BPER:
Gruppo

CONSOLIDATED INTERIM REPORT ON OPERATIONS AS AT 31 MARCH 2021

The present document is the English translation of the Italian Consolidated interim report on operations, prepared for and used in Italy, and has been translated only for the convenience of international readers. The Consolidated interim report on operations was prepared using International Reporting Standards (IAS/IFRS); therefore it is 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 Banca S.p.A.
Head office in Via San Carlo 8/20, Modena, Italy
Tel. 059/2021111 – Fax 059/2022033
Register of Banks no. 4932
Parent Company of the BPER Banca S.p.A. Banking Group
Registered in the Register of Banking Group with ABI code 5387.6
http://www.bper.it, http://istituzionale.bper.it;
E-mail: bpergroup@bper.it – Certified e-mail (PEC): bper@pec.gruppobper.it
Company belonging to the BPER Banca VAT Group, VAT no. 03830780361
Tax Code and Modena Companies Register no. 01153230360
Modena Chamber of Commerce 222528 Share capital as at 28 October € 2,100,435,182.40
Member of the Interbank Deposit Protection Fund and of the National Guarantee Fund
Ordinary shares listed on the MTA market

Contents

Directors and officers of the Parent Company at the date of approval of the Consolidated interim report on operations as at 31 March 2021

Board of Directors

Chairman:	Flavia Mazzarella
Deputy chairman:	Riccardo Barbieri
Chief Executive Officer:	Piero Luigi Montani
Directors:	Elena Beccalli Silvia Elisabetta Candini Maria Elena Cappello Cristiano Cincotti Gianfranco Farre Alessandro Robin Foti Roberto Giay Gianni Franco Papa Marisa Pappalardo Monica Pilloni Alessandra Ruzzu Gian Luca Santi

Board of Statutory Auditors

Chairman:	Nicola Bruni
Acting Auditors:	Paolo De Mitri Patrizia Tettamanzi
Substitute Auditors:	Andrea Scianca

General Management

General Manager:	Alessandro Vandelli
Deputy General Managers:	Stefano Rossetti (Vice) Pierpio Cerfogli

Manager responsible for preparing the Companys financial reports

Manager responsible for preparing the Companys financial reports:	Marco Bonfatti

Independent Auditors

Deloitte & Touche s.p.a.

Group interim report on operations as at 31 March 2021

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Introduction

In the first quarter of 2021, the world economy confirmed the convincing signs of recovery that were already emerging in the latter part of 2020, thanks mainly to some key factors - the gradual introduction of vaccines and the announcement of further and important fiscal support in the United States - which have helped to improve confidence on a global scale. Management by the various countries concerned of the new and more recent lockdown phases, some still in place, proved to be more effective than last year and, on average, the damage to their respective economies was lower than expected. Looking at the macroeconomic data for the first three months, however, one cannot fail to notice how the recovery still appears highly uneven geographically, and the fact that it still depends a great deal, not only on economic policies, but also on how the pandemic evolves. The following is an analysis of the individual areas.

The Eurozone was undoubtedly one of the regions most affected by the third wave of Covid-19, so much so that many governments were forced to introduce new social distancing measures or extend those already in force. The negative effects of these measures were reflected above all on service activities, while the impact on industry - more exposed to the trend in the international economic cycle - was relatively small; a situation that was also reflected in the classic leading indicators of the cycle, the Purchasing Managers Indices (PMI): they recorded a constant and widespread improvement throughout the quarter, but there was manufacturing, on the one hand, that flew to record values (March PMI at 62.5 points), while the tertiary sector, on the other, saw another contraction. In other words, the underlying context is still very mixed and, in all probability, this will lead to a decrease in the Eurozones GDP i n the first quarter of around 1% (estimates gathered by Bloomberg). The scenario has been complicated all the more by the high level of uncertainty that has always accompanied not only the evolution of the pandemic, but also the progress of the vaccination campaigns, which for a series of problems - not least the failure to deliver doses as scheduled by the pharmaceutical companies - continued much more slowly than in other developed countries. As regards the trend in consumer prices, after having spent the last five months of 2020 below zero, inflation in the Eurozone started to rise again, turning in a positive variance of 1.3% y/y in March 2021. In addition to the rapid growth in raw material prices (energy components, above all), some specific factors contributed to this increase, such as the end of the reduction in VAT rates applied in Germany in the second half of 2020 and the update of the inflation basket in terms of weightings and components. On the monetary policy front, there were no particular changes, apart from a repeated commitment by the European Central Bank (ECB) to support the recovery. In this sense, the ECB has declared that from the second quarter of 2021 the rate of purchases of the PEPP (purchase programme for the pandemic emergency) will be significantly higher than that seen in the opening months of the year; this in order to counteract a substantial and persistent rise in yields, which could well trigger a tightening of monetary conditions for all sectors of the economy.
Looking more broadly at Europe, the United Kingdom deserves a special mention, as - thanks to a particularly efficient vaccination campaign - British Prime Minister Boris Johnson announced a gradual return to normality from the beginning of April.
As for Italy, as has often happened in the past, the economy has broadly followed the trend of the entire Eurozone. Economic activity as a whole - measured by the PMI Composite index - has starting to expand again, thanks to the resilience of the manufacturing sector, which has benefited from the improvement in demand and industrial output on a global scale. Also in terms of consumer prices, the trend has been similar to that observed in the rest of the Eurozone, with inflation turning positive again (+0.8% y/y in March),

mainly thanks to the lower deflationary contribution of energy goods. On the political front, a new government was formed during the quarter, led by former ECB President Mario Draghi.
In the United States, the outlook for the economy has improved significantly in recent months. There have been positive signs since the beginning of the year when, with the conquest of the Senate, the Democratic Party obtained control over both branches of Congress, making the legislative activity of the new administration easier. For his part, President Biden did not delay intervening in support of the economy, approving a package of incentives worth about $ 1.900 billion that accompanied the one totalling $ 900 billion, launched at the end of last year. At the same time as these generous fiscal stimuli, the vaccination campaign in the USA has managed to maintained an excellent pace; so much so, that at the end of March practically 30% of US citizens had received at least one dose of vaccine (the average of the European Union on the same date was less than 12%). These factors, combined with a pandemic emergency that has been less severe on average than in Europe, have allowed the US economy to achieve growth in the first quarter which, according to estimates gathered by Bloomberg, should translate into an increase in GDP of more than 5% q/q annualised. Manufacturing has accelerated further compared with the already robust figures at the end of 2020, but the most significant progress has been achieved in the services sector, whose PMI index in March exceeded the threshold of 60 points. A strong contribution to growth also came from private consumption, which recorded a strong increase thanks to the payment of public subsidies. Furthermore, after a disappointing figure at the end of 2020, the labour market has also been showing signs of recovery: in March, the number of new employees reached nearly one million, and the unemployment rate, which closed last year at 6.7%, fell to 6%. The prospects for a vigorous economic recovery were reflected in a marked growth in the inflation rate, further fuelled by a simultaneous rise in raw material prices and the positive base effect by being compared with energy prices in the same period last year: the general consumer price index, equal to 1.4% at the end of 2020, has increased to 2.6% y/y in March, while core inflation - i.e. without the more volatile components - posted a rise of 1.6% y/y in the same month. The Fed, which left monetary policy unchanged during the first quarter, repeatedly confirmed that it did not believe in a structural increase in consumer prices, indeed categorising the phenomenon as “transitory”. Governor Powell consequently dismissed concerns over a possible early removal of the stimulus, confirming his intention to leave rates unchanged for a long time to come.

