BPER:
Factor

# Annual Report 2022

*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.*

BPER Factor S.p.A

BPER 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. 03830780361: BPER Factor S.p.A. forms part of the BPER VAT Group.

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

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)

# Head office and branches

## HEAD OFFICE

STRADA MAGGIORE, 29 - 40125 BOLOGNA, ITALY

Tel. 051 6482111 Fax 051 6482199

bperfactor@bperfactor.it

## BOLOGNA

STRADA MAGGIORE, 29 - 40125 BOLOGNA, ITALY

Tel. 051 6482111 Fax 051 6482199

bologna@bperfactor.it

## MILAN - MILAN NORTH WEST - KEYCLIENT NORTH

VIA F. FILZI, 27 – 20123 MILAN

Tel. 02 8542151 Fax 02 85421541

milan@bperfactor.it

## ROME - KEYCLIENT

VIA PARIGI, 11 – 00185 ROME, ITALY

Tel. 06 4246811 Fax 06 42020154

rome@bperfactor.it

## PADUA

VIA TRIESTE, 32 - 35121 PADUA, ITALY

Tel. 049 8240810 Fax 049 8240899

padua@bperfactor.it

## NAPLES

VIA PONTE DI TAPPIA, 72/76 - 80133 NAPOLI

Tel. 081 5514145

naples@bperfactor.it

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# Corporate Bodies

## Board of Directors

| | | |
|---|---|---|
| Chairman | **Stefano Rossetti** | (holds office until 31 December 2022) |
| Deputy Chairman | **Stefano Vittorio Kuhn** | |
| Directors | Marco Donini | |
| | Luca Gotti | |
| | Enrica Lazzari | |
| | Antonio Rosignoli | |
| | Elisabetta Maria Virgintino | |

## Board of Statutory Auditors

| | |
|---|---|
| Chairman | **Andrea Fabbri** |
| Acting Auditors | Roberta Lecchi |
| | Enrico Marchi |
| Alternate Auditors | Antonella Bortolomasi |
| | Giacomo Giovanardi |

**General Manager** **Franco Tomasi**

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

## Shareholder structure

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 and is wholly owned by BPER Banca S.p.A.

# DIRECTORS' REPORT ON OPERATIONS

## 1. The macroeconomic environment

After the vigorous post-pandemic rebound in 2021, the global economy went through a widespread and progressive slowdown last year. Several factors contributed to slowing down the growth trend; of these, the most important were (a) the spread of Omicron, a new variant of COVID-19, which in the first few months of the year caused an unprecedented increase in the number of infections, (b) the geopolitical friction in Eastern Europe, which culminated in Russia's invasion of Ukraine, and (c) the change of tone of monetary policy all over the world. Faced with inflation that has proved to be anything but transitory, and which has risen on average at a much higher rate than in recent decades, the main central banks have started a process of normalising interest rates in parallel with a gradual withdrawal of monetary stimuli, contributing decisively to the progressive tightening of financial conditions on a global scale. The rigid lockdowns introduced by China's "zero COVID-19" policy also depressed the macroeconomic scenario. In addition to having inevitable effects on the Chinese economy, they also had a decisive impact on the performance of the other main macro-areas because of the close interdependence that nowadays binds China to the rest of the world. Lastly, the effects of the energy crisis have become ever more intense, especially in Europe, weighing heavily on its production and industrial system and on the purchasing power of households. Based on the most recent projections by the World Bank (Global Economic Prospects, published in January 2023), growth in world GDP in 2022 should come to +2.9% y/y.

In the United States, growth immediately disappointed the initial estimates, recording a significant slowdown compared with the growth rates seen in the second half of 2021. In the first two quarters, GDP even went through a contraction, recording a "technical recession", but it did not have much of an impact on consumption and capital expenditure. Initially, Omicron also had a negative effect in the United States, exacerbating an already very tense situation on the supply front and penalising service-related activities. All of this took place at a time of economic policies that were at a turning point, both on a fiscal level and, above all, on a monetary level. In order to stem constantly rising inflation, from March the Federal Reserve began a series of rate hikes with an intensity and speed rarely seen in the past. As a result, the cost of money went from the 0-0.25% range in January, to 4.25-4.50% in December. America's GDP turned in a positive sign in both the third and fourth quarters, thanks to the solidity shown by the labour market and the consequent recovery in private consumption. According to the latest projections by the World Bank, growth for the whole of 2022 should come to +1.9% y/y.

In the Eurozone, the trend in the economy posted a much more stable trajectory, with the quarterly rise in GDP remaining modest overall. In any case, year-on-year estimates by the World Bank put Eurozone growth for the whole of 2022 above +3% y/y. The Russian invasion of Ukraine has provoked the reaction of Western countries (particularly those belonging to NATO), which have launched heavy sanctions against Moscow. These measures naturally produced a drastic deterioration in Russia's growth estimates, but at the same time they inevitably generated uncertainty in the rest of the world, particularly in Europe, which due to its geographical proximity and commercial relations was immediately the most vulnerable to the impacts of the crisis. So in addition to trade, European countries have been hit by secondary effects through higher energy prices, which have reduced the disposable income of households, weighed on production and contributed decisively to the constant acceleration in consumer prices, with inflation in the Eurozone going from +5% y/y in December 2021 to +9.2% y/y at the end of the year. In July, the ECB began its own process of monetary normalisation. The rate on deposits, which was negative until the middle of last year, went from -0.50% in June to +2.00% in December, when the European Central Bank also communicated that there would be a progressive reduction in its securities portfolio from March 2023 onwards.

As far as Italy is concerned, the economy broadly followed the same trend as the rest of the Eurozone, with growth remaining modest. A peak was reached in the second quarter, when GDP posted a quarterly change of more than one percentage point, thanks to an excellent trend in domestic demand. Also in terms of consumer prices, the trend has been similar to that seen in the rest of the Eurozone: inflation has risen steadily, going from +3.9% y/y in December 2021 to +11.6% y/y in just twelve months. Inflationary pressures originated largely from imports (like other European countries, Italy was exposed to an energy price shock following Russia's invasion of Ukraine), but as the months passed the increase also affected other components, especially food.

The rapid rise in inflation also involved most emerging countries, forcing numerous central banks to undertake the process of normalising monetary policy, or to follow it up, if they had already started in 2021. Interest rates have therefore been raised repeatedly, tightening financial conditions and, consequently, putting a major brake on growth. According to recent estimates by the World Bank, growth in the entire block of emerging countries ought to be +3.4% y/y in 2022.

Despite the persistence of significant downside risks for the latter part of the year, linked to the intensification of inflationary tensions and the weakening of the international economic cycle, estimated growth in Italy's GDP in 2022 comes to +3.7%. However, for 2023 a significant loss of momentum is forecast, with growth expected at +0.6% in a context of general decline in European and global activity. For 2024-2025, forecast growth is equal to +1.9% and +1.3%, respectively.

The debt-to-GDP ratio in 2022 is expected to fall to 145.7% from 150.3% in 2021. The more sustained dynamics of nominal GDP and the improvement in the primary balance of the PA should more than compensate for the rise in the implicit cost of debt financing resulting from higher yields on government bonds. In 2023 and 2024, the target debt-to-GDP ratio is expected to be 144.6% and 142.3%, respectively.

2022 proved to be a particularly difficult year for investors, with a continuous sequence of poor figures and bad news that resulted in all the main asset classes taking a hit. Central Banks, led by the US Federal Reserve, responded by raising interest rates and signalling their objective of reducing inflationary pressures through decisive monetary tightening measures. Gradually, an underlying context emerged in which inflation continued to rise while global growth prospects were progressively revised downwards, more so in Europe than in the United States. However, despite signs of a deceleration in the cycle, the main Central Banks continued to focus on fighting inflation for most of the year: the Fed was one of the most proactive, raising the cost of money from the 0-0.25% range to 4.25-4.50% in just nine months. And from 1 June, it started to shrink its balance sheet. As we said, the monetary squeeze has taken place world-wide, with few exceptions. And the ECB has got involved as well. However, in light of the energy crisis which has progressively threatened the economy of the Old Continent, the ECB initially maintained a more cautious attitude: then - from July - it too inaugurated a cycle of monetary tightening which increased the rate on deposits from -0.50% in June to 2% in December, and launched the idea of shrinking its own balance sheet, albeit at a measured and predictable pace, starting in March 2023. Only in the latter months of the year did the narrative change in part. Inflation, particularly in the United States, showed signs of deceleration, contributing to expectations of a possible easing of monetary policy. This, combined with other positive factors such as a significant drop in the price of European gas and quarterly company reports which - on average - were in line with analysts' expectations, contributed to a period of greater propensity for risk, which allowed the main asset classes to make the overall result for the year less negative.

On the currency front, the euro had its ups and downs. In general, 2022 coincided with a widespread and decisive appreciation of the dollar which gained ground against all the other major currencies, including the euro, favoured by the climate of risk aversion and the restrictive rhetoric adopted by the Fed right from the start. One currency that suffered a devaluation, despite its safe haven status, was the yen, penalised by the Central Bank of Japan's extremely loose monetary policy, which it confirmed. The pound was also weak, affected by the conflicting decisions adopted by the British authorities during the year, which culminated in a political crisis and a change of government.

According to what emerges from the latest quarterly survey on bank lending, in the last few months of 2022 the criteria for granting loans to businesses became a lot stricter, mainly because of a greater perception of risk and a lower tolerance of it. Terms and conditions have also been tightened, mainly by reducing the amounts that banks are prepared to lend and increasing surcharges and other provisions.

The credit quality of Italian banks is still improving. Doubtful loans, net of the writedowns and provisions already set aside directly by the banks, amounted to Euro 16.3 billion in November 2022, slightly down from Euro 16.8 billion one year earlier. The ratio of net doubtful loans/total lending came in at 0.92% (1.02% in November 2021).

## 2. The factoring market

For the Italian factoring market, 2022 was a year of further growth. At the end of December 2022, based on the preliminary figures issued by Assifact - the trade association of Italian factoring companies, turnover came to Euro 287 billion (+14.5% compared with 2021), of which Euro 28 billion from Supply Chain Finance transactions, representing around 10% of the total. The development of Supply Chain Finance transactions continued to be particularly positive: at the end of 2022, the volumes of reverse factoring and confirming reached Euro 28 billion, a 15.95% increase on 2021.

On the basis of the latest available data, the sector of greatest concentration for factoring transactions on the assignor's side continued to be manufacturing; SMEs accounted for 64% of assignors. The quality of the portfolio remained high with a doubtful debt level of 1.96%.

Figures for the global factoring market in 2021, published in May 2022 by Factoring Chain International, show a growth in turnover of 12.6%, going from Euro 2,727 billion to Euro 3,069 billion. Important growth was recorded above all in North America and Africa, where increases were +45% and +28%, respectively. Europe represented 69% of the world market in 2021 and was its main contributor. It grew by 14.8% compared with 2020 to reach a total of Euro 2,118

billion. The Italian market in 2021 represented a significant share of both the world and European markets, with shares of 8.4% and 12.7% respectively.
In recent years, the sector has undergone a profound technological transformation, driven by the development of digital platforms onto which factoring companies are gradually transferring their business. Thanks to these platforms they can activate new business models in favour of production chains, as well as make processes more efficient by integrating them more and more with customers' information systems. By riding the wave of innovation and the transition envisaged by the PNRR and reducing the delays caused by rigid and anachronistic public administration procedures, factoring is able to unlock huge resources in favour of businesses that represent the vital fabric of the country. To be more specific, factoring offers itself as a partner in the transformation of the system and of the Public Administration. We promote the idea that companies in general, and SMEs in particular, can take advantage of this opportunity to relaunch their business, because factoring can act as an accelerator of transformation with products and services dedicated to the various missions of the PNRR. Factoring can play the role of co-financier of the Public Administration's modernisation plan and of infrastructural and system investments, but also that of supporting companies and suppliers who will provide services and products to the Public Administration: management of economic cycles (receipts and payments) is in fact a key factor in the success of the investments aimed at implementing the Plan.

Key aggregates (source: Assifact)

(in millions of Euro)

| Captions | 31/12/22 | 31/12/21 | Change | |
|---|---|---|---|---|
| | | | amount | % |
| Turnover | 286,966 | 250,630 | 36,337 | 14.50% |
| of which: without recourse | 226,484 | 197,940 | 28,545 | 14.42% |
| of which: with recourse | 60,482 | 52,690 | 7,792 | 14.79% |
| of which Turnover from Supply Chain Finance operations | 28,012 | 24,160 | 3,852 | 15.95% |
| Outstanding | 69,493 | 65,600 | 3,893 | 5.93% |
| Receivables at year-end | 56,630 | 51,441 | 5,190 | 10.09% |

In 2022, without-recourse transactions were still predominant in the Italian factoring market, with a share of 79%, versus a with-recourse share of 21%. The stock of outstanding receivables at 31 December 2022 amounted to Euro 69.5 billion, an increase of 5.9% compared with the previous year. Outstanding advances and proceeds also rose to Euro 56.6 billion, an increase of 10.1% compared with the end of 2021.
The share of advances to total amounts outstanding at 31 December 2022 exceeds 80%, showing a significant increase versus December 2021, also attributable to the lack of state support compared with last year and strong pressure on working capital caused by the surge in inflation in 2022. Turnover is expected to grow in 2023 as well, by 4.08%.

# 3. BPER FACTOR IN 2022

## *3.1 Competitive positioning*

In the national panorama of factoring companies at the end of November 2022 (latest figures available), BPER Factor ranked seventh by total turnover, with a market share of 2.93%.
At 31 December 2022, the Company's market share among Italian factoring companies registered with Assifact increased even more and stood at 2.98%, which reflects growth of 24.84% on the end of 2021.

The table summarises the main market data.

Market share (Source: Assifact)
(in millions of Euro)

| Captions | Market | | Change | | BPER Factor | | Change | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | Amount | % | 2022 Market share | 2021 Market share | Amount | % |
| Turnover | 286,966 | 250,630 | 36,337 | 14.50% | 2.98% | 2.39% | 0.59% | 24.84% |
| Outstanding | 69,493 | 65,600 | 3,893 | 5.93% | 3.36% | 2.44% | 0.91% | 37.38% |
| Receivables at year-end | 56,630 | 51,441 | 5,190 | 10.09% | 3.43% | 2.43% | 1.00% | 40.97% |
| Days of average rotation | 87 | 94 | -7 | -7.45% | | | | |

In 2022 BPER Factor significantly strengthened its presence on the national market, also in terms of the total amounts outstanding (+37.38%) and year-end receivables (+40.97%).

## *3.2 Key figures of BPER Factor*

### 3.2.1 Factoring

With reference to the main business indicators, at 31 December 2022 turnover amounted to Euro 8.5 billion, an increase of Euro 2.6 billion (+42.94%) compared with December 2021, of which 2.6 billion relating to the fourth quarter alone (about 30% of the annual total). The positive trend in this aggregate was brought about primarily by the increase in receivables purchased on a without-recourse basis, which grew by 62.11% compared with the previous year, representing 58.57% of total turnover (51.64% in 2021).
The portion relating to with-recourse loans also increased by 22.47% for a total value of Euro 3.5 billion. The outstanding and lending figures increased by 45.53% and 55.19% respectively. The stock of receivables at 31 December 2022 was 81.1% financed, whereas in 2021 they were 73.6% financed; the increase in the amounts financed substantially reflects the trend in without-recourse transactions, which generally require 100% financing of the receivables assigned.
The average rotation of receivables (turnover/outstanding) increased slightly from 96 days in 2021 to 98 days in 2022.
The number of customers who made assignments in 2022 was 1,312 (1,104 in December 2021), of which 349 were new customers (based on the date of their first assignment) in 2022 (versus 259 in 2021).

## Breakdown of BPER Factor's turnover

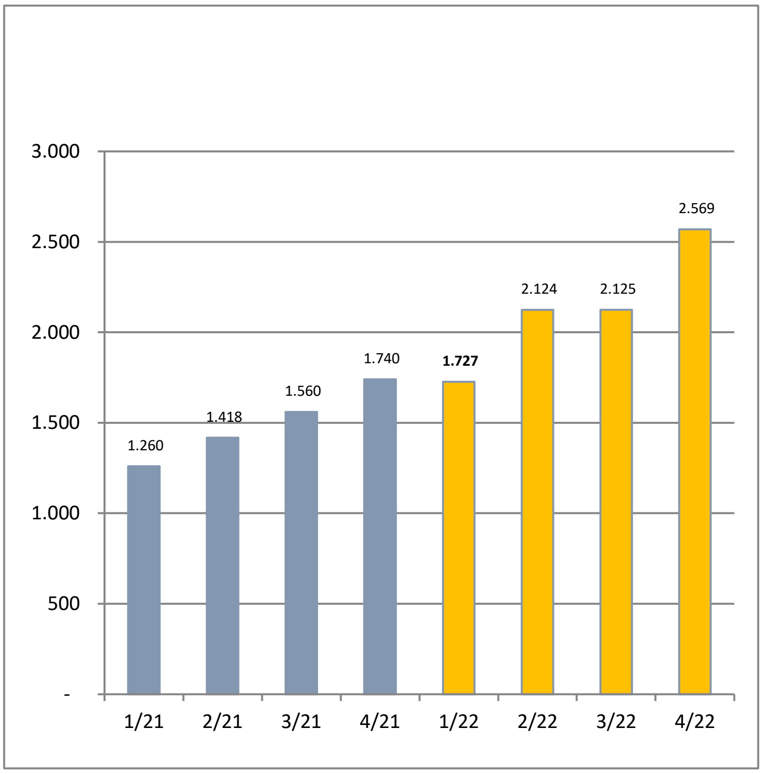
(in millions of Euro)

| Captions | 31.12.2022 | | 31.12.2021 | | Change | |
|---|---|---|---|---|---|---|
| | Amounts | % | Amounts | % | Amount | % |
| **Total turnover** | **8,545** | **100%** | **5,978** | **100%** | **2,567** | **42.94%** |
| *of which: without recourse** | 5,005 | 58.57% | 3,087 | 51.64% | 1,918 | 62.11% |
| *of which: with recourse* | 3,540 | 41.43% | 2,891 | 48.36% | 650 | 22.47% |
| **Outstanding** | **2,332** | | **1,602** | | **730** | **45.53%** |
| **Gross receivables at year-end ** ** | **1,941** | | **1,250** | | **690** | **55.19%** |
| *- of which: future receivables* | *48* | | *71* | | *-22* | *-31.57%* |
| **Receivables at y/e (net of future amounts)/Outstanding** | **81.14%** | | **73.62%** | | **7.5%** | **10.22%** |
| **Average days rotation of receivables** | **98** | | **96** | | **2** | **1.81%** |

* including formally without recourse

** the figure refers exclusively to the fees paid and advances on the factoring business.

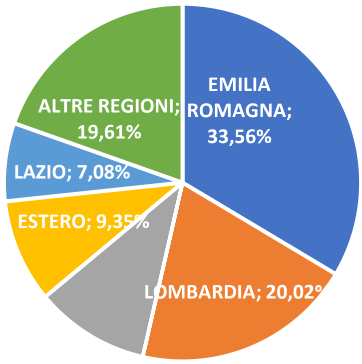
**Quarterly trend in turnover (Euro/000)**




Turnover in 2022 was about Euro 8.5 billion. After a first quarter with volumes in line with the fourth quarter of 2021, the subsequent quarters show considerable growth. The contribution made by the last quarter of the year was significant as turnover reached 2.6 billion, with growth of 47.64% on the same quarter of 2021.

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

| Geographical breakdown of turnover by Originator |
|---|




The geographical distribution of the business in 2022, compared with 2021, based on the location of the originator does not show any real changes. The regions with the highest concentration of volumes remain Emilia Romagna with a turnover equal to 33.6% of the total (+1.1%), Lombardy with 20.1% (-2.5%), Piedmont with 10 .4% (-1.6%) and Lazio with 7.1% (+14.6%). Transactions with originators resident abroad accounted for 9.35%, whereas in 2021 they reached 9.65%. About 20% of turnover is distributed among the other Italian regions.

The distribution of turnover by Ateco category of its originators is shown below:

| Distribution of turnover to non-financial companies | 31.12.2022 | % |
|---|---|---|
| A. Agriculture, forestry and fishing | 146,352 | 1.71 |
| B. Extraction of minerals from quarries and mines | 6,142 | 0.07 |
| C. Manufacturing activities | 2,679,992 | 31.36 |
| D. Provision of electricity, gas, steam and air-conditioning | 317,334 | 3.71 |
| E. Supply of water, sewerage, waste management and rehabilitation | 599,833 | 7.02 |
| F. Construction | 416,405 | 4.87 |
| G. Wholesaling and retailing, car and motorcycle repairs | 1,134,171 | 13.27 |
| H. Transport and storage | 394,511 | 4.62 |
| I. Rentals and catering services | 6,374 | 0.07 |
| J. Information and communication services | 70,831 | 0.83 |
| M. Professional, scientific and technical activities | 172,508 | 2.02 |
| N. Rentals, travel agencies, business support services | 735,960 | 8.61 |
| Q. Healthcare and social services | 305,086 | 3.57 |
| R. Arts, sports, entertainment and recreation | 32,717 | 0.38 |
| S. Other services | 642,880 | 7.52 |
| **Total turnover - non-financial companies** | **7,661,096** | **89.65** |
| Non-profit institutions serving households | 6,450 | 0.08 |
| Financial companies | 757,880 | 8.87 |
| Other companies not included in the above categories | 119,990 | 1.40 |
| **Total turnover - other companies** | **884,320** | **10.35** |
| **Total turnover** | **8,545,416** | **100.00** |

In 2022, the concentration of turnover by economic sector, based on to the originator, shows a business equal to around 90% of total volumes with non-financial companies, with the other 10%

being generated mainly by financial companies (8.87%). The highest concentration of turnover is again in manufacturing and the wholesale trade, which respectively represent 31.36% and 13.27% of the total.

The Company's turnover is mainly produced by the BPER Group's network, as well as by its own internal network. The Company also has commercial agreements for the sale of its products with Large Reverse Debtors and Intermediaries who make referrals and, to a lesser extent, it works with foreign correspondents and agents.

Turnover by source of referral is summarised in the following table.

Turnover by source of referral
(in millions of Euro)

| Captions | 31.12.2022 | 31.12.2021 | % of total net receivables | % of total net receivables | Change 2022-2021 | |
|---|---|---|---|---|---|---|
| | | | 2022 | 2021 | amount | % |
| Direct development | 2,790 | 2,227 | 32.64% | 37.25% | 563 | 25.27% |
| Banking shareholders | 3,525 | 2,046 | 41.25% | 34.23% | 1,479 | 72.29% |
| Referrals by intermediaries | 1,168 | 918 | 13.67% | 15.36% | 251 | 27.29% |
| Large reverse debtor | 862 | 624 | 10.09% | 10.44% | 238 | 38.14% |
| Agents | 163 | 126 | 1.90% | 2.12% | 36 | 28.62% |
| Foreign operators and international correspondents | 37 | 36 | 0.43% | 0.61% | 1 | 1.66% |
| **Total** | **8,545** | **5,978** | **100.00%** | **100.00%** | **2,567** | **42.94%** |

(The 2021 figure has been adjusted to the source of referral that existed at 31 December 2022, in cases where it has changed since 2021)

The business generated by customers from the network of the BPER Group (the Company's banking shareholders) amounted to Euro 3.5 billion, a 72.3% increase on 2021 and 57.6% of the Company's overall increase, reflecting the continuous improvement in synergies with the BPER Group. "Direct development" represents 32.6% of total turnover and has increased by 25.3% compared with 2021, though transactions with new customers only amounted to Euro 96.7 million, which confirms that its prevalent activity is integrated with the BPER Banca network.
There was also a strong increase in the turnover generated by customers coming from referrals by intermediaries and those from large reverse debtors, which grew by 27.3% and 38.1% respectively on 2021. The business linked to agents reached Euro 163 million, versus 126 million in 2021, while the business with foreign operators came in close to last year's levels (+1.7%).

### 3.2.2 Leasing

As in previous years, and in line with the strategic orientations of the Group, the leasing business did not show any growth in 2022. The main initiatives in 2022 concerned the management of financial lease contracts and non-performing exposures.
At 31 December 2022, performing contracts are summarised in the table below. They are 7 in number, 1 of them refers to a capital asset and 6 to properties.

Contracts outstanding - implicit receivables

(in thousands of Euro)

| Type of contract | No. of contracts at 31/12/2022 | Original value of assets | Direct costs | Total capital accrued | Residual capital 31/12/2022 |
|---|---|---|---|---|---|
| Business leases | 1 | 986 | 14 | 780 | 220 |
| Real estate leases | 6 | 2.624 | 32 | 1.527 | 1.128 |
| **Total** | **7** | **3.610** | **46** | **2.307** | **1.348** |

The performing contracts are worth a residual amount of Euro 1.3 million at 31 December 2022. 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 31/12/2022 | Original value of assets | Direct costs | Total capital accrued | Residual capital 31/12/2022 |
|---|---|---|---|---|---|
| Business leases | 2 | 1.141 | 7 | 859 | 289 |
| Real estate leases | 4 | 4.080 | 50 | 796 | 3.333 |
| **Total** | **6** | **5.221** | **57** | **1.656** | **3.623** |

There remain 4 terminated property contracts, all belonging to the same user, and 2 contracts involving capital assets, for a total residual amount receivable on termination of Euro 3.6 million.

Net of impairment adjustments, the reported carrying amount of finance leases is Euro 3.3 million, of which Euro 2.2 million relates to non-performing receivables.

## *3.3 2022 Results*

2022 closed with a net profit of Euro 12.1 million, versus Euro 0.9 million in 2021. This result reflects not only a very positive trend in the business, but also write-backs on receivables previously written down and then recovered. It also includes the reversal of provisions made the previous year (for leaving incentives) that turned out to be in excess of actual requirements. In fact, net impairment adjustments to receivables include a positive amount (write-backs) of Euro 0.3 million, compared with a negative amount (write-downs) in 2021 of Euro 7.1 million and other income (including the reversal of the excess provision for leaving incentives) of Euro 1.3 million versus Euro 0.1 million in 2021.
Without these, net operating income comes to Euro 29 million (+38%) with an operating profit of Euro 17.9 million (+90.4%).

### *3.3.1 Results*

Summary comparative income statement figures are presented below (in thousands of Euro) for the years ended 31 December 2022 and 2021, highlighting the absolute and percentage changes.

The results shown in the following tables, with comparative figures at 31 December 2021, have been reclassified with respect to the formats envisaged in the regulations issued by the Bank of Italy.

The main reclassifications involve 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 -73 million in December 2022 and Euro 1.2 million at 31 December 2021);

- 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, whereas there were zero recoveries in 2022).

