440                        | 119                              |  |                                    | 163                       |                               | 162                              | 1                                  |                                    | 103                               |                               | 103                              |  |                                    |
| C.5 transfers to other categories of non-<br>performing exposures                           |          |                            |                                  |  |                                    | 16                        | 16                            |                                  |                                    |                                    |                                   |                               |                                  |  |                                    |
| C.6 contractual changes without<br>derecognitions   |          |                            |                                  |  |                                    |                           |                               |                                  |                                    |                                    |                                   |                               |                                  |  |                                    |
| C.7 other decreases   | 509      |                            |                                  | 509                                    | 6                                  |                           |                               |                                  |                                    |                                    |                                   |                               |                                  |  |                                    |
| <b>D. Total closing adjustments</b><br>of which: exposures assigned but not<br>derecognised | 15,901   | 4,444                      | 6,369                            | 5,088                                  | 425                                | 7,101                     | 7,052                         | 43                               | 6                                  | 0                                  | 81                                | 13                            | 68                               | 0                                      | 0                                  |

## 7. Classification of financial assets, commitments to grant funding and financial guarantees given on the basis of internal and external ratings

### 7.1 Classification of financial assets, commitments to grant funding and financial guarantees given by external ratings (gross amounts)

| Exposures  | Internal rating classes |                |                |                |               |           | Unrated        | Total            |
|--|-------------------------|----------------|----------------|----------------|---------------|-----------|----------------|------------------|
|  | class 1                 | class 2        | class 3        | class 4        | class 5       | class 6   |                |                  |
| <b>A. Financial assets measured at amortised cost</b>                          | <b>7,242</b>            | <b>124,268</b> | <b>127,236</b> | <b>154,693</b> | <b>13,979</b> | <b>47</b> | <b>856,326</b> | <b>1,283,791</b> |
| - Stage 1  | 7,242                   | 123,577        | 127,113        | 122,527        | 13,979        | 47        | 720,684        | 1,115,169        |
| - Stage 2  |                         | 691            | 123            | 32,166         |               |           | 55,662         | 88,642           |
| - Stage 3  |                         |                |                |                |               |           | 73,405         | 73,405           |
| - Impaired acquired or originated  |                         |                |                |                |               |           | 6,575          | 6,575            |
| <b>B. Financial assets measured at fair value through comprehensive income</b> | <b>-</b>                | <b>-</b>       | <b>1,618</b>   | <b>-</b>       | <b>-</b>      | <b>-</b>  | <b>-</b>       | <b>1,618</b>     |
| - Stage 1  |                         |                | 1,618          |                |               |           | -              | 1,618            |
| - Stage 2  |                         |                |                |                |               |           |                | -                |
| - Stage 3  |                         |                |                |                |               |           |                |                  |
| - Impaired acquired or originated  |                         |                |                |                |               |           |                |                  |
| <b>C. Financial assets being sold</b>  | <b>-</b>                | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>      | <b>-</b>  | <b>-</b>       | <b>-</b>         |
| - Stage 1  |                         |                |                |                |               |           |                |                  |
| - Stage 2  |                         |                |                |                |               |           |                |                  |
| - Stage 3  |                         |                |                |                |               |           |                |                  |
| - Impaired acquired or originated  |                         |                |                |                |               |           |                |                  |
| <b>Total (A+B+C)</b>   | <b>7,242</b>            | <b>124,268</b> | <b>128,854</b> | <b>154,693</b> | <b>13,979</b> | <b>47</b> | <b>856,326</b> | <b>1,285,409</b> |
| <b>D. Commitments to grant funding and financial guarantees given</b>          | <b>436</b>              | <b>9,387</b>   | <b>1,418</b>   | <b>3,850</b>   | <b>16</b>     | <b>-</b>  | <b>33,044</b>  | <b>48,151</b>    |
| - Stage 1  | 436                     | 9,387          | 1,418          | 3,827          | 16            |           | 32,890         | 47,974           |
| - Stage 2  |                         |                |                | 23             |               |           | 129            | 152              |
| - Stage 3  |                         |                |                |                |               |           | 25             | 25               |
| - Impaired acquired or originated  |                         |                |                |                |               |           |                |                  |
| <b>Total (D)</b>   | <b>436</b>              | <b>9,387</b>   | <b>1,418</b>   | <b>3,850</b>   | <b>16</b>     | <b>-</b>  | <b>33,044</b>  | <b>48,151</b>    |
| <b>Total (A+B+C+D)</b>   | <b>7,678</b>            | <b>133,655</b> | <b>130,272</b> | <b>158,543</b> | <b>13,995</b> | <b>47</b> | <b>889,370</b> | <b>1,333,560</b> |

The table lists the reference external rating agencies.

| Portfolios   | ECA/ECAI                           | Rating characteristics<br>(solicited/unsolicited) |
|--|------------------------------------|---|
| Exposures to Central Administrations and Banks                         | Scope Ratings                      | <i>Unsolicited</i>                                |
| Exposures to international organisations                               | Fitch Ratings                      | <i>Unsolicited</i>                                |
| Exposures to multilateral development banks                            | Fitch Ratings                      | <i>Unsolicited</i>                                |
| Exposures to companies and other entities                              | Cerved Group                       | <i>Unsolicited</i>                                |
|  | Fitch Ratings (*)                  | <i>Solicited</i>                                  |
| Exposures to UCITS   | Fitch Ratings (*)                  | <i>Solicited</i>                                  |
| Exposures to securitisations with a short-term rating                  | Fitch Ratings<br>Standard & Poor's |   |
| Exposures to securitisations other than those with a short-term rating | Fitch Ratings<br>Standard & Poor's |   |

(\*) Use of credit risk mitigation (CRM) on financial instruments accepted in guarantee.



The table below shows a reconciliation between the risk classes and the agencies' ratings:

**Long-term rating for exposures to businesses:**

| Creditworthiness class | Risk<br>weighting<br>factor | ECAI<br>Cerved Group |
|------------------------|-----------------------------|----------------------|
| 1                      | 20%                         | A1.1, A1.2, A1.3     |
| 2                      | 50%                         | A2.1, A2.2, A3.1     |
| 3                      | 100%                        | B1.1, B1.2           |
| 4                      | 100%                        | B2.1, B2.2           |
| 5                      | 150%                        | C1.1                 |
| 6                      | 150%                        | C1.2, C2.1           |

**Long-term rating for exposures to central administrations:**

| Creditworthiness class | Risk<br>weighting<br>factor | ECAI<br>Scope Ratings |
|------------------------|-----------------------------|-----------------------|
| 1                      | 0%                          | from AAA to AA-       |
| 2                      | 20%                         | from A+ to A-         |
| 3                      | 50%                         | from BBB+ to BBB-     |
| 4                      | 100%                        | from BB+ to BB-       |
| 5                      | 100%                        | from B+ to B-         |
| 6                      | 150%                        | from CCC to D         |

7.2 Breakdown of financial assets, commitments to grant funding and financial guarantees given by internal ratings (gross amounts).

Although the Company uses the standard method to determine credit risk, the following table analyses the data by internal rating class.