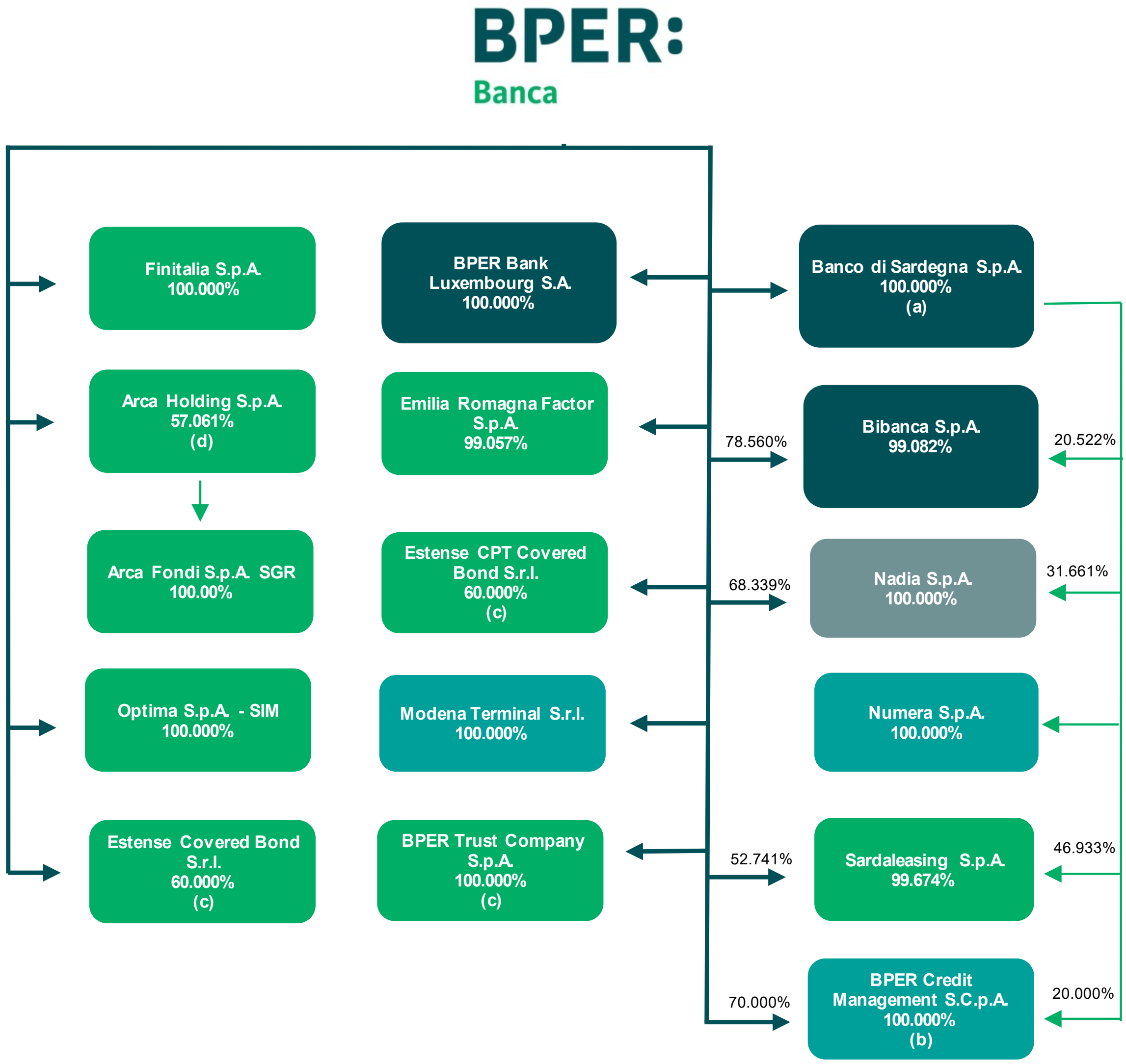
For emerging countries, the first three months of 2021 were not an easy phase. In several areas, thanks to the spread of new variants, there has been a particularly acute resurgence in cases of Covid-19, so much so that many governments have been forced to impose new restrictive measures. From the point of view of economic growth, a particularly significant slowdown was observed in Brazil, with the PMI Composite index that from the 53.5 points at the end of 2020 has slipped into the contraction area.
On the contrary, the Russian economy, which benefited from the marked rise in energy components, saw its PMI Composite index go from 48.3 points in December to 54.6 in March.
In China, the first quarter economic data confirmed that the recovery was underway, although GDP, up by 0.6% q/q, slowed down compared with the last three months of 2020. It should also be emphasised that the context created during this first phase of 2021 - represented by rising US rates, growing strength of the dollar and pressure on the inflation front - has induced numerous central banks of emerging countries (Russia, Brazil and Turkey, to name a few) to raise the cost of money, in order to prevent an acceleration of inflation or substantial outflows of capital.

As regards the financial markets, the first quarter of the year was characterised by a rise in the yields of medium/long-term government bonds, but which did not prevent the main world stock exchanges from recording appreciable and widespread rises. In the equity sector, the prospects of a rapid economic recovery favoured a strong sector rotation, which rewarded the sectors most dependent on the economic cycle (above all, energy and finance) to the detriment of the so-called "Growth" sectors, primarily technology, penalised among other things by higher interest rates. If the MSCI AC World Index closed the first quarter of 2021 up by 4.2%, geographically the European stock exchanges (Euro Stoxx 50 +10.3%) stood out, favoured precisely by a higher presence of cyclical stocks, as well as by a weaker euro. Among the listings of the Old Continent, Piazza Affari (FtseMib +10.9%) shone particularly, further galvanised by what has been called the "Draghi effect". Positive changes were also recorded in Asian markets (+8.3% for Japans Topix), while the performance of emerging markets was more modest (MSCI Emerging Markets: +1.9%), penalised in general by the rise in US interest rates and the strengthening of the dollar, as well as by the negative performance of the Chinese market, held back, among other things, by renewed political tensions between Beijing and Washington. On the bond markets, the combined effect of the rise in prices of many commodities and expectations of a strong economic recovery - in the wake of vaccines and approval of the fiscal support plan in the US - has led to a significant increase in inflation expectations, resulting in a sharp rise in government rates. It was US Treasuries that lost out, posting a significant rise in yields, mainly in the medium/long-term sections of the curve; the contagion then inevitably made itself felt in Europe, but the uncertainties linked to vaccines and greater attention by the ECB to the rate trend limited the losses, especially for the bonds of the peripheral countries of the Eurozone. Among spread markets, bonds from emerging countries suffered the most, penalised - like equities - by the trend in the dollar and the rise in US rates. In terms of currency, the euro lost ground against the dollar and sterling, reflecting the different growth prospects of the respective economies (in line with the different vaccination trends). On the other hand, the single currency appreciated against the yen which, in a context of rising global rates, paid for the rigid curve control policy adopted by the BoJ.