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 | 2022 | 2021 | Change | |
|---|---|---|---|---|---|
| | | 31/12 | 31/12 | Amount | % |
| 10+20 | Net interest income | 16,401 | 11,437 | 4,964 | 43.4% |
| 40+50 | Net commission income | 11,159 | 9,447 | 1,712 | 18.1% |
| 70 | Dividends and similar income | - | 22 | -22 | -100.0% |
| 80+100 | Net trading income | 188 | -13 | 201 | 1542.4% |
| 200 | Other operating income and expense | 1,258 | 125 | 1,133 | 906.1% |
| | **Net operating income** | **29,004** | **21,018** | **7,987** | **38.0%** |
| 160a) | Payroll costs | -6,294 | -7,064 | -770 | -10.9% |
| 160b) | Other administrative costs | -4,051 | -3,783 | 268 | 7.1% |
| 180+190 | Depreciation and amortisation | -735 | -757 | -22 | -3.0% |
| | **Operating costs** | **-11,079** | **-11,604** | **-525** | **-4.5%** |
| | **Operating profit (loss)** | **17,925** | **9,414** | **8,512** | **90.4%** |
| 130 | Net impairment adjustments for credit risk | 319 | -7,107 | -7,426 | -104.5% |
| | **Net value adjustments for credit risk** | **319** | **-7,107** | **-7,426** | **-104.5%** |
| 170 | Net provisions for risks and charges | -206 | -512 | -306 | -59.9% |
| 230 | Net result of measuring property, plant and equipment and intangible assets at fair value | -1 | -520 | -519 | -100.0% |
| **260** | **Profit (loss) from continuing operations before income taxes** | **18,037** | **1,275** | **16,763** | **1315.0%** |
| 270 | Income taxes for the period | -5,925 | -397 | 5,528 | 1392.4% |
| **300** | **Net profit (Losses) of the period** | **12,112** | **878** | **11,235** | **1280.0%** |

## Quarterly analysis of the reclassified income statement

(in thousands of Euro)

| | Captions | 2022 Q4 | 2022 Q3 | 2022 Q2 | 2022 Q1 | 2021 Q4 | 2021 Q3 | 2021 Q2 | 2021 Q1 |
|---|---|---|---|---|---|---|---|---|---|
| 10+20 | Net interest income | 5,046 | 4,088 | 3,851 | 3,416 | 2,937 | 3,030 | 2,784 | 2,685 |
| 40+50 | Net commission income | 2,992 | 3,061 | 2,712 | 2,393 | 2,284 | 2,466 | 2,300 | 2,397 |
| 70 | Dividends and similar income | 0 | 0 | 0 | - | 0 | 0 | 22 | - |
| 80+100 | Net trading income | -31 | 3 | 78 | 138 | -34 | 21 | 2 | -3 |
| 200 | Other operating income (expense) | 17 | 36 | 1,170 | 34 | -21 | 42 | 74 | 12 |
| | **Net operating income** | **8,024** | **7,187** | **7,810** | **5,982** | **5,166** | **5,560** | **5,182** | **5,092** |
| 160a) | Payroll costs | -1,746 | -1,522 | -1,501 | -1,525 | -2,885 | -1,403 | -1,415 | -1,361 |
| 160b) | Administrative costs | -1,157 | -869 | -1,161 | -864 | -1,097 | -867 | -1,031 | -788 |
| 180+190 | Depreciation and amortisation | -191 | -179 | -182 | -182 | -201 | -201 | -182 | -173 |
| | **Operating costs** | **-3,094** | **-2,571** | **-2,844** | **-2,571** | **-4,182** | **-2,470** | **-2,629** | **-2,322** |
| | **Net profit from operations** | **4,930** | **4,617** | **4,966** | **3,411** | **984** | **3,089** | **2,553** | **2,769** |
| 130 | Net impairment adjustments to | -1,862 | -772 | 2,755 | 197 | -6,707 | -329 | -120 | 508 |
| | **Net value adjustments for credit risk** | **-1,862** | **-772** | **2,755** | **197** | **-6,707** | **-329** | **-120** | **508** |
| 170 | Net provisions for risks and charges | 94 | 250 | -871 | 321 | 81 | -188 | -253 | -657 |
| 230 | Net result of measuring property, plant and equipment and intangible assets at fair value | -1 | 0 | 0 | 0 | -181 | 0 | -274 | 0 |
| **260** | **Profit (loss) from operations before income taxes** | **3,161** | **4,095** | **6,851** | **3,929** | **- 5,823** | **2,572** | **1,906** | **2,621** |
| 270 | Income taxes for the period | -1,046 | -1,312 | -2,285 | -1,281 | 2,010 | -827 | -683 | -896 |
| **300** | **Net profit (Losses) of the period** | **2,115** | **2,783** | **4,566** | **2,648** | **-3,813** | **1,744** | **1,223** | **1,724** |

### *Operating income*

Net operating income totalled Euro 29 million, a significant increase on the 12 months of 2021 (+ Euro 8 million; +38%). At a time when there has been a general increase in market rates starting from the third quarter, net interest income went up by 43.4%, coming in at Euro 16.4 million. This positive trend was helped by the upward trend in loans to customers, which grew by 53.5%. Net commission income has also increased by 18.1%, to Euro 11.2 million.

Net trading income was also positive, referring mainly to cost and revenue items deriving from exchange differences on transactions in foreign currency, which contributed Euro 0.2 million during the year. Other operating income and expense shows a positive balance of Euro 1.3 million and refers mainly to the income deriving from the excess provision for leaving incentives set aside in 2021 as part of the staff reduction plan coordinated and managed by the Parent Company.

The main items making up net operating income are shown below.

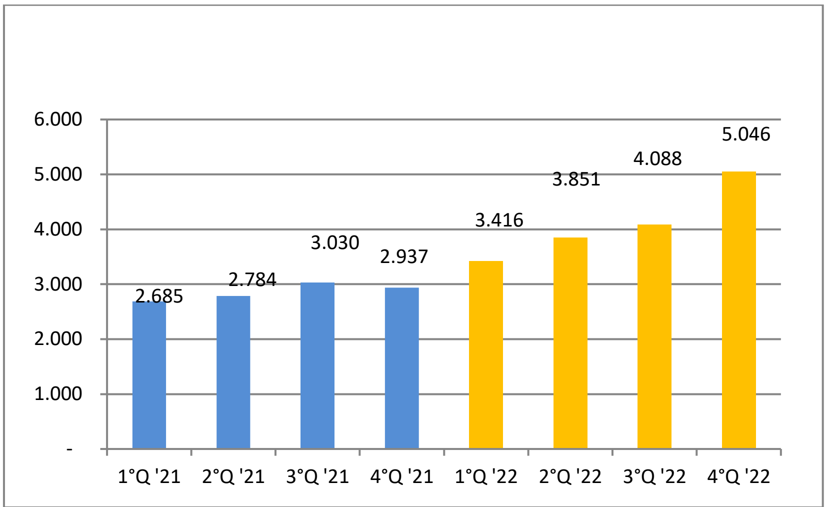
## Net interest income

(in millions of Euro)

| Captions | 31/12/22 | 31/12/21 | Change Amount | Change % |
|---|---|---|---|---|
| Interest income for factoring transactions | 16.5 | 9.3 | 7.2 | 77.01% |
| Other loans (borrowing costs) | 1.4 | 1.3 | 0.1 | 11.31% |
| Interest income from lease transactions | 0.1 | 0.1 | -0.0 | -43.65% |
| Future receivables | 0.7 | 0.7 | -0.0 | -4.42% |
| Interest income on financial liabilities | 0.2 | 0.1 | 0.1 | 100.00% |
| Other interest income | 1.1 | 0.1 | 0.9 | 654.14% |
| **TOTAL INTEREST AND SIMILAR INCOME** | **19.9** | **11.6** | **8.3** | **71.31%** |
| Interest expense for amounts due to banks | -3.4 | -0.1 | -3.3 | |
| Other interest expense | -0.1 | -0.1 | -0.0 | 41.01% |
| **INTEREST AND SIMILAR EXPENSE** | **-3.5** | **-0.2** | **-3.3** | |
| **Net interest income** | **16.4** | **11.4** | **5.0** | **43.40%** |

Net interest income amounts to Euro 16.4 million, up on the comparative figure (Euro 11.4 million at 31 December 2021). The result, as mentioned, benefited from the strong growth in loans. This item also includes, in other interest income, Euro 0.9 million of default interest collected during 2022. In a market context with interest rates that only turned positive in the latter part of the year, volumes with customers produced interest income of Euro 19.9 million, an increase of 71.3% on 2021. In detail, interest income shows decreases in revenue from the leasing business (-44%) and from that of future receivables (-4.4%), while those generated by ordinary factoring transactions and those from credit extensions granted to debtors rose by 77% and 11.3% respectively.

**Quarterly trend in net interest income (Euro/000)**




The inflow of net interest income recorded in the fourth quarter of 2022 showed a significant acceleration compared with the previous quarters of the year due to the positive trend in loans. In comparison with the third quarter, growth was 23.43%, whereas it was 71.81% compared with the same period of 2021.

## Net commission income

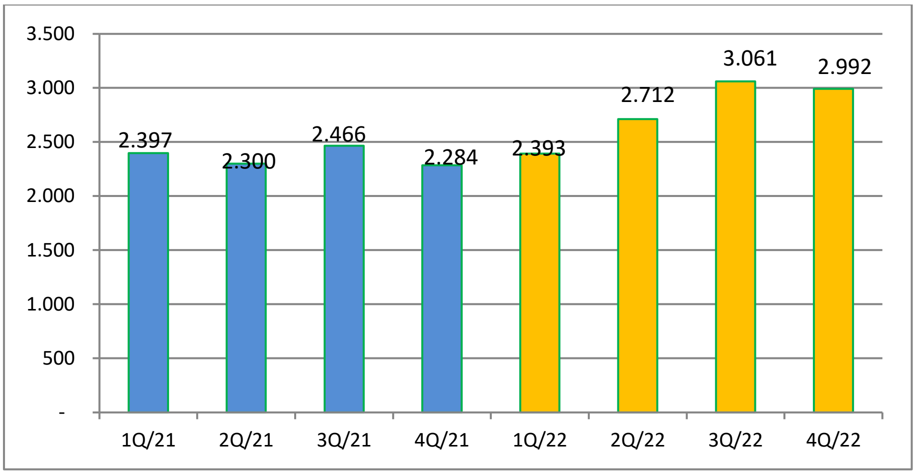
(in millions of Euro)

| Captions | 2022 | 2021 | Change | |
|---|---|---|---|---|
| | 31/12 | 31/12 | Amount | % |
| **Commission income** | **17.4** | **13.2** | **4.24** | **32.2%** |
| - Factoring commission | 16.3 | 12.3 | 4.02 | 32.7% |
| - Other commissions and expense recoveries | 1.1 | 0.8 | 0.21 | 25.2% |
| **Commission expense** | **-6.2** | **-3.7** | **-2.53** | **68.0%** |
| - Refactoring commission | -3.0 | -2.2 | -0.82 | 37.5% |
| - Reinsurance commission | -2.9 | -1.3 | -1.58 | 118.7% |
| - Other commission expense | -0.3 | -0.2 | -0.12 | 66.2% |
| **Net commission expense** | **11.2** | **9.4** | **1.71** | **18.1%** |

Net commission income in 2022 represents approximately 40% of net operating income and amounted to Euro 11.2 million, an increase of 18.1% compared with the Euro 9.4 million recorded in the same period of 2021. This result was brought about by the significant growth in turnover (+42.9%). In detail, commission income amounted to Euro 17.4 million for a rise of 32.2%; factoring commission increased by 32.7%, while other commissions and expense recoveries increased by 25.2%.

Commission expense increased by 64.8% to Euro 6.2 million. In detail, all of the items that make up the commission expense increased as an effect induced by the increase in assets. The growth concerned refactoring commission of 37.5%, which to a certain extent increased because of a different composition of the sources of referral (the turnover from external sources was 67.36% in 2022, whereas it was 62.75% in 2021); costs relating to credit reinsurance increased by 118.7% (the receivables purchased without recourse increased by 62.11% compared with 2021), while other commission expense, which mainly groups together the costs for services that banks provide to the Company, rose by 19.9%.

**Quarterly trend in net commission income (Euro/000)**




Apart from the first quarter, where the figures are substantially in line (-0.17%), the graph showing the quarterly trend in net commission income with comparative figures for the same quarters in 2021 reflects growth of around 18% in the second quarter, 24% in the third quarter and 31% in the fourth quarter.

## *Operating costs*

Operating costs in 2022 amounted to Euro 11.1 million, down by 4.5% compared with the same period of the previous year. Payroll costs, Euro 6.3 million, decreased by 10.9%. Bear in mind that a provision for leaving incentives of Euro 1.3 million, agreed and coordinated by the Parent Company, was set aside in 2021. The number of employees who accepted the offer during 2022 turned out to be lower than estimated, leading to a recovery of Euro 1 million, which was booked to other operating income. The cost in 2021, net of this recovery, would therefore have been Euro 6.0 million. The administrative costs amounted to Euro 4.1 million, up by 7.1%. There have been savings, especially in outsourcing expenses (services from the Parent Company) and in consultancy and professional services. On the other hand, there have been increases in personnel-related expenses (travel and transfers), property management expenses (mainly due to the rise in energy costs) and credit management expenses (following the increase in activity and legal and professional expenses). Depreciation and amortisation, which according to IFRS 16 also include the portion relating to the right-of-use assets acquired under operating leases, fell by 3% compared with the 2021 figure, attributable to intangible assets, software in particular.
The cost/income ratio in 2022 came to 38.2%, an improvement on 2021 (55.2%).
The main items making up operating costs are shown below.

## Operating costs

(in millions of Euro)

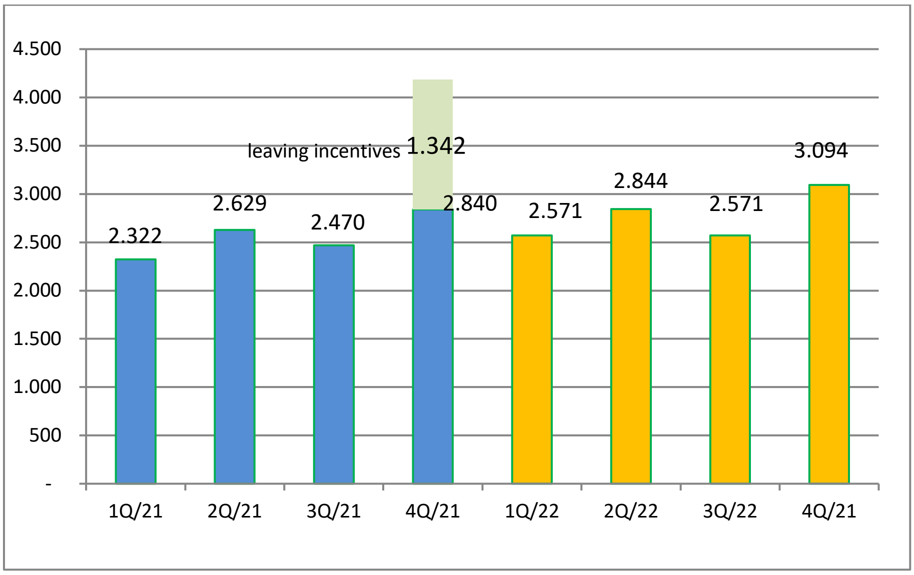
| Captions | 2022 31/12 | 2021 31/12 | Change Amount | % |
|---|---|---|---|---|
| **Administrative costs** | **10.3** | **10.8** | **-0.50** | **-4.6%** |
| **- Payroll costs** | **6.3** | **7.1** | **-0.77** | **-10.9%** |
| of which: employees | 4.57 | 4.09 | 0.48 | 11.6% |
| of which: Directors and Statutory Auditors | 0.21 | 0.28 | -0.07 | -25.3% |
| of which: other personnel | 0.10 | 0.10 | -0.00 | -0.4% |
| of which: other costs | 0.24 | 0.12 | 0.12 | 96.6% |
| of which: voluntary redundancy payments | 0.03 | 1.34 | -1.31 | -97.8% |
| of which: seconded by other Group companies | 1.26 | 1.23 | 0.03 | 2.1% |
| of which: seconded to other Group companies | -0.11 | -0.10 | -0.00 | 4.2% |
| **- Other administrative costs** | **4.1** | **3.8** | **0.27** | **7.1%** |
| Payroll costs | 0.29 | 0.22 | 0.06 | 28.5% |
| General costs | 0.21 | 0.21 | -0.00 | -2.1% |
| Outsourcing costs | 1.23 | 1.38 | -0.15 | -11.0% |
| Charges for regulatory compliance | 0.10 | 0.09 | 0.01 | 10.5% |
| Taxes | 0.20 | 0.20 | -0.00 | -2.4% |
| Image and communication | 0.01 | 0.01 | 0.00 | 0.7% |
| ICT (charges relating to data transmission, IT consulting, communication costs, telephone expense, etc ...) | 0.55 | 0.52 | 0.02 | 4.5% |
| Property management | 0.24 | 0.19 | 0.05 | 28.3% |
| Credit management (information, litigation management, etc.) | 1.17 | 0.85 | 0.32 | 37.9% |
| Consultancy and professional services - Others | 0.04 | 0.09 | -0.04 | -48.3% |
| Other miscellaneous expenses | 0.03 | 0.03 | 0.00 | 2.2% |
| **Net adjustments to property, plant and equipment and intangible assets** | **0.7** | **0.8** | **-0.0** | **-3.0%** |
| **Operating costs** | **11.1** | **11.6** | **-0.52** | **-4.5%** |

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

(in millions of Euro)

| Captions | Type | Depreciation 2022 | Depreciation 2021 | Change Amount | Change % |
|---|---|---|---|---|---|
| **Leases** | Real estate | 0.36 | 0.39 | -0.03 | -7.0% |
| | Automotive | 0.09 | 0.05 | 0.05 | 95.9% |
| | **TOTAL** | **0.46** | **0.44** | **0.0** | **4.2%** |
| **Property, plant and equipment** | Furniture and electronic office machines | 0.02 | 0.02 | -0.000 | -2.4% |
| | Leasehold improvements | 0.01 | 0.02 | -0.002 | -13.3% |
| | Other | 0.01 | 0.00 | 0.003 | 93.6% |
| | **TOTAL** | **0.04** | **0.04** | **-0.000** | **-0.6%** |
| **Intangible assets** | Software | 0.24 | 0.28 | -0.0 | -14.7% |
| | **TOTAL** | **0.24** | **0.28** | **-0.0** | **-14.7%** |
| **Operating costs** | | **0.73** | **0.76** | **-0.02** | **-3.0%** |

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

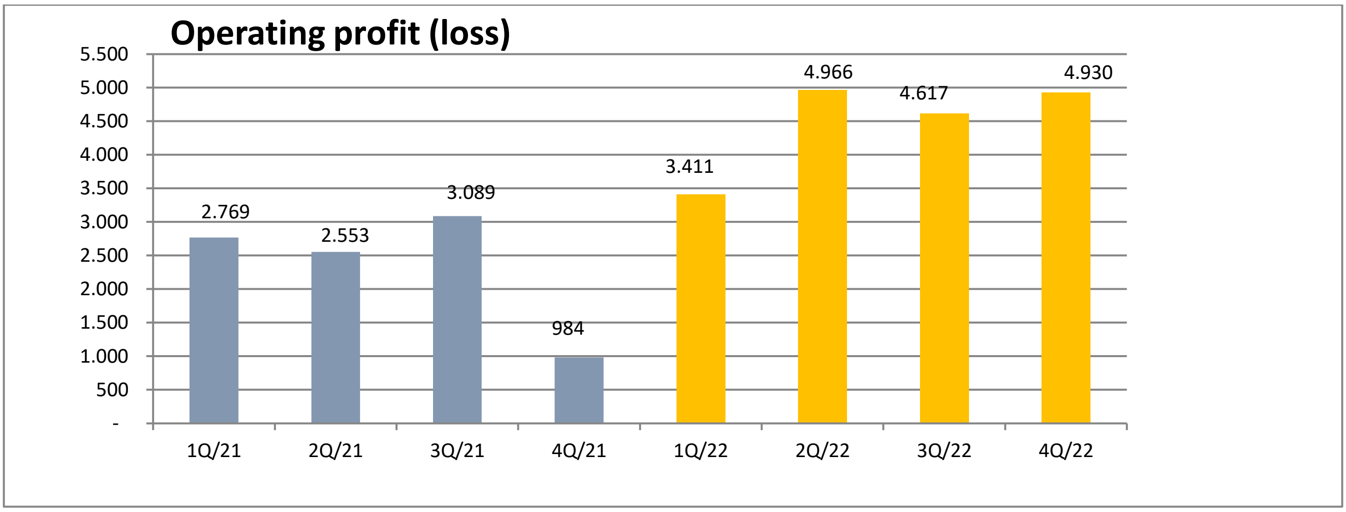



The quarterly trend in operating costs in 2022 shows a higher cost compared with 2021 (net of the leaving incentives). The fourth quarter of 2022 was 8.9% higher than the same period of 2021.

## *Operating profit (loss)*

Given the dynamics of revenues and costs, the operating profit for the year improved by 90.4% to Euro 17.9 million (Euro 9.4 million in 2021).

**Quarterly trend in operating profit (loss) (Euro/000)**



## *Adjustments, write-backs and accruals to the provisions for risks and charges.*

Net impairment adjustments to receivables have a positive balance (write-backs) of Euro 0.3 million (net of any compensation received from insurance companies).
In 2022, write-backs, which are recognised exclusively once they have been recovered, with the exception of the effect of discounting the recovery forecasts, amounted to Euro 6 million, while the impairment adjustments made in the financial statements represented a cost of Euro 5.6 million.
In detail, impairment adjustments to receivables amounted to Euro 5.6 million, a substantial decrease compared with the Euro 9 million recorded the previous year. The sharp reduction mainly refers to a counterparty classified as UTP, which in 2021 led to a write-down of Euro 5.4 million. Then, in 2022, when the amount had been recovered, a write-back of the same amount was recorded.
Adjustments to balances classified as doubtful amounted to Euro 2.6 million (+30% compared with 2021); defaults required adjustments of Euro 0.9 million (-86.1% compared with 2021) and the provision for performing balances was Euro 2 million.
The significant provision for performing balances derives from the increase in the stock of outstanding receivables at the end of the year, together with a deterioration in the macroeconomic context, while balances that were past due by more than 90 days did not require significant provisions, given their low value at 31 December 2022. Write-backs do not show substantial increases or decreases compared with 2021, with the exception of what we mentioned above about UTP balances, for a total of Euro 5.5 million.
The cost of credit, i.e. the ratio between net impairment adjustments and net receivables, was therefore more or less zero in 2022.

Net adjustments/write-backs
(in millions of Euro)

| Captions | 2022 31/12 | 2021 31/12 | Breakdown 2022 | Breakdown 2021 | Change Amount | Change % |
|---|---|---|---|---|---|---|
| **Adjustments:** | **-5.6** | **-9.0** | **100.0%** | **100.0%** | **3.4** | **-37.9%** |
| Doubtful exposures | -2.6 | -2.0 | 47.2% | 22.5% | -0.6 | 30.1% |
| Unlikely to pay exposures | -0.9 | -6.7 | 16.6% | 74.3% | 5.8 | -86.1% |
| Past-due exposures (>90 days) | -0.0 | -0.1 | 0.4% | 0.9% | 0.1 | -70.5% |
| Performing exposures | -2.0 | -0.2 | 35.7% | 2.3% | -1.8 | 873.3% |
| **Writebacks:** | **6.0** | **0.8** | **100.0%** | **100.0%** | **5.2** | **670.2%** |
| Doubtful exposures | 0.2 | 0.3 | 3.5% | 42.5% | -0.1 | -37.5% |
| Unlikely to pay exposures | 5.5 | 0.1 | 91.5% | 18.7% | 5.3 | 3659.6% |
| Past-due exposures (>90 days) | 0.1 | 0.0 | 1.1% | 5.5% | 0.0 | 51.2% |
| Performing exposures | 0.2 | 0.3 | 4.0% | 33.2% | -0.0 | |
| **NET ADJUSTMENTS GROSS OF INSURANCE CLAIM PROCEEDS** | **0.4** | **-8.3** | | | **8.6** | **-104.7%** |
| Proceeds from credit insurance claims | **-0.1** | **1.1** | | | **-1.2** | -106.2% |
| **NET ADJUSTMENTS** | **0.3** | **-7.1** | | | **7.4** | **-104.5%** |
| Provisions for risks and charges | **-0.2** | **-0.5** | | | **0.3** | -59.9% |
| **TOTAL NET ADJUSTMENTS** | **0.1** | **-7.6** | | | **7.7** | **-101.5%** |

Doubtful exposures required net adjustments of Euro 2.4 million compared with Euro 1.7 million in 2021, reaching 83.8% coverage. Net adjustments to UTP exposures, Euro -4.6 million (write-back), now provide 14.3% coverage, while those on past due and overdrawn receivables provide 5.8% coverage. Lastly, performing exposures required net adjustments of Euro 1.8 million and their degree of coverage increased from 0.21% in 2021 to 0.23% at the end of 2022.

In 2022, the balance of indemnities was negative for Euro 0.1 million (indemnities returned to the insurance company as the receivables in question were subsequently collected).

"Net provisions for risks and charges" report a charge of Euro 0.2 million, compared with Euro 0.5 million recorded in the prior year, and relate almost exclusively to legal risks on claims received.

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

The profit for the year from continuing operations before tax was Euro 18 million, which is higher than the figure of Euro 16.8 million at December 2021.

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

The provision for income taxes was Euro 5.9 million. The effective tax rate for 2022 was 32.9%, compared with 37.6% in 2021, while the overall rate was 32.8% on 31.1%.

Income taxes, net profit and tax rate
(in millions of Euro)

| Captions | 2022 | 2021 | Change | |
|---|---|---|---|---|
| | 31/12 | 31/12 | Amount | % |
| **Profit from continuing operations before income taxes** | **18.0** | **1.3** | **16.8** | **1313.5%** |
| **Income taxes for the year** | **-5.9** | **-0.5** | **-5.5** | **1136.9%** |
| **Income taxes relating to prior years** | **0.0** | **0.1** | **-0.1** | |
| **Net profit** | **12.1** | **0.9** | **11.2** | **1278.1%** |
| **Tax rate net of out-of-period taxes** | **-32.9%** | **-37.6%** | **4.7%** | **-12.5%** |
| **Total tax rate** | **-32.8%** | **-31.1%** | **-1.7%** | **5.5%** |

## *3.3.2 Balance sheet items*

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

This format provides 2022 data in comparison with that for 2021. 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)

| Assets | 2022<br>31/12 | 2021<br>31/12 | Change<br>Amount | <br>% |
|---|---|---|---|---|
| Financial assets measured at fair value through other comprehensive income | 0.87 | 1.63 | -0.76 | -46.68% |
| Receivables | 1,931.21 | 1,258.15 | 673.05 | 53.50% |
| Property, plant and equipment and intangible assets | 10.25 | 10.45 | -0.20 | -1.90% |
| of which : goodwill | 5.47 | 5.47 | 0.00 | 0.00% |
| Tax assets | 3.33 | 5.04 | -1.71 | -33.84% |
| Other asset captions | 13.54 | 4.93 | 8.61 | 174.84% |
| **TOTAL ASSETS** | **1,959.20** | **1,280.20** | **679.00** | **53.04%** |

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

| Liabilities and shareholders’ equity | 2022<br>31/12 | 2021<br>31/12 | Change<br>Amount | <br>% |
|---|---|---|---|---|
| Financial liabilities valued at amortised cost | 1,750.79 | 1,079.18 | 671.61 | 62.23% |
| Tax liabilities | 0.95 | 0.03 | 0.92 | 3197.41% |
| Other liability captions | 45.90 | 49.65 | -3.74 | -7.54% |
| Provisions for risks and charges | 14.12 | 16.13 | -2.01 | -12.45% |
| **Shareholders' equity** | **147.44** | **135.22** | **12.22** | **9.04%** |
| 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 | 60.03 | 59.16 | 0.88 | 1.49% |
| d) Valuation reserves | -0.11 | -0.22 | 0.11 | -51.37% |
| e) Net profit for the year | 12.11 | 0.88 | 11.23 | 1277.94% |
| **Total liabilities and shareholders’ equity** | **1,959.20** | **1,280.20** | **679.00** | **53.04%** |

Total assets and liabilities amounted to Euro 2 billion, a rise of 53.04% compared with 2021.

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

At 31 December receivables from customers came near to Euro 1.9 billion, reporting an increase of +53.5% from the beginning of the year.

Net receivables
(in millions of Euro)

| Captions | 31/12/2022 | | 31/12/2021 | | Change 2022-2021 | |
|---|---|---|---|---|---|---|
| | Net receivables | % | Net receivables | % | Amount | % |
| **Factoring receivables:** | **1,924** | **99.6%** | **1,243** | **98.8%** | **681** | **54.7%** |
| **- from originators** | **893** | **46.3%** | **752** | **59.8%** | **141** | **18.8%** |
| **- due to assigned debtors** | **1,031** | **53.4%** | **491** | **39.0%** | **540** | **109.8%** |
| **Finance lease receivables** | **3** | **0.2%** | **4** | **0.3%** | **-0** | **-10.1%** |
| **Other receivables** | **4** | **0.2%** | **11** | **0.9%** | **-7** | **-66.0%** |
| **Total receivables** | **1,931.21** | **100%** | **1,258.15** | **100.0%** | **673.05** | **53.5%** |

Factoring assets show an increase of Euro 0.7 billion (+54.7%), while financial lease and other receivables have decreased by 10.1% and 66% respectively, but their impact on the total was and has remained insignificant (0.2% of the total).

In the analysis by type of business, factoring receivables, which represent 99.6% of the total, recorded a substantial increase in "receivables from assigned debtors". Compared with the beginning of the year, they have almost doubled (+109.8%) and the increase represents approximately 80% of the overall increase. Almost all of them are receivables that the Company purchases from assignors without recourse (IAS compliant) and which it generally reinsures with a leading insurance company; at 31 December 2022 they were worth Euro 1 billion (53.4% of total net receivables). The trend in loans to originators was also positive, growing by 18.8% to reach Euro 0.9 billion; they refer to trade receivables purchased with recourse and formally without recourse; the latter are generally reinsured.

With regard to payables, "financial liabilities measured at amortised cost" total Euro 1.7 billion following a 62.23% increase since 31 December 2021. This caption also includes Euro 2.4 million of operating lease payables.

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

### *Receivables: credit quality*

Gross receivables have increased by 52.5% since 31 December 2021. To determine the impairment on performing loans and for staging purposes (1 and 2), the Company makes use of the service provided by the Parent Company's Risk Management offices. The following table includes the receivables, gross of impairment adjustments shown with open balances, purchased by Carige as part of the Lanterna project, which involved the BPER Group.