| Exposures  | External rating classes |               |                |                |               |               |               |               |           |            |            |            |          | Total          |
|--|-------------------------|---------------|----------------|----------------|---------------|---------------|---------------|---------------|-----------|------------|------------|------------|----------|----------------|
|  | 1                       | 2             | 3              | 4              | 5             | 6             | 7             | 8             | 9         | 10         | 11         | 12         | 13       |                |
| <b>A. Financial assets measured at amortised cost</b>                          | <b>91,102</b>           | <b>95,290</b> | <b>239,652</b> | <b>162,054</b> | <b>84,123</b> | <b>91,172</b> | <b>14,853</b> | <b>18,929</b> | <b>15</b> | <b>483</b> | <b>780</b> | <b>174</b> | <b>-</b> | <b>798,627</b> |
| - Stage 1  | 74,230                  | 94,532        | 215,439        | 156,005        | 73,887        | 83,438        | 9,848         | 14,531        | -         | -          | -          | -          | -        | 721,910        |
| - Stage 2  | 16,872                  | 758           | 24,213         | 6,049          | 10,236        | 7,734         | 5,005         | 4,398         | 15        | 483        | 780        | 174        | -        | 76,717         |
| - Stage 3  | -                       | -             | -              | -              | -             | -             | -             | -             | -         | -          | -          | -          | -        | -              |
| - impaired acquired or originated  | -                       | -             | -              | -              | -             | -             | -             | -             | -         | -          | -          | -          | -        | -              |
| <b>B. Financial assets measured at fair value through comprehensive income</b> | <b>-</b>                | <b>-</b>      | <b>-</b>       | <b>-</b>       | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>  | <b>-</b>   | <b>-</b>   | <b>-</b>   | <b>-</b> | <b>-</b>       |
| - Stage 1  | -                       | -             | -              | -              | -             | -             | -             | -             | -         | -          | -          | -          | -        | -              |
| - Stage 2  | -                       | -             | -              | -              | -             | -             | -             | -             | -         | -          | -          | -          | -        | -              |
| - Stage 3  | -                       | -             | -              | -              | -             | -             | -             | -             | -         | -          | -          | -          | -        | -              |
| - impaired acquired or originated  | -                       | -             | -              | -              | -             | -             | -             | -             | -         | -          | -          | -          | -        | -              |
| <b>C. Financial assets being sold</b>  | <b>-</b>                | <b>-</b>      | <b>-</b>       | <b>-</b>       | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>  | <b>-</b>   | <b>-</b>   | <b>-</b>   | <b>-</b> | <b>-</b>       |
| - Stage 1  | -                       | -             | -              | -              | -             | -             | -             | -             | -         | -          | -          | -          | -        | -              |
| - Stage 2  | -                       | -             | -              | -              | -             | -             | -             | -             | -         | -          | -          | -          | -        | -              |
| - Stage 3  | -                       | -             | -              | -              | -             | -             | -             | -             | -         | -          | -          | -          | -        | -              |
| - impaired acquired or originated  | -                       | -             | -              | -              | -             | -             | -             | -             | -         | -          | -          | -          | -        | -              |
| <b>Total (A+B+C)</b>   | <b>91,102</b>           | <b>95,290</b> | <b>239,652</b> | <b>162,054</b> | <b>84,123</b> | <b>91,172</b> | <b>14,853</b> | <b>18,929</b> | <b>15</b> | <b>483</b> | <b>780</b> | <b>174</b> | <b>-</b> | <b>798,627</b> |
| of which: non-performing financial assets acquired or originated               | -                       | -             | -              | -              | -             | -             | -             | -             | -         | -          | -          | -          | -        | -              |
| <b>D. Commitments to grant funding and financial guarantees given</b>          | <b>20,408</b>           | <b>4,052</b>  | <b>2,559</b>   | <b>3,968</b>   | <b>72</b>     | <b>3,031</b>  | <b>39</b>     | <b>171</b>    | <b>19</b> | <b>-</b>   | <b>23</b>  | <b>-</b>   | <b>-</b> | <b>34,342</b>  |
| - Stage 1  | 20,408                  | 4,052         | 2,559          | 3,968          | 69            | 3,031         | 39            | 45            | 19        | -          | -          | -          | -        | 34,190         |
| - Stage 2  | -                       | -             | -              | -              | 3             | -             | -             | 126           | -         | -          | 23         | -          | -        | 152            |
| - Stage 3  | -                       | -             | -              | -              | -             | -             | -             | -             | -         | -          | -          | -          | -        | -              |
| - impaired acquired or originated  | -                       | -             | -              | -              | -             | -             | -             | -             | -         | -          | -          | -          | -        | -              |
| <b>Total (D)</b>   | <b>20,408</b>           | <b>4,052</b>  | <b>2,559</b>   | <b>3,968</b>   | <b>72</b>     | <b>3,031</b>  | <b>39</b>     | <b>171</b>    | <b>19</b> | <b>-</b>   | <b>23</b>  | <b>-</b>   | <b>-</b> | <b>34,342</b>  |
| <b>Total (A+B+C+D)</b>   | <b>111,510</b>          | <b>99,342</b> | <b>242,211</b> | <b>166,022</b> | <b>84,195</b> | <b>94,203</b> | <b>14,892</b> | <b>19,100</b> | <b>34</b> | <b>483</b> | <b>803</b> | <b>174</b> | <b>-</b> | <b>832,969</b> |

|                            | With internal ratings | Without ratings | Total            |
|----------------------------|-----------------------|-----------------|------------------|
| Cash exposure              | 798,627               | 486,782         | 1,285,409        |
| Off-balance sheet exposure | 34,342                | 13,809          | 48,151           |
| <b>Total</b>               | <b>832,969</b>        | <b>500,591</b>  | <b>1,333,560</b> |

| Operational classes (of risk) | Rating classes    |
|-------------------------------|-------------------|
| High                          | 10 - 11 - 12 - 13 |
| Significant                   | 8 - 9             |
| Average                       | 5 - 6 - 7         |
| Low                           | 3 - 4             |
| Very low                      | 1 - 2             |

BPER Factor does not use these ratings in the assessment of credit risk, but rather for the impairment calculation.

## 9. Credit concentration

Information required under tables 9.1 and 9.2 shown below are based on management figures.

## 9.1 Distribution of cash and off-balance sheet credit exposure by counterparty's business sector

| Business segment of cash exposure | 31.12.2021       |
|-----------------------------------|------------------|
| PUBLIC ADMINISTRATION             | 10,547           |
| NON-FINANCIAL COMPANIES           | 1,154,558        |
| HOUSEHOLDS                        | 34,088           |
| FINANCIAL COMPANIES               | 86,945           |
| <b>Total</b>                      | <b>1,286,138</b> |

| Business segment of off-balance sheet exposures | 31.12.2021    |
|---|---------------|
| PUBLIC ADMINISTRATION                           | 307           |
| NON-FINANCIAL COMPANIES                         | 47,447        |
| HOUSEHOLDS                                      | 314           |
| FINANCIAL COMPANIES                             | 228           |
| <b>Total</b>                                    | <b>48,296</b> |

Amounts are shown before adjustments.

## 9.2 Distribution of cash and off-balance sheet credit exposure by counterparty's geographical area

| Geographical area of cash exposure<br>(in thousands of Euro) | Amount           |
|--|------------------|
| North-West   | 467,727          |
| North-East   | 333,213          |
| Centre   | 175,849          |
| South and islands  | 114,364          |
| <b>Total Italy</b>   | <b>1,091,153</b> |
| Other European countries                                     | 148,618          |
| America  | 22,732           |
| Asia   | 20,639           |
| Rest of world  | 2,996            |
| <b>Total Rest of the world</b>                               | <b>194,985</b>   |
| <b>Total</b>   | <b>1,286,138</b> |

| Geographical area of off-balance sheet exposures<br>(in thousands of Euro) | Amount        |
|--|---------------|
| North-West   | 7,993         |
| North-East   | 27,670        |
| Centre   | 8,004         |
| South and islands  | 1,030         |
| <b>Total Italy</b>   | <b>44,697</b> |
| Other European countries   | 3,504         |
| America  | 95            |
| <b>Total Rest of the world</b>   | <b>3,599</b>  |
| <b>Total</b>   | <b>48,296</b> |

Amounts are shown before adjustments.

### 9.3 Large exposures

|                 | a) Amount (carrying value) | b) Amount (weighted) | c) Number of positions |
|-----------------|----------------------------|----------------------|------------------------|
| Large exposures | 407,399                    | 298,731              | 17                     |

## MARKET RISKS

### 3.1.1 INTEREST RATE RISK

#### QUALITATIVE INFORMATION

##### 1. General aspects

**Interest rate risk** is defined as the possibility that a change in interest rates could reflect negatively on the overall economic and financial situation of the company.

For ICAAP purposes, exposure to interest rate risk is measured by reference to the assets and liabilities - of units operating in Italy and abroad - included in the portfolio.

In this regard, it should be noted that the Company does not have any outstanding derivatives and the financial exposures for advances to customers are regulated at rates that are index-linked to parameters based on average monthly or quarterly Euribor rates. The Company's funding, on the other hand, is at floating rate based on the same parameters, so as to maintain the alignment of the rates and the spread applied on loans and receivables unchanged over time.

Interest rate risk arising from **outright** acquisition of receivables, over **short periods of time**, is of marginal importance for the Company, this being managed at the time that the purchase price is agreed. The Company regularly checks the degree of correlation between the rates applied to assets and liabilities.

The rate risk governance model formalised in this Policy is based on the following principles:

- attribution to the Parent Company of the management control and coordination prerogatives with regard to the strategic planning and control, treasury and finance management processes, relating to the commercial and credit governance area for the entire Group in order to ensure consistency with the overall management of interest rate risk and to ensure compliance with regulatory requirements,
- separation between governance and interest rate risk management processes.

Strategic decisions at Group level regarding risk management are entrusted to the corporate bodies of the Parent Company. The choices made take into account the specific operations and associated risk profiles of each company making up the Group in order to implement an integrated and consistent risk governance policy.

Based on the above, the BPER Group and EmilRO have adopted a centralised interest rate risk governance and management model.

BPER Banca, as Parent Company, is responsible for defining the guidelines for the governance, assumption and management of interest rate risk for the entire Group.

Every month, the Parent Company monitors at both consolidated and legal entity level (including BPER Factor) the impact that unexpected changes in market interest rates might have on the positions in the banking book, considering both current profits (sensitivity of net interest income) and the economic value of shareholders' equity:

- current earnings perspective: the current earnings perspective is aimed at assessing the interest risk on the basis of the sensitivity of the interest margin to changes in interest rates over a defined time horizon. Adverse changes in net interest income potentially affect the financial stability of a bank by weakening its capital adequacy. The change in net interest income depends on the various types of interest rate risk;
- economic value of assets and liabilities perspective: changes in interest rates can impact the economic value of the Parent Company's assets and liabilities. The economic value of a bank is represented by the present value of the expected cash flows, defined as the sum of the present value of the cash flows expected to be generated by its assets, liabilities and derivative positions. Unlike the current earnings perspective, the economic value perspective identifies the risk generated by the repricing or maturity gap over a long-term time horizon.