Lastly, among raw materials, oil posted a significant rebound, thanks to better prospects for world demand and the commitment by the OPEC+ countries to limit production levels; gold, on the other hand, penalised by the rise in US real rates, ended the quarter with a 10% decline.

1. Key figures

1.1 BPER Banca Groups structure as at 31 March 2021



a) Equivalent to 99.159% of the entire Share Capital consisting of ordinary and preference.

b) The following Companies are also shareholders of BPER Credit Management S.C.p.A.:
- Sardaleasing S.p.A. (6.000%);
- Bibanca S.p.A. (3.000%);
- Emilia Romagna Factor S.p.A. (1.000%).

c) Subsidiary companies consolidated under the equity method.

d) Subsidiary company which is not member of the banking group since it does not contribute directly to its activities.

In addition to the above members of the Banking Group, the scope of consolidation also includes the following subsidiary companies which are not members of the Banking Group since they do not contribute directly to its activities.
These companies are consolidated under the equity method of the Parent Company:
- Adras S.p.A. (100%);
- Italiana Valorizzazioni Immobiliari S.r.l. (100%);
- Sifà S.p.A. (100%).

1.2 Summary of results

The profit made by the BPER Banca Group in the first quarter of 2021, Euro 400.3 million, has increased by Euro 393.9 million compared with the first quarter of 2020. The result, which benefits from the pro-rata temporis economic contribution of the business unit represented by no. 587 former UBI Banca branches acquired from the Intesa Sanpaolo Group starting on 22 February 2021, is influenced by non-recurring positive items, such as:

- accounting for the provisional badwill of Euro 781.5 million arising from the business combination;
- recognition of the expected recovery of Euro 296.4 million of tax on the badwill as an adjustment of the consideration to be borne by Intesa Sanpaolo.

In addition, the result for the period is also impacted by negative non-recurring items, such as:

- the recognition of additional impairment losses on loans for Euro 260.0 million, as a result of updating of its valuation policies;
- the recognition of impairment on the goodwill allocated to the BPER Banca CGU of Euro 230.4 million;
- accounting for Euro 83.4 million of costs related to the integration of the former UBI Banca branches;
- the recognition of net impairment losses on property, plant and equipment and intangible assets for Euro 8.9 million;
- adjustment of Euro 19.8 million to the profit-sharing quota to be paid to the Resolution Fund in execution of the agreements connected with the acquisition of Nuova Carife s.p.a.;
- recognition of the negative impact, Euro 22.5 million, connected to the change in the accounting method used to measure properties used in operations from cost to fair value.

The result for the period was also affected by the charge for the ordinary contribution to the Single European Resolution Fund (SRF) for the whole of 2021, Euro 31.1 million.

The financial solidity of the BPER Banca Group was again clearly visible at 31 March 2021: the Fully Phased CET1 ratio of 13.42% shows an increase in capitalisation compared with 31 December 2020, when the Fully Phased CET1 ratio was 13.21%[1]. The Phased-in CET 1 ratio was 14.41%, well above the ECBs minimum requirement of 8.125%. The liquidity position is excellent, with a liquidity coverage ratio (LCR) of 201.7%, well above the regulatory threshold of 100%.

Asset quality continues to register improvements with a reduction in gross and net NPE ratios which, at 31 March 2021, stood at 6.12% and 3.20% respectively, down from 7.84% and 4.02% at the end of 2020. Credit quality has been affected by the contribution of the UBI Business Unit and by the effectiveness of the de-risking carried out during the quarter, which have led to:

- a coverage ratio of the non-performing loan portfolio equal to 49.53% (50.95% at 31 December 2020), maintained at high levels despite including the non-performing portfolio of the former UBI Banca branches after PPA adjustments[2]. Specifically, bad loans have a coverage ratio of 57.84%

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

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

(65.00% at 31 December 2020), while UTP loans have coverage of 42.22% (39.12% at the end of 2020);

- an annualised default rate of 0.7%, further down compared to 1.0% at the end of 2020;
- a Texas ratio that has fallen to 54.73%, from 55.37%[3] restated at 31 December 2020;
- a cost of credit equal to 55 bps for the first quarter of 2021 (27 bps at 31 March 2020), corresponding to 222 bps on an annualised basis (84 bps net of the additional loss adjustments mentioned above).

For further details on the results achieved by the BPER Banca Group in the first quarter of 2021, please refer to chapter 4 "The BPER Banca Groups results of operations" in this Report.

1.3 Performance ratios[4]

Financial ratios	31.03.2021	2020 (*)
Structural ratios		
Net loans to customers/total assets	58.42%	56.96%
Net loans to customers/direct deposits from customers	79.80%	83.95%
Financial assets/total assets	20.47%	26.50%
Gross non-performing loans/gross loans to customers	6.12%	7.84%
Net non-performing loans/net loans to customers	3.20%	4.02%
Texas ratio[5]	54.73%	55.37%
Profitability ratios		
ROE[6]	26.50%	4.41%
ROTE[7]	29.29%	5.06%
ROA[8]	1.28%	0.28%
Cost to income ratio[9]	72.12%	68.72%
Cost of credit risk[10]	0.55%	0.27%

(*) The comparative patrimonial ratios, including ROE, ROTE and ROA, and the economical ones have been calculated respectively on figures at 31 December 2020 and 31 March 2020 which takes into account the effects of the retrospective application of change in the accounting method used to measure property, plant and equipment held for investment. (For further details on the balance sheet figures at 31 December 2020 and the income statement figures at 31 March 2020 used in determining the ratios, please refer to the paragraphs "Restatement of the reclassified consolidated financial statements of the BPER Banca Group as at 31 December 2020" and "Restatement of the reclassified consolidated income statement of the BPER Banca Group as at 31 March 2020" in the "Attachments" section of this Report).