## Receivables

(in millions of Euro)

| Captions | 31/12/22 | | | 31/12/21 | | | Changes | |
|---|---|---|---|---|---|---|---|---|
| | Amounts | % | Coverage | Amounts | % | Coverage | Amount | % |
| **Gross non-performing exposure** | **42.47** | **2.17** | **52.82%** | **73.62** | **5.73** | **31.35%** | **-31.15** | **-42.31** |
| Doubtful loans | 23.63 | 1.21 | 83.77% | 18.86 | 1.47 | 84.30% | 4.77 | 25.28 |
| Unlikely to pay loans | 18.18 | 0.93 | 14.31% | 53.39 | 4.16 | 13.30% | -35.21 | -65.94 |
| Past due | 0.66 | 0.03 | 5.77% | 1.37 | 0.11 | 5.83% | -0.71 | -52.00 |
| **Gross performing exposures** | **1,915.49** | **97.83** | **0.23%** | **1,210.16** | **94.27** | **0.21%** | **705.32** | 58.28 |
| **Total gross exposure** | **1,957.96** | **100.00** | **1.37%** | **1,283.79** | **100.00** | **2.00%** | **674.17** | **52.51** |
| **Adjustments to non-performing exposures** | **22.44** | **83.86** | | **23.08** | **90.04** | | **-0.65** | **-2.80** |
| Doubtful loans | 19.80 | 74.00 | | 15.90 | 62.03 | | 3.90 | 24.50 |
| Unlikely to pay loans | 2.60 | 9.72 | | 7.10 | 27.70 | | -4.50 | -63.37 |
| Past due | 0.04 | 0.14 | | 0.08 | 0.31 | | -0.04 | -52.53 |
| ***Adjustments to performing exposures*** | **4.32** | **16.14** | | **2.55** | **9.96** | | **1.76** | 69.14 |
| **Total adjustments** | **26.75** | **100.00** | | **25.63** | **100.00** | | **1.12** | **4.36** |
| **Net non-performing exposure** | **20.04** | **1.04** | | **50.54** | **4.02** | | **-30.51** | **-60.36** |
| Doubtful loans | 3.84 | 0.20 | | 2.96 | 0.24 | | 0.87 | 29.48 |
| Unlikely to pay loans | 15.58 | 0.81 | | 46.29 | 3.68 | | -30.71 | -66.34 |
| Past due | 0.62 | 0.03 | | 1.29 | 0.10 | | -0.67 | -51.97 |
| **Net performing exposures** | **1,911.17** | **98.96** | | **1,207.61** | **95.98** | | **703.56** | 58.26 |
| **Total net exposure** | **1,931.21** | **100.00** | | **1,258.15** | **100.00** | | **673.05** | **53.50** |

At 31 December 2022 the coverage of non-performing receivables is 52.82%, compared with 31.35% at the end of 2021. The increase in the coverage ratio of non-performing loans is a consequence of eliminating the exposures that were classified as UTP in December 2021, but subsequently recovered. More specifically, net doubtful exposures amount to Euro 3.8 million, after adjustments of 83.77%, compared with Euro 3 million at the end of 2021, when coverage was 84.3%. Net of adjustments providing coverage of 14.31%, UTP loans total Euro 15.6 million. This is considerably more than at the end of 2021 for the reasons already given. This caption decreased by Euro 30.7 million.

Net past due and overdrawn exposures total Euro 0.6 million (Euro 1.29 million at the end of 2021) with a coverage of 5.77%. Net performing exposures amount to Euro 1.9 billion, up by 58.3% since the end of 2021, with a coverage of 0.23%, a substantial increase compared with 0.21% in 2021. The overall coverage ratio for receivables is 1.37%, compared with 2% 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)

| | 31/12/22 | | | | 31/12/21 | | | | CHANGES | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Amount | | | | % | | | |
| **Staging** | **1** | **2** | **3** | **Total** | **1** | **2** | **3** | **Total** | **1** | **2** | **3** | **Total** | **1** | **2** | **3** | **Total** |
| Gross exposure | 1,796.60 | 118.89 | 42.47 | 1,957.96 | 1,115.17 | 95.00 | 73.62 | 1,283.79 | 681.43 | 23.90 | -31.15 | 674.17 | 37.93% | 20.10% | -73.34% | 52.51% |
| Adjustments | 3.28 | 1.04 | 22.44 | 26.75 | 1.98 | 0.57 | 23.08 | 25.63 | 1.30 | 0.47 | -0.64 | 1.12 | 39.55% | 45.08% | -2.87% | 4.37% |
| Net exposure | 1,793.32 | 117.85 | 20.04 | 1,931.21 | 1,113.19 | 94.42 | 50.54 | 1,258.15 | 680.13 | 23.43 | -30.51 | 673.05 | 37.93% | 19.88% | -152.25% | 53.50% |
| **Coverage ratio** | **0.18%** | **0.88%** | **52.83%** | **1.37%** | **0.18%** | **0.60%** | **31.35%** | **2.00%** | **0.00%** | **0.27%** | **21.48%** | **-0.63%** | **2.61%** | **31.27%** | **40.65%** | **-31.57%** |
| **Composition of net amounts** | **92.86%** | **6.10%** | **1.04%** | **100.00%** | **88.48%** | **7.50%** | **4.02%** | **100.00%** | | | | | | | | |

Net performing receivables classified in stage 2 represent 6.1% of total net receivables from customers. It should be noted that most of the exposures classified in stage 2 derive from automatic classification triggers (being mainly past due by more than 30 days). The positions classified in stage 2 have been adjusted for 0.88% (0.60% in 2021). Gross receivables classified in stage 1 amounted to Euro 1.8 billion and, compared with the figure of December 2021, have increased by 37.93%; they were adjusted by a total of 0.18% as in 2021 and represent 92.86% of total net receivables.

The forborne positions within non-performing assets have a coverage of practically 100%.

Forborne (in millions of Euro)

| | Captions | 31.12.2022 | | | 31.12.2021 | Changes | |
|---|---|---|---|---|---|---|---|
| | | Factoring receivables | Other receiv-ables | Total | Total | Amount | % |
| Total Non Performing receivables | Gross amounts | 0.33 | 0.10 | 0.43 | 0.33 | 0.10 | 0.31 |
| | Impairment losses | 0.33 | 0.10 | 0.43 | 0.33 | 0.10 | 0.30 |
| | Net amounts | - | 0.00 | 0.00 | - | 0.00 | |
| | Coverage | 100.00% | 96.13% | 99.09% | 100.00% | -0.91% | -0.91% |
| Total performing receivables | Gross amounts | - | - | - | 6.73 | - 6.73 | -1.00 |
| | Impairment losses | - | - | - | 0.03 | - 0.03 | -1.00 |
| | Net amounts | - | - | - | 6.71 | - 6.71 | -1.00 |
| | Coverage | | | | 0.40% | -0.40% | -1.00 |

According to the definition of the European Banking Authority, forborne exposures are concessions made to customers who find it difficult to meet their commitments; at 31 December 2022, they included four entities, three of which have non-performing exposures and one UTP.

### 3.3.3 *Financial assets and equity investments*

Financial assets measured at fair value through comprehensive income amount to Euro 0.9 million and consist of debt securities and equity instruments, which compared with December 2021 have changed after the repayment of 08/2022 BTP 08/2022 which have reached regular maturity..
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 exposures. In this regard, on 15 December 2022 the Board of Directors of BPER Banca S.p.A. approved a merger project for BPER Credit Management S.C.p.A. to be absorbed by BPER Banca. This forms part of the broader reorganisation plan for the BPER Banca Group, also in light of recent business combinations, and aims for continuous improvement of management processes by searching for higher levels of operating efficiency and cost/revenue synergies. In preparation for this operation, BPER Banca

will have to acquire the minority shareholdings in BPER Credit Management S.C.p.A. currently held by other Group companies in order to reach 100%.

### 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 2022, 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 2022 totals Euro 147 million, which is Euro 12.1 million higher than at 31 December 2021.

# *4. Relationship with customers*

## *4.1 Change of company name: BPER Factor S.p.A. is born*

The Extraordinary Shareholders' Meeting of Emilia Romagna Factor S.p.A., held on 11 May 2022, resolved to change the Company's name to BPER Factor S.p.A. This is an important change for the Company, which represents the continuation and completion of a process started years ago, which has seen two important steps: use of the BPER Factor brand in 2015; then in 2021 BPER Banca became the Company's sole shareholder.
As a name, BPER Factor S.p.A. consolidates the fact that we belong to the BPER Group and aligns the Company with the process of change that is being implemented at all of the Group's legal entities.

## *4.2 Risks, uncertainties and impacts of Covid-19 and the Russia-Ukraine war*

The general macroeconomic framework is still affected by the uncertainty generated by the Covid-19 pandemic and the measures taken to contain it, as well as by the Russia-Ukraine conflict. So it continues to require adequate interventions on credit risk and their assessment. In this regard, during 2022, the Parent Company - and therefore BPER Factor too - continued to monitor the situation with dedicated analyses aimed at identifying the best method of intervening on the credit risk measurement and forecasting systems. During 2022, the Company received no new requests for a moratorium and does not have any form of moratorium outstanding at 31 December 2022. In 2022, a considerable number of members of staff continue to use remote working, which is now becoming an integrated part of a new model of performance based on individual responsibility and a better life-work balance. Group employees have been kept constantly up-to-date on the measures in force from time to time, thanks to good communications through a dedicated area in the corporate intranet.

### *4.3 The WIP is renewed*

In parallel with the growing use of digital channels by customers (the WIP platform), the Company continued to develop and use new technologies designed to improve the way we interact with our clientèle. The new and more modern graphic configuration of the WIP platform fits into this perspective. In addition to the graphic changes, the new release has also been designed to give easier access to services by making it more intuitive. Still on the subject of technological innovation, improvements have also been made and released into production in the field of remote digital signing of contracts which, in addition to video recognition, is also possible through SPID identification. This important intervention, which came into force in the last quarter of 2022, has made it possible to speed up the process of customer onboarding.

### *4.4 Transfer of Banca Carige's factoring customers to BPER Factor*

BPER Banca absorbed Banca Carige during 2022. The merged company also had factoring positions in its portfolio which were transferred from Banca CARIGE to BPER Factor. In agreement with the Parent Company, we decided to proceed by contacting all customers and proposing that they sign a new agreement with BPER Factor, with the exception of 10 positions in which BPER Factor took over the agreement already in place with CARIGE; the 10 originator positions, of which 2 performing and 8 non-performing, totalled gross loans of Euro 8.2 million.

### *4.5 IBOR Reform*

A profound process of interest rate reform has been carried out globally in recent years, in order to strengthen the integrity and representativeness of the main benchmark rates, which had been discredited by episodes of manipulation and a significant reduction in trading on the interbank market. The current reform process aims to adapt the methods of calculating IBOR rates to the regulatory requirements and criteria set by the main international organisations, whose objective is to strengthen the integrity of these rates. Starting in 2021, the BPER Group is working on a project designed to implement the mitigation measures needed to allow the transition to the new risk-free rates and to integrate their forecasts into the fallback clauses, thereby complying with the regulatory requirements. As required by law, and in line with the guidelines defined by the Working Groups of the various jurisdictions, the replacement activities relating to the LIBOR and EONIA benchmarks have been completed, for which the date of final discontinuance had been set at the end of 2021 (GBP, CHF and JPY). As far as the EURIBOR is concerned, the adjustment and preparation activities in view of a possible future discontinuance are being completed.

### *4.6 IT System development and management*

From a planning point of view, initiatives were also launched in 2022 with the aim of improving customer waiting times by raising the efficiency of critical processes by simplifying them, always looking to reduce operational risk. Implementations included completion of the automation of Operations, with particular reference to the management of assignments and the preparation of bank transfers; development work was also completed for automation of the processes for granting lines of credit to foreign debtors (they were already active for Italian debtors) and for managing the related credit limits. In the Fintech field, the Company, together with the Parent Company, initiated and implemented a project which sees them supported in the sale of the Confirming product and the Dynamic Discount; products intended to complete the offer of digital services to customers.

### *4.7 Complaints*

During 2022, the Company received 8 complaints from customers, all of which were rejected. In detail they concerned:

- 5 cases of alleged misreporting to the Central Credit Register;
- 1 case of alleged breach of contract;
- 1 case of alleged disservice;
- 1 case of being given the wrong service.

No complaints have been received concerning issues related to Transparency or Anatocism (charging compound interest).

## 5. SIGNIFICANT EVENTS

### 5.1 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.

In December 2022, the Parent Company paid each Group employee a welfare benefit of Euro 250. Furthermore, in consideration of the economic results achieved by the Group, the extraordinary economic situation and the exceptional effects of the energy crisis, another special welfare payment was made of an additional Euro 250, making a total of Euro 500.

Since the end of 2021, the number of employees has risen by 4, as shown in the following table:

| Category | 31.12.2021 | New starts | Leavers | 31.12.2022 |
|---|---|---|---|---|
| **Employees** | 54 | 6 | 3 | 57 |
| - of which: | | | | |
| Managers | 3 | | | 3 |
| Area Supervisors and Middle Managers | 51 | 6 | 3 | 54 |
| | | | | |
| | | | | |
| **Seconded personnel** | 9 | 1 | | 10 |
| - of which: | | | | |
| General Manager | 1 | | | 1 |
| Manager | | 1 | | 1 |
| Other personnel | 8 | | | 8 |
| **Total workforce** | **63** | **7** | **3** | **67** |

The new starts served to strengthen the Marketing Office, the Assignor Management Office, the Credit Analysis Office and the Commercial Service.
The agreement of 28/12/2021 relating to the personnel reduction plan involved all Group companies. BPER Banca carried out simulations to determine the cost of offering staff the possibility of taking early retirement on a voluntary basis. For the Company this entailed making a provision in 2021 of Euro 1.3 million, but in 2022 BPER Factor recognised a positive adjustment of Euro 1 million based on the actual number of people who accepted the offer.

## 5.2 The Supervisory Authority

BPER Factor is one of the financial companies supervised by the Bank of Italy. In relation to the relevant interventions, it should be noted that the company received 3 questionnaires.

• ***Benchmarking analysis on IFRS9 models.***
The Regulator has launched a benchmarking exercise on IFRS 9 models; the survey, which is aimed at a sample of financial intermediaries including BPER Factor, involves completing a questionnaire containing quantitative and qualitative information for a list of counterparties. The Company, in collaboration with the Parent Company, returned the completed questionnaire by the official deadline (27 May 2022). The Bank of Italy subsequently asked for further clarifications which the Company, together with the Parent Company's Risk Management offices, promptly provided.

• Questionnaires: ***"Impact of COVID - Quarterly survey IF 106 TUB".***
This is a questionnaire addressed only to selected financial companies pursuant to art. 106 TUB. BPER Factor, which is one of those selected, is required to complete the template containing information on loans subject to moratorium measures applied in response to COVID 19, classified in accounting portfolios other than "financial assets held for trading" and "non-current assets and disposal groups held for sale". The questionnaire has to be filled in on a quarterly basis.

• ***Supervisory expectations on climate-related and environmental risks***
In line with similar initiatives by the ECB and other national supervisory authorities, the Bank of Italy has developed an initial set of supervisory expectations regarding the integration of climate-related and environmental risks into the corporate strategies, risk governance, control and management systems and market disclosures of supervised intermediaries. The document is addressed to all entities whose activity is subject to authorisation and supervision by the Bank of Italy pursuant to the Consolidated Banking Act and the Consolidated Finance Act (banks, SIMs, asset management companies, self-managed SICAVs/SICAFs, financial intermediaries pursuant to art. 106 TUB and related parent companies, payment institutions, IMELs), according to a principle of proportionality to be declined on the basis of the intermediaries' operational, dimensional and organisational complexity, as well as the nature of their activity. The Company is taking the necessary steps on this initiative with the support of the Parent Company.

### 5.3 Impacts for BPER Factor of the war between Russia and Ukraine

The Company does not have any exposures to Russian or Ukrainian counterparties. The Company has blocked all operations with counterparties resident in Russia and Ukraine.

### 5.4 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 Compliance, Anti-Money Laundering and the 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 2021 and the first half of 2022.

7. The Report on the activities of the Internal Audit function has been prepared for 2021 and the first half of 2022.

8. On 15 April 2022 the Shareholders' Meeting approved the allocation of the profit of Euro 878,981 made by the Company in 2021, allocating it all to reserves. The same Shareholders' Meeting elected the Board of Directors and the Board of Statutory Auditors, both for the three-year period 2022-2024, i.e. up to the approval of the Financial Statements at 31 December 2024. The following persons were elected as Directors:

Stefano Rossetti, appointed as Chairman of the Board of Directors, Stefano Vittorio Kuhn, Marco Donini, Luca Gotti, Enrica Lazzari, Antonio Rosignoli, Elisabetta Maria Virgintino. In addition, the following persons were elected as Acting Auditors: Andrea Fabbri – Chairman of the Board of Statutory Auditors, Roberta Lecchi and Enrico Marchi, and as Alternate Auditors. Antonella Bortolomasi and Giacomo Giovanardi. The new Board of Directors of BPER Factor, at its first meeting on 28 April, unanimously appointed Stefano Vittorio Kuhn as Deputy Chairman and established the Board's emoluments in accordance with art. 2389, paragraph 3 of the Italian Civil Code.

9. In the Board meeting of 28 April 2022, given that the mandate given to the previous Supervisory Body had expired, new members were appointed, establishing their number, their term of office and their remuneration. The duration of the Supervisory Body was set for the three-year period 2022-2024, ending with the approval of the financial statements at 31 December 2024, and the composition was established with three members, who were identified in the persons of Messrs: Massimiliano Iovino – Chairman, Sarah Bandini external member and Vittorio Giustiniani, former Manager of the Company, internal member.

10. It was necessary to modify the corporate function chart and organisational chart in line with the new organisational structure, which sees the establishment of Key Client Branches and New Commercial Points, as well as a more analytical description of the functions assigned, especially for the Secretariat and Logistics functions and for matters regarding IT Service delivery. Furthermore, the Milan branch changed its name to the NORTH WEST BRANCH, and will be responsible for Piedmont and Liguria, while the Milan 1 branch has changed its name to the MILAN BRANCH and is the point of reference of the BPER Banca Business Centre in Milan.

11. The Report on the Organisational Structure, prepared in compliance with the applicable Supervisory Instructions of the Bank of Italy for financial intermediaries, was presented to the Board of Directors.

12. Mr Andrea Fabbri, former Chairman of the Company's Board of Statutory Auditors, has been appointed as the Contact Person for the Internal Audit Department, replacing Mr Ferrari. In carrying out his activities, the new Contact Person will be supported by the corporate structures, in particular by the Corporate Governance Service.

13. Based on the Bank of Italy's Circular 288/2015, the Report on the controls performed by the Outsourced Important Operating Functions for the year 2021 was presented.

14. On 31 December 2022, Mr. Stefano Rossetti resigned as Chairman of the Board of Directors.

15. The Board of Directors of the Parent Company, in the exercise of its management control and coordination activity and subject to the favourable opinion of the Appointments and

Corporate Governance Committee, resolved to designate Matteo Bigarelli - a Manager of BPER Banca - as an "Executive" of BPER Factor pursuant to art. 17 of the Articles of Association. Mr. Bigarelli is on secondment from the Parent Company to BPER Factor, starting from 28 November 2022, for a period of 3 years to 30 November 2025, with the possibility of an extension on expiry.

# 6 OUTLOOK FOR 2023

The strong commercial boost in 2022, particularly in the latter part of the year, is the premise for a positive continuation of the business in 2023 as well. However, expectations are for much lower growth than in 2022, but in line with the forecasts for the factoring market in general. Attention will be directed towards steps to relaunch and strengthen the business, always putting the customer first; at the same time, initiatives will be taken to achieve greater integration of technology while simplifying processes. The focus will be on consolidating profitable growth. The Company has prepared a rather ambitious plan of IT projects and activities for 2023, the main ones being:

- exploitation of AI (artificial intelligence) engines in various business processes;
- integration of the WIP platform within a Group context;
- the launch of "Fintech", a category included among the products developed jointly 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, in my capacity as Deputy Chairman, I take this opportunity to thank all of the members of the Board of Directors and of the Board of 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.

Shareholders, the draft financial statements for the year ended 31 December 2022 show a net profit of Euro 12,111,816 and the following allocation is proposed:

- Euro 605,590.80 = to the legal reserve;
- Euro 3,481,361.43= to the extraordinary reserve;
- Euro 8,024,863.77= to dividends, of 1.47 Euro per share.

Bologna, 22 February 2023

The Board of Directors
*Deputy Chairman*
Stefano Vittorio Kuhn

# FINANCIAL STATEMENTS

**BALANCE SHEET**

## ASSETS

| | Assets | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| **10.** | Cash and cash equivalents | 12,252,789 | 2,350,042 |
| **30.** | Financial assets measured at fair value through other comprehensive income | 868,673 | 1,627,815 |
| **40.** | Financial assets measured at amortised cost | 1,931,208,044 | 1,258,155,255 |
| | *a) due from banks* | *9,060,277* | *1,785,358* |
| | *b) due from financial companies* | *148,606,948* | *84,541,747* |
| | *c) due from customers* | *1,773,540,819* | *1,171,828,150* |
| **80.** | Property, plant and equipment | 4,258,264 | 4,442,767 |
| **90.** | Intangible assets | 5,995,124 | 6,008,402 |
| | of which: | | |
| | - goodwill | 5,468,739 | 5,468,739 |
| **100.** | Tax assets | 3,334,638 | 5,040,526 |
| | *a) current* | | *539,068* |
| | *b) deferred* | *3,334,638* | *4,501,458* |
| **120.** | Other assets | 1,284,738 | 2,574,801 |
| | **TOTAL ASSETS** | **1,959,202,270** | **1,280,199,608** |

## LIABILITIES AND SHAREHOLDERS' EQUITY

| | Liabilities and shareholders' equity | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| **10.** | Financial liabilities measured at amortised cost | 1,750,792,802 | 1,079,179,244 |
| | *a) payables* | *1,750,792,802* | *1,079,179,244* |
| **60.** | Tax liabilities | 946,719 | 28,711 |
| | *a) current* | *864,777* | |
| | *b) deferred* | *81,942* | *28,711* |
| **80.** | Other liabilities | 45,024,392 | 48,610,850 |
| **90.** | Provision for termination indemnities | 876,017 | 1,034,392 |
| **100.** | Provisions for risks and charges: | 14,117,512 | 16,125,322 |
| | *a) commitments and guarantees given* | 48,044 | 29,326 |
| | *c) other provisions for risks and charges* | *14,069,468* | *16,095,996* |
| **110.** | Share capital | 54,590,910 | 54,590,910 |
| **140.** | Share premium reserve | 20,814,175 | 20,814,175 |
| **150.** | Reserves | 60,033,988 | 59,155,007 |
| **160.** | Valuation reserves | (106,061) | (217,984) |
| **170.** | Net profit (loss) for the period | 12,111,816 | 878,981 |
| | **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **1,959,202,270** | **1,280,199,608** |

## INCOME STATEMENT

| | Captions | 31 Dec 22 | 31 Dec 22 |
|---|---|---|---|
| 10. | Interest and similar income | 19,940,248 | 11,640,095 |
| | *of which: interest income calculated using the effective interest method* | *19,940,248* | *11,640,095* |
| 20. | Interest and similar expense | -3,539,708 | -203,032 |
| **30.** | **NET INTEREST INCOME** | **16,400,540** | **11,437,063** |
| 40. | Commission income | 17,397,699 | 13,160,332 |
| 50. | Commission expense | -6,238,926 | -3,820,892 |
| **60.** | **NET COMMISSION INCOME** | **11,158,773** | **9,339,440** |
| 70. | Dividends and similar income | 0 | 21,887 |
| 80. | Net trading income | 198,918 | -12,970 |
| 100. | Gains (losses) on disposal or repurchase of: | -11,400 | 0 |
| | b) financial assets measured at fair value through other comprehensive income | -11,400 | |
| **120.** | **NET INTEREST AND COMMISSION INCOME** | **27,746,831** | **20,785,420** |
| 130. | Net impairment adjustments for credit risk: | 390,096 | -8,250,437 |
| | a) financial assets measured at amortised cost | 389,799 | -8,250,337 |
| | b) financial assets measured at fair value through other comprehensive income | 297 | -100 |
| **150.** | **NET PROFIT FROM FINANCIAL ACTIVITIES** | **28,136,927** | **12,534,983** |
| 160. | Administrative costs: | -10,344,534 | -10,846,719 |
| | *a) payroll costs* | *-6,293,805* | *-7,063,607* |
| | *b) other administrative costs* | *-4,050,729* | *-3,783,112* |
| | Net provisions for risks and charges | -205,514 | -512,294 |
| 170. | *a) commitments and guarantees given* | -18,718 | -21,712 |
| | *b) other net provisions* | -186,796 | -490,582 |
| 180. | Net adjustments to property, plant and equipment | -495,856 | -477,765 |
| 190. | Net adjustments to intangible assets | -238,771 | -278,986 |
| 200. | Other operating income and expense | 1,185,157 | 1,376,557 |
| **210.** | **OPERATING COSTS** | **-10,099,518** | **-10,739,207** |
| 230. | Net result of measuring property, plant and equipment and intangible assets at fair value | -1,000 | -519,681 |
| **260.** | **PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX** | **18,036,409** | **1,276,095** |
| 270. | Income taxes from continuing operations | -5,924,593 | -397,114 |
| **280.** | **PROFIT (LOSS) FROM CONTINUING OPERATIONS AFTER TAX** | **12,111,816** | **878,981** |
| **300.** | **NET PROFIT (LOSS) FOR THE YEAR** | **12,111,816** | **878,981** |

STATEMENT OF COMPREHENSIVE INCOME

| | Captions | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| **10.** | **Net profit (loss)** | **12,111,816** | **878,981** |
| | **Other income components, net of income taxes, without release to the income statement:** | ***111,530*** | ***(88,786)*** |
| **20.** | Equity securities designated at fair value through comprehensive income | | (19,561) |
| **70.** | Defined benefit plans | 111,530 | (69,226) |
| | **Other income components, net of income taxes, with release to the income statement:** | ***394*** | ***(9,322)*** |
| **140.** | Financial assets (other than equity instruments) measured at fair value through comprehensive income | 394 | (9,322) |
| **170.** | **Total other component of income net of income taxes** | **111,924** | **(98,108)** |
| **180.** | **Total comprehensive income (Captions 10+170)** | **12,223,740** | **780,873** |

# STATEMENT OF CHANGES IN EQUITY

## at 31 December 2022

(AMOUNTS IN EURO/000)

| | Balance as at 31.12.2021 | Changes in opening balances | Balance as at 01.01.2022 | Allocation of prior year results | | Changes during the year | | | | | | Comprehensive income 31.12.2022 | Shareholders' equity as at 31.12.2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Transactions on shareholders' equity | | | | | | |
| | | | | Reserves | Dividends and other allocations | Changes in reserves | Issue of new shares | Purchase of treasury shares | Extraordinary distribution of dividends | Changes in equity 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 | 52,280,338 | | 52,280,338 | 878,981 | | - | | - | - | - | - | - | **53,159,319** |
| b) other | 6,874,669 | | 6,874,669 | - | - | - | - | - | - | - | - | - | **6,874,669** |
| Valuation reserves | (217,984) | | (217,984) | - | - | - | - | - | - | - | - | 111,923 | **(106,061)** |
| Equity instruments | - | | - | - | - | - | - | - | - | - | - | - | **0** |
| Treasury shares | - | | - | - | - | - | - | - | - | - | - | - | **0** |
| Net profit (loss) for the year | 878,981 | | 878,981 | (878,981) | - | - | - | - | - | - | - | 12,111,816 | **12,111,816** |
| **Shareholders' equity** | **135,221,089** | **-** | **135,221,089** | **0** | **0** | **0** | **-** | 0 | 0 | 0 | 0 | **12,223,739** | **147,444,828** |

## STATEMENT OF CHANGES IN EQUITY

## at 31 December 2021

(AMOUNTS IN EURO/000)

| | Balance as at 31.12.2020 | Changes in opening balances | Balance as at 01.01.2021 | Allocation of prior year results | | Changes during the year | | | | | | Comprehensive income 31.12.2021 | Shareholders' equity as at 31.12.2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Transactions on shareholders' equity | | | | | | |
| | | | | Reserves | Dividends and other allocations | Changes in reserves | Issue of new shares | Purchase of treasury shares | Extraordinary distribution of dividends | Changes in equity 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 | 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) for the year | 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** |

# CASH FLOW STATEMENT - INDIRECT METHOD

| A. OPERATING ACTIVITIES (in thousands of Euro) | 31.12.2022 Amount (+/-) | 31.12.2021 Amount (+/-) |
|---|---|---|
| **1. Operations** | | |
| - net result (+/-) | 12,112 | 879 |
| - 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 (+/-) | 5,118 | 8,563 |
| - impairment to property, plant and equipment and intangible assets (+/-) | 735 | 757 |
| - net provisions for risks and charges and other costs/income (+/-) | 207 | 1,032 |
| - taxes and tax credits not settled (+) | 864 | 0 |
| - net impairment adjustments of discontinued operations net of tax (+/-) | | |
| - other adjustments (+/-) | (1,162) | 195 |
| **2. Cash flow from/(used in) financial assets** | (+/-) | (+/-) |
| - 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 | 760 | 26 |
| - financial assets measured at amortised cost | (678,171) | (213,596) |
| - other assets | 4,157 | (1,300) |
| **3. Cash flow from/(used in) financial liabilities** | (+/-) | (+/-) |
| - financial liabilities measured at amortised cost | (256) | 30,469 |
| - financial liabilities held for trading | | |
| - financial liabilities designated at fair value through profit or loss | | |
| - other liabilities | (5,793) | (6,199) |
| Net cash from (used in) operating activities | **(661,429)** | **(179,174)** |
| **B. INVESTING ACTIVITIES** | | |
| **1. Cash flow generated by** | (+) | (+) |
| - sale of equity investments | | |
| - dividends collected on equity investments | | |
| - sale of property, plant and equipment | 1 | 360 |
| - sale of intangible assets | | |
| - sale of business units | | |
| **2. Cash flow used in** | (-) | (-) |
| - purchase of equity investments | | |
| - purchase of property, plant and equipment | (24) | (7) |
| - purchase of intangible assets | (225) | (441) |
| - purchase of lines of business | | |
| Net cash generated by (used in) investing activities | **(248)** | **(88)** |
| **C. FINANCING ACTIVITIES** | | |
| - 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** | **0** | **(3,275)** |
| **NET CASH GENERATED (USED) DURING THE YEAR** | **(661,677)** | **(182,537)** |

## RECONCILIATION

| | *Amount* | |
|---|---|---|
| | **31.12.2022** | **31.12.2021** |
| Cash and cash equivalents at beginning of the year | (1,030,621) | (848,084) |
| Net increase (decrease) in cash and cash equivalents | (661,677) | (182,537) |
| Cash and cash equivalents: effect of changes in exchange rates | - | - |
| Cash and cash equivalents at end of the year | (1,692,298) | (1,030,621) |

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 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 its 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 2022 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[1]. These instructions replace in full 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 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;
- **accruals 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.
- **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.