## QUANTITATIVE INFORMATION

### 1. Distribution by residual maturity (repricing date) of financial assets and liabilities (Euro)

| Captions/residual maturity      | On demand      | Up to 3 months | 3 to 6 months | 6 to 12 months | Between 1 and 5 years | Between 5 and 10 years |
|---------------------------------|----------------|----------------|---------------|----------------|-----------------------|------------------------|
| <b>1. Assets</b>                | <b>781,837</b> | <b>330,799</b> | <b>76,247</b> | <b>8,790</b>   | <b>14,258</b>         | <b>203</b>             |
| 1.1 Debt securities             | -              | 859            | -             | 759            | -                     | -                      |
| 1.2 Loans and receivables       | 781,837        | 329,940        | 76,247        | 8,031          | 14,258                | 203                    |
| 1.3. Other assets               |                |                |               |                |                       |                        |
| <b>2. Liabilities</b>           | <b>888,269</b> | <b>29,471</b>  | <b>866</b>    | <b>124,063</b> | <b>2,443</b>          | <b>-</b>               |
| 2.1 Payables                    | 888,269        | 29,471         | 866           | 124,063        | 2,443                 | -                      |
| 2.2 Debt securities             |                |                | -             | -              | -                     | -                      |
| 2.3 Other liabilities           | -              |                | -             | -              | -                     | -                      |
| <b>3. Financial derivatives</b> |                |                |               |                |                       |                        |
| <b>Options</b>                  |                |                |               |                |                       |                        |
| 3.1 Long positions              | -              | -              | -             | -              | -                     | -                      |
| 3.2 Short positions             | -              | -              | -             | -              | -                     | -                      |
| <b>Other derivatives</b>        |                |                |               |                |                       |                        |
| 3.3 Long positions              | -              | -              | -             | -              | -                     | -                      |
| 3.4 Short positions             | -              | -              | -             | -              | -                     | -                      |

*(dollars)**(Euro)*

| Captions/residual maturity      | On demand     | Up to 3 months | 3 to 6 months | 6 to 12 months | Between 1 and 5 years | Between 5 and 10 years | Beyond 10 years | unspecified duration |
|---------------------------------|---------------|----------------|---------------|----------------|-----------------------|------------------------|-----------------|----------------------|
| <b>1. Assets</b>                | <b>10,087</b> | <b>32,199</b>  | <b>5,968</b>  | <b>16</b>      | -                     | -                      | -               | -                    |
| 1.1 Debt securities             | -             | -              | -             | -              | -                     | -                      | -               | -                    |
| 1.2 Loans and receivables       | 10,087        | 32,199         | 5,968         | 16             | -                     | -                      | -               | -                    |
| 1.3. Other assets               | -             | -              | -             | -              | -                     | -                      | -               | -                    |
| <b>2. Liabilities</b>           | <b>32,458</b> | -              | -             | -              | -                     | -                      | -               | -                    |
| 2.1 Payables                    | 32,458        | -              | -             | -              | -                     | -                      | -               | -                    |
| 2.2 Debt securities             | -             | -              | -             | -              | -                     | -                      | -               | -                    |
| 2.3 Other liabilities           | -             | -              | -             | -              | -                     | -                      | -               | -                    |
| <b>3. Financial derivatives</b> |               |                |               |                |                       |                        |                 |                      |
| <b>Options</b>                  |               |                |               |                |                       |                        |                 |                      |
| 3.1 Long positions              | -             | -              | -             | -              | -                     | -                      | -               | -                    |
| 3.2 Short positions             | -             | -              | -             | -              | -                     | -                      | -               | -                    |
| <b>Other derivatives</b>        |               |                |               |                |                       |                        |                 |                      |
| 3.3 Long positions              | -             | -              | -             | -              | -                     | -                      | -               | -                    |
| 3.4 Short positions             | -             | -              | -             | -              | -                     | -                      | -               | -                    |

*(Other currencies)**(Euro/000)*

| Captions/residual maturity      | On demand    | Up to 3 months | 3 to 6 months | 6 to 12 months | Between 1 and 5 years | Between 5 and 10 years | Beyond 10 years | unspecified duration |
|---------------------------------|--------------|----------------|---------------|----------------|-----------------------|------------------------|-----------------|----------------------|
| <b>1. Assets</b>                | <b>345</b>   | <b>1,035</b>   | <b>338</b>    | -              | -                     | -                      | -               | -                    |
| 1.1. Debt securities            | -            | -              | -             | -              | -                     | -                      | -               | -                    |
| 1.2. Loans and receivables      | 345          | 1,035          | 338           | -              | -                     | -                      | -               | -                    |
| 1.3. Other assets               | -            | -              | -             | -              | -                     | -                      | -               | -                    |
| <b>2. Liabilities</b>           | <b>1,609</b> | -              | -             | -              | -                     | -                      | -               | -                    |
| 2.1. Payables                   | 1,609        | -              | -             | -              | -                     | -                      | -               | -                    |
| 2.2. Debt securities            | -            | -              | -             | -              | -                     | -                      | -               | -                    |
| 2.3. Other liabilities          | -            | -              | -             | -              | -                     | -                      | -               | -                    |
| <b>3. Financial derivatives</b> |              |                |               |                |                       |                        |                 |                      |
| <b>Options</b>                  |              |                |               |                |                       |                        |                 |                      |
| 3.1. Long positions             | -            | -              | -             | -              | -                     | -                      | -               | -                    |
| 3.2. Short positions            | -            | -              | -             | -              | -                     | -                      | -               | -                    |
| <b>Other derivatives</b>        |              |                |               |                |                       |                        |                 |                      |
| 3.3. Long positions             | -            | -              | -             | -              | -                     | -                      | -               | -                    |
| 3.4. Short positions            | -            | -              | -             | -              | -                     | -                      | -               | -                    |

### 3.2.2 PRICE RISK

#### QUALITATIVE INFORMATION

##### 1. General aspects

For the Company, the only price risk relates to the securities held as “financial assets measured at fair value through comprehensive income”. No securities of this type are present at 31/12/2021.

#### QUANTITATIVE INFORMATION

### 3.2.3 EXCHANGE RISK

#### QUALITATIVE INFORMATION

##### 1. General aspects

The exchange risk indicates the risk of incurring losses due to fluctuations in exchange rates. Asset and liability transactions with indexing clauses linked to the performance of exchange rates with a particular currency are considered in the same way as exchange rate transactions.

Exposures in **foreign currencies** are managed by funding them in the same currency (at a rate indexed to the average LIBOR for the month), in this case using a parallel parameterisation of lending and borrowing rates.

The Company uses lines of credit with banks at terms that are in line with the market.

The risk associated with carrying out transactions in currencies other than the euro can be considered negligible because there is a limited number of such transactions.

Foreign exchange gains and losses are therefore limited to the differences in exchange rates between the date of billing costs and revenues in foreign currencies and the end of the year.

The net exchange position can be exposed in terms of risk only for marginal amounts and for limited periods of time.

The Company regularly checks the net open position in each currency using simplified techniques to assess the degree of correlation between funds borrowed in foreign currencies and how such funds are invested.

The amounts involved are minimal, close to zero over time, as can also be seen from the financial statements.

As things stand, the Company has no intention of changing its operations in foreign currency, so market risk is unlikely to become significant in the foreseeable future.

## QUANTITATIVE INFORMATION

### 1. Assets, liabilities and derivatives by currency

| Captions                         | Currency      |              |          |                 |              |                  |
|----------------------------------|---------------|--------------|----------|-----------------|--------------|------------------|
|                                  | US Dollars    | Pounds       | Yen      | Canadian Dollar | Swiss Francs | Other currencies |
| <b>1. Financial assets</b>       | <b>48,270</b> | <b>1,038</b> | -        | -               | <b>53</b>    | <b>627</b>       |
| 1.1. Debt securities             |               |              |          |                 |              |                  |
| 1.2. Equity instruments          |               |              |          |                 |              |                  |
| 1.3. Loans and receivables       | 48,270        | 1,038        |          | -               | 53           | 627              |
| 1.4. Other financial assets      |               |              |          |                 |              |                  |
| <b>2. Other assets</b>           |               |              |          |                 |              |                  |
| <b>3. Financial liabilities</b>  | <b>32,457</b> | <b>927</b>   | -        | -               | <b>54</b>    | <b>627</b>       |
| 3.1. Payables                    | 32,457        | 927          | -        | -               | 54           | 627              |
| 3.2. Debt securities             |               |              |          |                 |              |                  |
| 3.3. Other financial liabilities |               |              |          |                 |              |                  |
| <b>4. Other liabilities</b>      | <b>114</b>    | <b>101</b>   | -        | -               | -            |                  |
| <b>5. Derivatives</b>            | -             | -            | -        | -               | -            | -                |
| 5.1. Long positions              |               |              |          |                 |              |                  |
| 5.2. Short positions             |               |              |          |                 |              |                  |
| <b>Total assets</b>              | <b>48,270</b> | <b>1,038</b> | -        | -               | <b>53</b>    | <b>627</b>       |
| <b>Total liabilities</b>         | <b>32,571</b> | <b>1,028</b> | -        | -               | <b>54</b>    | <b>627</b>       |
| <b>Net balance (+/-)</b>         | <b>15,699</b> | <b>10</b>    | <b>0</b> | <b>0</b>        | <b>(1)</b>   | <b>0</b>         |

### 2. Models and other methods for measuring and managing exchange risk

### 3. Other quantitative information on exchange risk

## OPERATIONAL RISKS

## QUALITATIVE INFORMATION

### 1. General aspects, management and measurement of operational risk

Operational risk is "the risk of incurring losses due to inadequate or dysfunctional processes, human resources or internal systems, or to exogenous events, including legal risk".