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[3] *For the construction of the ratio at 31 December 2020, reference should be made to paragraph 1.3 "Performance ratios" of this chapter at the foot of the "Financial ratios" table.*

[4] *The information provided is consistent with the ESMA document of 5 October 2015 "Guidelines - Alternative performance indicators", aimed at promoting the usefulness and transparency of Alternative Performance Indicators included in prospectuses or regulated sources of information. To construct ratios, reference was made to the balance sheet and income statement figures of the reclassified statements prepared from a management point of view as mentioned in chapter "The BPER Banca Group's results of operations" as per this Report.*

[5] *The texas ratio is calculated as total gross non-performing loans on net tangible equity increased by impairment provisions for non-performing loans.*

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

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

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

[9] *The Cost to income ratio has been calculated on the basis of the layout of the reclassified income statement (operating costs/operating income); when calculated on the basis of the layout provided by the 6th update of Bank of Italy Circular no. 262, the Cost to income ratio is at 81.42% (73.04% at 31 March 2020 taking into account the effects of the retrospective application of change in accounting method used to measure property, plant and equipment held for investment.).*

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

(cont.)

Financial ratios	31.03.2021	2020 (*)
Own Funds (Phased in)[11] (in thousands of Euro)		
Common Equity Tier 1 (CET1)	6,558,745	5,931,675
Own Funds	7,738,411	7,097,554
Risk-weighted assets (RWA)	45,519,474	33,487,963
Capital and liquidity ratios		
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in	14.41%	17.71%
Tier 1 Ratio (T1 Ratio) - Phased in	14.74%	18.16%
Total Capital Ratio (TC Ratio) - Phased in	17.00%	21.19%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Phased	13.42%	15.81%
Leverage Ratio - Phased in[12]	5.0%	6.9%
Leverage Ratio - Fully Loaded[13]	4.6%	6.1%
Liquidity Coverage Ratio (LCR)	201.7%	200.1%
Net Stable Funding Ratio (NSFR)	131.6%	123.7%

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

[11] Items have been calculated according to the provisions of Regulation (EU) 2395/2017, which amends the Regulation (EU) 575/2013 (CRR) relating to "Transitional provisions to mitigate the impact of IFRS 9 on Own Funds". Regulation introduced the transitional arrangement (or so-called "Phased In") giving banks a chance to spread the effect on Own Funds over a period of 5 years (from March 2018 to December 2022), sterilizing the impact on CET1 by applying decreasing percentages over time. The BPER Banca Group chose to adopt the so-called "static approach" to be applied to the impact from comparing the IAS 39 adjustments at 31 December 2017 and the IFRS 9 adjustments at 1 January 2018.

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

[13] See previous note.

2. Significant events and strategic transactions

2.1 Acquisition of a Business Unit from the Intesa Sanpaolo Group

The increase in share capital carried out by the BPER Banca Group on 3 November 2020 was intended to finance the acquisition of a business complex made up of three business units with a view to significantly increasing the size of the BPER Banca Group and the customer base to which to provide banking services. Negotiations for the business complex began with Intesa Sanpaolo s.p.a. on 16 February 2020 as part of its acquisition of control of UBI Banca s.p.a. and continued until the final purchase contracts were signed on 19 February 2021. The business complex includes the following: (i) the legal relationships, assets and liabilities of a business unit owned by UBI Banca (consisting of no. 455 bank branches and no. 132 operating points), a business unit owned by Intesa Sanpaolo (consisting of no. 31 bank branches and no. 2 operating points) and a business unit owned by UBISS (a consortium company controlled by UBI Banca) which essentially provides services to the branches being acquired.
The geographical distribution of the branches and operating points shows a high concentration in Northern Italy, particularly in Lombardy.
The human resources involved amount to a total of 5,107 people, including a number of resources affected by the voluntary exit plan contained in the trade union agreement signed by Intesa Sanpaolo with the Trade Unions on 29 September 2020, substantially in line with the objectives of BPER Banca. The business complex is made up principally of staff from the network of branches and operating points and from the Private and Corporate Banking departments, to which are added resources from the "semi-centre", who support the regional and area coordination units of the branches that have been acquired, and from the "centre", to strengthen the central, control and IT support functions.

The contract for the sale of the UBI Banca and UBISS business units was finalised on 19 February 2021 and took effect from 22 February 2021, while the transfer of the Intesa Sanpaolo business unit is expected to take place on 21 June 2021. The total consideration paid to the Intesa Sanpaolo Group for the business complex that includes the three business units is approximately Euro 644 million, of which Euro 23.5 million relating to the unit belonging to Intesa Sanpaolo will be paid on the day that the transfer takes effect. The Common Equity Tier 1 capital of the entire business complex (with all three business units) comes to Euro 1,611.0 million. In accordance with the indications of the IAS/IFRS reference standards, for the purposes of this Report, BPER Banca carried out a provisional valuation of the assets acquired and liabilities taken on at fair value (Purchase Price Allocation - PPA), the result of which led to a "gain from a bargain purchase" or "badwill". For more details, please refer to the information provided in the Explanatory Notes "Information on business combinations involving businesses or business units".

The UBI Banca business unit included legal relationships and related assets/liabilities concerning certain products issued and placed by UBI Banca to customers and, in particular, the prepaid cards issued on the Mastercard and Pagobancomat circuit, as well as virtual private credit cards called *"Ricariconto"*. BPER Banca sold these relationships *en bloc* on 19 February 2021 to its subsidiary Bibanca s.p.a., within the BPER Banca Group pursuant to art. 58 of the Consolidated Banking Act, in line with the Groups business model which is concentrating Consumer Finance and Monetics in Bibanca. This sale took effect immediately after the acquisition of the UBI Banca business unit.

More specifically, the relationships transferred to Bibanca are represented by over no. 240,000 prepaid cards, by the total amount of money credited to the cards and by virtual private credit cards, reserved for individuals, which make it possible to pay current account movements in instalments. The Ricariconto portfolio had more than 18,000 accounts with total receivables of more than Euro 13 million.

Following the acquisition from Intesa Sanpaolo, the number of Italian branches in the BPER Banca Group network went from no. 1,237 at 31 December 2020 to no. 1,820 at 31 March 2021.