[1] In this regard, see the instructions given in the communication dated 21 December 2021, addressing the impact of Covid-19 and the 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, 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. determination of the fair value of owned buildings;

As regards the "reasonableness and sustainability" of the information used for accounting estimates, some of these areas of assessment have been particularly impacted by: the Covid-19 pandemic, the war between Russia and Ukraine, a new awareness of climate risk and the related containment measures launched at international level, the consequences on the macroeconomic context, already impacted by a rapid recovery in inflation (driven by the "cost of energy") and a sudden rise in market interest rates.

Also bearing in mind what was specified by the IASB in its document of 27 March 2020, it is therefore expected that the ordinary valuation models adopted by the BPER Banca Group (especially the models used to estimate Expected Credit Loss (ECL) and the Significant Increase in Credit Risk (SICR) in the context of IFRS 9 impairment) may not be applied "mechanically", in rare and exceptional situations, or when the information needed for their implementation does not meet the requirements of "reasonableness and sustainability". Having encountered this situation in 2022 as well, as a result of the events mentioned above as causes of uncertainty, the assessments at 31 December 2022 were carried out by applying alternative approaches (so-called "Overlays"), which are still consistent with the indications of IAS/IFRS.

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 any public contributions during 2022.

**Risks, uncertainties and impacts from: residual restrictions from Covid-19 pandemic, Russia-Ukraine war, climate risk, macroeconomic context**

For an analysis of the effects of the pandemic crisis on the risks and uncertainties faced by the Company, see Chapter 4.2 – "Relationship with customers – Risks, uncertainties and impact from COVID-19 Emergency and from the Russia-Ukraine War" in this Directors' report on operations.

**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.

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

The interventions on the BPER Banca Group's SICR model as a result of the pandemic took the form of an "expert" identification of the economic sectors most affected by the crisis (so-called "vulnerable sectors"). This was accompanied by an analysis of borrowers with a higher-than-average intrinsic risk based on internal ratings and therefore considered more likely to find themselves in situations of financial difficulty.
Similarly, the Group made some "expert" classifications to stage 2 in relation to direct exposures to entities affected for various reasons by the ongoing conflict between Russia and Ukraine and the sanctions imposed at international level.

The corrections made to the Group's SICR model, initially classified as overlays, have since been largely integrated into the model at 31 December 2022.

*2) Measurement of expected losses*

Performing receivables

With regard to the macroeconomic scenarios adopted at Group level, when applying the ECL model to prepare the consolidated financial statements at 31 December 2022, reference was made to the updated forecasts provided by the specialist company normally used by the Group. These include in the forecasts of the economic, financial and physical variables the repercussions at national and sector level of the new business context, including the Russian-Ukrainian conflict, higher inflation and climate change.

In order to exclude pro-cyclical effects, a number of top-down corrections were applied, 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, processed by the provider used by BPER Banca) and raising its probability of occurrence to 50% (the same approach as at 31 December 2021). The probability of occurrence of the "baseline" scenario was also revised to 50% (the same approach as at 31 December 2021), resulting in elimination of the remaining "best" scenario – probability of occurrence now 0% (the same approach as at 31 December 2021); the increase in ECL attributable to this correction amounted to approximately Euro 500 thousand compared with the results of the ordinary ECL model (substantially in line with what was already envisaged at 31 December 2021);

• the application of a prudential corrective factor on the ECL, downstream of the results of the model, which pays particular attention to "energy-intensive" sectors of the economy in order to take into account the probability that customers may encounter financial difficulties, also considering fears of the negative effects on the economy of the explosion in energy and raw material costs, as well as the related increase in inflation; the latter also fuelled by the ongoing war; the increase in ECL attributable to this corrective factor amounted to approximately Euro 750 thousand, compared with the ECL already integrated by the previous corrective one (additional corrective to what was already envisaged at 31 December 2021);

• The application of an "expert" prudential corrective to take into account the impact of climate-related and environmental factors on credit risk. It is based on the adoption of an adverse climate scenario, characterised by an inertial behaviour of the economic system with respect to the energy transition and a rise in temperature well above the limits agreed in Paris (the so-called "Current Policy" scenario). This scenario is therefore to be considered adverse with respect to alternative climate scenarios, such as the "Orderly Transition", which envisage a climate policy capable of containing the rise in temperatures in the long term; the increase in ECL attributable to this corrective amounted to approximately Euro 50 thousand compared with the ECL already integrated by the previous two correctives (additional corrective to what was already envisaged at 31 December 2021).

The top-down overlays described, which adapt the ECL calculation model used by the Group to take specific account of the uncertainties still widespread on the markets, were applied to the results of the Group "ordinary" ECL model, which also in 2022 underwent refinement of certain parameters (mainly LGD), better described in the paragraph entitled "Method used to determine impairment losses" in Section 4 Part A of the notes.

Non-performing receivables

The interventions decided by the Group in previous years on the non-performing portfolio (mainly updating the haircuts applied to the guarantees of exposures classified as non-performing and unlikely to pay) were integrated into its valuation policies when fully operational, substantially losing those characteristics of "corrective" of contingencies related to the uncertainties caused by the pandemic.

**Domestic tax group election**

The Company is a member of 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), which 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 31.12.2021.

**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 2022.

| EC Approval Regulation | Title | In force from years beginning |
|---|---|---|
| 1080/2021 | Commission's Regulation (EU) 2021/1080 of 28 June 2021, published in the Official Journal L. 234 of 2 July 2021 which modifies Regulation (EU) 1126/2008 of the Commission, which adopts certain international accounting standards in accordance with regulation (EC) 1606/2002 of the European Parliament and of the Council with regard to IAS 16, 37 and 41 and to IFRS 1, 3 and 9. | 1 January 2022 |

The following table shows new International Accounting Standards or amendments to standards in force, whose application is mandatory from 1 January 2023 or later date.

| EC Approval Regulation | Title | In force from years beginning |
|---|---|---|
| 2036/2021 | Commission Regulation (EU) 2021/2036 of 19 November 2021, published in the Official Journal L 416 of 23 November 2021, which adopts IFRS 17 Insurance contracts. | 1 January 2023 |
| 357/2022 | Commission Regulation 2022/357 of 2 March 2022, published in the Official Journal L 68 of 3 March 2022, adopts Amendments to IAS 1 Presentation of Financial Statements and to IAS 8 Accounting policies, changes in accounting estimates and errors.<br>The amendments clarify the differences between accounting principles and accounting estimates in order to ensure the consistent application of the accounting principles and the comparability of the financial statements. | 1 January 2023 |
| 1392/2022 | EU Regulation 2022/1392 of the Commission of 11 August 2022, published in the Official Journal L 211 of 12 August 2022, adopts Amendments to IAS 12 Income Taxes.<br>These amendments clarify how companies must account for deferred taxes on transactions such as leases and decommissioning obligations and aim to reduce the diversity in the recognition of deferred tax assets and liabilities on leases and decommissioning obligations. | 1 January 2023 |
| 1491/2022 | EU Commission Regulation 2022/1491 of the Commission of 8 September 2022, published in the Official Journal L 234 of 9 September 2022 adopted Amendments to IFRS 17 Insurance Contracts.<br>The amendment of the transitional provisions of IFRS 17 allows companies to overcome the one-time classification differences of the previous year's comparative information on first-time application of IFRS 17 and IFRS 9 Financial Instruments. | 1 January 2023 |

The Company has decided not to take advantage of the possibility of early implementation of the Regulations in force from 1 January 2023 as it does not believe that these changes will have a significant impact on the Company's financial statements.

The documents for which, at the date of these financial statements, the competent bodies of the European Union have not yet concluded the approval process necessary for the adoption of these amendments are shown below.

• On 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and on 31 October 2022 it published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants". The documents aim to clarify how to classify debts and other short-term or long-term liabilities.

• On 22 September 2022 the IASB published a change called "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". The document requires the seller-lessee to value the lease liability arising from a sale and leaseback transaction so as not to recognise any income or loss that refers to the retained right of use.

The changes come into force on 1 January 2024; however, early application is permitted. The directors do not expect significant effects from the application of this amendment on the financial statements.

## 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 other comprehensive income

*Recognition*

Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while loans are recognised on the pay-out date.
On initial recognition, 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, when the financial asset is sold with the transfer of essentially all the related risks and benefits, or when the financial assets undergo a substantial change.

*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 other 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[2]
- due from financial companies
- receivables from customers.

[2] 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, all demand deposits or current accounts with banks and central banks are reported under caption 10."Cash and cash equivalents", although respecting the criteria of recognition, measurement, derecognition and Recognition of components affecting the income statement in the "Assets measured at amortised cost" category.

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 (ECL).

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[3].

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 the Expected Credit Losses with a statistical method - 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".

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

[3] *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. The application of the "new definition of default - NDoD" by the BPER Banca Group took place according to the "2-step approach" as early as October 2019, resulting in:*

- *the necessary alignment of the Group internal classifications;*
- *application of the new thresholds of significance for past due balances, without the possibility of offsetting lines of credit;*
- *the application of the new concept of "unlikely to pay" receivables, for which the NPV delta following contractual changes is higher than 1%;*
- *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.*

changing the value of the receivable, within an impact on income statement caption 140. "Profits/losses from contractual changes without derecognition".
With regard to the procedures for identifying forborne loans, please refer to internal regulations and to Part E of the notes to the Group consolidated financial statements.[4]
As stated by the EBA in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customers pursuant to the law and in application of category contracts (ABI contracts), are not considered indicators of financial difficulty for the purpose of classifying the individual positions concerned as forborne exposures (and therefore included under Stage 2). The internal moratoria, granted to customers as a specific intervention by the BPER Banca Group, were disbursed upon simple customer request and on a "standardised" basis. In this sense, it is possible to say that the internal moratoria had similar characteristics to those introduced by law, which means that they were not intended to support situations of financial difficulty.
In application of the BPER Banca Group policy, all forms of Covid-19 moratoria, where they cannot be classified as forbearance, have not been treated according to modification accounting.

*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*

As regards instruments measured at amortised cost, 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 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);

[4] *Reference is made to the "Group regulation of the problem loan management process".*

- Stage 2: comprises all performing loans with a "SICR" since initial recognition; the impairment adjustments reflect the expected losses that might arise on default at any time in the life of the financial instrument (lifetime ECL);
- Stage 3: comprises all accounts in default at the reporting date, the impairment adjustments for which consider the lifetime ECL.

In particular, regarding the classification of loans in Stage 2, it is essential to identify correctly the SICR criteria used in the stage assignment process. For this purpose, the BPER Banca Group and BPER Factor 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 BPER Factor 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, 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 BPER Factor have decided not to adopt this practical expedient.
In cases where the conditions triggering the SICR cease to exist on a subsequent valuation date, it is envisaged that the financial instrument will again be measured on the basis of the 12-month ECL, possibly leading to a write-back in the income statement.
It should also be noted that in the event of a reclassification of a receivable from Non-performing (Stage 3) to Performing, the BPER Banca Group does not deem it necessary to classify it in the 2nd stage of risk with the application of a Lifetime ECL, as no probationary period has been defined for the return from Stage 3 to Stage 1. So in this case the stage assignment logic mentioned above will be valid. Consistent with this approach and with the regulatory requirements, also in the event of a return from Stage 2 to Stage 1, no probation period is envisaged as the combination of the various SICR rules implemented already allows for a sufficient level of prudence in cases of a return to Stage 1.
The only exception to this concerns the application of the regulation to "forborne exposures", for which the Group has established that the official rating valid on the day of activation of the forborne attribute cannot be changed until twelve months have passed.

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.
In addition to the above, the BPER Banca Group identifies as "Acquired or originated impaired financial assets" the credit exposures originated in the event of restructuring operations of impaired exposures that led to the disbursement of new finance which is significant in absolute or relative terms in proportion to the amount of the original exposure.

### 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 BPER Factor for its use (initial recognition date), the related right of use is recognised.
In identifying the rights of use, BPER Factor 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, BPER Factor 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 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 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 and any changes with respect to the prior year are treated as a change in accounting estimates. 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.

As regards property, plant and equipment represented by operating properties (IAS 16), the application of paragraph 5 of IAS 36 by the Group leads to the conclusion that the only difference between the fair value of the asset and the fair value net of disposal costs can be represented by the incremental costs directly attributable to disposal of the asset. The following two situations could therefore arise:
• if the disposal costs are negligible, the recoverable amount of the revalued asset is necessarily close to the revalued amount. After the revaluation provisions have been applied, it is considered unlikely that the revalued asset has suffered a further reduction in value that can be classified as impairment;
• if the disposal costs are not insignificant, the fair value net of the disposal costs of the revalued asset is inevitably lower than the fair value, making it necessary to record an impairment loss for this amount.

The possibility of events able to significantly modify the residual economic life of the properties is equally relevant for the recognition of an impairment loss.
In relation to the methods of determining the fair value, please refer to the following part A.4 "Information on fair value".

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 (approved branch closures and related contractual amendments made) and relevant market indications with respect to future rental costs.

*Information on fair value - Method and frequency of identifying the fair value of owned property*

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.

"Intangible assets" also include software purchased under licence that meets the conditions set by IAS 38. More specifically, also referring to the indications provided by the IFRIC Staff Paper of November 2018 (Agenda ref. 5 – Customer's right to access the supplier's software hosted on the cloud (IAS 38)), the BPER Banca Group has identified the following conditions as relevant in order to recognise an intangible asset in the case of purchased software:

- existence of an exclusive right of use (connected to the purchased licence);
- right and possibility to obtain a copy of the software (“right to download”);
- possession and effective possibility of using a copy of the purchased software, recognised in the case of installation on one's own servers.

If these three conditions are met, on the purchase of software the BPER Banca Group will present it as an intangible asset subject to amortisation over its estimated useful life. It is also envisaged that the expenses initially incurred (also in the form of external services) for the set-up, customisation and implementation of the software can be considered part of the initial value of the intangible asset if connected to the functional analyses and subsequent implementation phases.
If, on the other hand, the conditions mentioned above for the identification of an intangible asset are not met, the purchase will concern software access services which, essentially, remain in the possession of the provider (these situations can generally be identified with software purchased via the cloud). The representation in the financial statements of the services purchased will be recognised in the income statement under "Other administrative costs" on an accruals basis; in the event that the cost initially incurred refers to a multi-year time horizon, this may be suspended (prepaid expenses - Other assets) and transferred to the income statement over the life of the contract.

In the event that the total fee paid to the supplier for access to the software is inclusive of different types of service, the cost will be broken down and accounted for on an accruals basis according to the specific service received.

*Measurement*

Intangible assets of limited duration are measured 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 depreciation 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 depreciation 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 2022.

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 accruals 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, other tax credits recoverable in compensation 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.

*Derecognition*

Net current taxation is generally cancelled from the financial statements upon liquidation of the tax burden for the year in question.
Deferred tax assets and liabilities, on the other hand, are eliminated once the tax and accounting values of each income statement or balance sheet item that gave rise to the deferred taxation have been realigned. Deferred tax assets are also cancelled from the financial statements for any portion no longer deemed recoverable following the outcome of the "probability test" carried out periodically.

*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:
- Amounts due to banks;
- Amounts due from financial companies;
- Amounts 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 companies 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 affecting the income statement), revenue from contracts with customers is, as envisaged in IFRS 15, recognised for an amount equal to 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 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 or 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 infoproviders, 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.

| | 31.12.2022 | | | 31.12.2021 | | |
|---|---|---|---|---|---|---|
| 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 | 859 | | 10 | 1,618 | | 10 |
| 3. Hedging derivatives | | | | | | |
| 4. Property, plant and equipment | | | 1,810 | | | 1,811 |
| 5. Intangible assets | | | | | | |
| **Total** | 859 | - | 1,820 | 1,618 | - | 1,821 |
| 1. Financial liabilities held for trading | | | | | | |
| 2. Financial liabilities designated at fair value through profit or loss | | | | | | |
| 3. Hedging derivatives | | | | | | |
| **Total** | | | | | | |

***Key:*** L1=Level 1; L2=Level 2; L3=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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Total (A+B+C+D+E)** | 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 | Financial assets measured at fair value through comprehensive income | Hedging derivatives | Property, plant and equipment | Intangible assets |
| **1** | Opening balance | | | | | **10** | | **1,811** | |
| **2** | Increases | - | - | - | - | - | - | - | - |
| 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 | | | | | | | | |
| **3** | Decreases | - | - | - | - | - | - | 1 | - |
| 3.1. | Sales | | | | | | | | |
| 3.2. | Redemptions | | | | | | | | |
| 3.3. | Losses recognised in: | - | - | - | - | | - | - | - |
| 3.3.1 | Income statement | | | | | | | | |
| | of which: capital losses | | | | | | | | |
| 3.3.2 | Shareholders' equity | | | | | | | | |
| 3.4. | Transfers from other levels | | | | | | | | |
| 3.5 | Other decreases | | | | | | | 1 | |
| **4.** | Closing balance | - | - | - | - | **10** | - | **1,810** | - |

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

| Assets and liabilities not measured at fair value or measured at fair value on a recurring basis | 31.12.2022 | | | | 31.12.2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | CA | L1 | L2 | L3 | CA | L1 | L2 | L3 |
| 1. Financial assets measured at amortised cost | 1,931,208 | | | 1,931,208 | 1,258,155 | | | 1,258,155 |
| 2. Investment property | | | | - | | | | - |
| 3. Non-current assets and disposal groups held for sale | | | | | | | | |
| **Total** | **1,931,208** | **-** | **-** | **1,931,208** | **1,258,155** | **-** | **-** | **1,258,155** |
| 1. Financial liabilities measured at amortised cost | 1,750,793 | | | 1,750,793 | 1,079,179 | | | 1,079,179 |
| 2. Liabilities associated with non-current assets held for sale | | | | | | | | |
| **Total** | **1,750,793** | **-** | **-** | **1,750,793** | **1,079,179** | **-** | **-** | **1,079,179** |

***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 | | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| 1. | Cash and stamps | 1 | 1 |
| 2. | Bank current accounts and deposits on demand | 12,252 | 2,349 |
| **Total** | | **12,253** | **2,350** |

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

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

| Captions/Amounts | Total 31.12.2022 | | | Total 31.12.2021 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| **1. Debt securities** | **859** | | | **1,618** | | |
| 1.1 structured securities | | | | | | |
| 1.2 other debt securities | 859 | | | 1,618 | | |
| **2. Equity instruments** | | | 10 | | | 10 |
| **3. Loans** | | | | | | |
| **Total** | **859** | **-** | **10** | **1,618** | | **10** |

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

Financial assets through other comprehensive income are measured 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 (purchased on 23.05.2017). 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. The decrease refers to the BTPs dated 01.08.2022 which, having reached their natural maturity, were repaid.

Sub-caption 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.

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

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| 1. **Debt securities** | | |
| a) Public administration | 859 | 1,618 |
| b) Banks | | |
| c) Other financial companies | | |
| of which: insurance companies | | |
| d) Non-financial companies | | |
| 2. **Equity instruments** | | |
| a) Public administration | | |
| b) Banks | | |
| c) Other financial companies | | |
| of which: insurance companies | | |
| d) Non-financial companies | 10 | 10 |
| **3. Loans** | | |
| a) Public administration | | |
| b) Banks | | |
| c) Other financial companies | | |
| of which: insurance companies | | |
| d) Non-financial companies | | |
| e) Households | | |
| **Total** | **869** | **1,628** |

3.3 Financial assets measured at fair value through other 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 | 859 | | | | | | | | | |
| Loans | | | | | | | | | | |
| Total 31.12.2022 | 859 | - | - | - | - | - | - | - | - | - |
| Total 31.12.2021 | 1,619 | - | - | - | - | 1 | | | - | |

*(*) Value to be shown for disclosure purposes*

3.3a Loans measured at fair value through other 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.

## 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 | 31.12.2022 | | | | | | 31.12.2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair value | | | Carrying amount | | | 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 |
| **1. Deposits held to maturity** | | - | | | | | - | - | | | | - |
| **2. Current accounts** | | | | | | | | | | | | |
| **3. Loans** | **9,060** | | | | | **9,060** | **1,785** | | | | | **1,785** |
| 2.1 Repurchase agreements | | | | | | | | | | | | |
| 2.2 Lease loans | | | | | | | | | | | | |
| 2.3 Factoring | 9,060 | - | | | | 9,060 | 1,785 | - | | | | 1,785 |
| - with recourse | - | | | | | - | - | | | | | - |
| - without recourse | *9,060* | | | | | *9,060* | *1,785* | | | | | *1,785* |
| 2.4 Other loans | | | | | | | | | | | | |
| **4.** | | | | | | | | | | | | |
| 3.1 structured securities | | | | | | | | | | | | |
| 3.2 other debt securities | | | | | | | | | | | | |
| **5.** | | | | | | | | | | | | |

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

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

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

| Breakdown | 31.12.2022 | | | | | | 31.12.2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | L1 | L2 | L3 |
| **1. Loans** | **148,607** | **-** | | | | **148,607** | **84,542** | **-** | | | | **84,542** |
| 1.1 Repurchase agreements | | | | | | | | | | | | |
| 1.2 Lease loans | | | | | | | | | | | | |
| 1.3 Factoring | 148,607 | - | | | | 148,607 | 84,542 | - | | | | 84,542 |
| - with recourse | *145,620* | | | | | *145,620* | *84,542* | | | | | *84,542* |
| - without recourse | *2,987* | | | | | *2,987* | | | | | | |
| 1.4 Other loans | | | | | | | | | | | | |
| **2** Debt securities | | | | | | | | | | | | |
| 2.1 structured securities | | | | | | | | | | | | |
| 2.2 other debt securities | | | | | | | | | | | | |
| 3 **Other assets** | | | | | | | | | | | | |
| **Total** | **148,607** | **-** | **-** | | | **148,607** | **84,542** | **-** | **-** | | | **84,542** |

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

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

| | Carrying amount | | | Fair value | | | Carrying amount | | | 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 |
| **1. Loans** | **1,753,505** | **19,802** | **234** | | | **1,773,541** | **1,121,284** | **50,543** | | | | **1,171,827** |
| 1.1. Lease loans | 1,058 | 2,192 | | | | 3,250 | 1,284 | 2,330 | | | | 3,614 |
| of which: without purchase option | | | | | | | | | | | | |
| 1.2. Factoring | *1,748,721* | *17,559* | *234* | | | *1,766,514* | *1,108,900* | *48,207* | | | | *1,157,107* |
| - with recourse | *730,585* | *16,892* | *234* | | | *747,711* | *621,753* | *47,089* | | | | 668,842 |
| - without recourse | *1,018,136* | *667* | | | | 1,018,803 | *487,147* | *1,118* | | | | 488,265 |
| 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 | 3,726 | 51 | | | | 3,777 | 11,100 | 6 | | | | 11,106 |
| of which: enforcement of guarantees and commitments | | | | | | | | | | | | |
| **2. Debt securities** | - | | | | | | | | | | | |
| 2.1. Structured securities | | | | | | | | | | | | |
| 2.2. Other debt securities | | | | | | | | | | | | |
| **3. Other assets** | | | | | | - | 1 | | | | | 1 |
| **Total** | **1,753,505** | **19,802** | **234** | | | **1,773,541** | **1,121,285** | **50,543** | | | | **1,171,828** |

***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 | 31.12.2022 | | | 31.12.2021 | | |
|---|---|---|---|---|---|---|
| | Stage 1 and 2 | Stage 3 | Impaired acquired or originated | Stage 1 and 2 | Stage 3 | Impaired acquired or originated |
| **1. Debt securities** | | | | | | |
| a) Public administration | | | | | | |
| b) Non-financial companies | | | | | | |
| **2. Loans to:** | | | | | | |
| a) Public administration | 32,138 | - | | 8,747 | - | |
| b) Non-financial companies | 1,577,668 | 19,732 | 234 | 1,079,757 | 50,442 | |
| c) Households | 143,698 | 70 | | 32,763 | 119 | |
| **3. Other assets** | | | | | | |
| **Total** | **1,753,504** | **19,802** | **234** | **1,121,267** | **50,561** | **-** |

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 | of which: instruments with low credit risk | Stage 2 | Stage 3 | Impaired acquired or originated | Stage 1 | Stage 2 | Stage 3 | Impaired acquired or | |
| **Debt securities** | | | | | | | | | | |
| **Loans** | 1,796,598 | | 118,891 | 42,240 | 234 | 3,276 | 1,041 | 22,438 | | 4,369 |
| **Other assets** | | | | | | | | | | |
| **Total 31.12.2022** | **1,796,598** | | **118,891** | **42,240** | **234** | **3,276** | **1,041** | **22,438** | | **4,369** |
| **Total 31.12.2021** | **1,115,169** | | **94,995** | **73,625** | | **1,980** | **572** | **23,082** | | **4,830** |
| of which: non-performing financial assets acquired or originated | X | X | | | | X | | | | |

(*) Figure 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 2022 the Company has no outstanding loans subject to COVID-19 support measures.