The Company has adopted The Standardised Approach (TSA) to calculating the individual capital requirement for operational risk. The Own Funds requirement is calculated using the standardised approach by determining the three-year average of the sum of the annual Own Funds requirement for the business lines in which the relevant indicator was classified.

On the basis of the principles of organisational separation and independence of functions exercising second and third level control activities, note that there is:

- a first level operational risk control activity;
- a second level operational risk control function centralised in the Risk Management Department, in particular the Operational and Credit Risk Office;



- a function for third level controls that is attributed to the Internal Audit Department, in accordance with the Group's internal control system.

Operational risk management is based on the following principles:

- identification: operational risks are identified, reported and brought to the attention of top management;
- measurement and assessment: the risk is quantified by determining its impact on company processes, also from an economic point of view;
- monitoring: monitoring of operational risk and exposure to significant losses is guaranteed, generating information flows that favour active risk management;
- mitigation: appropriate measures have been taken to mitigate operational risk;
- reporting: a reporting system has been set up to report on operational risk management.

The collection and storage of data relating to loss events is done by means of the Group's Loss Data Collection process.

The process of loss data collection is supported by appropriate IT tools, subject to constant evolution, to ensure data integrity and quality.

The assessment of operational risk exposure, which is carried out by means of risk self-assessment, has the purpose of determining, with an annual time horizon and for significant operating segments:

- the extent of exposure to operational risk;
- an assessment of the adequacy of line processes and controls.

Operational risk management also takes the form of dedicated risk assessment activities in the process of approving new products and services, the launch of new activities, entering new markets, as well as the process of outsourcing business functions.

In 2015, the Group implemented an analytical framework for IT risk, in compliance with Circular 285 of 17 December 2013, with the aim of providing an overview of the current risk situation and the remedy plan needed to avoid exceeding the threshold set for the Group's risk appetite.

The Parent Company prepares a quarterly report on operational losses that occurred during the period to senior management and to the managers of the central organisational units and an annual report that represents the analyses of the prospective assessments of operational risk collected through a risk self-assessment, including indications on planned risk mitigation measures.

Specific reporting has also been required in the IT risk management framework.

The BPER Banca Group's membership of the DIPO consortium<sup>3</sup> allows the Bank to obtain feedback about the operational losses reported by the other Italian banks that are also members. The Parent Company uses these feedback to analyse

positioning with respect to what is reported by the system, to update the map of operational risks and as a possible support for the estimates provided during the risk self-assessment activity.

Operational risk management includes the various steps involved in the process of Business Continuity Management. This process is designed to maintain an appropriate level of attention regarding operational continuity and to avoid the progressive obsolescence of organisational measures (rules, impact assessment, scenarios, emergency measures, operating plans etc.) taken to ensure the continuity of critical business processes.

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<sup>3</sup> Database Italiano Perdite Operative (Italian Database of Operational Losses) of which the BPER Banca Group has been a member since 2003. The DIPO observatory is a service provided by the Italian Banking Association designed to support the development of Operational Risk Management and to create a methodology for gathering and exchanging information on operational losses suffered by members.

## QUANTITATIVE INFORMATION

Details are provided below of the percentage distribution of the number of events and of the operational losses reported in 2021, broken down into the following risk classes:

- Internal fraud: losses caused by fraud, misappropriation or circumvention of laws, regulations or company guidelines, with the exclusion of episodes of discrimination or the failure to apply equal conditions, whereby at least one of the entity's internal resource is involved;
- External fraud: losses caused by fraud, misappropriation or violation or circumvention of laws by third parties;
- Employment relationships and safety in the workplace: losses arising from acts that do not comply with laws or agreements in respect of employment, health and safety at work, from the payment of compensation for personal injury or episodes of discrimination or the failure to apply equal conditions;
- Customer, products and professional practices: losses arising from unintentional or negligent breaches of professional obligations to specific customers (including reliability and adequacy requirements), or from the nature and characteristics of the product;
- Damages to fixed assets: losses caused by damage to or destruction of fixed assets by natural catastrophes or other events;
- Business interruption and system failure: losses caused by business interruption or system failure;
- Execution, delivery and management of processes: losses caused by deficiencies in transaction processing or in the management of processes, as well as losses arising from transactions with trade counterparties and suppliers.

The events recorded in 2021 are included in the "Execution, delivery and management of processes" risk class.

## REPUTATIONAL RISKS

### QUALITATIVE INFORMATION

#### 1. General aspects, management and measurement of reputational risk

Reputational risk is "the current or prospective risk of a decline in earnings or capital arising from an adverse perception of the Group by customers, employees, counterparties, shareholders, investors or Supervisory Authorities".

The framework for the management of reputational risk is supervised by the Credit and Operational Risks Office within the Risks Department, with support from the organisational units involved (Reputational Risk Owner) in managing the risk and monitoring the corrective actions needed to mitigate any vulnerabilities identified.

The system of reputational risk management adopted by the BPER Banca Group has the following components:

- identification and assessment of risk based on Reputational Data Collection and Reputational Self Assessment;

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

No reputational events were recorded in 2021.

No internal capital is allocated to cover reputational risk (as it is included in other categories of risk).

## LEGAL RISK

The Company was notified about 1 bankruptcy clawback action during 2021.

In detail:

### ❖ Bankruptcy clawback actions:

- a bankruptcy clawback action was notified in December 2021, requesting Euro 0.3 million in payments received from debtors following the assignment of receivables by a leasing customer. This dispute is currently under examination.

### ❖ Credit dispute:

- Following application by the originator for a creditors' arrangement pursuant to art. 161, para. 6, of the bankruptcy law, the Company took legal action against the assigned debtor and obtained a provisionally enforceable injunction from the Bologna Court on 16.12.2021. The enforcement notice and demand was notified to the assigned debtor on 21.12.2021. On 28.12.2021, the counterparty filed an objection to the injunction and requested the suspension of provisional execution, which the Chairman of the IVth section of the Bologna Court allowed on 30.12.2021. The reason for the suspension was found in a "comparison of the subjective legal situations involved" from which it "emerges clearly that the impact on the assigned debtor is much greater than that imaginable on the claimant". The Magistrate who issued the suspension confirmed that it could be revoked by the Magistrate in charge of the case. This reasoning does not involve either "fumus boni iuris" or "periculum in mora". Pursuant to the decree issued by the Magistrate in charge of the case on 20 January 2022, the lawyers are preparing an application for revocation of the above suspension.

With regard to the other cases outstanding at 31/12/2020, the following developments have occurred in addition to the deferral of various rulings:

- The case regarding the summons on appeal pursuant to art. 700 c.p.c. was closed in full and final settlement with the Company sentenced to reimburse the litigation expenses.
- Action is being taken to settle two clawback claims made by the bankruptcy administrator of the counterparty, for which prudent provisions for risks and charges totalling Euro 1.5 million have been recorded.  
One of these cases relates to a bankruptcy clawback claim for Euro 6.9 million in relation to assignments made by the originator, which was performing at the time, in the year prior to applying for a creditors' arrangement and/or to any payment anomalies and, alternatively, failing that, a claim for the lower amount of Euro 1.4 million; the other relates to a bankruptcy clawback claim with the simultaneous summons of 3 originators that had assigned without recourse receivables due from a debtor, now bankrupt, that was performing at the time of the assignments; the demand for Euro 0.8 million in total is based on the legal invalidity of the payments made by the assigned debtor.
- The first phase of the handwriting checks on signatures has been completed for the case that calls on guarantees following the enforced collection of pledged securities to recover Euro 1.1 million. The Company has allocated Euro 0.3 million to the "provisions for risks and charges" to cover this risk.
- A full and final settlement is being arranged in relation to a bankruptcy clawback claim, for Euro 0.5 million, founded on the assumption that the assignments and advances took place during the "suspect period". The entire amount envisaged in the settlement agreement has been provided to the reserve for risks and charges.

## **LIQUIDITY RISK**

### **QUALITATIVE INFORMATION**

#### **1. General aspects, management and measurement of liquidity risk**

Liquidity risk relates to the probability of mismatches between cash inflows and outflows that could jeopardise the Company's profitability or reputation. Liquidity risk typically crystallises in the form of failure to meet payment obligations; it may take various forms, depending on the circumstances in which the risk arises. With reference to the definitions adopted at international level, a distinction is made between funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Company will not be able to make, in an efficient manner, expected and unexpected cash payments, both current and future, nor will it be able to meet collateral obligations, without an adverse effect on current operations or its financial position. Market liquidity risk, on the other hand, is the risk that a Company is not able to sell a financial asset without incurring a capital loss due to poor liquidity or disorder in the reference market.