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

On 5 August 2020[14] the Parent Company BPER Banca approved the update of the 2020-2021 financial forecasts of the BPER Banca Group, effectively updating its "BEST WAY Business Plan 2019-2021". This update, which substantially confirmed the strategic lines of development of the original plan, takes into adequate consideration the change in the current and prospective macroeconomic scenario deriving from the Covid-19 pandemic, the definition of extraordinary transactions not originally envisaged in the Plan, such as the acquisition of control of Arca Holding, as well as the acquisition of the Intesa Sanpaolo business units and the related increase in share capital, also clearly not envisaged.
The latest forecasts also acknowledge that the growth in revenue - significantly slower than originally forecast - and the dynamics of impairment losses on loans, affected by the worse expectations for economic performance, will not allow to reach the profit target of Euro 450 million that was forecast in the original plan to be reached by the end of 2021 on a like-for-like basis.
As part of the update, the new combined entity is expected to generate a consolidated profit in 2021 of Euro 348 million, without including the result of the Purchase Price Allocation relating to the acquisition of the business unit from Intesa Sanpaolo. In addition, the target gross NPE Ratio, originally expected to fall below 9% by the end of the Plan, has also been affected by the deterioration in the macroeconomic scenario. The adoption of additional measures to contain and reduce the stock of non-performing loans should however result in a ratio at the end of 2021 that is only slightly higher than the expected level and, in any case, somewhere around 10%. Financial strength, as reflected in the target CET1 ratio, is expected to exceed 13%[15].
In addition to what has already been highlighted in the previous paragraphs regarding the acquisition of the business units from the Intesa Sanpaolo Group, a summary of the main extraordinary transactions, carried out over the course of the Plan up to the date of this Report, is proposed below.

The main transactions carried out in 2019 and 2020

The following were carried out in particular:

- acquisition from the Unipol Group of 100% of Unipol Banca (and therefore, indirectly, of Finitalia) and its subsequent absorption by BPER Banca;
- significant reduction in the Groups minorities by purchasing the minority interests in Banco di Sardegna;
- acquisition of a further interest in Arca Holding (and therefore, indirectly, in Arca Fondi SGR), resulting in control over it;

[14] A further update of the financial forecasts was approved by the Board of Directors on 29 September 2020, to reflect the most recent forecasts on the timing of execution of the agreements with Intesa Sanpaolo, initially assumed to be by the end of 2020.
[15] In addition to the effects of acquiring the business unit from Intesa Sanpaolo, this forecast also includes other projects, currently underway, which are able to influence regulatory capital.

- merger by absorption of the two Piedmontese subsidiaries Cassa di Risparmio di Bra s.p.a. and Cassa di Risparmio di Saluzzo s.p.a. by the Parent Company in July 2020.

Macroeconomic and financial forecasts

In the context of updating the forecasts for 2020-2021, the changes in the principal economic and financial aggregates of the BPER Banca Group were determined by estimating the volumes, interest rates and spreads applicable to customers, partly with reference to forecasts about macroeconomic trends and the performance of the banking sector prepared by leading research centres. The effects of the various planned initiatives were applied to the information obtained in the above manner.

The macroeconomic variables of greatest importance for the BPER Banca Group relate to the Italian economy. The dynamics of international variables (trends in the GDPs of principal world economies, changes in the monetary policies of non-Eurozone countries and exchange rate movements) are relevant to the extent that they affect the Italian economy.

As stated, the principal macroeconomic variables underpinning the Plan have been heavily conditioned by the change in scenario imposed by the Covid-19 emergency. In fact, at the time of preparing this Report as at 31 March 2021, the global macroeconomic picture is still clouded by significant uncertainties.

Preparing updated forecasts inevitably suffers from this uncertainty, which led the principal providers (including the Bank of Italy, the ECB, specialist companies and the research departments of leading banks and asset managers) to assume different forward-looking scenarios, depending on the evolution of the pandemic and the effectiveness of the health, political and economic measures taken by the relevant institutions.

The forecasts for the economic performance of the country that were used to revise the BEST WAY Business Plan targets in August 2020 reflected a possible scenario, potentially subject to later adjustment. In fact, the forecasts took into consideration a substantial drop in GDP for 2020 (-9.4%), followed by only a partial recovery in 2021 (+5.4%). The phase of normalisation was assumed to be reached only gradually. Full recovery was expected to be long and difficult, with different effects depending on the sector and geographical area. A return to pre-crisis conditions was not considered likely prior to 2024[16].

The update of the forecasts used in the 2019-2021 Plan, substantially limited to 2021 as this was the last year of the Plan, was confirmed when that years Budget was being prepared in December 2020, on the basis of an even more recent update of the macroeconomic scenario. The latest forecasts to be available[17] do in fact confirm the expected trend with a GDP forecast in 2021 of +4.7%, versus a smaller decline in 2020 (-8.9%).

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

Since the start of the emergency, the BPER Banca Group has tackled the situation with immediate answers, taking steps to contain risk, safeguard the health of employees and customers, guarantee the continuity of critical business processes and implement economic support measures for households and businesses.

In particular, initiatives have been adopted which make it possible to limit the presence of personnel in the branches and offices to reduce the opportunities and risks of contagion, also differentiating them according to the gravity of the areas concerned; this made it possible to continue providing services even in the areas worst hit by the pandemic.

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[16] *The summary outcomes of the scenario used are consistent with the equivalent results of the macroeconomic scenario prepared by the ECB/Bank of Italy in June 2020.*

[17] *Forecast Report March 2021, Source: Prometeia.*

Support for the economy and local communities

Right from the start of the health crisis the BPER Banca Group activated a series of measures in favour of households and businesses to mitigate the adverse effects of Covid-19 on the real economy, while also adopting and implementing the related ministerial decrees (in accordance with the EBA guidelines). Action included the suspension of instalment payments for various reasons, including job loss and liquidity shortages due to the emergency, as well as advances against government-assisted redundancy pay (CIG) and loans funded by the Liquidity Decree.

Starting in March 2020, the BPER Banca Group granted moratoria on loans for a total residual debt of Euro 16 billion (of which Euro 5 billion referring to customers acquired with the UBI Business Unit), of which Euro 8.1 billion is still outstanding at 31 March 2021.

Total loans granted with a State guarantee amounted to Euro 6.1 billion (of which Euro 1.9 billion referring to customers of the UBI Business Unit), an increase on the Euro 3.5 billion granted at the end of 2020[18].

Among the latest initiatives in support of the territory, in addition to the provisions in 2020, on 18 March 2021, the "*Uniti oltre le attese*" (United beyond expectations) was established as a charitable trust managed by BPER Trust Company. Its first project, organised together with the FNOPI (National Federation of Nursing Profession Orders), is dedicated to the families of nurses who died due to Covid-19 and thanks to its multi-project nature, the trust will be able to guarantee agile intervention for other emergencies that may arise in the future.

Other impacts of the pandemic on the BPER Banca Group

The measures to contain and manage the effects of the lockdown and the pandemic generated additional costs for the BPER Banca Group, also in the first quarter of 2021, of about Euro 1.7 million, mainly attributable to the personal protection measures adopted and the activation of remote working.

The uncertainty linked to the impact of the pandemic on the real economy also led to the application of correctives to certain valuation methods used by the BPER Banca Group, particularly related to loan classification and assessment. For a more in-depth analysis of these aspects, please refer to the contents of the Explanatory Notes, in the section on the "Basis of preparation" on the question of accounting estimates and in the section on credit risk.