4.6 Financial assets measured at amortised cost: secured assets

| | 31.12.2022 | | | | | | 31.12.2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Due from banks | | Due from financial companies | | Due from customers | | Due from banks | | Due from financial companies | | Due from customers | |
| | CA | FV | CA | FV | CA | FV | CA | FV | CA | FV | CA | FV |
| **1.** Performing assets secured by: | **-** | **-** | **144,985** | **144,985** | **887,931** | **821,097** | **-** | **-** | **83,190** | **83,190** | **647,495** | **603,839** |
| - Assets under finance leases | | | - | - | 1,058 | 1,058 | | | - | - | 1,284 | 1,284 |
| - Factoring receivables | | - | 144,985 | 144,985 | 694,608 | 694,608 | | | 83,190 | 83,190 | 568,951 | 568,951 |
| - Mortgages | - | - | - | | - | - | - | - | - | - | - | - |
| - Pledges | - | - | - | - | - | - | - | - | - | - | - | - |
| - Personal guarantees | | | - | - | 192,265 | 125,431 | | | - | - | 77,260 | 33,604 |
| - Credit derivatives | - | - | - | - | - | - | - | - | - | - | - | - |
| **2.** Non-performing assets secured by: | **-** | **-** | | | **6,523** | **6,523** | **-** | **-** | | | **49,330** | **49,000** |
| - Assets under finance leases | - | - | - | - | 2,192 | 2,192 | - | - | - | - | 2,330 | 2,330 |
| - Factoring receivables | - | - | - | - | 4,315 | 4,315 | - | - | - | - | 29,843 | 29,843 |
| - Mortgages | **-** | **-** | **-** | **-** | - | - | **-** | **-** | **-** | **-** | - | - |
| - Pledges | - | - | - | - | - | - | - | - | - | - | - | - |
| - Personal guarantees | - | - | - | - | 16 | 16 | - | - | - | - | 17,157 | 16,827 |
| - 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 569,201 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 | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **1. Owned property** | **115** | **132** |
| a) land | | |
| b) buildings | | |
| c) furniture | 31 | 39 |
| d) electronic equipment | 40 | 33 |
| e) other | 44 | 60 |
| **2. Right of use assets acquired with leases** | **2,333** | **2,500** |
| a) land | | |
| b) buildings | 2,013 | 2,262 |
| c) furniture | | |
| d) electronic equipment | | |
| e) other | 320 | 238 |
| **Total** | **2,448** | **2,632** |

8.4 Investment property: breakdown of assets measured at fair value

| Assets/Amounts | Total 31.12.2022 | | | | Total 31.12.2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying value | Fair value | | | Carrying value | Fair value | | |
| | | L1 | L2 | L3 | | L1 | L2 | L3 |
| **1. Owned property** | | | | | | | | |
| a) land | | | | | | | | |
| b) buildings | 1,810 | | | 1,810 | 1,811 | | | 1,811 |
| **2. Right of use assets acquired with leases** | | | | | | | | |
| a) land | | | | | | | | |
| b) buildings | | | | | | | | |
| **Total (A+B+C+D+E)** | **1,810** | **-** | **-** | **1,810** | **1,811** | **-** | **-** | **1,811** |
| 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 |
|---|---|---|---|---|---|---|
| **A. Gross opening balance** | **-** | **3,465** | **695** | **796** | **858** | **5,814** |
| A.1 Net total decreases | - | (1,203) | (656) | (764) | (559) | (3,182) |
| **A.2 Net opening balance** | **-** | **2,262** | **39** | **32** | **299** | **2,632** |
| **B. Increases:** | **-** | **114** | **-** | **24** | **175** | **313** |
| B.1 Purchases | - | 43 | - | 24 | 168 | 235 |
| 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 | | 71 | - | - | 7 | 78 |
| **C. Decreases:** | **-** | **363** | **8** | **16** | **110** | **497** |
| C.1 Sales | - | - | - | - | 1 | 1 |
| C.2 Depreciation | - | 363 | 8 | 16 | 109 | 496 |
| 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 | - | - | - | - | - | - |
| **D. Net closing balance** | **-** | **2,013** | **31** | **40** | **364** | **2,448** |
| D.1 Net total decreases | - | (1,566) | (664) | (779) | (668) | (3,677) |
| **D.2 Gross closing balance** | **-** | **3,579** | **695** | **819** | **1,032** | **6,125** |
| **E. Measurement at cost** | **-** | **2,013** | **31** | **40** | **364** | **2,448** |

## 8.7. Investment property: change in year

| | Land | Buildings |
|---|---|---|
| **A. Gross opening balance** | **-** | **1,811** |
| **B. Increases:** | **-** | **-** |
| B.1 Purchases | | |
| B.2 Capitalized leasehold improvements | | - |
| B.3 Increases in fair value | | |
| B.4 Writebacks | | |
| B.5 Exchange gains | | - |
| B.6 Transfers from business property | | - |
| B.7 Other changes | | - |
| **C. Decreases:** | **-** | **1** |
| C.1 Sales | | - |
| C.2 Depreciation | - | |
| C.3 Decreases in fair value | | 1 |
| 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 | - | - |
| **D. Net closing balance** | **-** | **1,810** |
| **E. Measurement at fair value** | **-** | **1,810** |

## SECTION 9 – INTANGIBLE ASSETS – CAPTION 90

9.1 Intangible assets: breakdown

| Captions/Measurement | 31.12.2022 | | 31.12.2021 | |
|---|---|---|---|---|
| | Assets at cost | Assets at fair value | Assets at cost | Assets at fair value |
| **1. Goodwill** | **5,469** | **-** | **5,469** | **-** |
| **2. Other intangible assets** | **526** | - | **539** | - |
| *of which software* | *381* | | *378* | |
| 2.1 Owned | 526 | | 539 | |
| *- internally generated* | | | | |
| *- other* | *526* | | *539* | |
| 2.2 Rights of use acquired with leases | | | | |
| **Total 2** | **526** | **-** | **539** | **-** |
| **3. Assets related to finance leases** | **-** | **-** | **-** | **-** |
| 3.1 Unredeemed goods | | | | |
| 3.2 Assets repossessed following cancellation of the contract | | | | |
| 3.3 Other assets | | | | |
| **Total 3** | **-** | **-** | **-** | **-** |
| **Total 31.12.2022** | **5,995** | **-** | | |
| **Total 31.12.2021** | | | **6,008** | **-** |

The goodwill refers to the difference between the consideration paid and the fair value of the assets and liabilities. The value of goodwill, recognized in the financial statements for Euro 5.5 million, originally arose during the business combination between BPER Factor and ABF Factoring S.p.A., an operation which took place in 2010.

9.2 Intangible assets: change in the period

| | | | Total |
|---|---|---|---|
| **A.** | **Opening balance** | | **6,008** |
| **B.** | **Increases** | | **226** |
| | B.1 | Purchases | 226 |
| | B.2 | Writebacks | |
| | B.3 | Increases in fair value: | |
| | | - to shareholders' equity | |
| | | - to income statement | |
| | B.4 | Other changes | |
| **C.** | **Decreases** | | **239** |
| | C.1 | Sales | |
| | C.2 | Amortisation | 239 |
| | 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 | |
| **D.** | **Closing balance** | | **5,995** |

9.3 Intangible assets: other information

**Information on goodwill**

When accounting for business combinations, IFRS 3 requires intangible assets to be recorded and any goodwill that may emerge following the transaction to be recognised; goodwill represents the difference between the consideration paid and (i) the fair value at the date of the transaction of the balance sheet items (assets and liabilities) of the acquired company, (ii) any specific intangible assets that have been identified, and (iii) any contingent liabilities that have been recognised.
IFRS 3 and IAS 36 also require the identification of so-called Cash-Generating Units (CGUs), allocating any goodwill to those that will benefit from the effects of the business combination; a CGU is the smallest group of assets capable of producing cash flows independently.
According to IAS 36, impairment testing, i.e. verification of the effective recoverability of the book value, is carried out by comparing the "carrying amount" of the CGU with its "recoverable amount", where recoverable amount is understood to be the higher of its fair value, net of any disposal costs, and its value in use. The resulting impairment adjustments are recognised in the income statement.
According to IAS 36, intangible assets with an indefinite life, such as goodwill, are not amortised and are tested for impairment at the reporting date (or in any case whenever there is evidence of impairment as previously mentioned) to check the effective recoverability of the book value.

**Impairment test**

Intangible assets such as goodwill do not generate cash flows except with the contribution of other corporate assets; it is therefore necessary to attribute these assets to operating units (i.e. the CGUs) that are largely autonomous in terms of being able to generate independent cash flows and in terms of internal planning and reporting.

On the basis of what is indicated in IAS 36, the level at which goodwill is tested has to be to correlated with the level of internal reporting of corporate performance and planning of future trends for which management controls the dynamics. From this point of view, the definition of the level depends very much on the organisational models and the attribution of management responsibilities when laying down the guidelines for operations and their consequent monitoring.

The impairment test looked at the value of goodwill recorded in the balance sheet at 31 December 2022, prior to the test, namely Euro 5.5 million. As in previous years, the entire company BPER Factor has been identified as the CGU to which the goodwill is associated. The carrying amount of the CGU is equal to the Company's equity at 31 December 2022 expected at the date of the test, before any impairment adjustments to goodwill (i.e. Euro 147 million, including goodwill).

The recoverable amount of the CGU is the higher of its fair value less disposal costs and its value in use. The standard adds that, in carrying out the impairment test, it is not necessary to define both the value in use and the fair value; it is sufficient that at least one of the two is higher than the carrying amount to confirm that there is no permanent loss in value due to impairment.

For the purpose of identifying the recoverable amount, reference was made to the value in use based on the valuation method known as the Dividend Discount Model (DDM). This method estimates the value in use of an asset by discounting its expected flows of potentially distributable dividends, 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" and an appropriate opportunity cost of capital to estimate the terminal value.

In the case of banks and financial institutions in general, the expected dividend flow is intended as the distributable cash flow taking into account the capital constraints imposed by the Supervisory Authority or deemed appropriate for management of the risk typical of the activity being analysed. Accordingly, future cash flows are identifiable as flows that could potentially be distributed after meeting the minimum constraints for allocation of capital; the method used is therefore the DDM in the variant known as the "Excess Capital Method" commonly used in valuation practice for the banking sector, as expressed in the following formula:

$$W = \sum_{i=0}^{n} CF_i(1 + k_e)^{-i} + TV(1 + k_e)^{-n}$$

*Key:*
*W = value in use;*
*$CF_t$ = cash flow potentially distributable at point in time i;*
*i = reference year of the flow;*
*n = time period covered by the financial projections;*
*$k_e$= opportunity cost of capital which incorporates current assessments of the time value of money and the specific risks of the activity;*
*TV = Terminal Value, corresponds to the current value of a perpetuity calculated on the basis of a sustainable cash flow in the long term with a constant growth rate equal to "g".*

In this specific case, the flows taken into consideration were those shown in the forecasts covering an explicit period of five years, i.e. up to 2027, processed internally and approved by the Board of Directors at the board meeting of 25 January 2023.

The forecasts were prepare considering the latest information about current operations, strategic actions (but only those already undertaken or currently being implemented) and the latest-available system forecasts prepared prior to the date of the test. The projections are based on reasonable and consistent assumptions which represent the best possible estimate of how the economic and financial conditions might evolve over the coming years at the date of the test. Analysing in detail:

- for 2022, pre-final figures were used as this was the best estimate available at the time of the impairment test;
- for 2023, reference was made to the budgets for the year presented and approved during the Board of Directors' meeting at the end of 2022;
- the forecasts for 2024-2027 were developed by adopting an inertial approach, following expectations at a system level and the trend of previous years. The development of inertial forecasts, as required by the standard, has the objective of reaching a normalised situation at the end of the period and an estimate of a level of net income that is sustainable in the long term, which can be used in estimating the Terminal Value. The normalisation process is designed to mitigate the effects of anomalous and extraordinary external economic and market conditions, as well as extraordinary and strategic transactions, already approved and in the implementation phase, which do not yet produce their full effects at the time when the impairment test is being carried out. Furthermore, following an inertial logic in the last few years of the forecast, it does not reflect transactions of an extraordinary nature not yet defined in detail, not approved by the Board or which are still at an early stage of implementation;
- reference was made to the forecasts for the most up-to-date economic and market scenarios to carry out the impairment test. These reflect the most probable short and medium-long term effects of the Russian-Ukrainian conflict, assuming it continues, as well as continuation of the restrictive monetary policy by Central Banks, with a view to taming inflation. In preparing the forecasts, we used forward-looking information from external info providers issued in the latter part of 2022 with expected trends of economic and financial macro-variables (such as the trend in GDP, the unemployment rate, consumer prices, market interest rates, etc.) and more specific variables of the banking and financial system in general (such as growth in loans, deposits, spreads, etc.). General speaking, the future scenario sees a 2023 still characterised by a certain difficulty, with limited growth in GDP, slightly above zero, and inflation on the decline but still too high; the period after 2023 will feature a period of normalisation, with GDP above 1% and inflation around 2%. Shifting our attention to the variables more directly connected to the banking sector, the most recent update shows significant differences, especially in the spread between interest rates on deposits and loans. The trend in benchmark rates will have a positive impact on interest margins with growth in the spread between interest income and interest expense that is likely to be structural; compared with the forecasts of a year or so ago, spreads are expected to increase by at least 50 bps. In terms of credit risk, 2023 will be another year characterised by hefty loan loss adjustments, but they should fall from 2024 onwards. In asset management, after a 2022 which marked a contraction due to market trends and a greater propensity for liquidity due to the uncertainties caused by rising inflation, there should be good growth in assets under management, recovering part of the gap that opened in 2022. Lastly, total loans will grow in 2023 at a rate of more than 1% despite the slowdown in GDP, and will follow an almost linear growth trend in the following years, marked by limited but gradual increases. On the direct funding side, after a 2022 on the rise due to a greater propensity for liquidity, the following years will see deposits more or less stable with growth rates close to zero.

The distributable cash flows were estimated assuming a minimum target regulatory requirement in line with the Supervisory Authority's instructions for the Company.
With reference to capital constraints, which are used in developing models for estimating value in use, the specific target levels for the CET1 ratio of the individual entities were considered and defined on the basis of their peculiarities, the most recent European provisions on capital requirements, as well as the latest recommendations made by the Supervisory Authorities. In particular, the estimated target level for the CET1 ratio was put at 4.5%. Determining value in use means having to estimate the Terminal Value, which involves quantifying the current value of the cash flows potentially distributable to the shareholders after the period covered by the explicit projections. We carried out the estimate on the basis of a normalised flow given by the profit of the last year of the projection (2027), taking into account a long-term tax burden, net of the physiological capital absorption and capitalised at a rate that expresses the difference between the opportunity cost of capital (the so-called "cost of equity") and the nominal growth rate "g" equal to 2.0% (+50 bps compared with the figure used in the previous annual impairment test at 31 December 2021); the "g" rate is in line with the expected long-term inflation rate, according to the most recent estimates by the International Monetary Fund, and with the ECB's long-term objective, which implicitly assumes an average real growth of zero.
In applying the Excess Capital Method, a cost of equity estimated using the Capital Asset Pricing Model (CAPM) was used as the discount rate based on the following 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 discount rate used incorporates the risk-free component and risk premiums correlated with the equity component observed over a period of time sufficiently long to reflect different market conditions and economic cycles.
Here, the cost of equity was estimated at 10.02%, an increase of +196 bps on the figure estimated when the 2021 financial statements were being prepared (8.06%), obtained by considering updates of the following parameters in the CAPM formula:

- the risk-free rate, which represents the time value of money and corresponds to the return on a risk-free investment normally represented by government bonds. The general structure of the CAPM refers to a risk-free rate, but not to the time frame to be considered. The orientation that has prevailed in valuation practice is that of selecting a rate of return on long-term government securities (generally 10-year bonds). We therefore took into consideration here the average yield on 10-year BTPs, calculated over a one-year observation period, obtained using the same approach as in previous impairment tests, leading to a figure of 3.14%. This is a significant increase compared with the one used for the impairment test at 31 December 2021 (when the average value calculated over an observation period of one year was 0.78%), being influenced by the rising trend that started in July 2022 following the introduction of a more restrictive monetary policy involving hefty and frequent interest rate hikes by Central Banks, with the aim of lowering the inflation rate;

- Market Risk Premium, which is the difference between the return on a diversified portfolio made up of all the risky investments available on the market and the return on a risk-free security. It should be borne in mind that the risk premium is generally considered a long-term concept. In this specific instance, a market risk premium of 5.70% was used, in line with the one used previously in the most recent impairment tests. The figure is the result of a qualitative and quantitative analysis conducted using information issued periodically by info providers, who analyse sector and macroeconomic trends or periodically survey those generally used in valuation practice by various operators;
- Beta, which reflects the specific risk of the investment. Beta expresses the correlation between the return on a single risky investment and the return on a market portfolio. A coefficient of one indicates that the investment being considered exactly follows the trend of the market portfolio, whereas a beta of more than one identifies an "aggressive" investment, as its yield varies to a greater extent than the market yield. On the other hand, a beta of less than one would indicate a "defensive" investment; in this case, the changes in the investment's returns are less sensitive. The beta used here is put at 1.21 (it was 1.28 at 31 December 2021), equal to the beta of the BPER Banca Group, estimated over a sufficiently long period of time to minimise the distortionary effects that can influence periods that are too short. In line with what was considered in the previous impairment tests, the period considered here is 5 years of monthly observations, based on the Italian Stock Exchange equity index. The estimate of beta at 31 December 2022 (equal to 1.21), is higher than or in line with the measurements made over different observation periods, for example 3 years, or over the same period (5 years) but with different frequency (daily or weekly). The choice of using the beta obtained by considering the historical monthly returns over 5 years, in line with the previous impairment test, is therefore the most prudent.

We believe that the rate estimated in this way reflects the Company's effective risk level. It is substantially in line with the system and is consistent with the risk level implicit in the economic projections, so it is not necessary to add any further risk premium.

**Results of the impairment test**
Comparing the recoverable amount of 154 million, determined as explained above, and the carrying amount of the CGU, confirms the value of the goodwill recorded by 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 estimated cash flows, as well as on the main financial assumptions made, could lead to future results substantially different from those used in the impairment testing of goodwill. For this reason, pursuant to IAS 36, sensitivity analyses were carried out in order to assess the effects on the estimates of value in use, and consequently on the results of the impairment test, by changes in certain key parameters underlying the valuation model, which are not under management's control. This analysis is all the more necessary in a period of significant changes such as the current one. It is precisely from this point of view that, in order to take into consideration a wider variation in market parameters than is usually considered, we used a broad range of variations, which had a negative effect on our estimate of the recoverable amount. We therefore checked the impact on the value in use of the following variations:

- +50bps and +100bps of the "basic" cost of capital (the latter equal to 10.02%);
- -50bps and -100bps of the "base" long-term growth "g" rate (the latter equal to 2.0%);

- +50bps and +100bps maximum of the target regulatory minimum requirement in the forecast period, including the last year of the forecast (2027).

| CGU | Change in CGU's value in use | | | | | |
|---|---|---|---|---|---|---|
| | $k_e$ rate | | "g" rate | | CET 1 ratio target | |
| | +50 | +100 | -50 | -100 | +50 | +100 |
| BPER Factor | -3.5% | -6.6% | -0.8% | -1.5% | -5.3% | -10.6% |

Again from a stress test perspective, changes in the capital of equity, in the expected profits during the analytical forecast period (including that used in estimating the normalised flow underlying the Terminal Value) and in the expected normalised cash flow of the last period of the projections (used to estimate the Terminal Value) such that the value in use of the CGU is equal to its carrying amount or, in other words, the threshold value of the main inputs beyond which the impairment test of the CGU would reveal a loss in value.

| CGU | $k_e$ limit rate | Maximum reduction in profit in the period considered and in normalised profit | Maximum change in the normalised flow |
|---|---|---|---|
| BPER Factor | 11.2% | -10% | -19% |

This analysis shows that for the BPER Factor CGU, an increase of 112 bps in the cost of equity, from 10.02% to 11.24%, a -10% reduction in expected profits in each year of the period of analytical forecast (including the profit underlying the normalised cash flow) or a reduction of -19% in the cash flow underlying the Terminal Value, would align the recoverable amount 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".

10.1.2 Deferred tax assets (through income statement)

| Type of addback/taxable income | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Virtual stamp duty | | 29 |
| provision for commitments to grant funding | 48 | 29 |
| Provisions for bonuses for an uncertain amount | 306 | 1,545 |
| Provisions for bonuses for an uncertain amount | - | 1,342 |
| Writedown of receivables etc. art. 106 (IRES) - 2006 | 4,508 | 5,192 |
| Writedown of receivables etc. art. 106 (IRAP) – 2013 | 1,861 | 2,143 |
| Provisions for lawsuits | 3,635 | 3,635 |
| Provisions for legal compensation | 1,279 | 270 |
| Provisions for bankruptcy clawback actions | - | 2,040 |
| Step-up of tax basis of goodwill | 1,641 | 1,903 |
| **Total taxable income for IRES purposes** | **11,417** | **14,643** |
| **Total taxable income for IRAP purposes** | **1,641** | **7,428** |
| IRES tax rate | 27.50% | 27.50% |
| IRAP tax rate | 5.57% | 5.57% |
| **IRES payable** | **3,140** | **4,027** |
| **IRAP payable** | **91** | **414** |
| **Total deferred tax assets** | **3,231** | **4,441** |

**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 | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Writedowns of financial assets measured at fair value through comprehensive income | - | 5 |
| Reserves as per IAS 19 | - | 215 |
| **Total taxable income for IRES purposes** | **-** | **220** |
| **Total taxable income for IRAP purposes** | **-** | **-** |
| IRES tax rate | 27.50% | 27.50% |
| IRAP tax rate | 5.57% | 5.57% |
| **IRES payable** | **-** | **61** |
| **IRAP payable** | **-** | **-** |
| **Total tax payable** | **-** | **61** |

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

20.2.21 Current tax liabilities

| Breakdown of caption 100 | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Tax credit for previous years | 168 | 100 |
| Advance of IRES surcharge | 91 | 365 |
| IRES surcharge for the period | (491) | (57) |
| Receivable for substitute tax | 33 | 33 |
| ***Amount of IRES offset*** | **(199)** | **441** |
| Tax credit for previous years | 2 | 14 |
| IRAP advance | 246 | 307 |
| IRAP for the year | (914) | (223) |
| ***IRAP off-set*** | **(666)** | **98** |
| **Total carrying amount** | **(865)** | **539** |

10.2.2 Deferred tax liabilities (through income statement)

| Type of addback/taxable income | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Sep. fin. stats./loan former Emil-Ro Leasing | 74 | 74 |
| Fair value of building as per IAS 40 | 135 | |
| Termination indemnities | 36 | |
| **Total taxable income for IRES purposes** | **245** | **74** |
| **Total taxable income for IRAP purposes** | **209** | **74** |
| IRES tax rate | 27.50% | 27.50% |
| IRAP tax rate | 5.57% | 5.57% |
| **IRES payable** | **67** | **20** |
| **IRAP payable** | **12** | **4** |
| **Total tax payable** | **79** | **24** |

10.2.3 Deferred tax liabilities (through shareholders' equity)

| Type of addback/taxable income | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Revaluation of equity investment | | |
| Revaluation of government securities | 11 | 15 |
| **Total taxable income for IRES purposes** | **11** | **15** |
| **Total taxable income for IRAP purposes** | **-** | **-** |
| IRES tax rate | 27.50% | 27.50% |
| IRAP tax rate | 5.57% | 5.57% |
| **IRES payable** | **3** | **5** |
| **IRAP payable** | **-** | **-** |
| **Total tax payable** | **3** | **5** |

10.3 Changes in deferred tax assets (through income statement)

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **1 Opening balance** | **4,441** | **4,246** |
| **2 Increases** | **314** | **791** |
| 2.1 Deferred tax assets recognised during the year | 314 | 791 |
| a) related to prior years | | |
| b) due to changes in accounting policies | | |
| c) writebacks | | |
| d) other | 314 | 791 |
| 2.2 New taxes or increases in tax rates | | |
| 2.3 Other increases | | |
| **3 Decreases** | **1,420** | **596** |
| 3.1 Deferred tax assets cancelled during the year | **1,420** | **596** |
| a) reversals | 1,420 | 596 |
| 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 | | |
| **4 Closing balance** | **3,335** | **4,441** |

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

| | | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| **1** | **Opening balance** | **2,177** | **2,544** |
| **2** | **Increases** | | |
| **3** | **Decreases** | **291** | **367** |
| 3.1 | Reversals | 291 | 367 |
| 3.2 | Transformation into tax credits | | |
| | a) arising from operating losses | | |
| | b) arising from tax losses | | |
| 3.3 | Other decreases | - | - |
| **4** | **Closing balance** | **1,886** | **2,177** |

10.4 Changes in deferred tax liabilities (through income statement)

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **1 Opening balance** | **24** | **24** |
| **2 Increases** | **55** | **-** |
| 2.1 Deferred tax liabilities recognised during the year | 55 | - |
| a) related to prior years | | |
| b) due to changes in accounting policies | | |
| c) other | 55 | |
| 2.2 New taxes or increases in tax rates | | |
| 2.3 Other increases | | |
| **3 Decreases** | **-** | **-** |
| 3.1 Deferred tax liabilities cancelled during the year | - | - |
| a) reversals | | |
| b) due to changes in accounting policies | | |
| c) other | | |
| 3.2 Reduction in tax rates | | |
| 3.3 Other decreases | | |
| **4 Closing balance** | **79** | **24** |

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

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **1. Opening balance** | **61** | **59** |
| **2. Increases** | **-** | **2** |
| 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 |
| **3. Decreases** | **61** | **-** |
| 3.1 Deferred tax assets cancelled during the year | | |
| a) reversals | 61 | |
| 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 | | |
| **4. Closing balance** | **-** | **61** |

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

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **1. Opening balance** | **4** | **14** |
| **2. Increases** | **-** | **-** |
| 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 | | |
| **3. Decreases** | **1** | **10** |
| 3.1 Deferred tax liabilities cancelled during the year | | |
| a) reversals | 1 | 10 |
| b) due to changes in accounting policies | | |
| c) other | | |
| 3.2 Reduction in tax rates | | |
| 3.3 Other decreases | | |
| **4. Closing balance** | **3** | **4** |

## SECTION 12 – OTHER ASSETS – CAPTION 120

12.1 Other assets: breakdown

| Breakdown | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Outstanding items to be received | 353 | 370 |
| Receivable from the Group for tax consolidation | - | 1,160 |
| Other debtors | 108 | 108 |
| Virtual stamp duty credits | 106 | 89 |
| Costs in suspense as pertaining to the future | 169 | 84 |
| Suspense accounts | 16 | 506 |
| Invoices to be issued | 44 | 103 |
| Other receivables | 457 | 124 |
| Credit notes to receive | 2 | - |
| Inail advance | 9 | 9 |
| Guarantee deposits | 21 | 21 |
| **Total** | **1,285** | **2,574** |

## 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 | 31.12.2022 | | | 31.12.2021 | | |
|---|---|---|---|---|---|---|
| | due from banks | due from financial companies | due from customers | due from banks | due from financial companies | due from customers |
| **1. Loans** | **1,704,551** | **-** | **-** | **1,032,971** | **-** | **-** |
| 1.1 Repurchase agreements | - | - | - | - | - | - |
| 1.2 Other loans | 1,704,551 | | | 1,032,971 | | |
| **2. Lease liabilities** | **40** | | **2,316** | | | **2,516** |
| **3. Other payables** | **513** | **415** | **42,958** | **353** | **279** | **43,060** |
| **Total** | **1,705,104** | **415** | **45,274** | **1,033,324** | **279** | **45,576** |
| ***Fair value - level 1*** | ***-*** | ***-*** | ***-*** | ***-*** | ***-*** | ***-*** |
| ***Fair value - level 2*** | ***-*** | ***-*** | ***-*** | ***-*** | ***-*** | ***-*** |
| ***Fair value - level 3*** | ***1,705,104*** | ***415*** | ***45,274*** | ***1,033,324*** | ***279*** | ***45,576*** |

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. All funding at 31 December 2022 comes from BPER Banca.

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 31.12.2022** | **Present value 31.12.2021** |
|---|---|---|
| Up to 3 months | 117 | 112 |
| 3 to 12 months | 349 | 319 |
| Between 1 and 5 years | 1,362 | 1,392 |
| Beyond 5 years | 527 | 692 |
| **Total** | **2,355** | **2,516** |

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 | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Suspense accounts | 36,211 | 43,399 |
| Payables from tax consolidation | 2,646 | - |
| Payables from leasing transactions | 739 | 740 |
| Revenues in suspense as pertaining to the future | 3,098 | 1,951 |
| Due to suppliers | 721 | 632 |
| Invoices to be received | 849 | 944 |
| Other liabilities | 231 | 516 |
| Amounts due to the tax authorities on behalf of customers and personnel | 166 | 157 |
| Due to social security institutions | 201 | 184 |
| Payroll accruals | 92 | 31 |
| Outstanding items to be paid | 70 | 59 |
| **Total** | **45,024** | **48,611** |

The "suspense accounts" of Euro 36,211 thousand relate to payments received from debtors for factoring transactions outstanding. They were posted to the relevant accounts in early days of January 2023.

"Payables from leasing transactions", amounting to Euro 739 thousand, include:

- Euro 4 thousand relating to credit notes to be issued for fee indexing referring to the last quarter of 2022.
- 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

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **A. Opening balance** | **1,034** | **952** |
| **B. Increases** | **63** | **121** |
| B.1 Provisions for the year | 63 | 52 |
| B.2 Other increases | | 69 |
| **C. Decreases** | **221** | **39** |
| C.1 Payments made | 51 | 39 |
| C.2 Other decreases | 170 | |
| **D. Closing balance** | **876** | **1,034** |

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 | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Discount rates | 3.82% | 1.00% |
| Expected increase in remuneration | 1.92% | 1.92% |
| Turnover | 2.90% | 2.90% |
| 1 Inflation rate | 2.30% | 1.75% |

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 2.30%;
- 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 | 31.12.2022 | +50 b.p. | -50 b.p. |
|---|---|---|---|
| | DBO | DBO | DBO |
| discount rates | 876,017 | 840,583 | 914,440 |
| inflation rate | 876,017 | 903,407 | 850,090 |

In compliance with the requirements of IAS 19 Revised with regard to additional disclosures, an estimate of future cash flows was carried out at 31 December 2022, as shown in the following table:

| | 1st year | 2nd year | 3rd year | 4th year | 5th year |
|---|---|---|---|---|---|
| **Provision for termination indemnities** | **83,902** | **78,968** | **74,424** | **70,301** | **66,539** |

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

10.1 Provisions for risks and charges: breakdown

| Description/Amounts | 31.12.2022 | 31.12.2021 |
|---|---|---|
| 1. Provisions for credit risk relating to financial commitments and guarantees given | 48 | 29 |
| 2. Provisions for other commitments and other guarantees given | - | - |
| 3. Pensions and similar commitments | - | - |
| 4. Other provisions for risks and charges | 14,069 | 16,096 |
| 4.1 legal and tax disputes | 13,329 | 14,361 |
| 4.2 personnel costs | 740 | 1,735 |
| Other | - | - |
| **Total** | **14,117** | **16,125** |

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 |
|---|---|---|---|---|
| **A. Opening balance** | **29** | **-** | **16,096** | **16,125** |
| **B. Increases** | **19** | **-** | **1,408** | **1,427** |
| B.1 Provisions for the year | 19 | | 1,408 | 1,427 |
| B.2 Changes due to the passage of time | | | | - |
| B.3 Changes due to amendments in the discount rate | - | - | - | - |
| B.4 Other changes | | | | - |
| **C. Decreases** | **-** | **-** | **3,435** | **3,435** |
| C.1 Use during the year | | | 1,482 | 1,482 |
| C.2 Changes due to amendments in the discount rate | | | | - |
| C.3 Other changes | | - | 1,953 | 1,953 |
| **D. Closing balance** | **48** | **-** | **14,069** | **14,117** |

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 on financial commitments and guarantees given | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Impaired acquired or originated | Total |
| 1. Commitments to grant funding | 18 | 1 | 29 | - | **48** |
| 2. Financial guarantees given | - | - | - | - | - |
| **Total** | **18** | **1** | **29** | | **48** |

10.4. Provisions for other commitments and other guarantees given

At 31 December 2022 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 2022.