BPER Factor. is one of the companies for which liquidity risk is managed centrally by the Parent Company BPER. The Group governance model is based on centralised cash management. The Parent Company is responsible for managing Group liquidity and the risk associated with it, for both short-term and medium/long-term liquidity. In particular, the Parent Company BPER:

- is responsible for liquidity policy,
- manages both short-term and medium/long-term liquidity,
- determines and manages the funding plan,
- monitors liquidity risk.

Consistent with the model for the governance and management of liquidity described earlier, BPER Factor always works with the Parent Company to arrange short-term funding and deploy any surplus liquidity. The Group's liquidity management model responds to the need for efficient handling of liquidity risk:

- by optimising access to liquidity markets in terms of:
  - o volumes;
  - o costs, taking advantage of the Group's creditworthiness to minimise borrowing costs;
- by centralising "rating sensitive" funding operations, as well as interventions in the money market;
- creating a principle of functional specialisation through skill centres for secured funding operations (issues of secured instruments, borrowing from particular categories of institutional investors, etc.).

In particular, the "policy" issued by the Parent Company makes reference to the question of market liquidity risk in the management of counterbalancing capacity and refers to liquidity risk in the sense of funding risk, i.e. how difficult (or impossible) it is to raise funds to meet payment obligations. In this context, a distinction is made between:

- Market liquidity risk: the risk that a Bank is not able to sell a financial asset without incurring a capital loss due to poor liquidity or disorder in the reference market;
- Mismatch liquidity risk: the liquidity risk implicit in the structure of the Bank's assets and liabilities due to the transformation of maturities typical of financial intermediaries, when the profile of cash outflows is not perfectly matched by the profile of cash inflows (with reference to contractual maturities and routine behaviour). The mismatch liquidity risk (hereinafter also referred to as funding risk) affects the liquidity position of the Group in the "over one year" time horizon, in order to identify possible current and future pressures on the sources of short-term liquidity.
- Funding liquidity risk: the risk that the bank will not be able to make, in an efficient manner, expected and unexpected cash payments, both current and future, nor will it be able to meet collateral obligations, without an adverse effect on current operations or its financial position.
- Contingency liquidity risk: the risk that future events may require access to significantly more liquidity than previously planned by the bank; in other words, this is the risk of not being able to settle sudden and unexpected payment commitments in the short or very short term. These unexpected commitments might, for example, originate from unexpected changes in the timing of cash flows considered certain, perhaps following the deferred settlement of significant loans, not envisaged in the related contracts, or the substantial withdrawal of retail deposits etc.

## QUANTITATIVE INFORMATION

### 1. Distribution of financial assets and liabilities by residual maturity

The following tables shows the distribution of financial assets and liabilities by residual maturity, broken down by currency as required by law, using only accounting information.

# 1. Distribution of financial assets and liabilities by residual maturity: Currency: EURO

| Captions/Time period                                  | on demand | 1 to 7 days | 7 to 15 days | 15 days to 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | between 1 and 3 years | between 3 and 5 years | beyond 5 years | unspecified duration |
|---|-----------|-------------|--------------|--------------------|---------------|---------------|----------------|-----------------------|-----------------------|----------------|----------------------|
| <b>Cash assets</b>                                    |           |             |              |                    |               |               |                |                       |                       |                |                      |
| A.1 Government securities                             |           |             |              |                    |               |               | 750            | 850                   |                       |                |                      |
| A.2 Other debt securities                             |           |             |              |                    |               |               |                |                       |                       |                |                      |
| A.3 Loans   | 114,303   | 14,946      | 68,715       | 199,672            | 589,569       | 158,788       | 48,606         | 15,518                | 3,004                 |                |                      |
| A.4 Other assets                                      |           |             |              |                    |               |               |                |                       |                       |                |                      |
| <b>Cash liabilities</b>                               |           |             |              |                    |               |               |                |                       |                       |                |                      |
| B.1 Due to:   |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Banks   | 855,457   | 5,929       | 2,262        | 10,509             | 1,106         |               | 124,000        |                       |                       |                |                      |
| - Financial companies                                 | 279       |             |              |                    |               |               |                |                       |                       |                |                      |
| - Customers   | 27,769    | 134         | 860          | 4636               | 6,598         | 3,022         | 107            | 1,245                 | 1,198                 |                |                      |
| B.2 Debt securities                                   |           |             |              |                    |               |               |                |                       |                       |                |                      |
| B.3 Other liabilities                                 |           |             |              |                    |               |               |                |                       |                       |                |                      |
| <b>Off-balance sheet transactions</b>                 |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.1 Financial derivatives with exchange of capital    |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Long positions                                      |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Short positions                                     |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.2 Financial derivatives without exchange of capital |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Positive differentials                              |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Negative differentials                              |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.3 Loans to be received                              |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - 5.1 Long positions                                  |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - 5.2 Short positions                                 |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.4 Irrevocable commitments to issue loans            |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - 5.1 Long positions                                  | 3,533     | 904         | 4,322        | 10,682             | 15,524        | 9,367         | 775            | 3                     |                       |                | 2,106                |
| - 5.2 Short positions                                 |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.5 Financial guarantees given                        |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.6 Financial guarantees received                     |           |             |              |                    |               |               |                |                       |                       |                |                      |

Currency: US Dollars

| Captions/Time period                                  | on demand | 1 to 7 days | 7 to 15 days | 15 days to 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | between 1 and 3 years | between 3 and 5 years | beyond 5 years | unspecified duration |
|---|-----------|-------------|--------------|--------------------|---------------|---------------|----------------|-----------------------|-----------------------|----------------|----------------------|
| <b>Cash assets</b>                                    |           |             |              |                    |               |               |                |                       |                       |                |                      |
| A.1 Government securities                             |           |             |              |                    |               |               |                |                       |                       |                |                      |
| A.2 Other debt securities                             |           |             |              |                    |               |               |                |                       |                       |                |                      |
| A.3 Loans   | 60        | 469         |              | 4135               | 37677         | 5,971         | 16             |                       |                       |                |                      |
| A.4 Other assets                                      |           |             |              |                    |               |               |                |                       |                       |                |                      |
| <b>Cash liabilities</b>                               |           |             |              |                    |               |               |                |                       |                       |                |                      |
| B.1 Due to:   |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Banks   | 32,452    |             |              |                    |               |               |                |                       |                       |                |                      |
| - Financial companies                                 |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Customers   | 6         |             |              |                    |               |               |                |                       |                       |                |                      |
| B.2 Debt securities                                   |           |             |              |                    |               |               |                |                       |                       |                |                      |
| B.3 Other liabilities                                 |           |             |              |                    |               |               |                |                       |                       |                |                      |
| <b>Off-balance sheet transactions</b>                 |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.1 Financial derivatives with exchange of capital    |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Long positions                                      |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Short positions                                     |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.2 Financial derivatives without exchange of capital |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Positive differentials                              |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Negative differentials                              |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.3 Loans to be received                              |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - 5.1 Long positions                                  |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - 5.2 Short positions                                 |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.4 Irrevocable commitments to issue loans            |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - 5.1 Long positions                                  | 31        | 0           | 12           | 447                | 513           | 77            |                |                       |                       |                |                      |
| - 5.2 Short positions                                 |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.5 Financial guarantees given                        |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.6 Financial guarantees received                     |           |             |              |                    |               |               |                |                       |                       |                |                      |

**Currency: Other currencies**



| Captions/Time period                                  | on demand | 1 to 7 days | 7 to 15 days | 15 days to 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | between 1 and 3 years | between 3 and 5 years | beyond 5 years | unspecified duration |
|---|-----------|-------------|--------------|--------------------|---------------|---------------|----------------|-----------------------|-----------------------|----------------|----------------------|
| <b>Cash assets</b>                                    |           |             |              |                    |               |               |                |                       |                       |                |                      |
| A.1 Government securities                             |           |             |              |                    |               |               |                |                       |                       |                |                      |
| A.2 Other debt securities                             |           |             |              |                    |               |               |                |                       |                       |                |                      |
| A.3 Loans   |           |             |              | 345                | 1,037         | 339           |                |                       |                       |                |                      |
| A.4 Other assets                                      |           |             |              |                    |               |               |                |                       |                       |                |                      |
| <b>Cash liabilities</b>                               |           |             |              |                    |               |               |                |                       |                       |                |                      |
| B.1 Due to:   | 1,609     |             |              |                    |               |               |                |                       |                       |                |                      |
| - Banks   |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Financial companies                                 |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Customers   |           |             |              |                    |               |               |                |                       |                       |                |                      |
| B.2 Debt securities                                   |           |             |              |                    |               |               |                |                       |                       |                |                      |
| B.3 Other liabilities                                 |           |             |              |                    |               |               |                |                       |                       |                |                      |
| <b>Off-balance sheet transactions</b>                 |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.1 Financial derivatives with exchange of capital    |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Long positions                                      |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Short positions                                     |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.2 Financial derivatives without exchange of capital |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Positive differentials                              |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - Negative differentials                              |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.3 Loans to be received                              |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - 5.1 Long positions                                  |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - 5.2 Short positions                                 |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.4 Irrevocable commitments to issue loans            |           |             |              |                    |               |               |                |                       |                       |                |                      |
| - 5.1 Long positions                                  |           |             | -            | -                  | -             | -             | -              | -                     | -                     | -              | -                    |
| - 5.2 Short positions                                 |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.5 Financial guarantees given                        |           |             |              |                    |               |               |                |                       |                       |                |                      |
| C.6 Financial guarantees received                     |           |             |              |                    |               |               |                |                       |                       |                |                      |

## SECTION 4 – INFORMATION ON SHAREHOLDERS' EQUITY

### 4.1 Equity

#### 4.1.1 Qualitative information

The net profit for the current year comes to Euro 879 thousand, bringing shareholders' equity to Euro 135,221 thousand.