2.4 Progress of de-risking activities

The strategic directions identified in the BEST WAY Plan include objectives for reducing the portfolio of non-performing loans; as already mentioned, this strategic objective, pursued with determination by the Group in recent years, has most likely been affected by the economic crisis caused by the Covid-19 pandemic.

During the first quarter of 2021, no mass sales of bad loans were carried out; however, in relation to the transactions completed in 2020, the GACS state guarantee was granted for the "Summer" operation by decree of the Minister of Economy and Finance signed on 15 April 2021.

During the period, the BPER Banca Group in any case organised and partially executed 3 mass sales of non-performing positions classified as Unlikely-To-Pay (UTP) to investors and mutual funds that specialise in debt recovery, for a gross value (of credit due) of over Euro 420 million.

[18] *The figures are taken from management sources.*

In the first half of March 2021, the first one saw the transfer of a loan portfolio for a gross value (of credit due) of approximately Euro 122 million to the Efesto Fund, which operates in the acquisition and management of UTP loans managed by Finanziaria Internazionale Investments SGR, with Italfondiario s.p.a. (a company of the doValue group) as exclusive servicer.
The other sales were carried out in April 2021; please refer to the information provided in the section of this Report entitled *"Subsequent events"*.

2.5 Other significant events

Events involving the Parent Company BPER Banca

- *Shareholders Meeting of 29 January 2021*

On 29 January 2021, the Shareholders Meeting, which met in an extraordinary session, approved draft amendments to the Articles of Association, prepared by the Board of Directors on 5 August 2020 and authorised by the European Central Bank on 15 December 2020. The purpose of the amendments was mainly to align the rules of composition of the Board with BPER Bancas transformation into a joint -stock company and the subsequent evolution of the Banks ownership structure. In this perspective, without altering the fact that the Board had a fixed number of Directors (15), the amendments involved:

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

The reform also introduced an exemption from this proportional system if the list with the highest number of votes has obtained the favourable vote of more than half the voting capital, providing it contains a number of candidates equal to or greater than the majority of Directors to be elected. In this case, a similar rule will be applied to that foreseen in the current Articles of Association of BPER Banca with consequent extraction from the first list of a number of Directors between twelve (12) and fourteen (14) and the possibility for the second list that is not connected in any way to the first to appoint one (1) to three (3) Directors based on the ratio between the number of votes obtained by it and the number of votes obtained by the first list.

In line with the choice to leave decisions relating to the composition of the Board of Directors to the Shareholders, the faculty of the outgoing Board to present a list of candidates for the election of the Administrative Body has been done away with.

Other minor changes concerned, among other things:
- elimination of the role of Honorary Chairman;
- modification of the structure of the Executive Bodies, making the appointment of the Executive Committee optional and leaving this decision to the Board of Directors;
- reduction in the number of acting members of the Board of Statutory Auditors from 5 (five) to 3 (three).

- *Shareholders Meeting of 21 April 2021*

- Allocation of the profit for 2020 of the Parent Company

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

- Corporate bodies: new appointments

The same Shareholders Meeting appointed the Board of Directors and the Board of Statutory Auditors for the three-year period 2021-2023.
The following were elected as Directors pursuant to art. 17 of the Articles of Association: Silvia Elisabetta Candini (independent), Flavia Mazzarella (independent), Alessandro Robin Foti (independent), Riccardo Barbieri, Piero Luigi Montani, Marisa Pappalardo (independent), Gianni Franco Papa (independent), Alessandra Ruzzu (independent), Elena Beccalli (independent), Maria Elena Cappello (independent), Gianfranco Farre (independent), Gian Luca Santi, Roberto Giay, Monica Pilloni (independent), Cristiano Cincotti (independent).
The fact that the independence requirement for non-executive Directors pursuant to art. 17, paragraph 4, of the Articles of Association - i.e. in compliance with art. 148, paragraph 3, of Legislative Decree 58 of 24 February 1998 (CFA), art. 26 of Legislative Decree no. 385 of 1 September 1993 (CBA), and Ministerial Decree 169/2020, as well as the Corporate Governance Code - was verified by the Board of Directors on 21 April 2021, based on the documentation produced when submitting the lists.
The following Statutory Auditors were appointed pursuant to art. 33 of the Articles of Association: (i) as Acting Auditors: Paolo De Mitri and Nicola Bruni as the Chairman of the Board of Statutory Auditors; (ii) as Alternate Auditors: Patrizia Tettamanzi and Andrea Scianca, with the clarification that Patrizia Tettamanzi has taken on the role of Acting Auditor until the next Shareholders Meeting, due to the need to complete the Supervisory Body, in compliance with the will expressed by the Shareholders Meeting in application of art. 33, paragraph 2 of the Articles of Association.
At its meeting on 21 April 2021, the Board of Directors appointed Flavia Mazzarella as Chairman and Piero Luigi Montani as Chief Executive Officer; while at the meeting on 23 April 2021, the Board appointed Riccardo Barbieri as Deputy Chairman and set up the various Board Committees.
For further details on the appointments, please refer to the press releases published on the Banks website on 21 April 2021.

Distribution agreement with UnipolSai

The first quarter of 2021 was characterised by a growing trend of relationships developed through the Assurbanca channel; this despite the persistence of the pandemic and the consequent operational

limitations which, among other things, prevent physical supervision of the commercial network by government and support structures, as well as hindering the influx of customers to insurance agencies.
Since the beginning of the year, various activities have been launched with a view to developing the commercial collaboration between BPER Banca and UnipolSai. The main ones consist of:

- a new, more streamlined procedure for the presentation of customers at Branches by Insurance Agents;
- the identification of specific contacts at the Branches and Insurance Agencies for create synergy between the two;
- new products dedicated to common customers of BPER Banca and UnipolSai.

The expectation is that, once these development activities are completed, positive effects in terms of additional production will be visible.
Activities have also been launched which will lead to the identification and inclusion in the Assurbanca project of approximately no. 300 new insurance agencies, bringing the total to 900.
In order to facilitate integration into the new operating situation, the no. 587 former UBI branches that migrated to BPER Banca on 22 February of this year were temporarily excluded from the Assurbanca project; however, the process for their inclusion in the distribution channel is envisaged (presentation of the project, training session, presentation to the reference agents), from which a significant contribution to Assurbanca production is expected.