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 | | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| 4. | Other provisions for risks and charges | | |
| | 4.1 legal and tax disputes | 13,329 | 14,361 |
| | - operating irregularities | 13,298 | 14,221 |
| | - Risks for bankruptcy clawback actions | 31 | 140 |
| | 4.2 personnel costs | 740 | 1,735 |
| | - "Long Time" incentives | 94 | 117 |
| | - staff early retirement incentives | 244 | 1,342 |
| | - other incentives | 402 | 276 |
| | 4.3 other | | |
| | - Operational writedowns | - | - |
| **Total** | | **14,069** | **16,096** |

BPER Factor, through the Parent Company BPER Banca, appointed an actuary to determine the liability related to the staff early retirement incentives. At 31 December 2022, the discounted value of the liability for leaving incentives for the personnel of BPER Factor involved amounted to Euro 244 thousand, while its carrying amount was Euro 262 thousand, referring exclusively to the 2021 staff reduction plan. The actuarial valuation envisages the discounting of the monthly charge for each employee covered by early retirement incentive plans based on certain demographic-economic assumptions. For some of the assumptions used, where possible, explicit reference was made to the direct experience of the Company; for the others, best practice was taken into account. The annual discount rate used is the same used to discount the termination indemnities.

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

11.1 Share capital: breakdown

| Types | | | Amount |
|---|---|---|---|
| **1.** | **Share capital** | | **54,591** |
| | 1.1 | Ordinary shares | 54,591 |
| | 1.2 | Other shares | - |

At 31 December 2022, 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"

| *(In thousands of euro)* | Legal reserve | Other reserves | Valuation reserves | Total |
|---|---|---|---|---|
| **A.Opening balance** | **3,819** | **55,336** | **(217)** | **58,938** |
| ***B. Increases*** | **44** | **835** | **111** | **990** |
| B. 1 Allocation of profit | 44 | 835 | | 879 |
| B.2 Other changes | - | - | | *111* |
| - financial assets measured at fair value through comprehensive income | | | | - |
| - release | | | | - |
| - change in reserves | - | | | - |
| - discounting termination indemnities | | | 111 | 111 |
| ***C. Decreases*** | **-** | **-** | **0** | **0** |
| C. 1 Uses: | - | - | 0 | 0 |
| *- coverage of losses* | | | | - |
| *- distribution* | | | | - |
| *- transfer to share capital* | | | | - |
| C.2 Other changes | - | - | *0* | *0* |
| - financial assets measured at fair value through other comprehensive income | | | | - |
| - discounting termination indemnities | | | | 0 |
| **D. Closing balance** | **3,863** | **56,171** | **(106)** | **59,928** |

### 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 |
| **Share capital** | **54,591** | | | - | - |
| **Capital reserves:** | | | | | |
| Reserve for treasury shares | | | | | |
| Reserve for shares of parent company | | | | | |
| Share premium reserve | 20,814 | **A, B, C** | 20,814 | | |
| Bond conversion reserve | | | | | |
| **Revenue reserves:** | | | | | |
| Legal reserve | 3,863 | **B** | | - | - |
| Reserve for treasury shares | | | | | |
| - Other reserves | 49,218 | **A, B, C** | 49,218 | | |
| - reserve for exchange gains | 78 | **A, B** | 78 | | |
| **Reserves - other:** | | | | | |
| Other | 6,875 | **A, B, C** | 6,875 | | |
| **Valuation reserves:** | | | | | |
| Reserve for actuarial gains (losses) | (114) | | | | |
| OCI reserves (*) | 8 | | | | |
| **Total** | **135,333** | | **76,985** | **-** | **-** |
| **Non-distributable portion** | | | **21,418** | | |
| **Residual distributable portion** | | | **55,567** | | |

*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 31.12.2022 | Total 31.12.2021 |
|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Impaired acquired or originated | | |
| **1. Commitments to grant funding** | | | | | | |
| a) Public administration | 139 | | | | **139** | |
| b) Banks | | | | | **-** | |
| c) Other financial companies | 1 | - | - | | **1** | **1** |
| d) Non-financial companies | 55,686 | 67 | 173 | | **55,926** | **48,295** |
| e) Households | 4,009 | | | | **4,009** | |
| **2. Financial guarantees given** | | | | | | |
| 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 | 31.12.2022 | 31.12.2021 |
|---|---|---|---|---|---|
| **1. Financial assets measured at fair value through profit or loss:** | | | | | |
| 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 | | | | | |
| **2. Financial assets measured at fair value through comprehensive income** | **10** | | | **10** | **9** |
| **3. Financial assets measured at amortised cost:** | | | | | |
| 3.1 Due from banks | | 8 | | **8** | **37** |
| 3.2 Due from financial companies | | 1,568 | | **1,568** | **673** |
| 3.3 Due from customers | | 17,197 | | **17,197** | **10,828** |
| **4. Hedging derivatives** | | | | | |
| 5. Other assets | | | **927** | **927** | **6** |
| **6. Financial liabilities** | | | | **230** | **87** |
| **Total (A+B+C+D+E)** | **10** | **18,773** | **927** | **19,940** | **11,640** |
| of which: interest income on non-performing financial assets | | 272 | | 272 | 858 |
| of which: interest income on leases | | 51 | | 51 | 90 |

Interest accrued in the year on positions classified as "non-performing" at the reporting date amount to Euro 272 thousand, of which Euro 256 thousand relates to factoring transactions, while the remainder of Euro 16 thousand relates to lease transactions.

### 1.2 Interest and similar income: other information

| Captions | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **1. Factoring transactions** | **17,170** | **10,042** |
| Ordinary factoring | 9,802 | 5,775 |
| Future receivables | 710 | 743 |
| Discount interest | 6,658 | 3,524 |
| **2. Finance lease transactions** | **51** | **90** |
| Interest on leasing | 51 | 90 |
| **3. Other transactions** | **2,719** | **1,508** |
| Other loans and receivables | 1,553 | 1,404 |
| Other interest | 936 | 17 |
| Interest on financial liabilities | 230 | 87 |
| **Total** | **19,940** | **11,640** |

"Other interest" refers almost entirely to default interest collected during the year, whereas "interest on financial liabilities" refers solely to loans received with negative borrowing rates.

### 1.3 Interest and similar expense: breakdown

| Captions/Technical forms | Payables | Securities | Other | TOTAL 31.12.2022 | TOTAL 31.12.2021 |
|---|---|---|---|---|---|
| **Financial liabilities valued at amortised cost** | | | | | |
| 1.1 Due to banks | (3,506) | | | **(3,506)** | **(178)** |
| 1.2 Due to financial companies | | | | | |
| 1.3 Due to customers | (26) | | | **(26)** | **(25)** |
| 1.4 Securities issued | | | | | |
| **2. Financial liabilities held for trading** | | | | | |
| **3. Financial liabilities designated at fair value through profit and loss** | | | | | |
| **4. Other liabilities** | | | (8) | **(8)** | |
| **5. Hedging derivatives** | | | | | |
| **6. Financial assets** | | | | | |
| **Total** | **(3,532)** | **-** | **(8)** | **(3,540)** | **(203)** |
| of which: interest expense relating to lease payables | (27) | | | (27) | (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 774 thousand.

## SECTION 2 – COMMISSIONS – CAPTIONS 40 AND 50

### 2.1 Commission income: breakdown

| **Details** *(in thousands of euro)* | 31.12.2022 | 31.12.2021 |
|---|---|---|
| a) lease transactions | | |
| b) factoring | **16,381** | **12,355** |
| 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 | **1,017** | **805** |
| - administrative charges | 410 | 321 |
| - recovery of preliminary investigation costs | 532 | 415 |
| - recovery of bank and post office charges and other recoveries | 75 | 69 |
| **Total** | **17,398** | **13,160** |

**2.2 Commission expense: breakdown**

| Details/Sectors | 31.12.2022 | 31.12.2021 |
|---|---|---|
| a) Guarantees received | (217) | (100) |
| b) Distribution of third-party services | | |
| c) Collection and payment services | | |
| d) Other commissions: | (6,022) | (3,721) |
| *- bank charges* | *(59)* | *(69)* |
| *- financial fees* | *(35)* | *(19)* |
| *- refactoring commission* | *(3,018)* | *(2,195)* |
| *- credit insurance premiums* | *(2,910)* | *(1,438)* |
| **Total** | **(6,239)** | **(3,821)** |

Refactoring commission 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 31.12.2022 | | Total 31.12.2021 | |
|---|---|---|---|---|
| | 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 | | | | |
| **Total** | **0** | **-** | **22** | **-** |

## Section 4 – Net trading income - Caption 80

### 4.1 Net trading income: breakdown

| Caption/Income captions thousands of Euro | Capital gains (A) | Trading profits (B) | Capital losses (C) | Trading losses (D) | Net result [(A+B)-(C+D)] |
|---|---|---|---|---|---|
| **1. Financial assets held for trading** | | | | | |
| 1.1 Debt securities | | | | | |
| 1.2 Equity instruments | | | | | |
| 1.3 UCITS units | | | | | |
| 1.4 Loans | | | | | |
| 1.5 Other | | | | | |
| **2. Financial liabilities held for trading** | | | | | |
| 2.1. Debt securities | | | | | |
| 2.2 Payables | | | | | |
| 2.3 Other | | | | | |
| **3. Financial assets and liabilities: exchange differences** | | | | | **199** |
| **4. Derivatives** | | | | | |
| 4.1 Financial derivatives | | | | | |
| 4.2 Credit derivatives | | | | | |
| *of which: natural hedges associated with the fair value option* | | | | | |
| **Total** | **-** | **-** | **-** | **-** | **199** |

**Section 6 – Gains (Losses) on disposal or repurchase - Caption 100**

**6.1 Gains (losses) on disposal/repurchase: breakdown**

| Caption/Income items | Total 31.12.2022 | | | Total 31.12.2021 | | |
|---|---|---|---|---|---|---|
| | Profits | Losses | Net result | Profits | Losses | Net result |
| **A. Financial assets** | | | | | | |
| 1. Financial assets measured at amortised cost | | | | | | |
| 1.1 Due from banks | | | | | | |
| 1.2 Due from financial companies | | | | | | |
| 1.3 Due from customers | | | | | | |
| 2. Financial assets measured at fair value through comprehensive income | | (11) | (11) | | | |
| 2.1. Debt securities | | | | | | |
| 2.2 Loans | | | | | | |
| **Total assets (A)** | | **(11)** | **(11)** | | | |
| **B. Financial assets measured at amortised cost** | | | | | | |
| 1 Due to banks | | | | | | |
| 2 Due to financial companies | | | | | | |
| *3 Due to customers* | | | | | | |
| 4.Securities issued | | | | | | |
| **Total liabilities (B)** | | | | | | |

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

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

| Transactions/income elements | Impairment losses | | | | | | Recoveries | | | | 31.12.2022 | 31.12.2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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** | **0** | **-** | **-** | **-** | **-** | **-** | **1** | **-** | **-** | **-** | **1** | **(1)** |
| - for leasing | | | | | | | | | | | | |
| - for factoring | | | | | | | 1 | | | | | |
| - other receivables | | | | | | | | | | | | |
| **2. Due from financial companies** | **(49)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(49)** | **(34)** |
| - for leasing | | | | | | | | | | | 0 | 0 |
| - for factoring | (49) | | | | | | | | | | (49) | (34) |
| - other receivables | | | | | | | | | | | 0 | 0 |
| **3. Due from customers** | **(1,431)** | **(526)** | **0** | **(3,594)** | **-** | **-** | **184** | **56** | **5,749** | **-** | **438** | **(8,215)** |
| - for leasing | | (4) | | (381) | | | 4 | | 52 | | (329) | (143) |
| - for factoring | (1,431) | (516) | | (3,033) | | | 173 | 50 | 5,697 | | 940 | (8,042) |
| - for consumer credit | | | | | | | | | | | 0 | |
| - Pledged loans | | | | | | | | | | | 0 | |
| - other receivables | | *(6)* | | *(180)* | | | *7* | *6* | | | (173) | (30) |
| **Total** | **(1,480)** | **(526)** | **0** | **(3,594)** | **0** | **0** | **185** | **56** | **5,749** | **0** | **390** | **(8,250)** |

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

None.

## SECTION 10 – ADMINISTRATIVE EXPENSES – CAPTION 160

10.1 Payroll costs: breakdown

| Type of expense/Amounts | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **1. Employees** | **(4,837)** | **(5,557)** |
| a) wages and salaries | (3,452) | (3,051) |
| b) social security charges | (926) | (829) |
| c) termination indemnities | | |
| d) pension expenses | | |
| e) provision for termination indemnities | (63) | (52) |
| f) provision for post-retirement benefits and similar commitments: | | |
| - defined contribution plans | | |
| - defined benefit plans | | |
| g) payments to external supplementary pension funds: | (229) | (185) |
| - defined contribution plans | (229) | (185) |
| - defined benefit plans | | |
| h) other employee benefits | (167) | (1,440) |
| **2. Other active employees** | **(98)** | **(98)** |
| **3. Directors and statutory auditors** | **(211)** | **(283)** |
| **4. Retired personnel** | | |
| **5. Recovery of cost of employees seconded to other companies** | **108** | **104** |
| **6. Reimbursement of cost of employees seconded to the company** | **(1,256)** | **(1,230)** |
| **Total** | **(6,294)** | **(7,064)** |

In 2021, the item "h) other employee benefits" included the provision of Euro 1.3 million relating to the 2021 staff early retirement plan.

The “provision for termination indemnities” as per art. 2120 of the Italian Civil Code amounts to 130 thousand euro.

10.2 Average number of employees, by level

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Employees | 58 | 50 |
| *a) Managers* | *3* | *3* |
| *b) Middle Managers* | *30* | *27* |
| *c) Other employees* | *24* | *20* |
| Other personnel | *9* | *8* |
| | **67** | **59** |

Number of employees by level.

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Employees: | 59 | 56 |
| *a) Managers* | *3* | *3* |
| *b) Middle Managers* | *31* | *29* |
| *c) Other employees* | *25* | *24* |
| Other personnel | *10* | *9* |
| **Total** | **69** | **65** |

The above data is stated gross of secondments, comprising 2 persons sent out and 10 persons received at 31 December 2022. The workforce therefore amounts to 67 persons.

10.3 Other administrative expenses: breakdown

| Type of expense/Amounts | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Direct and indirect taxes | (252) | (262) |
| Maintenance and repairs | (238) | (231) |
| Rent and cleaning | (71) | (68) |
| Condominium expenses | (70) | (62) |
| Post office, telephone and data transmission fees | (322) | (297) |
| Software and equipment | (26) | (29) |
| Audit | (50) | (41) |
| Legal and other consulting | (660) | (424) |
| Car expenses | (111) | (111) |
| Promotional and entertainment expenses | (13) | (12) |
| Insurance | (6) | (2) |
| Consumables | (27) | (35) |
| Sundry third-party services | (10) | (44) |
| Transport | (10) | (14) |
| Commercial and operational services | (525) | (466) |
| Outsourced services | (1,221) | (1,338) |
| Membership fees | (45) | (43) |
| Sundry other | (394) | (304) |
| **Total** | **(4,051)** | **(3,783)** |

Pursuant to Article 149-duocecies 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 S.p.A.* | BPER Factor S.p.A | (34) |
| Other services | | | (5) |
| Total carrying amount | | | **(39)** |

Other services refer to the English translation of the 2021 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<br>Financial guarantees given | (9) | (1) | (9) | - | | |

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 2022 there are no provisions for commitments and other guarantees given.

11.3 Net provisions for other risks and charges: breakdown

| Category | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **A. Provisions** | **(1,009)** | **(995)** |
| 1 for legal disputes: | | |
| - operating irregularities | (978) | (184) |
| - bankruptcy clawback actions | (31) | (811) |
| **B. Reallocations** | **822** | **505** |
| 1 for legal disputes: | | |
| - operating irregularities | | 440 |
| - bankruptcy clawback actions | 822 | |
| 2 other: | | |
| - Operational writedowns | | 65 |
| **Net provision** | **(187)** | **(490)** |

Net provisions for risks and charges, amounting to Euro 0.2 million at 31 December 2022, mainly concern the matter involving the default interest collected during 2022. The Company is in a lawsuit for the balance in question. The reassignments concern the transactions that the Company negotiated and liquidated in 2022. They refer to the abandonment of lawsuits classified under the heading "Bankruptcy clawback actions".

**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) |
|---|---|---|---|---|---|
| **A.** | **Property, plant and equipment** | | | | - |
| **A.1** | **Used in operations** | **(496)** | | | **(496)** |
| | - owned | **(39)** | | | **(39)** |
| | - rights of use acquired with leases | **(457)** | | | **(457)** |
| **A.2** | **Investment property** | | | | |
| | - owned | | | | |
| | - rights of use acquired with leases | | | | |
| **A.3** | **Inventories** | | | | |
| | **Total** | **(496)** | **0** | **0** | **(496)** |

**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) |
|---|---|---|---|---|
| **1 Intangible assets other than goodwill** | **(239)** | | | **(239)** |
| *of which software* | *(90)* | | | *(90)* |
| 1.1 owned | (239) | | | (239) |
| 1.2 rights of use acquired with leases | | | | |
| **2 Assets related to finance leases** | | | | |
| **3 Assets granted under operating** | | | | |
| **Total** | **(239)** | **-** | **-** | **(239)** |

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

14.1 Other operating expenses: breakdown

14.2 Other operating income: breakdown

| | Category | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| **1.** | **Other operating income** | **1,313** | **1,481** |
| ***1.1*** | ***Recovery of administrative costs*** | ***161*** | ***201*** |
| | Recovery of legal expenses and other charges | 54 | 103 |
| | Recovery of postage expenses and stamps | 107 | 98 |
| ***1.2*** | ***Sundry claim proceeds*** | ***41*** | ***1,168*** |
| | Insurance claim proceeds relating to receivables without recourse | 31 | 1,162 |
| | Gain on sale of repossessed or unredeemed leased assets | 10 | 6 |
| ***1.3*** | ***Other income*** | ***1,111*** | ***112*** |
| | Out-of-period income | 1,035 | - |
| | Sundry income | 76 | 112 |
| **2.** | ***Other operating expenses*** | **(128)** | **(104)** |
| ***2.1*** | ***Capital losses and other losses*** | ***(1)*** | ***(20)*** |
| | Capital losses from sale of company's assets | (1) | 0 |
| | Operating losses | - | (20) |
| ***2.2.*** | ***Other operating expenses*** | **(127)** | **(84)** |
| | Charitable donations | (20) | (21) |
| | Fines and penalties | (1) | (3) |
| | Out-of-period expense | (103) | (52) |
| | Repairs and maintenance of assets pertaining to terminated lease agreements | - | (4) |
| | Other non-recurring operating expenses | (3) | (4) |
| | **Total** | **1,185** | **1,377** |

"Other income - Out-of-period income" includes Euro 1 million of the unused amount of the provision made in 2021 regarding the staff early retirement plan.

**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 (a) | Writedowns (b) | Exchange differences | | Net result |
|---|---|---|---|---|---|
| | | | Positive (c) | Negative (d) | |
| **A Property, plant and equipment**<br>A.1. Used in operations<br>- owned<br>- rights of use acquired with leases<br>A.2. Investment property<br>- owned<br>- rights of use acquired with leases<br>A.3. Inventories<br>**B Intangible assets**<br>B.1 Owned<br>- Internally generated<br>- Other<br>B.2. Rights of use acquired with leases | - | (1) | - | - | (1) |
| **Total** | **0** | **-1** | **0** | **0** | **-1** |

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

19.1 Income taxes from continuing operations: breakdown

| | | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| 1. | Current taxes(-) | (4,772) | (674) |
| 2. | Change in prior period income taxes (+/-) | 9 | 82 |
| 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 (+/-) | (1,106) | 195 |
| 5. | Change in deferred tax liabilities (+/-) | (55) | |
| **6** | **Income taxes for the year** | **(5,924)** | **(397)** |

19.2 Reconciliation of the theoretical tax charge with total tax expense

| Captions | Ires | Irap | Total |
|---|---|---|---|
| Profit from continuing operations before income taxes | (18,036) | (18,036) | |
| **Total theoretical taxable income** | **(18,036)** | **(18,036)** | |
| **Theoretical tax rate** | **27.50%** | **5.57%** | **33.07%** |
| Theoretical tax charge | 4,960 | 1,005 | 5,965 |
| - lower taxation due to income that is not taxable or taxed at a flat rate (decrease) | (1,564) | (91) | (1,655) |
| - Higher taxes for non-deductible expenses in the current year | 463 | 0 | 463 |
| **total current taxes** | **3,859** | **914** | **4,772** |
| Change in prior period income taxes | | (9) | (9) |
| change in deferred tax assets of prior years | | | 0 |
| Change in deferred tax assets | 887 | 219 | 1,106 |
| Change in deferred tax liabilities | 47 | 8 | 55 |
| **Total income taxes** | **4,793** | **1,132** | **5,924** |

## SECTION 21 – INCOME STATEMENT: OTHER INFORMATION

21.1 Breakdown of interest income and commission income

| Captions/Counterparty | Interest income | | | Commission income | | | Total 31.12.2022 | Total 31.12.2021 |
|---|---|---|---|---|---|---|---|---|
| | Banks | Financial companies | Customers | Banks | Financial companies | Customers | | |
| **1. Finance leases** | **-** | **-** | **50** | **-** | **-** | **-** | **50** | **90** |
| - properties | | | 40 | | | | 40 | 64 |
| - moveable goods | | | | | | | - | - |
| - capital goods | | | 10 | | | | 10 | 26 |
| - intangible assets | | | | | | | - | - |
| **2. Factoring** | **8** | **1,568** | **17,129** | | **464** | **16,934** | **36,103** | **24,606** |
| - current receivables | - | 1,313 | 10,950 | | 404 | 12,870 | 25,537 | *15,683* |
| - future receivables | - | - | 710 | | - | 1,269 | 1,979 | *1,400* |
| - receivables purchased outright | 8 | 255 | 3,916 | | 60 | 2,591 | 6,830 | *4,182* |
| - receivables purchased below their original value | - | - | - | | - | | - | - |
| - other loans | - | - | 1,553 | | - | 204 | 1,757 | *3,341* |
| **3. Consumer credit** | **-** | **-** | **-** | | | **-** | - | - |
| - personal loans | | | | | | | - | - |
| - specific-purpose loans | | | | | | | - | - |
| - salary assignment | | | | | | | - | - |
| **4. Pledged loans** | | | | | | | **-** | - |
| **5. Guarantees and** | | | | | | | **-** | - |
| - trade | | | | | | | - | - |
| - financial | | | | | | | - | - |
| **Total** | **8** | **1,568** | **17,179** | **-** | **464** | **16,934** | **36,153** | **24,696** |

Total interest income refers exclusively to factoring and leasing operations, so interest income not included in these sub-items is excluded.

### 21.2 Other information

The above table does not include interest and similar income relating to: deposits on bank current accounts, government securities and default interest 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 31.12.2022 | | | Total 31.12.2021 | | |
|---|---|---|---|---|---|---|
| | 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 | 46 | 289 | 335 | 394 | 90 | 485 |
| Between 1 and 2 years | 1,951 | 187 | 2,139 | 3,520 | 85 | 3,605 |
| Between 2 and up to 3 years | 46 | 187 | 234 | 187 | 85 | 271 |
| Between 3 and up to 4 years | 46 | 187 | 234 | 187 | 85 | 271 |
| Between 4 and up to 5 years | 149 | 242 | 391 | 187 | 85 | 271 |
| Beyond 5 years | - | 175 | 175 | 414 | 262 | 676 |
| **Total lease payments to be received** | 2,239 | 1,268 | 3,507 | 4,889 | 691 | 5,580 |
| **RECONCILIATION** | | | | | | |
| **Unrealised financial gains (-)** | (54) | (203) | (257) | (261) | (120) | (381) |
| **Residual value not guaranteed (-)** | 0 | 0 | 0 | 0 | 0 | 0 |
| **LEASE LOANS** | **2,184** | **1,065** | **3,249** | **4,627** | **571** | **5,198** |

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

| | Lease loans | | | |
|---|---|---|---|---|
| | Performing loans | | Non-performing loans | |
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| A. Properties: | 846 | 1,032 | 2,109 | 2,204 |
| - Land | - | - | | |
| - Buildings | 846 | 1,032 | 2,109 | 2,204 |
| B. Capital goods | 211 | 253 | 83 | 126 |
| C. Moveable goods: | - | - | - | - |
| - Motor vehicles | | | | |
| - Planes, boats and trains | - | - | - | - |
| - Other | | | - | - |
| D. Intangible assets: | - | - | - | - |
| - Trademarks | - | - | - | - |
| - Software | - | - | - | - |
| - Other | - | - | - | - |
| **Total** | **1,058** | **1,284** | **2,192** | **2,330** |

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

| | Unredeemed assets | | Assets repossessed following cancellation of | | Other assets | |
|---|---|---|---|---|---|---|
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| A. Properties: | - | - | 3,333 | 3,333 | 1,128 | 1,343 |
| - Land | - | - | - | - | - | - |
| - Buildings | - | - | 3,333 | 3,333 | 1,128 | 1,343 |
| B. Capital goods | - | - | 289 | - | 220 | 522 |
| C. Moveable assets: | - | - | - | - | - | - |
| - Motor vehicles | - | - | - | - | - | - |
| - Planes, boats and trains | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - |
| D. Intangible assets: | - | - | - | - | - | - |
| - Trademarks | - | - | - | - | - | - |
| - Software | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - |
| **Total** | **-** | **-** | **3,623** | **3,333** | **1,348** | **1,865** |

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 31.12.2022 | | | TOTAL 31.12.2021 | | |
|---|---|---|---|---|---|---|
| | Gross value | Impairment losses | Net value | Gross value | Impairment losses | Net value |
| **1 Performing** | **1,910,649** | **4,261** | **1,906,388** | **1,197,708** | **2,481** | **1,195,227** |
| exposure to assignors (with recourse): | 878,800 | 2,596 | 876,204 | 706,823 | 1,767 | 705,056 |
| - assignment of future receivables | 35,139 | 395 | 34,744 | 53,021 | 618 | 52,403 |
| - other | 843,661 | 2,201 | 841,460 | 653,802 | 1,149 | 652,653 |
| exposures to assigned debtors (without recourse): | 1,031,849 | 1,665 | 1,030,184 | 490,885 | 714 | 490,171 |
| **2 Non-performing** | **33,126** | **15,333** | **17,793** | **66,195** | **17,987** | **48,208** |
| **2.1 Doubtful exposures** | **14,675** | **13,036** | **1,639** | **11,444** | **10,813** | **631** |
| exposures to assignors (with recourse): | 8,395 | 6,802 | 1,593 | 5,041 | 4,444 | 597 |
| - assignment of future receivables | - | - | - | - | - | - |
| - other | 8,395 | 6,802 | 1,593 | 5,041 | 4,444 | 597 |
| exposures to assigned debtors (without recourse): | 6,280 | 6,234 | 46 | 6,403 | 6,369 | 34 |
| - purchases below nominal amount | - | - | - | - | - | - |
| - other | 6,280 | 6,234 | 46 | 6,403 | 6,369 | 34 |
| **2.2 Unlikely to pay exposures** | **17,791** | **2,259** | **15,532** | **53,378** | **7,094** | **46,284** |
| exposures to assignors (with recourse): | 17,716 | 2,184 | 15,532 | 53,335 | 7,051 | 46,284 |
| - assignment of future receivables | 13,617 | 1,010 | 12,607 | 18,050 | 896 | 17,154 |
| - other | 4,099 | 1,174 | 2,925 | 35,285 | 6,155 | 29,130 |
| exposures to assigned debtors (without recourse): | 75 | 75 | - | 43 | 43 | - |
| - purchases below nominal amount | - | - | - | - | - | - |
| - other | 75 | 75 | - | 43 | 43 | - |
| **2.3 Non-performing past due exposures** | **660** | **38** | **622** | **1,373** | **80** | **1,293** |
| exposures to assignors (with recourse): | - | - | - | 221 | 13 | 208 |
| - assignment of future receivables | - | - | - | - | - | - |
| - other | | | - | 221 | 13 | 208 |
| exposures to assigned debtors (without recourse): | 660 | 38 | 622 | 1,152 | 67 | 1,085 |
| - purchases below nominal amount | - | - | - | - | - | - |
| - other | 660 | 38 | 622 | 1,152 | 67 | 1,085 |
| **Total** | **1,943,775** | **19,594** | **1,924,181** | **1,263,903** | **20,468** | **1,243,435** |

## B.2 Breakdown by residual life

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

| Time bands | Advances | | Total receivables | |
|---|---|---|---|---|
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| - on demand | 100,958 | 81,844 | 274,696 | 198,929 |
| - up to 3 months | 687,559 | 562,501 | 781,638 | 670,050 |
| - between 3 and 6 months | 78,670 | 65,188 | 150,806 | 115,939 |
| - between six and twelve months | 12,026 | 39,070 | 23,246 | 23,673 |
| - beyond 1 year | 14,118 | 3,542 | 9,073 | 13,933 |
| - unspecified duration | | | 35,406 | 68,860 |
| **Total** | **893,331** | **752,145** | **1,274,865** | **1,091,384** |

This table refers exclusively to transactions that can be assigned under Law 52/91. Those not falling within this scope as at 31 December 2022 have no advances while their total receivables are Euro 555 thousand.