In keeping with the supervisory regulations, the corporate bodies have evaluated the Company's capital adequacy based on the principle of proportionality, i.e. in line with the Company's specific operational and risk profile. The extent to which the Company's capital is compatible with its objectives of growth in lending is also checked periodically by the pertinent corporate bodies.

The results of the adequacy check are summarised in the annual "ICAAP Report" prepared in the format specified in the current "Supervisory Instructions for financial intermediaries" (Circular 288 of 3 April 2015 and subsequent updates – Title IV – Chapter 14) and approved each year by the Board of Directors.

#### 4.1.2 Quantitative information

##### 4.1.2.1 Equity: breakdown

| Description/Amounts  | 31.12.2021     | 31.12.2020     |
|--|----------------|----------------|
| <b>1. Share capital</b>  | <b>54,591</b>  | <b>54,591</b>  |
| <b>2. Share premium reserve</b>  | <b>20,814</b>  | <b>20,814</b>  |
| <b>3. Reserves</b>   | <b>59,155</b>  | <b>57,682</b>  |
| - income reserves  |                |                |
| a) legal reserve   | 3,819          | 3,582          |
| b) statutory reserve   |                |                |
| c) reserve for treasury shares   |                |                |
| d) other   | 48,461         | 47,225         |
| - other  | 6,875          | 6,875          |
| <b>4. (Treasury shares)</b>  |                |                |
| <b>5. Valuation reserves</b>   | <b>(218)</b>   | <b>(120)</b>   |
| - Equity securities designated at fair value through comprehensive income                              |                | 19             |
| - Hedging of equity securities designated at fair value through comprehensive income                   |                |                |
| - Financial assets (other than equity instruments) measured at fair value through comprehensive income | 7              | 17             |
| - Property, plant and equipment  |                |                |
| - Intangible assets  |                |                |
| - Foreign investment hedges  |                |                |
| - Cash flow hedges   |                |                |
| - Hedging instruments (non-designated items)   |                |                |
| - Exchange differences   |                |                |
| - Non-current assets and disposal groups held for sale   |                |                |
| - Financial liabilities designated at fair value through profit or loss (changes in creditworthiness)  |                |                |
| - Special revaluation laws   |                |                |
| - Actuarial gains (losses) on defined-benefit plans  | (225)          | (156)          |
| - Portion of measurement reserve of equity investments carried at equity                               |                |                |
| <b>6. Equity instruments</b>   |                |                |
| <b>7. Net profit (loss)</b>  | <b>879</b>     | <b>4,731</b>   |
| <b>Total</b>   | <b>135,221</b> | <b>137,698</b> |

#### 4.1.2.2 Valuation reserves for financial assets measured at fair value through comprehensive income: breakdown

| Assets/Amounts        | Total<br>31.12.2021 |                     | Total<br>31.12.2020 |                     |
|-----------------------|---------------------|---------------------|---------------------|---------------------|
|                       | Positive<br>reserve | Negative<br>reserve | Positive<br>reserve | Negative<br>reserve |
| 1. Debt securities    | 7                   |                     | 17                  |                     |
| 2. Equity instruments |                     |                     | 19                  |                     |
| 3. Loans              |                     |                     |                     |                     |
| <b>Total</b>          | <b>7</b>            | <b>-</b>            | <b>36</b>           | <b>-</b>            |

#### 4.1.2.3 Valuation reserves for financial assets measured at fair value through comprehensive income: changes during the year

|  | Debt<br>securities | Equity<br>instruments | Loans    |
|--|--------------------|-----------------------|----------|
| <b>1. Opening balance</b>  | 16                 | 20                    | -        |
| <b>2. Increases</b>  | 4                  | 7                     | -        |
| 2.1 Fair value increases   |                    |                       |          |
| 2.2 Impairment adjustments for credit risk                               |                    |                       |          |
| 2.3 Release to the income statement of negative reserves: from disposals |                    |                       |          |
| 2.4 Transfer to other components of equity (equity instruments)          |                    |                       |          |
| 2.5 Other changes  | 4                  | 7                     |          |
| <b>3. Decreases</b>  | 13                 | 27                    | -        |
| 3.1 Fair value decreases   | 13                 |                       |          |
| 3.2 Impairment adjustments for credit risk                               |                    |                       |          |
| 3.3 Release to the income statement of negative reserves: from disposals |                    |                       |          |
| 3.4 Transfer to other components of equity (equity instruments)          |                    | 27                    |          |
| 3.5 Other changes  |                    |                       | 0        |
| <b>4. Closing balance</b>  | <b>7</b>           | <b>0</b>              | <b>0</b> |

#### 4.2 Own funds and capital adequacy ratios

The disclosures on Own Funds and on capital adequacy of the BPER Group are provided in the document "Disclosure to the public - Pillar 3 at 31 December 2021" prepared on the basis of the regulatory provisions established by Circular no. 285 of 17 December 2013 and subsequent updates, issued by the Bank of Italy, and by EU Regulation no. 575/2013 of the European Parliament and Council, of 26 June 2013 (CRR) and the Guidelines issued by the EBA on 23 December 2014, which

came into force on 1 January 2015. The document is published together with the consolidated financial statements of the BPER Group on the Parent Company's website <http://istituzionale.bper.it>.

#### 4.2.1.2 Quantitative information

##### 4.2.1.3

|   | 31.12.2021     | 31.12.2020     |
|---|----------------|----------------|
| <b>A. Core capital (Tier 1 capital before the application of prudential filters)</b>          | <b>134,341</b> | <b>132,965</b> |
| B. Prudential filters of Tier 1 capital:  |                |                |
| B.1. Positive IFRS prudential filters (+)   |                |                |
| B.2. Negative IFRS prudential filters (-)   |                |                |
| <b>C. Tier 1 capital gross of items to be deducted (A+B)</b>                                  | <b>134,341</b> | <b>132,965</b> |
| D. Items to be deducted from Tier 1 capital   | <b>(5,569)</b> | <b>(5,539)</b> |
| <b>E. Total Tier 1 capital (C-D)</b>  | <b>128,772</b> | <b>127,426</b> |
| <b>F. Supplementary capital (Tier 2 capital before the application of prudential filters)</b> |                |                |
| G. Prudential filters for Tier 2 capital:   |                |                |
| G.1 Positive IFRS prudential filters (+)  |                |                |
| G.2 Negative IFRS prudential filters (-)  |                |                |
| <b>H. Tier 2 capital gross of items to be deducted (F+G)</b>                                  |                |                |
| I. Items to be deducted from Tier 2 capital   |                |                |
| <b>L. Total Tier 2 capital (H-I)</b>  |                |                |
| M. Items to be deducted from Tier 1 and Tier 2 capital  |                |                |
| <b>N. Capital for regulatory purposes (E+L+M)</b>   | <b>128,772</b> | <b>127,426</b> |

#### 4.2.2 Capital adequacy

##### 4.2.2.1 Qualitative information

Particular importance is given to checking compliance with the capital adequacy requirements, both at CET1 level and in total. The responsible functions at the Parent Company perform this task on an ongoing basis, with the various departments involved (Group Finance and Capital Management, Group Risk Management and Group Financial Reporting) issuing regular reports as part of the broader process of verifying consolidated capital adequacy. The guidelines for this activity are stated in BPER Group's annual report on the verification of capital adequacy (ICAAP). This report identifies the functions, methodology and approach for measuring and assessing accepted risk on an ongoing basis, with a view to guiding operations and quantifying the capital required by the Company to cover the various risks accepted.