Disposal of branches in Sardinia

On 17 July 2019, the Italian Antitrust Authority (AGCM) authorised the purchase of Unipol Banca s.p.a., subject to implementation of measures to resolve certain competition worries that emerged in the investigation into the banking market in Sardinia. These measures included the sale of no. 5 branches in Sassari, Alghero, Iglesias, Nuoro and Terralba to third parties.
Having come to the end of the first phase of the disposal process without a successful outcome, the trustee appointed to sell the branches in compliance with the Authoritys instructions, in the next phase proceeded to contact a large number of banking operators who could have been potential buyers, but without receiving any offers. So despite carrying out all of the appropriate procedures to sell the branches, BPER Banca Group found it objectively impossible to implement the measures as prescribed, which was communicated to the Authority in September 2020. On 21 October 2020, a supplementary request for revocation of the corrective measures was presented to AGCM, proposing "behavioural" measures as an alternative to selling the branches. On 4 December 2020, AGCM notified the start of a new investigatory procedure, which will end by 30 June 2021. It aims to verify whether the facts communicated represent a case of non-compliance with the Authoritys resolution, or if it is necessary to impose new measures, in addition to or in place of those originally provided. In order to further explore the market in search of possible buyers for the branch, notices were published in the main national financial newspapers and a new financial advisor was appointed.

Merger of Tholos and Nadia

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

First issue of Social Bonds

On 25 March 2021, the BPER Banca Group successfully concluded the placement with institutional investors of its first issue of (Senior Preferred) Social Bonds for Euro 500 million with a maturity of 6 years. The bond loan, issued as part of a recently published Environmental, Social and Sustainability Bond Framework and under the Euro 6 billion EMTN programme, will finance a selected portfolio of SMEs to which loans have been granted backed by a government guarantee foreseen in the Liquidity Decree to help deal with the Covid-19 emergency.

Each year, the BPER Banca Group will publish a section in its Sustainability Report to explain how the proceeds of the issue have been allocated.

The Framework, which explains the procedure for assessing the impact of the sustainability and ethical practices of the Group, has been integrated into the corporate strategy with a view to aligning the interests of all stakeholders and defining the scope and methods of intervention on the ESG Bond market.

The BPER Banca Group has obtained a certification for its Framework from Institutional Shareholder Services companies group (ISS), an independent entity with expertise in environmental, social and sustainability matters: Second Party Opinion (SPO). Both documents are available on BPERs website: https://istituzionale.bper.it.

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

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

2.6 Change in the accounting method used to measure real estate assets of the BPER Banca Group

The BPER Banca Group has opted to change the accounting method used to measure “Property, plant and equipment” starting from 1 January 2021 and limiting to real estate assets. The change involves:

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

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

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

- better information, ensuring a single current point of view in the measurement of the Groups real estate assets, regardless of when or why the individual property was recognised: in fact, compared with cost, fair value makes it possible to provide current information that is more in-keeping with the characteristics of the properties being valued;

- greater homogeneity of comparison between years, both in the balance sheet and in the income statement: in fact, the expression at current values improves the relevance and quality of the information, above all by updating the valuation periodically;
- constant alignment of the carrying amounts of the assets with their market values;
- an improvement in comparability with the financial statements of the other top Italian banks in terms of size;
- a more immediate understanding of the financial implications of the Groups strategies for the management of its real estate assets;
- a greater alignment of financial disclosures with future property management strategies.

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

2.7 Subsequent events to the 31 March 2021

Sale of UTP portfolios

As already demonstrated previously, the BPER Banca Group confirms its commitment to de-risking. During the quarter, another mass sale of UTP positions was organised and completed in the first few days of April 2021, following a competitive process called "Project Winter", which saw the participation of the main market operators. This involved the transfer by BPER Banca and Banco di Sardegna to Intrum and Deva Capital of a loan portfolio for a gross amount (of credit due) of approximately Euro 248 million.

A third operation, still being finalised at the date of this Report, concerns the transfer by BPER Banca of a portfolio of secured UTPs to the "Back2Bonis" fund managed by Prelios SGR for a gross amount (of credit due) of approximately Euro 52 million.

The portfolios pertaining to these various operations mainly consist of loans secured by real estate guarantees on properties with a variety of uses with debtors located in various Italian regions.

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

On 16 April 2021, the Parent Companys Board of Directors approve d the calculation of variable remuneration for the year 2020 and defined the number of Phantom Stocks to be assigned, namely no. 268,007, for a total consideration of Euro 425 thousand. Completion of the calculation of variable remuneration for 2020 was possible thanks to the economic and financial results achieved at Group level. Furthermore, no. 51,081 financial instruments were assigned as severance pay linked to the resignation of 1 member of staff in March 2021: subject to the approval of the Remuneration Plan based on financial instruments by the Shareholders Meeting of 21 April 2021, they will be assigned in BPER Banca shares, subject to a retention period of one year.

Resignation of the Chairman of the Board of Statutory Auditors

On 28 April 2021, Nicola Bruni communicated his irrevocable resignation from the office of Chairman of the Board of Statutory Auditors of BPER Banca, for strictly personal reasons, with effect from the date of the next Shareholders Meeting which will be called to integrat e the Board of Statutory Auditors following the outcome of the appointment process held at the Shareholders Meeting of 21 April 2021.

2.8 European Single Supervisory Mechanism (SSM)

BPER Banca and its Banking Group are among the major European banks supervised directly by the ECB[19]. Consistent with the European SSM, BPER Banca has organised a process of constant discussion and alignment with the ECB that includes the provision of detailed periodic information flows in response to requests from the Joint Supervisory Team (JST).
On 17 November 2020, the ECB communicated to the BPER Banca Group that, in relation to the supervisory review and evaluation process (SREP), it would not change the SREP decision on regulatory requirements, effectively confirming the 2020 capital requirements for 2021 as well, as follows:

- Common Equity Tier 1 Ratio: of 8.125%, which is the sum of the minimum requirement under art. 92 of EU Regulation no. 575/2013 (4.50%), the quota of P2R (1.125%) and the capital conservation buffer according to art. 129 of Directive 2013/36/EU as transposed into Italian law (2.50%);
- Total Capital Ratio: of 12.50%, being the sum of the minimum requirement pursuant to art. 92 of EU Regulation 575/2013 (8.00%), plus the additional Pillar 2 requirement in accordance with art. 16 of EU Regulation no. 1024/2013 (P2R component equal to 2%), plus the capital conservation buffer in accordance with art. 129 of Directive 2013/36/EU as transposed into national law (2.50%).

As regards the interventions carried out in the first quarter of 2021, with significant effects on the capital endowment of the BPER Banca Group, it should be noted that:

- the work to align the AIRB internal models with the new definition of default is nearing completion; its purpose is to classify credit exposures from 8 October 2019, following authorisation from the Supervisory Authorities on 19 September 2019;
- the update of the BPER Banca Groups Roll Out Plan was sent to the Supervisory Authority in December 2020 and a first version of the "Return to Compliance Plan" relating to the plan for the extension of the AIRB BPER Banca models on the former UBI/ISP loan portfolio subject to acquisition in the first half of 2021;
- in the first quarter of 2021, in line with the planning agreed with the Supervisory Authority, work continued to resolve the findings contained in the final Decision Letter relating to the "Targeted Review of Internal Models" (TRIM inspection activity started in 2018 and concluded in March 2019)
- with regard to Resolution, the collection of qualitative and quantitative information requested by the Resolution Authority was started through the compilation of the Working Technical Notes 2021 and templates.
- the BPER Banca Groups NPE Strategy has been updated and sent to the Supervisory Authori ty.