### B.2.2 Factoring without recourse: exposures

| Time bands | Exposures | |
|---|---|---|
| | 31.12.2022 | 31.12.2021 |
| - on demand | 31,843 | 25,218 |
| - up to 3 months | 777,602 | 351,965 |
| - between 3 and 6 months | 183,965 | 95,295 |
| - between six and twelve months | 13,181 | 7,203 |
| - beyond 1 year | 24,259 | 11,609 |
| - unspecified duration | | - |
| **Total** | **1,030,850** | **491,290** |

With reference to the available margins, being the difference between the amount given to the debtors and the amount used (outstanding receivables), in without-recourse assignment transactions at 31 December 2022 it amounts to Euro 1.8 billion.

### B.3 Other information

#### B.3.1 Turnover of factoring receivables

| Captions | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **1. Transactions without recourse** | **3,118,513** | **1,739,912** |
| of which: purchased below nominal amount | - | - |
| **2. Transactions with recourse** | **5,194,525** | **4,238,340** |
| **Total** | **8,313,038** | **5,978,252** |

This information differs from that indicated in the report, as this table also includes the turnover relating to the "formal" without-recourse element within with-recourse operations and it does not consider the turnover of certain factored transactions. The difference in 2022 is Euro 232 million.

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

| Captions | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Flow of contracts for the purchase of future receivables during the year | 286,695 | 263,881 |
| Amount of contracts outstanding at the period end | 137,090 | 162,405 |
| **Total** | **423,785** | **426,286** |

**D. GUARANTEES GIVEN AND COMMITMENTS**

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

| | | | |
|---|---|---|---|
| **1)** | **Financial guarantees given payable on first request** | **-** | **-** |
| | a) Banks | - | - |
| | b) Financial companies | - | - |
| | c) Customers | | |
| **2)** | **Financial guarantees given** | | |
| | a) Banks | | |
| | b) Financial companies | | |
| | c) Customers | | |
| **3)** | **Commercial guarantees given** | **-** | **-** |
| | a) Banks | - | - |
| | b) Financial companies | - | - |
| | c) Customers | | |
| **4)** | **Irrevocable commitments to grant funding** | **60,075** | **48,296** |
| | *a) Banks* | - | - |
| | i) of certain use | - | - |
| | ii) of uncertain use | | |
| | *b) Financial companies* | - | - |
| | i) of certain use | | |
| | ii) of uncertain use | | |
| | *a) Customers* | *60,075* | *48,296* |
| | i) of certain use | | |
| | ii) of uncertain use | 60,075 | 48,296 |
| **5)** | **Commitments underlying credit derivatives: protection sale** | - | - |
| **6)** | **Assets pledged to guarantee the commitments of third parties** | - | - |
| **7)** | **Other irrevocable commitments** | - | - |
| | a) to give guarantees | **-** | **-** |
| | b) other | **-** | **-** |
| | **Total** | **60,075** | **48,296** |

## 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

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 and UTP), 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 Group 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[5] differentiated by risk segment. All of the Parent Company's systems share a number of common characteristics:

- the rating is determined with reference to the specific counterparty;
- the rating 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;

[5] 9 classes of merit for the Large Corporate segment

- 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.

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 LGD (Loss Given Default, which represents the expected rate of loss in the case of default of the assigned counterparty, differentiated by type of exposure of the counterparty) which takes into account the specificity of the factoring product, the existence of guarantees (type and degree of cover) and the influence of prospective macro-economic scenarios.

*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*

More information about the scenarios adopted in order to determine the expected loss 31 December 2022 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 Company adopts the individual transaction approach; the exposure is deemed to be past due solely if the condition regarding continuity has been met, without the application of any materiality threshold (i.e. the entire transaction has to be considered past due regardless of the amount of the past due exposure).

With respect to exposures, which for supervisory purposes are classified as "central administrations and central banks", "regional administrations or local authorities" and "public entities" for the purpose of the calculation of capital requirements for credit risk, the continuous nature of the past due exposure, solely for past due non-performing exposures, ceases to be when the debtor has settled at least one of the positions that have been past due for more than 90 days, or where there are legal provisions that temporarily block the collection of receivables from a debtor and for as long as the provisions remain effective. In this case, the entire past due exposure is classified as "past due non-performing".

**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 moratoriums 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 exposures | Unlikely to pay exposures | Past due non-performing exposures | Past due performing exposures | Other performing exposures | Total |
|---|---|---|---|---|---|---|
| 1. Financial assets measured at amortised cost | 3,834 | 15,581 | 621 | 226,014 | 1,685,158 | 1,931,208 |
| 2. Financial assets measured at fair value through other comprehensive income | | | | | 859 | 859 |
| 3. Financial assets designated at fair value through profit and loss | | | | | | - |
| 4 Other financial assets mandatorily measured at fair value | | | | | | - |
| 5. Financial assets held for sale | | | | | | - |
| **Total 31.12.2022** | **3,834** | **15,581** | **621** | **226,014** | **1,686,017** | **1,932,067** |
| **Total 31.12.2021** | **2,962** | **46,287** | **1,293** | **141,321** | **1,067,910** | **1,259,773** |

### 2. Financial assets by portfolio and credit quality (gross and net amounts)

| Portfolio/Quality | . Non-performing | | | | **Performing** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Gross exposure** | **Total impairment adjustment** | **Net exposure** | **Total partial write-offs *** | **Gross exposure** | **Total impairment adjustment** | **Net exposure** | **Total (net exposure)** |
| 1. Financial assets measured at amortised cost | 40,966 | 20,930 | 20,036 | 4,830 | 1,915,489 | 4,317 | 1,911,172 | 1,931,208 |
| 2. Financial assets measured at fair value through other comprehensive income | - | - | - | - | 859 | | 859 | 859 |
| 3. Financial assets designated at fair value through profit and loss | | | - | | | | | |
| 4 Other financial assets mandatorily measured at fair value | | | - | | | | - | |
| 5. Financial assets held for sale | | | - | | | | - | |
| **Total 31.12.2022** | **40,966** | **20,930** | **20,036** | **4,830** | **1,916,348** | **4,317** | **1,912,031** | **1,932,067** |
| **Total 31.12.2021** | **73,624** | **23,082** | **50,542** | **4,830** | **1,211,784** | **2,553** | **1,209,231** | **1,259,773** |

** Amount to be shown for disclosure purposes*

Financial assets measured at amortised cost include non-performing receivables purchased from Carige, accounted for as impaired purchased receivables pursuant to IFRS 9, for a gross amount of Euro 1,742 thousand, the purchase price of which was Euro 234 thousand.

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 | 193,056 | 516 | 23 | 9,082 | 6,433 | 16,904 | 19 | 16 | 1,674 | | | 234 |
| 2. Financial assets measured at fair value through other comprehensive income | | | | | | | | | | | | |
| 3. Financial assets held for sale | | | | | | | | | | | | |
| **Total 31.12.2022** | **193,056** | **516** | **23** | **9,082** | **6,433** | **16,904** | **19** | **16** | **1,674** | | | **234** |
| **Total 31.12.2021** | **92,879** | **530** | **4** | **326** | **28,103** | **19,479** | **140** | **21,705** | **669** | | | **-** |

## 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 | | | | | | | | | | | | | | | | | | | | | | | Total provisions on commitments to grant funding and financial guarantees | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Assets included in Stage 1 | | | | | | Assets included in the Stage 2 | | | | | | Assets included in Stage 3 | | | | | | Of which: non-performing or originated financial assets | | | | | | | | |
| | Due from banks on demand | Financial assets measured at amortised cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual writedowns | of which: collective writedowns | Due from banks on demand | Financial assets measured at amortised cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual writedowns | of which: collective writedowns | Due from banks on demand | Financial assets measured at amortised cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual writedowns | of which: collective writedowns | Financial assets measured at amortised cost | Financial assets measured at fair value through other comprehensive | Financial assets held for sale | of which: individual writedowns | of which: collective writedowns | Stage 1 | Stage 2 | Stage 3 | |
| **Total opening adjustments** | | **1,980** | **1** | | **0** | **1,981** | | **572** | **0** | | **0** | **572** | | **23,082** | **0** | | **23,002** | **80** | | | | **0** | **0** | **9** | **0** | **20** | **25,664** |
| Increases from financial assets acquired or originated | | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Derecognitions other than write-offs | | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Net impairment adjustments for credit risk (+/-) | | 1,295 | | | | 1,295 | | 470 | | | | 470 | | (2,142) | | | (2,101) | (41) | | | | | | 9 | 1 | 9 | (358) |
| Contract changes without derecognitions | | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Changes in estimation method | | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |
| Write-offs not recognised directly to the income statement | | | | | | | | | | | | | | (4) | | | (4) | | | | | | | | | | (4) |
| Other changes | | | | | | | | | | | | | | (6) | | | (6) | | | | | | | | | | (6) |
| **Total closing adjustments** | | **3,275** | **1** | | **0** | **3,276** | | **1,042** | **0** | | **0** | **1,042** | | **20,930** | **0** | **0** | **20,891** | **39** | | | | | **0** | **18** | **1** | **29** | **25,296** |
| Recoveries from collection of financial assets subject to write-off | | | | | | | | | | | | | | (12) | | | (12) | | | | | | | | | | (12) |
| Write-offs recognised directly to the income statement | | | | | | | | | | | | | | | | | | | | | | | | | | | 0 |

**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 | 65,473 | 43,349 | 756 | 247 | 4,097 | 135 |
| 2. Financial assets measured at fair value through other comprehensive income | | | | | | |
| 3. Financial assets held for sale | | | | | | |
| 4. Commitments to grant funding and financial guarantees given | 1,140 | 420 | 82 | - | | |
| **TOTAL 31.12.2022** | **66,613** | **43,769** | **838** | **247** | **4,097** | **135** |
| **TOTAL 31.12.2021** | **69,918** | **16,426** | **5,716** | **174** | **28,153** | **-** |

**Table 5a Loans subject to Covid-19 support measures: transfers between the different stages of credit risk (gross amounts)**

At 31 December 2022, there are no outstanding exposures subject to Covid-19 support measures.

## 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 | | |
| **A. ON-BALANCE SHEET CREDIT EXPOSURES** | | | | | | | | | | |
| **A.1 On demand** | | | | | | | | | | |
| a) Non-performing | | | | | | | | | | |
| b) Non non-performing | 12,252 | | | | | | | | 12,252 | |
| **A.2 Other** | | | | | | | | | | |
| 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 | | | | | | | | | | |
| d) Past due performing exposure | 134,777 | 4,376 | | | 90 | 3 | | | 139,060 | |
| - of which: forborne exposures | | | | | | | | | | |
| e) Other performing exposures | 18,614 | | | | 7 | | | | 18,607 | |
| - of which: forborne exposures | | | | | | | | | | |
| **TOTAL (A)** | **165,643** | **4,376** | | | **97** | **3** | | | **169,919** | |
| **B. OFF-BALANCE SHEET CREDIT EXPOSURES** | | | | | | | | | | |
| a) Non-performing | | | | | | | | | | |
| a) Performing | | | | | | | | | | |
| **TOTAL (B)** | **-** | | | | | | | | | |
| **TOTAL (A+B)** | **165,643** | **4,376** | | | **97** | **3** | | | **169,919** | |

** 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 originated | | Stage 1 | Stage 2 | Stage 3 | Impaired acquired or originated | | |
| **A. ON-BALANCE SHEET CREDIT EXPOSURES** | | | | | | | | | | | | |
| a) Doubtful exposures | | | | 22,106 | 1,526 | | | | 18,460 | 1,338 | 3,834 | 4,369 |
| - of which: forborne exposures | | | | 428 | | | | | 426 | | 2 | |
| b) Unlikely to pay exposure | | | | 17,966 | 216 | | | | 2,431 | 170 | 15,581 | |
| - of which: forborne exposures | | | | 1 | | | | | | | 1 | |
| c) Past due non-performing exposure | | | | 660 | | | | | 39 | | 621 | |
| - of which: forborne exposures | | | | | | | | | | | - | |
| d) Past due performing exposure | | 59,022 | 28,204 | | | | 114 | 158 | | | 86,954 | |
| - of which: forborne exposures | | - | - | | | | | | | | - | |
| e) Other performing exposures | | 1,585,044 | 86,311 | | | | 3,061 | 884 | | | 1,667,410 | |
| - of which: forborne exposures | | | | | | | | | | | - | |
| **TOTAL (A)** | | **1,644,066** | **114,515** | **40,732** | **1,742** | **-** | **3,175** | **1,042** | **20,930** | **1,508** | **1,774,400** | **4,369** |
| ***B. OFF-BALANCE SHEET CREDIT EXPOSURES*** | | | | | | | | | | | | |
| a) Non-performing | | | | 173 | | | | | 29 | | 144 | |
| a) Performing | | 59,835 | 67 | | | | 18 | 1 | | | 59,883 | |
| **TOTAL (B)** | | **59,835** | **67** | **173** | | | **18** | **1** | **29** | | **60,027** | |
| **TOTAL (A+B)** | | **1,703,901** | **114,582** | **40,905** | **1,742** | | **3,193** | **1,043** | **20,959** | **1,508** | **1,834,427** | **4,369** |

** Amount to be shown for disclosure purposes*

## Table 6.4a Loans subject to Covid-19 support measures: gross and net amounts

At 31 December 2022 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 loans | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **A. Opening gross exposure** | **18,863** | ***5,041*** | ***6,403*** | ***7,419*** | **53,389** | ***53,335*** | ***43*** | ***11*** | **1,373** | ***221*** | ***1,152*** | |
| - of which: exposures assigned but not derecognised | | | | | | | | | | | | |
| **B. Increases** | **5,102** | ***4,870*** | ***33*** | ***199*** | **5,584** | ***5,334*** | ***31*** | ***219*** | **2,287** | ***221*** | ***2,066*** | |
| B.1 transfers from performing exposures | 1,891 | *1,849* | *33* | *9* | 4,241 | *4,241* | | | 936 | *212* | *724* | |
| B.2 transfers from non-performing financial assets acquired or originated | | | | | | | | | | | | |
| B.3 transfers from other categories of non-performing exposures | 1,421 | *1,421* | | | 216 | *1* | | *215* | | | | |
| B.4 contractual changes without derecognitions | | | | | | | | | | | | |
| B.5 Other increases | 1,790 | *1,600* | | *190* | 1,127 | *1,092* | *31* | *4* | 1,351 | *9* | *1,342* | |
| **C. Decreases** | **333** | ***177*** | ***156*** | | **40,791** | ***40,782*** | | ***9*** | **3,000** | ***440*** | ***2,560*** | |
| C.1 transfers to performing exposures | | | | | | | | | 840 | *11* | *829* | |
| C.2 write-offs | 4 | | *4* | | | | | | | | | |
| C.3 collections | 140 | *140* | | | 36,664 | *36,662* | | *2* | 1,737 | *121* | *1,616* | |
| C.4 recoveries through assignments | | | | | | | | | | | | |
| C.5 losses from assignments | | | | | | | | | | | | |
| C.6 transfers to other categories of non-performing exposures | | | | | 1,421 | *1,421* | | | 216 | *216* | | |
| C.7 contractual changes without derecognitions | | | | | | | | | | | | |
| C.8 other decreases | 189 | *37* | *152* | | 2,706 | *2,699* | | *7* | 207 | *92* | *115* | |
| **D. Closing gross exposure** | **23,632** | ***9,734*** | ***6,280*** | ***7,618*** | **18,182** | ***17,887*** | ***74*** | ***221*** | **660** | ***2*** | **658** | |
| - of which: exposures assigned but not derecognised | | | | | | | | | | | | |

## 6.5 bis On-balance sheet exposures to customers: trend in gross forborne exposures by credit quality

| Caption/Quality | Non-performing forborne exposures | of which: with recourse | other transactions | Forborne exposures: performing | of which: other transactions |
|---|---|---|---|---|---|
| **A. Opening gross exposure** | **431** | 332 | 99 | **6,734** | 6,734 |
| - of which: exposures assigned but not derecognised | | | | | |
| **B. Increases** | 5 | - | 5 | **-** | - |
| B.1 transfers from performing exposures not subject to forbearance | | | | - | |
| 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 | 5 | | 5 | | |
| **C. Decreases** | **7** | 4 | 3 | **6,734** | 6,734 |
| 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 | 2 | | 2 | 5,343 | 5,343 |
| C.6 recoveries through assignments | | | | | |
| C.7 losses on disposal | | | | | |
| C.8 other decreases | 5 | 4 | 1 | 1,391 | 1,391 |
| **D. Closing gross exposure** | **429** | 328 | 101 | **-** | - |
| - of which: exposures assigned but not derecognised | | | | | |

## 6.6 On-balance sheet exposures to customers: trend in total adjustments

| Captions/Categories | Doubtful loans | | | | | Unlikely to pay loans | | | | | Past due non-performing exposures | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total carrying amount | of which: with recourse | of which: without recourse | of which: other transactions | of which: forborne exposures | Total carrying amount | of which: with recourse | of which: without recourse | of which: other transactions | of which: forborne exposures | Total carrying amount | of which: with recourse | of which: without recourse | of which: other transactions | of which: forborne exposures |
| **A. Total opening adjustments** | **15,901** | ***4,444*** | ***6,369*** | ***5,088*** | ***425*** | **7,101** | ***7,052*** | ***43*** | ***6*** | ***0*** | **81** | ***13*** | ***68*** | | ***0*** |
| - of which: exposures assigned but not derecognised | | | | | | | | | | | | | | | |
| **B. Increases** | **2,761** | ***2,372*** | ***0*** | ***389*** | **1** | **927** | ***722*** | ***32*** | ***173*** | - | **23** | ***0*** | ***23*** | - | **0** |
| B.1 adjustments for non-performing financial assets acquired or originated | | | | | | | | | | | | | | | |
| B.2. other adjustments | 2,645 | *2,256* | | *389* | | 927 | *722* | *32* | *173* | | 23 | | *23* | | |
| B.3 losses on disposal | | | | | | | | | | | | | | | |
| B.4 transfers from other categories of non-performing exposures | 104 | *104* | | | | | | | | | | | | | |
| B.5 contractual changes without derecognitions | | | | | | | | | | | | | | | |
| B.6 Other increases | 12 | *12* | | | *1* | 0 | *0* | | | | | | | | |
| **C. Decreases** | **202** | ***14*** | ***135*** | ***53*** | - | **5,597** | ***5,590*** | ***0*** | ***7*** | - | **65** | ***13*** | ***52*** | - | **0** |
| C.1 writebacks on remeasurement | 186 | *2* | *131* | *53* | | 1 | *1* | | | | 30 | *13* | *17* | | |
| C.2 writebacks on collection | 12 | *12* | | | | 5,485 | *5,485* | | | | 35 | | *35* | | |
| C.3 gains on disposal | | | | | | | | | | | | | | | |
| C.4 write-offs | 4 | | *4* | | | | | | | | | | | | |
| C.5 transfers to other categories of non-performing exposures | | | | | | 104 | *104* | | | | | | | | |
| C.6 contractual changes without derecognitions | | | | | | | | | | | | | | | |
| C.7 other decreases | 0 | | | | | *7* | | | *7* | | | | | | |
| **D. Total closing adjustments** | **18,460** | ***6,802*** | ***6,234*** | ***5,424*** | **426** | **2,431** | ***2,184*** | ***75*** | ***172*** | **0** | **39** | ***0*** | ***39*** | ***0*** | ***0*** |
| - of which: exposures assigned but not derecognised | | | | | | | | | | | | | | | |

## 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 | | |
| **A. Financial assets measured at amortised cost** | - | - | - | - | - | - | **1,957,963** | **1,957,963** |
| - Stage 1 | | | | | | | 1,796,598 | 1,796,598 |
| - Stage 2 | | | | | | | 118,891 | 118,891 |
| - Stage 3 | | | | | | | 42,474 | 42,474 |
| - Impaired acquired or originated | | | | | | | | - |
| **B. Financial assets measured at fair value through other comprehensive income** | - | - | - | - | - | - | **859** | **859** |
| - Stage 1 | | | | | | | 859 | 859 |
| - Stage 2 | | | | | | | | - |
| - Stage 3 | | | | | | | | |
| - Impaired acquired or originated | | | | | | | | |
| **C. Financial assets held for sale** | - | - | - | - | - | - | - | - |
| - Stage 1 | | | | | | | | |
| - Stage 2 | | | | | | | | |
| - Stage 3 | | | | | | | | |
| - Impaired acquired or originated | | | | | | | | |
| **Total (A+B+C)** | - | - | - | - | - | - | **1,958,822** | **1,958,822** |
| **D. Commitments to grant funding and financial guarantees given** | - | - | - | - | - | - | - | **60,075** |
| - Stage 1 | | | | | | | | 59,902 |
| - Stage 2 | | | | | | | | - |
| - Stage 3 | | | | | | | | 173 |
| - Impaired acquired or originated | | | | | | | | |
| **Total (D)** | - | - | - | - | - | - | - | **60,075** |
| **Total (A+B+C+D)** | - | - | - | - | - | - | **1,958,822** | **2,018,897** |

The table lists the reference external rating agencies.

| **Portfolios** | **ECA/ECAI** | **Rating characteristics (*solicited/unsolicited* )** |
|---|---|---|
| Exposures to Central Administrations and Banks | Scope Ratings | *Unsolicited* |
| Exposures to international organisations | Fitch Ratings | *Unsolicited* |
| Exposures to multilateral development banks | Fitch Ratings | *Unsolicited* |
| Exposures to companies and other entities | Cerved Group | *Unsolicited* |
| | Fitch Ratings (*) | *Solicited* |
| Exposures to UCITS | Fitch Ratings (*) | *Solicited* |
| 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 weighting factor | ECAI Cerved Group |
|---|---|---|
| 1 | 20% | A1.1, A1.2, A1.3 |
| 2 | 50% | A2.1, A2.2, A3.1 |
| 3 | 100% | B1.1, B1.2 |
| 4 | 100% | B2.1, B2.2 |
| 5 | 150% | C1.1 |
| 6 | 150% | C1.2, C2.1 |

**Long-term rating for exposures to securitizations:**

| Creditworthiness class | Risk weighting factor | ECAI Fitch Rating |
|---|---|---|
| 1 | 20% | da AAA a AA- |
| 2 | 50% | da A+ a A- |
| 3 | 100% | da BBB+ a BBB- |
| 4 | 350% | da BB+ a BB- |
| 5 | 1250% | inferiori a BB- |

| Creditworthiness class | Risk weighting factor | ECAI Fitch Rating |
|---|---|---|
| 1 | 20% | da AAA a AA- |
| 2 | 50% | da A+ a A- |
| 3 | 100% | da BBB+ a BBB- |
| 4 | 350% | da BB+ a BB- |
| 5 | 1250% | inferiori a BB- |

**Long-term rating for exposures to central administrations:**

| Creditworthiness class | Risk weighting factor | ECAI Scope Ratings |
|---|---|---|
| 1 | 0% | from AAA to AA- |
| 2 | 20% | from A+ to A- |
| 3 | 50% | from BBB+ to BBB- |
| 4 | 100% | from BB+ to BB- |
| 5 | 100% | from B+ to B- |
| 6 | 150% | from CCC to D |

7.2 Breakdown of financial assets, commitments to grant funding and financial guarantees given by internal ratings (gross amounts).

The Company uses the standardised approach for calculating credit risk.

## 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 | 31.12.2022 |
|---|---|
| PUBLIC ADMINISTRATION | 32,174 |
| NON-FINANCIAL COMPANIES | 1,622,727 |
| HOUSEHOLDS | 145,294 |
| FINANCIAL COMPANIES | 170,020 |
| **Total** | **1,970,215** |

| Business segment of off-balance sheet exposures | 31.12.2022 |
|---|---|
| PUBLIC ADMINISTRATION | 139 |
| NON-FINANCIAL COMPANIES | 55,926 |
| HOUSEHOLDS | 4,009 |
| FINANCIAL COMPANIES | 1 |
| **Total** | **60,075** |

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 (in thousands of Euro) | Amount |
|---|---|
| North-West | 632,751 |
| North-East | 601,214 |
| Centre | 316,198 |
| South and islands | 159,346 |
| **Total Italy** | **1,709,509** |
| Other European countries | 198,428 |
| America | 31,704 |
| Africa | 1,573 |
| Asia | 28,666 |
| Oceania | 335 |
| **Total Rest of the world** | **260,706** |
| **Total** | **1,970,215** |

| Geographical area of off-balance sheet exposures (in thousands of Euro) | Amount |
|---|---|
| North-West | 13,762 |
| North-East | 28,250 |
| Centre | 7,610 |
| South and islands | 5,181 |
| **Total Italy** | **54,803** |
| Other European countries | 4,763 |
| Africa | 27 |
| Asia | 482 |
| **Total Rest of the world** | **5,272** |
| **Total** | **60,075** |

Amounts are shown before adjustments.

### 9.3 Large exposures

| | a) Amount (carrying amount) | b) Amount (weighted) | c) Number of positions |
|---|---|---|---|
| **Large exposures** | 637,004 | 304,055 | 17 |

## MARKET RISK

### 3.1.1 INTERREST 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 BPER Factor 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 the factor 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 the factor 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 | Beyond 3 months and up to 6 months | Beyond 6 months and up to 12 months | Beyond 1 year and up to 5 years | Between 5 year and up to 10 years | Beyond 10 years | Unspecified duration |
|---|---|---|---|---|---|---|---|---|
| **1. Assets** | **980,425** | **684,487** | **178,166** | **17,524** | **26,804** | **74** | **-** | **-** |
| 1.1 Debt securities | - | 859 | - | | - | - | - | - |
| 1.2. Loans and receivables | 980,425 | 683,628 | 178,166 | 17,524 | 26,804 | 74 | | |
| 1.3. Other assets | | | | | | | | |
| **2. Liabilities** | **1,630,039** | **49,500** | **11,996** | **98** | **2,192** | **40** | **-** | **-** |
| 2.1. Payables | 1,630,039 | 49,500 | 11,996 | 98 | 2,192 | 40 | - | - |
| 2.2. Debt securities | | | - | - | - | - | - | - |
| 2.3 Other liabilities | - | | - | - | - | - | - | - |
| **3. Financial derivatives** | | | | | | | | |
| **Options** | | | | | | | | |
| 3.1 Long positions | - | - | - | - | - | - | - | - |
| 3.2 Short positions | - | - | - | - | - | - | - | - |
| **Other derivatives** | | | | | | | | |
| 3.3 Long positions | - | - | - | - | - | - | - | - |
| 3.4 Short positions | - | - | - | - | - | - | - | - |

*(dollars)* *(Euro/1000)*

| Captions/residual maturity | On demand | Up to 3 months | Beyond 3 months and up to 6 months | Beyond 6 months and up to 12 months | Beyond 1 year and up to 5 years | Beyond 5 years and up to 10 years | Beyond 10 years | Unspecified duration |
|---|---|---|---|---|---|---|---|---|
| **1. Assets** | **26,039** | **20,497** | **3,815** | **-** | **-** | **-** | **-** | **-** |
| 1.1 Debt securities | - | - | - | - | - | - | - | - |
| 1.2. Loans and receivables | 26,039 | 20,497 | 3,815 | | - | - | - | - |
| 1.3. Other assets | - | - | - | - | - | - | - | - |
| **2. Liabilities** | **50,641** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2.1. Payables | 50,641 | | - | - | - | - | - | - |
| 2.2. Debt securities | - | - | - | - | - | - | - | - |
| 2.3 Other liabilities | - | - | - | - | - | - | - | - |
| **3. Financial Options** | | | | | | | | |
| 3.1 Long positions | - | - | - | - | - | - | - | - |
| 3.2 Short positions | - | - | - | - | - | - | - | - |
| **Other derivatives** | | | | | | | | |
| 3.3 Long positions | - | - | - | - | - | - | - | - |
| 3.4 Short positions | - | - | - | - | - | - | - | - |

*(Other currencies)* *(Euro/000)*

| Captions/residual maturity | On demand | Up to 3 months | Beyond 3 months and up to 6 months | Beyond 6 months and up to 12 months | Beyond 1 year and up to 5 years | Beyond 5 years and up to 10 years | Beyond 10 years | Unspecified duration |
|---|---|---|---|---|---|---|---|---|
| **1. Assets** | **1,284** | **4,019** | **1,185** | **-** | **-** | **-** | **-** | **-** |
| 1.1 Debt securities | | - | - | - | - | - | - | - |
| 1.2. Loans and receivables | 1,284 | 4,019 | 1,185 | - | - | - | - | - |
| 1.3. Other assets | - | - | - | - | - | - | - | - |
| **2. Liabilities** | **6,287** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2.1. Payables | 6,287 | | - | - | - | - | - | - |
| 2.2. Debt securities | - | - | - | - | - | - | - | - |
| 2.3 Other liabilities | - | - | - | - | - | - | - | - |
| **3. Financial derivatives** | | | | | | | | |
| **Options** | | | | | | | | |
| 3.1 Long positions | - | - | - | - | - | - | - | - |
| 3.2 Short positions | - | - | - | - | - | - | - | - |
| **Other derivatives** | | | | | | | | |
| 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 other comprehensive income”. No securities of this type are present at 31/12/2022.