#### 4.2.2.2 Quantitative information

| Description/Amounts  | Unweighted amounts |            | Weighted amounts/Requirements |            |
|--|--------------------|------------|-------------------------------|------------|
|  | 31/12/2021         | 31/12/2020 | 31/12/2021                    | 31/12/2020 |
| <b>A. RISK ASSETS</b>  |                    |            |                               |            |
| A.1 Credit and counterparty risk   | 1,274,631          | 1,067,839  | 1,147,030                     | 971,728    |
| <b>B. CAPITAL ADEQUACY REQUIREMENTS</b>  |                    |            |                               |            |
| B.1 Credit and counterparty risk   |                    |            | 68,822                        | 58,304     |
| B.2 Requirements for the provision of payment services   |                    |            |                               |            |
| B.3 Requirement for the issue of electronic money  |                    |            |                               |            |
| B.4 Specific prudential requirements   |                    |            | 2,680                         | 2,614      |
| <b>B.5 Total capital requirements</b>  |                    |            | 71,502                        | 60,918     |
| <b>C. RISK ASSETS AND CAPITAL RATIOS</b>   |                    |            |                               |            |
| C.1 Risk-weighted assets   |                    |            | 1,207,401                     | 1,015,288  |
| C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)                                   |                    |            | 0.1067                        | 0.1255     |
| C.3 Capital for supervisory purposes including Tier 3/Risk-weighted assets (Total capital ratio) |                    |            | 0.1067                        | 0.1255     |

## SECTION 5 – ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

| Captions  |   | Total<br>31.12.2021 | Total<br>31.12.2020 |
|---|---|---------------------|---------------------|
| 10.   | Net profit (loss)   | 879                 | 4,731               |
| <b>Other elements of income without release to the income statement</b> |   |                     |                     |
| 20.   | Equity securities designated at fair value through comprehensive income:                              | (27)                | 4                   |
|   | a) changes in fair value  |                     | 4                   |
|   | b) transfer to other components of equity   | (27)                |                     |
| 30.   | Financial liabilities designated at fair value through profit or loss (changes in creditworthiness):  |                     |                     |
|   | a) changes in fair value  |                     |                     |
|   | b) transfer to other components of equity   |                     |                     |
| 40.   | Equity designated at fair value through comprehensive income:   |                     |                     |
|   | a) changes in fair value  |                     |                     |
|   | b) transfer to other components of equity   |                     |                     |
| 50.   | Property, plant and equipment   |                     |                     |
| 60.   | Intangible assets   |                     |                     |
| 70.   | Defined benefit plans   | (69)                | 9                   |
| 80.   | Non-current assets and disposal groups held for sale  |                     |                     |
| 90.   | Portion of the measurement reserves of the equity investments carried at equity                       |                     |                     |
| 100.  | Income taxes relating to other income components without release to the income statement              | 7                   | (3)                 |
| <b>Other elements of income with release to income statement</b>        |   |                     |                     |
| 110.  | Foreign investment hedges:  |                     |                     |
|   | a) changes in fair value  |                     |                     |
|   | b) release to the income statement  |                     |                     |
|   | c) other changes  |                     |                     |
| 120.  | Exchange difference:  |                     |                     |
|   | a) changes in fair value  |                     |                     |
|   | b) release to the income statement  |                     |                     |
|   | c) other changes  |                     |                     |
| 130.  | Cash-flows hedges:  |                     |                     |
|   | a) changes in fair value  |                     |                     |
|   | b) release to the income statement  |                     |                     |
|   | c) other changes  |                     |                     |
|   | of which: net position result   |                     |                     |
| 140.  | Hedging instruments (non-designated items):   |                     |                     |
|   | a) change in value  |                     |                     |
|   | b) release to the income statement  |                     |                     |
|   | c) other changes  |                     |                     |
| 150.  | Financial assets (other than equity instruments) measured at fair value through comprehensive income: | (13)                | 10                  |
|   | a) changes in fair value  | (13)                | 10                  |
|   | b) release to the income statement  |                     |                     |
|   | - Impairment writedowns   |                     |                     |
|   | - gains (losses) on disposals   |                     |                     |
|   | c) other changes  |                     |                     |
| 160.  | Non-current assets and disposal groups held for sale:   |                     |                     |
|   | a) changes in fair value  |                     |                     |
|   | b) release to the income statement  |                     |                     |
|   | c) other changes  |                     |                     |
| 170.  | Portion of measurement reserve of equity investments carried at equity:                               |                     |                     |
|   | a) changes in fair value  |                     |                     |
|   | b) release to the income statement  |                     |                     |
|   | - Impairment writedowns   |                     |                     |
|   | - gains (losses) on disposals   |                     |                     |
|   | c) other changes  |                     |                     |
| 180.  | Income taxes related to other income components with reversal to the income                           | 4                   | (3)                 |
| 190.  | Total other elements of income  | (98)                | 17                  |
| 200.  | Total comprehensive income (Captions 10+190)  | 781                 | 4,748               |

## SECTION 6 – RELATED-PARTY TRANSACTIONS

### 6.1 Information on the remuneration of Managers with strategic responsibilities (directors, auditors and managers)

The Board of Directors is remunerated on the basis of the fees approved by the Shareholders' Meeting; the total amount accrued at 31 December 2021 was Euro 216,341 thousand. The fees payable to the Board of Statutory Auditors in the period amount to Euro 66,612.

### 6.2 Loans and guarantees granted to Directors and Statutory Auditors

At 31 December 2021 there are no loans nor guarantees issued in favour of Directors and Statutory Auditors.

### 6.3 Related party disclosures

Balances with Group companies at 31 December 2021.

#### **ASSETS** (in thousands of Euro)

| Company                                   | Financial assets measured at amortised cost | Other assets |
|---|---|--------------|
| BPER Banca S.p.A.                         | 890   | 1,194        |
| SIFA' - Company italiana flotte aziendali | 1,047                                       | -            |
| <b>Total</b>                              | <b>1,937</b>                                | <b>1,194</b> |

#### **LIABILITIES** (in thousands of Euro)

| Company                                   | Financial liabilities measured at amortised cost | Other trade payables |
|---|--|----------------------|
| BPER Banca S.p.A.                         | 1,011,170  | 425                  |
| SIFA' - Company italiana flotte aziendali | 210  | -                    |
| <b>Total</b>                              | <b>1,011,380</b>                                 | <b>425</b>           |

**INCOME STATEMENT** (in thousands of Euro)

| Company                                   | Interest income | Commission expense | Interest expense | Other administrative income (expense) |
|---|-----------------|--------------------|------------------|---------------------------------------|
| Banco di Sardegna                         | -               | (1)                |                  |                                       |
| BPER Banca S.p.A.                         | 83              | (872)              | (121)            | (1,480)                               |
| Sardaleasing                              |                 |                    |                  | 10                                    |
| SIFA' - Company italiana flotte aziendali | -               |                    | (2)              | (48)                                  |
| <b>Total</b>                              | <b>83</b>       | <b>(873)</b>       | <b>(123)</b>     | <b>(1,518)</b>                        |

**SECTION 7 – LEASES (LESSEE)**

## Qualitative information

In the lease contracts where it acts as lessee, BPER Factor records an asset that represents the right of use (RoU) of the asset involved in the lease contract and, at the same time, a payable for the future lease instalments provided for in the contract (lease liability).

As part of the application choices allowed by IFRS 16, in accordance with the BPER Banca Group, the Company decided not to record rights of use or lease liabilities for the following types of lease contracts:

- leases of intangible assets;
- short-term leases, for less than 12 months;
- leases of low-value assets (as explained in the notes: Part A – Accounting Policies, an asset is considered of low value if its fair value when new is equal to or less than 5 thousand euro).

The lease payments for these types of assets are therefore recorded under item "160. Administrative costs - b) other" on an accrual basis; for further information, see the notes: Part C - Income statement, table 10.3 Other administrative costs: breakdown.



## Quantitative information

Rights of use acquired with leases: please refer to the notes: Part B - Assets, table 8.1  
Property, plant and equipment used in operations: breakdown of assets carried at cost

Lease liabilities: please refer to the notes: Part B - Liabilities, table 1.1 Financial liabilities measured at amortised cost: breakdown by product of payables, table 2 Lease liabilities.

Interest expense on lease payables: please refer to the notes: Part C – Income statement, table 1.3 Interest and similar expense: breakdown: of which interest expense relating to lease payables.

Other charges associated with the rights of use acquired with the lease: please refer to the notes: Part C – Income statement, table 12.1 Net adjustments to property, plant and equipment: breakdown.

Income from sub-leases: please refer to the notes: Part C – Income statement, table 1.1 Interest and similar income: breakdown.

### 7.1 Rights of use acquired with leases: dynamics of the right of use of property, plant and equipment used in operations.

| Assets used in operations | Rights of use acquired with leases | Depreciation for the year | Other changes for the year | Impairment losses for the year | Carrying amount |
|---------------------------|------------------------------------|---------------------------|----------------------------|--------------------------------|-----------------|
|                           | 01.01.2021                         |                           |                            |                                | 31.12.2021      |
| a) land                   | -                                  |                           |                            |                                | -               |
| b) buildings              | 2,540                              | (347)                     | 69                         |                                | 2,262           |
| c) furniture              | -                                  |                           |                            |                                | -               |
| d) electronic equipment   | -                                  |                           |                            |                                | -               |
| e) other                  | 221                                | (92)                      | 110                        |                                | 239             |
| <b>Total</b>              | <b>2,761</b>                       | <b>-</b>                  | <b>439</b>                 | <b>179</b>                     | <b>-</b>        |
|                           |                                    |                           |                            |                                | <b>2,501</b>    |

As regards the Other changes for the year, the impact is mainly linked to remeasurement of the Right of Use due to renegotiation of the lease payments and change in the lease term, to the opening and closing of contracts.

## 7.2 Costs and Revenues relating to lease transactions not included in the right of use.

| Description                              | Total at 31.12.2021 | Total at 31.12.2020 |
|--|---------------------|---------------------|
| Short-term lease costs                   | 1                   | 1                   |
| Costs for lease of low-value assets (*)  | 19                  | 16                  |
| Profits relating to financial sub-leases |                     |                     |
| <b>TOTAL 31.12.2020</b>                  | <b>20</b>           | <b>17</b>           |

(\*) Including VAT

## 7.3 Lease liabilities: trend.

| Debt broken down by type of investment | Lease liabilities at 1.1.2021 | Interest of the year | Payments for the year | Other change during the year | Carrying amount at 31.12.2021 |
|--|-------------------------------|----------------------|-----------------------|------------------------------|-------------------------------|
| a) land                                |                               |                      |                       |                              | -                             |
| b) buildings                           | 2,546                         | 23                   | (362)                 | 69                           | 2,276                         |
| c) furniture                           |                               |                      |                       |                              | -                             |
| d) electronic equipment                |                               |                      |                       |                              | -                             |
| e) other                               | 221                           | 2                    | (93)                  | 109                          | 239                           |
| <b>TOTAL 31.12.2020</b>                | <b>2,767</b>                  | <b>25</b>            | <b>(455)</b>          | <b>178</b>                   | <b>2,515</b>                  |

## SECTION 8 – OTHER INFORMATION

### PARENT COMPANY THAT PREPARES CONSOLIDATED FINANCIAL STATEMENTS

BPER Banca S.p.A.  
Head office: via S. Carlo 8/20  
Modena

### MANAGEMENT CONTROL AND COORDINATION ACTIVITIES

BPER Factor S.p.A. is subject to the management and coordination activities of BPER Banca S.p.A., of which the key figures taken from the latest approved financial statements at 31.12.2020 are shown below, pursuant to art. 2497-bis of the Italian Civil Code.

For an adequate and complete understanding of the financial position and results of operations at 31 December 2020, please refer to the financial statements which, together with the report of the independent auditors, is available in the form and manner prescribed by law.

(in thousands of Euro)

| <b>Asset captions</b>  | <b>31.12.2020</b> |
|--|-------------------|
| 6. Financial assets  | 78,375,667        |
| - <i>designated at fair value through profit or loss</i>     | 983,756           |
| - <i>measured at fair value through comprehensive income</i> | 6,051,222         |
| - <i>measured at amortised cost</i>                          | 71,340,689        |
| <i>Property, plant and equipment and intangible assets</i>   | 3,295,312         |
| Tax assets and other asset captions                          | 2,560,193         |
| <b>Total assets</b>  | <b>84,231,172</b> |

| <b>Liabilities and shareholders' equity</b> | <b>31.12.2020</b> |
|---|-------------------|
| Financial liabilities                       | 75,749,856        |
| - <i>measured at amortised cost</i>         | 75,566,875        |
| - <i>held for trading</i>                   | 182,981           |
| Other liabilities and provisions            | 2,565,748         |
| Shareholders' equity                        | 5,915,568         |
| <b>Total liabilities</b>                    | <b>84,231,172</b> |

| <b>Income statement captions</b>                                   | <b>31.12.2020</b> |
|--|-------------------|
| <b>Net interest income</b>   | <b>901,513</b>    |
| Net commission income  | 754,299           |
| Profits (losses) on financial transactions                         | 137,909           |
| <b>Net interest and commission income</b>                          | <b>1,793,721</b>  |
| Net impairment adjustments for credit risk and contractual changes | (445,857)         |
| <b>Net profit from financial activities</b>                        | <b>1,347,864</b>  |
| Operating costs  | (1,316,886)       |
| Net adjustments to continuing operations                           | (2,452)           |
| <b>Profit from continuing operations before income taxes</b>       | <b>28,526</b>     |
| Income taxes for the year  | 115,327           |
| <b>Net profit</b>  | <b>143,853</b>    |

Bologna, 24 February 2022

The Board of Directors

*The Chairman*

Paolo Licciardello

# REPORT OF THE BOARD OF STATUTORY AUDITORS

**EMILIA ROMAGNA FACTOR S.p.A.**

Head office: Strada Maggiore 29 - 40125 Bologna, Italy

Share capital Euro 54,590,910 fully paid-in Chamber of Commerce (REA) 366365

Companies Register and Tax Code 02231420361

Financial intermediary enrolled in the Register of Financial Intermediaries as per art. 106 of Legislative Decree 385/1993 (CBA) at no. 9 with code 19432

Company belonging to the BPER Banca S.p.A. Banking Group

**REPORT OF THE BOARD OF STATUTORY AUDITORS  
TO THE SHAREHOLDERS' MEETING PURSUANT TO ART. 2429, PARAGRAPH 2, OF  
THE ITALIAN CIVIL CODE**

To the Shareholders of EMILIA ROMAGNA FACTOR S.P.A.

During the year ended 31.12.2021 our work was based on the provisions of law and the rules of conduct of Statutory Auditors issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (representing the Italian Accountancy Profession).

**Supervisory activities**

We have monitored compliance with the law, the articles of association and the principles of good management.

We attended shareholders' meetings and meetings of the Board of Directors and, based on available information, we are not aware of any violations of the law and the articles of association, nor of any transactions that are manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the Company's assets.

During these meetings, we acquired from the chief executive officer and the general manager information on the general trend in operations and the business outlook, as well as on the more significant transactions, in terms of size or characteristics, carried out by the Company. Based on this information, we have no particular observations to make.

We met with the person in charge of the audit and no significant data or information arose that would need to be included in this report.

We acquired information from the person in charge of the internal control system and no significant data or information arose that would need to be included in this report.

We obtained information from the Supervisory Board and did not find any critical issues regarding correct implementation of the organisational model which would have to be mentioned in this report.

We examined and monitored, within the scope of our responsibilities, the adequacy and functioning of the Company's organisation, also by gathering information from the heads of department; in this regard we have no particular observations to make.

We examined and monitored, within the scope of our responsibilities, the adequacy and functioning of the administrative and accounting system and its reliability in correctly representing operational events, by

obtaining information from the heads of department, the person in charge of the audit and examination of business documents and in this regard we have no particular observations to make.

We did not receive any complaints based on art. 2408 of the Civil Code.

The following opinions were issued during the year:

- 2020 Report on the activities carried out by the Internal Audit function and 2021 Audit Plan
- Report on Significant Outsourced Operational Functions
- Group Directive no. 31/ 2021 "Group policy for the governance of non-compliance risk with regard to conflicts of interest with related parties and risk activities with connected persons"
- Report on the activities carried out by the Internal Audit function in 1st half 2021 and adjustment of the Audit Plan.
- Group Directive no. 47/2021 "Regulation of the Internal Audit Department – Update"
- Group Directive no. 48/2021 “UE Regulation of the Risk Management – update”.

During the course of our supervisory activity, as described above, no other significant matters came to light that would require mention in this report.

### **Financial statements**

We examined the draft financial statements at 31.12.2021, which were made available to us within the terms of art. 2429 of the Italian Civil Code, on which we report as follows.

As it is not up to us to audit the financial statements, we monitored the general approach taken in preparing them, above all their compliance with the law as regards format and structure, and there are no particular matters to report in this regard.

We checked compliance with the legal regulations concerning the preparation of the report on operations and in this regard we have no particular observations to make.

As far as we are aware, the Directors have not made any exceptions to the rules when preparing the financial statements as would be permitted under certain circumstances by art. 2423.4 of the Civil Code.

### **Conclusions**

Considering the results of the activity performed by the person in charge of the audit as contained in the auditor's report which was made available to us on 17 March 2022, we propose that the Shareholders' Meeting should approve the financial statements for the year ended 31/12/2021, as prepared by the Directors.

Bologna, 17 March 2022

### **The Board of Statutory Auditors**

The Chairman Pier Paolo Ferrari

The Acting Auditor Grazia Marchesini

The Acting Auditor Andrea Montanari

## **REPORT OF THE INDEPENDENT AUDITORS**

## INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLES 14 AND 19-BIS OF LEGISLATIVE DECREE NO. 39 OF JANUARY 27, 2010

To the Sole Shareholder of  
Emilia Romagna Factor S.p.A.

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Emilia Romagna Factor S.p.A. (the Company), which comprise the balance sheet as at December 31, 2021, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and the related explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 30.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese di Milano/Monta Brianza/Lodi n. 03049560166 - R.E.A. n. MB-1720299 | Partita IVA: IT 03049560166

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In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10**

The Directors of Emilia Romagna Factor S.p.A. are responsible for the preparation of the report on operations of Emilia Romagna Factor S.p.A. as at December 31, 2021, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Emilia Romagna Factor S.p.A. as at December 31, 2021 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations is consistent with the financial statements of Emilia Romagna Factor S.p.A. as at December 31, 2021 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Marco Benini**  
Partner

Bologna, Italy  
March 17, 2022