**QUANTITATIVE INFORMATION**

### 3.2.3 EXCHANGE RISK

**QUALITATIVE INFORMATION**

**1. General aspects**

Exchange risk is 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 and also 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 Dollars | Swiss Francs | Other currencies |
| **1. Financial assets** | **50,351** | **2,066** | **-** | **-** | **470** | **3,951** |
| 1.1 Debt securities | | | | | | |
| 1.2 Equity instruments | | | | | | |
| 1.3 Receivables | 50,351 | 2,066 | | - | 470 | 3,951 |
| 1.4 Other financial assets | | | | | | |
| **2. Other assets** | | | | | | |
| **3. Financial liabilities** | **50,641** | **2,045** | **-** | **-** | **470** | **3,771** |
| 3.1. Payables | 50,641 | 2,045 | - | - | 470 | 3,771 |
| 3.2 Debt securities | | | | | | |
| 3.3 Other financial liabilities | | | | | | |
| **4. Other liabilities** | | 16 | - | - | - | |
| **5. Derivatives** | - | - | - | - | - | - |
| 5.1 Long positions | | | | | | |
| 5.2 Short positions | | | | | | |
| **Total assets** | **50,351** | **2,066** | **-** | **-** | **470** | **3,951** |
| **Total liabilities** | **50,641** | **2,061** | **-** | **-** | **470** | **3,771** |
| **Net balance (+/-)** | **(290)** | **5** | **0** | **0** | **0** | **180** |

**2. Models and other methods for measuring and managing exchange risk**

**3. Other quantitative information on exchange risk**

**OPERATIONAL RISK**

**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[6] 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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[1] *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

No operating loss events were recognised in 2022.

**REPUTATIONAL RISK**

**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 Risk Office which is part of the Risk Management Function, with support from the organisational units involved (Reputational Risk Owner) in managing the risk and monitoring the corrective actions needed to mitigate any vulnerabilities that may arise.
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.

With reference to the reputational risk management process, the following results are reported (specifying that the analyses relating to the monitoring of Reputational Risk Indicators and the Reputational Risk Self Assessment have currently been carried out only at Group level):

- no reputational events were recorded in 2022;
- no critical issues regarding the reputation of the Legal Entity arose from monitoring the Parent Company's Key Risk Indicators (KRIs) in 2022;
- no critical issues regarding the reputation of the Legal Entity were identified by the Parent Company as part of its Risk Self Assessment (RSA) in 2022;
- there were no events prior to 2022 with potential future impacts on reputation.

No internal capital is allocated to cover reputational risk (as it is included in other categories of risk).

**LEGAL RISK**

The risks associated with legal disputes are carefully analysed by the Company and the Parent Company. When there are legal disputes for which an outlay is probable and it is possible to make a reliable estimate of the amount involved, allocations are made to the provisions for risks and charges. With regard to significant legal disputes currently pending, important developments at 31 December 2022 are reported below.
Seven lawsuits against the Company were notified in 2022.

• Writ served on 10 November 2022 by the assigned debtor "CIP Lombardia" before the Court of Milan for alleged damages quantified at Euro 515 thousand by the assignor following the interruption of gas supplies. The assigned debtor has summoned both the assignor Alphberg and BPER Factor, asserting that they "owe nothing" to the assignee of the receivables. The exposure is 90% guaranteed by SACE and a provision has been made for the portion not covered. The first hearing for the debtor is scheduled for 15/03/2023.

• The administrators of the "Società Italiana Condotte d'Acqua in A.S." procedure have taken legal action for compensation against the major Italian banks, certain factors and the members of the Management Committee, Supervisory Board and PWC in joint liability for having aggravated the damage by financing a company in a state of insolvency. The summons is before the Court of Rome with the first hearing scheduled for 12/7/2023. BPER Factor's role involved the factoring of receivables due in temporary joint venture with Cosedil from the Consorzio per le Autostrade Siciliane – CAS, for the execution of works relating to the Syracuse Gela motorway. The first reflections on the part of the lawyers are currently underway. At the time these financial statements were being prepared, there were no elements that required a provision.

• Arbitration proceedings against the Company notified on 01/08/2022 by the debtor Gas Rimini. Claiming breach of contract, the debtor is asking for compensation for damages from the assignor of Euro 6.2 million; alternatively, the debtor is asking the Judge to ascertain and declare that the debtor owes nothing to BPER Factor. To date, the first meeting before the arbitrator has been held.

• On 19/04/2022, a writ of summons was served by the "Società Italiana Condotte d'Acqua in A.S." for a bankruptcy clawback claim involving the remittances and payments made in the six months prior to the decree of admission to the counterparty's composition with creditors, which took place on 08/01/2018, equal to Euro 4.4 million. At the hearing in December 2022, BPER Factor's lawyers objected that the request was null and void; the judge reserved judgement at the hearing and his decision is still to be announced. The Company's lawyers are of the opinion that the lawsuit is unfounded as far as BPER Factor is concerned.

• On 11/04/2022, a writ of summons was served to ascertain the debt position of "Acciaierie d'Italia Spa" (assigned debtor) versus BPER Factor Spa and to ascertain that nothing is due on the part of the debtor, as well as a claim for damages of Euro 95 million due to a line of credit based on an alleged abusive granting of credit by BPER Factor. There are two requests, one subordinate to the other and closely connected to another dispute pending between BPER Factor and the debtor, in which the debtor paid a total of Euro 40 million in April 2022. From an initial analysis carried out by the lawyers who are following the dispute, there are no grounds for this lawsuit and, with reference to the damage, the debtor's complaints are considered without foundation, far less a hypothetical damage. At 31 December 2022, the dispute is at the stage of the preliminary briefs.

With regard to significant disputes currently pending, important developments in the last six months are reported below.

• COGEFER: clawback proceedings - undertaken by the Cogefer bankruptcy trustee with deed notified on 23/12/2021 for a claim of Euro 250,840.18; the object of the clawback request are the payments obtained by BPER Factor and made by the debtor GSE as a result of the receivable assignment between Cogefer and BPER Factor completed in 2015. The dispute is being followed by BPER Credit Management. On 16/09/2022 the sentence was pronounced to accept the clawback, condemning BPER Factor to pay to the "Co.ge.fer." bankruptcy the amount of Euro 227,196.64 subject to reimbursement depending on the outcome of the appeal which is being notified by BCM.

• INCOFINSCO: On 29 March 2022, the Court of Bologna passed sentence in which it rejected in full the requests of Incofinsco, accepting BPER Factor's reasoning and highlighting the contracts concluded between our Company and Monfin Lease on a date prior to the alleged transfer between Monfin Lease and Incofinsco, as well as subsequent agreements with the receivership. The sentence was challenged last July by a subject who claimed to be a transferee of Incofinsco. The first hearing of the appeal is scheduled for 31.01.2023.

• FRANCESCA IMMOBILIARE: this concerns a guarantee call by Finecobank, before the Court of Milan, following the action taken by Francesca Immobiliare for the assessment and possible obligation to repay Euro 1.1 million relating to sums subject to enforcement of a pledge on securities that had been granted as collateral for real estate lease contracts entered into with Emil-Ro Leasing Srl (absorbed by Emil-Ro Factor and now BPER Factor). Francesca Immobiliare's request is based on an alleged apocryphal signature (i.e. of doubtful authenticity) on the pledge agreement with Emil-Ro Leasing. During the proceedings of first instance, a graphology expert review was carried out on one of the two pledge deeds, which confirmed that the signature on it was apocryphal. The pledge in question, enforced by BPER Factor, refers to a figure of Euro 0.2 million, a portion of the total amount of the dispute. The case was postponed for clarification of the conclusions and exchange of the reply briefs. BPER Factor filed a criminal complaint for the ascertainment of hypothetical crimes in relation to the issue of the guarantee with an apocryphal signature.

• SINV SPA: concerns the writ of summons from the assigned debtor Sinv Spa before the Court of Vicenza with a summons from the assignor Ad Srl for defects in the goods being supplied due to serious delays in delivery, and from BPER Factor to ascertain that nothing is due. On 29/07/2022 the settlement between SINV SPA, BPER Factor Spa and the assignor AD SRL was defined with the signing of:
- an agreement settling the dispute with the assigned debtor SINV SPA for the amount of Euro 177 thousand with resolution of the dispute through payment by the assigned debtor SINV SPA which took place on 05/08/2022;
- agreement with the assignor Ad Srl to resolve the outstanding dispute with which it offered, in final settlement of its exposure, Euro 50 thousand by payment in 5 instalments of Euro 5,000 each on a monthly basis from August to November with a final instalment of Euro 30,000 by 31/12/2022. On this last date, the debtor asked to pay the amount due in three instalments, January, February and March 2023; to date, the instalment expected at the end of January has been paid.
It should be noted that the following disputes have also been resolved with an out-of-court settlement:
• Ferrara Food Bankruptcy: settlement with payment of Euro 0.9 million relating to the 2 clawback proceedings for a total claim of Euro 7.6 million;
• The dispute with CTA was settled by us paying Euro 158,394.91 on 05/08/2022 under the sentence issued in February 2022 with CTA waiving the possibility of appealing to the Court of Cassation.
• Elleciesse Bankruptcy: settlement and payment of Euro 0.1 million to close the clawback proceedings for which a settlement had been reached at the end of 2021, for which the claim was for Euro 0.5 million.

## 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:
  volumes; or
  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 | between 3 and 6 months | between 6 and 12 months | 1 to 3 years | 3 to 5 years | beyond 5 years | unspecified duration |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash assets** | **144,002** | **33,944** | **137,481** | **252,861** | **1,001,628** | **254,052** | **25,590** | **15,562** | **26,750** | **240** | |
| A.1 Government securities | | | | | | | | 850 | | | |
| A.2 Other debt securities | | | | | | | | | | | |
| A.3 Loans | 144,002 | 33,944 | 137,481 | 252,861 | 1,001,628 | 254,052 | 25,590 | 14,712 | 26,750 | 240 | - |
| A.4 Other assets | | | | | | | | | | | |
| | | | | | | | | | | | |
| **Cash liabilities** | **1,623,886** | **46,634** | **1,307** | **1,788** | **4,247** | **13,648** | **123** | **2,108** | **84** | **40** | |
| B.1 Due to: | | | | | | | | | | | |
| - Banks | 1,589,464 | 46,000 | 712 | - | - | 11,960 | - | - | - | 40 | - |
| - Financial companies | | | | | | | | | | | |
| - Customers | 34,422 | 634 | 595 | 1,788 | 4,247 | 1,688 | 123 | 2,108 | 84 | - | - |
| B.2 Debt securities | | | | | | | | | | | |
| B.3 Other liabilities | | | | | | | | | | | |
| **Off-balance sheet transactions** | **8,382** | **1,742** | **5,000** | **14,594** | **16,041** | **9,804** | **782** | **4** | | | |
| 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 | | | | | | | | | | | |
| - Long positions | | | | | | | | | | | |
| - Short positions | | | | | | | | | | | |
| C.4 Irrevocable commitments to issue loans | | | | | | | | | | | |
| - Long positions | 8,382 | 1,742 | 5,000 | 14,594 | 16,041 | 9,804 | 782 | 4 | | | |
| - 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 | between 3 and 6 months | between 6 and 12 months | 1 to 3 years | 3 to 5 years | beyond 5 years | unspecified duration |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash assets** | **5,299** | **179** | **2,782** | **4,571** | **29,252** | **8,497** | | | | | |
| A.1 Government securities | | | | | | | | | | | |
| A.2 Other debt securities | | | | | | | | | | | |
| A.3 Loans | 5,299 | 179 | 2,782 | 4,571 | 29,252 | 8,497 | | | | | |
| A.4 Other assets | | | | | | | | | | | |
| **Cash liabilities** | **50,641** | | | | | | | | | | |
| B.1 Due to: | | | | | | | | | | | |
| - Banks | 50,641 | | | | | | | | | | |
| - Financial companies | | | | | | | | | | | |
| - Customers | | | | | | | | | | | |
| B.2 Debt securities | | | | | | | | | | | |
| B.3 Other liabilities | | | | | | | | | | | |
| **Off-balance sheet transactions** | **73** | | **104** | **219** | **3,232** | **98** | | | | | |
| 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 | | | | | | | | | | | |
| - Long positions | | | | | | | | | | | |
| - Short positions | | | | | | | | | | | |
| C.4 Irrevocable commitments to issue loans | | | | | | | | | | | |
| - Long positions | 73 | | 104 | 219 | 3,232 | 98 | | | | | |
| - 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 | between 3 and 6 months | between 6 and 12 months | 1 to 3 years | 3 to 5 years | beyond 5 years | unspecified duration |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash assets** | **2** | | | **1,637** | **3,670** | **1,188** | | | | | |
| A.1 Government securities | | | | | | | | | | | |
| A.2 Other debt securities | | | | | | | | | | | |
| A.3 Loans | 2 | | | 1,637 | 3,670 | 1,188 | | | | | |
| A.4 Other assets | | | | | | | | | | | |
| **Cash liabilities** | **6,287** | | | | | | | | | | |
| B.1 Due to: | | | | | | | | | | | |
| - Banks | 6,287 | | | | | | | | | | |
| - Financial companies | | | | | | | | | | | |
| - Customers | | | | | | | | | | | |
| B.2 Debt securities | | | | | | | | | | | |
| B.3 Other liabilities | | | | | | | | | | | |
| **Off-balance sheet transactions** | | | | | | | | | | | |
| 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 | | | | | | | | | | | |
| - Long positions | | | | | | | | | | | |
| - Short positions | | | | | | | | | | | |
| C.4 Irrevocable commitments to issue loans | | | | | | | | | | | |
| - Long positions | | - | - | - | - | - | - | - | - | - | - |
| - 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 12,112 thousand, bringing shareholders' equity to Euro 147,445 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 | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **1. Share capital** | **54,591** | **54,591** |
| **2. Share premium reserve** | **20,814** | **20,814** |
| **3. Reserves** | **60,034** | **59,155** |
| **- income reserves** | | |
| a) legal reserve | 3,863 | 3,819 |
| b) statutory reserve | | |
| c) reserve for treasury shares | | |
| d) other | 49,296 | 48,461 |
| **- other** | 6,875 | 6,875 |
| **4. (Treasury shares)** | | |
| **5. Valuation reserves** | **(106)** | **(218)** |
| - Equity securities designated at fair value through other comprehensive income | | |
| - Hedging of equity securities designated at fair value through other comprehensive income | | |
| - Financial assets (other than equity instruments) measured at fair value through other comprehensive income | 8 | 7 |
| - 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 | (114) | (225) |
| - Portion of measurement reserve of equity investments carried at equity | | |
| **6. Equity instruments** | | |
| **7. Net profit (loss)** | **12,112** | **879** |
| **Total** | **147,445** | **135,221** |

#### 4.1.2.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

| Assets/Amounts | Total 31.12.2022 | | Total 31.12.2021 | |
|---|---|---|---|---|
| | Positive reserve | Negative reserve | Positive reserve | Negative reserve |
| 1 Debt securities | 8 | | 7 | |
| 2. Equity instruments | | | | |
| 3. Loans and receivables | | | | |
| Total | 8 | - | 7 | - |

#### 4.1.2.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: changes during the year

| | Debt securities | Equity instruments | Loans |
|---|---|---|---|
| **1. Opening balance** | 7 | 0 | **-** |
| **2. Increases** | **6** | **-** | **-** |
| 2.1 Fair value increases | | | |
| 2.2 Impairment adjustments for credit risk | | | |
| 2.3 Release to the income statement of negative reserves: from | 5 | | |
| 2.4 Transfer to other components of equity (equity instruments) | | | |
| 2.5 Other changes | 1 | | |
| **3. Decreases** | **5** | **0** | **-** |
| 3.1 Fair value decreases | 4 | | |
| 3.2 Impairment adjustments for credit risk | | | |
| 3.3 Release to the income statement of negative reserves: from disposals | 1 | | |
| 3.4 Transfer to other components of equity (equity instruments) | | | |
| 3.5 Other changes | | | 0 |
| **4. Closing balance** | **8** | **0** | **0** |

### 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

| | | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| **A.** | **Core capital (Tier 1 capital before the application of prudential filters** | **135,332** | **134,341** |
| B. | Prudential filters of Tier 1 capital: | | |
| B.1 | Positive IFRS prudential filters (+) | | |
| B.2 | Negative IFRS prudential filters (-) | | |
| **C.** | **Tier 1 capital gross of items to be deducted (A+B)** | **135,332** | **134,341** |
| D. | Items to be deducted from Tier 1 capital | **(5,615)** | **(5,569)** |
| **E.** | **Total Tier 1 capital (C-D)** | **129,717** | **128,772** |
| **F.** | **Supplementary capital (Tier 2 capital before the application of prudential filters** | | |
| G. | Prudential filters for Tier 2 capital: | | |
| G.1 | Positive IFRS prudential filters (+) | | |
| G.2 | Negative IFRS prudential filters (-) | | |
| **H.** | **Tier 2 capital gross of items to be deducted (F+G)** | | |
| I. | Items to be deducted from Tier 2 capital | | |
| **L.** | **Total Tier 2 capital (H-I)** | | |
| M. | Items to be deducted from Tier 1 and Tier 2 capital | | |
| **N.** | **Capital for regulatory purposes (E+L+M)** | **129,717** | **128,772** |

### 4.2.2 Capital adequacy

**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.

### 4.2.2.1 QUANTITATIVE INFORMATION

| Description/Amounts | Unweighted amounts | | Weighted amounts/Requirements | |
|---|---|---|---|---|
| | 31/12/2022 | 31/12/2021 | 31/12/2022 | 31/12/2021 |
| **A. RISK ASSETS** | | | | |
| A.1 Credit and counterparty risk | 1,953,587 | 1,274,631 | 1,632,076 | 1,147,030 |
| **B. CAPITAL ADEQUACY REQUIREMENTS** | | | | |
| B.1 Credit and counterparty risk | | | 97,925 | 68,822 |
| B.2 Requirements for the provision of payment services | | | | |
| B.3 Requirement for the issue of electronic money | | | | |
| B.4 Specific prudential requirements | | | 3,159 | 2,680 |
| B.5 Total capital requirements | | | 101,084 | 71,502 |
| **C. RISK ASSETS AND CAPITAL RATIOS** | | | | |
| C.1 Risk-weighted assets | | | 1,684,730 | 1,207,401 |
| C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio) | | | 7.70% | 10.67% |
| C.3 Capital for supervisory purposes including Tier 3/Risk-weighted assets (Total capital ratio) | | | 7.70% | 10.67% |

## SECTION 5 – ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

| | Captions | 31.12.2022 | 31.12.2021 |
|---|---|---|---|
| **10.** | **Net profit (loss)** | **12,112** | **879** |
| | **Other elements of income without release to the income** | | |
| **20.** | Equity securities designated at fair value through other comprehensive income: | **0** | **(27)** |
| | a) changes in fair value | | |
| | 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 other 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 | **171** | **(69)** |
| **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 | **(59)** | **7** |
| | **Other elements of income with release to income statement** | | |
| **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 other comprehensive income: | **0** | **(13)** |
| | a) changes in fair value | | (13) |
| | 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 | | **4** |
| **190.** | **Total other elements of income** | **112** | **(98)** |
| **200.** | **Total comprehensive income (Captions 10+190)** | **12,224** | **781** |

## 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 2022 was Euro 144,795 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 2022 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 2022.

## ASSETS

(in thousands of Euro)

| Company | Financial assets measured at amortised cost | Other assets |
|---|---|---|
| BPER Banca S.p.A. | 20,883 | 134 |
| Sardaleasing | 929 | |
| SIFA' - Company italiana flotte aziendali | 1,795 | - |
| **Total** | **23,607** | **134** |

## LIABILITIES & SHAREHOLDERS' EQUITY

(in thousands of Euro)

| Company | Financial liabilities measured at amortised cost | Other trade payables |
|---|---|---|
| BPER Banca S.p.A. | 1,705,063 | 2,985 |
| SIFA' - Company italiana flotte aziendali | 356 | - |
| **Total** | **1,705,419** | **2,985** |

## 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. | 228 | (1,379) | (3,433) | (1,431) |
| SIFA' - Company italiana flotte aziendali | | | (4) | (73) |
| **Total** | **228** | **(1,380)** | **(3,437)** | **(1,504)** |

There are no transactions with related parties of an atypical and/or unusual nature carried out during the year and no transactions extraneous to ordinary business activity, or transactions capable of significantly influencing the economic, equity and financial situation of the company. Intercompany relations are regulated according to normal market conditions.

## 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 01.01.2022 | Depreciation for the year | Other changes for the year | Impairment losses for the year | Carrying amount 31.12.2022 |
|---|---|---|---|---|---|
| b) buildings | 2,262 | (363) | 114 | | 2,013 |
| e) other | 239 | (94) | 175 | | 320 |
| **Total** | **2,501** | **- 457** | **289** | **-** | **2,333** |

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 | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Short-term lease costs | - | 1 |
| Costs for lease of low-value assets (*) | 19 | 19 |
| Profits relating to financial sub-leases | - | |
| **TOTAL** | **19** | **20** |

(*) Including VAT

### 7.3 Lease liabilities: trend

| Debt broken down by type of investment | Lease liabilities at 1.1.2022 | Interest of the year | Payments for the year | Other changes during year | Carrying amount at 31.12.2022 |
|---|---|---|---|---|---|
| b) buildings | 2,276 | 22 | (379) | 115 | 2,034 |
| e) other | 239 | 4 | (96) | 175 | 322 |
| **TOTAL** | **2,515** | **26** | **(475)** | **290** | **2,356** |

# 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 31.12.2021 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 2021, 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)

| Assets | 31.12.2021 |
|---|---|
| Financial assets | 119,964,143 |
| *- designated at fair value through profit or loss* | *956,911* |
| *- measured at fair value through other comprehensive income* | *6,424,261* |
| *- measured at amortised cost* | *112,582,971* |
| *Property, plant and equipment and intangible assets* | *3,602,581* |
| Tax assets and other asset captions | 3,875,001 |
| **Total assets** | **127,441,725** |

| Liabilities and shareholders' equity | 31.12.2021 |
|---|---|
| Financial liabilities | 117,428,486 |
| *- measured at amortised cost* | *117,296,407* |
| *- held for trading* | *132,079* |
| Other liabilities and provisions | 3,600,456 |
| Shareholders' equity | 6,412,783 |
| **Total liabilities** | **127,441,725** |

| Income statement captions | 31.12.2021 |
|---|---|
| **Net interest income** | **1,167,289** |
| Net commission income | 1,259,923 |
| Profits (losses) on financial transactions | 234,360 |
| **Net interest and commission income** | **2,661,572** |
| Net impairment adjustments for credit risk and contractual changes | (644,052) |
| **Net profit from financial activities** | **2,017,520** |
| Operating costs | (2,194,444) |
| Net adjustments to continuing operations | 868,640 |
| **Profit from continuing operations before income taxes** | **691,716** |
| Income taxes for the year | (124,513) |
| **Net profit** | **567,203** |

Bologna, 22 February 2023

The Board of Directors

*Deputy Chairman*

Stefano Vittorio Kuhn

# REPORT OF THE BOARD OF STATUTORY AUDITORS

**REPORT OF THE BOARD OF STATUTORY AUDITORS**

**TO THE SHAREHOLDERS' MEETING**

**PURSUANT TO ART. 2429, PARAGRAPH 2, OF THE ITALIAN CIVIL CODE**

To the Sole Shareholder of BPER Factor S.p.A.

Pursuant to art. 2429, paragraph 2, of the Italian Civil Code, this is our report on the supervisory activity that we carried out during the year ended 31 December 2022, in compliance with the reference legislation, also taking into account the Rules of Conduct of the Board of Statutory Auditors issued by the Italian National Council of Chartered Accountants and Accounting Experts, published in December 2020 and effective from 1 January 2021.

It should be noted that we, as the Board of Statutory Auditors, carried out the control activity on the administration, pursuant to art. 2403, paragraph 1, of the Italian Civil Code, while the audit of the financial statements for legal purposes, pursuant to art. 2409-bis of the Italian Civil Code, was carried out by the Independent Auditors, Deloitte & Touche S.p.A. ("Deloitte").

This report is to inform you of this activity and its results.

The financial statements of BPER Factor S.p.A. at 31 December 2022 were drawn up in compliance with IAS/IFRS, which show a profit for the year of Euro 12,111,816. These financial statements were made available to us by the legal deadline.

Given that we were not responsible for auditing the financial statements for legal purposes, we carried out the supervisory activities on the financial statements envisaged in Rule 3.8 of the "Rules of Conduct of the Board of Statutory Auditors of Unlisted Companies", which consist of an overall summary check to verify that the financial statements have been drawn up correctly. The audit to ensure that they agree with the accounting records is the responsibility of Deloitte, who are required to issue a professional opinion on the financial statements pursuant to art. 14, Legislative Decree no. 39/2010.

The independent auditors issued their report on 29 March 2023 with a clean opinion on the financial statements. As stated by Deloitte in its report, the financial statements at 31 December 2022 provide a true and fair view of the assets and liabilities and financial position, economic result and cash flows of your Company and have been prepared in accordance with the law regulating how they are to be drawn up.

- ***Supervisory activities***

We 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 board of directors 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 function outsourced to the parent company BPER Banca S.p.A. in charge of the internal control system and no significant data or information arose that would need to be included in this report.

We read the reports of the Supervisory Body and no critical issues emerged with regard to correct implementation of the organisational model as per Legislative Decree no. 231/2001 that might need to be mentioned in this report.

We acquired information and, within the scope of our responsibilities, supervised the adequacy of the organisational, administrative and accounting structure and its effective functioning, also by collecting information from the heads of department and 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 or 2409 of the Italian Civil Code.

The following opinions were issued during the year:

- Report on Significant Outsourced Operational Functions;
- Report on Whistleblowing - internal system of the BPER group for reporting violations of the banking and financial legislation and the fight against money laundering and terrorist financing, as well as fraud;

During the supervisory activity we received the communication dated 25 November 2022 with which the Chairman of the Board of Directors resigned with effect from 31 December 2022. The communication was discussed at the meeting of the Board of Directors held on 14 December 2022. The Deputy Chairman took over the role of Chairman of the Board of Directors as his temporary replacement.

At the meeting of 25 January 2023, the Board of Directors announced that the checks to be carried out as part of the suitability assessment required by the Bank of Italy in its instructions dated 4 May 2021 were pending for the purpose of integrating the Board by the date of the Shareholders' Meeting for the approval of the financial statements at 31 December 2022.

- ***Observations regarding the financial statements***

We examined the draft financial statements at 31 December 2022, 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. 2423.5 of the Civil Code.

- ***Conclusions***

Considering the results of the activity that we carried out and the opinion expressed by Deloitte in their audit report, we do not find any reason for the Sole Shareholder not to approve the financial statements for the year ended 31 December 2022, as prepared by the directors.

We do not have any observations to make about the directors' proposal for allocation of the profit for the year as contained in the notes.

Bologna, 30 March 2023

**The Board of Statutory Auditors**

Andrea Fabbri - Chairman

Enrico Marchi - Acting Auditor

Roberta Lecchi - Acting Auditor

# Report of the Independent Auditors

Deloitte & Touche S.p.A.
Piazza Malpighi, 4/2
40123 Bologna
Italia

Tel: +39 051 65811
Fax: +39 051 230874
www.deloitte.it

# INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLES 14 AND 19-BIS OF LEGISLATIVE DECREE NO. 39 OF JANUARY 27, 2010

**To the Sole Shareholder of**
**BPER Factor S.p.A.**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of BPER Factor S.p.A. (the "Company"), which comprise the balance sheet as at December 31, 2022, 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, 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 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 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | 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.

Deloitte.



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 BPER Factor S.p.A. are responsible for the preparation of the report on operations of BPER Factor S.p.A. as at December 31, 2022, 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 BPER Factor S.p.A. as at December 31, 2022 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 BPER Factor S.p.A. as at December 31, 2022 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 29, 2023

*This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*