[19] Regulation (EU) 1024 of 15 October 2013 assigned specific tasks to the European Central Bank (ECB) regarding the prudential supervision of banks in cooperation with the national Supervisory Authorities of the participating countries, within the Single Supervisory Mechanism (SSM). The ECB accepted the tasks assigned by this Regulation on 4 November 2014; they are performed with assistance from the Bank of Italy, in the manner envisaged in Regulation (EU) 468/2014 of 16 April 2014. The ECB works closely with the various European Authorities including the European Banking Authority (EBA), as it has to perform its functions in compliance with EBA regulations.

3. Scope of consolidation of the BPER Banca Group

3.1 Composition of the Group as at 31 March 2021

The BPER Banca Group has been registered since 7 August 1992 at no. 5387.6 in the Register of Banking Groups referred to in art. 64 of Legislative Decree 385 of 1 September 1993.
The following is a list of the Banks and Companies included in the scope of consolidation at 31 March 2021, distinguishing between Banks and Companies consolidated on a line-by-line basis and Banks and Companies, whether or not belonging to the Group, consolidated using the equity method.
The BPER Banca Group has decided to align the consolidation methodology used for accounting purposes with that required for prudential reporting purposes. This is discussed further in the notes to this report.
Details are also provided below of the percentage held by the Group[20], with further information provided, where necessary, by means of footnotes.

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

1) BPER Banca S.p.A., based in Modena (Parent Company);
2) BPER Bank Luxembourg s.a., based in the Grand Duchy of Luxembourg (100%);
3) Banco di Sardegna s.p.a., based in Cagliari, which is held as follows: 100% of the ordinary shares and 94.397% of the preference shares, representing 99.159% of total capital;
4) Bibanca s.p.a., based in Sassari (99.082%)[21];
5) Nadia s.p.a., based in Modena, real estate company (100%)[22];
6) Modena Terminal s.r.l., based in Campogalliano (Modena), the activities of which are the storage of goods, the storage and ageing of cheeses and the cold storage of meat and perishable products (100%);
7) Emilia Romagna Factor s.p.a, based in Bologna, a factoring company (99.057%);
8) Optima s.p.a. SIM, based in Modena, investment broker (100%);
9) Sardaleasing s.p.a., based in Sassari, leasing company (99.674%)[23];
10) Numera s.p.a., based in Sassari, IT company and subsidiary of Banco di Sardegna s.p.a. which holds 100% of its share capital;
11) BPER Credit Management s.cons.p.a., based in Modena, a consortium for the recovery and management of non-performing loans (100%)[24];
12) Arca Holding s.p.a.[25] based in Milan (57.061%);
13) Arca Fondi SGR s.p.a. based in Milan, asset management company wholly owned by Arca Holding s.p.a.;
14) Finitalia s.p.a. based in Milan, which specialises in consumer credit (100%).

[20] *Unless stated otherwise, percentages refer to the Parent Company.*
[21] *Held by: the Parent Company (78.560%) and Banco di Sardegna s.p.a. (20.522%).*
[22] *Held by: the Parent Company (68.339%) and Banco di Sardegna s.p.a. (31.661%).*
[23] *Held by: the Parent Company (52.741%) and Banco di Sardegna s.p.a. (46.933%).*
[24] *Held by: the Parent Company (70.000%), Banco di Sardegna s.p.a. (20.000%), Sardaleasing s.p.a. (6.000%), Bibanca s.p.a. (3.000%) and Emilia Romagna Factor s.p.a. (1.000%).*
[25] *The company is not a member of the Banking Group.*

b) Other subsidiaries consolidated using the equity method[26]:

1) Estense Covered Bond s.r.l. based in Conegliano (Treviso), a vehicle for the issue of Guaranteed Bank Bonds under art. 7 *bis* of Law 130/99 (60%);
2) BPER Trust Company s.p.a., based in Modena, with the role of trustee for trusts established by customers, as well as providing advice on trust matters (100%);
3) Estense CPT Covered Bond s.r.l., based in Conegliano (Treviso), a vehicle for the issue of Guaranteed Bank Bonds under art. 7 *bis* of Law 130/99 (60%).

In addition to the above companies that belong to the Banking Group, the following direct and indirect subsidiaries are included in this grouping at 31 March 2021, even though they are not members of the Banking Group since they do not contribute to its banking activities[27]:

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

c) Associated companies consolidated using the equity method

1) Cassa di Risparmio di Fossano s.p.a., based in Fossano (Cuneo) (23.077%);
2) Cassa di Risparmio di Savigliano s.p.a., based in Savigliano (Cuneo) (31.006%);
3) Alba Leasing s.p.a., based in Milan (33.498%);
4) Sofipo s.a. in liquidation, based in Lugano, held by BPER Bank Luxembourg SA. which holds 30% of share capital;
5) CAT Progetto Impresa Modena s.c.r.l., based in Modena (20%);
6) Resiban s.p.a., based in Modena (20%);
7) Unione Fiduciaria s.p.a., based in Milan (24%);
8) Atriké s.p.a., based in Modena (45%);
9) Sarda Factoring s.p.a., based in Cagliari (21.484%)[28];
10) Emil-Ro Service s.r.l., based in Bologna (25%)[29];
11) Lanciano Fiera - Polo fieristico d'Abruzzo - consortium based in Lanciano (25%);
12) Immobiliare Oasi nel Parco s.r.l., based in Milan (36.80%).

The merger of Tholos s.p.a. with Nadia s.p.a., both real estate companies controlled by BPER Banca S.p.A., took effect for legal, accounting and tax purposes on 1 January 2021. Please refer to the chapter in this Report entitled *"Significant events and strategic transactions"* for further details on this operation.

BPER Banca exercised its right to withdraw from the Consorzio Banche Popolari (Co.Ba.Po.) with effect from 1 January 2021.

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[26] Following alignment of the scope of consolidation for accounting purposes with that used for supervisory purposes.
[27] Following alignment of the scope of consolidation for accounting purposes with that used for supervisory purposes.
[28] Held by: Banco di Sardegna s.p.a. (13.401%) and the Parent Company (8.083%).
[29] Held by: the Parent Company (16.667%) and Emilia Romagna Factor s.p.a. (8.333%).

4. The BPER Banca Groups results of operations

4.1 Balance sheet aggregates

The most important balance sheet aggregates and captions at 31 March 2021 are presented below on a comparative basis with 31 December 2020, in thousands of Euro, indicating the changes between periods in absolute and percentage terms. Note that this comparison is influenced by the increase in size of the Group resulting from the acquisition of the UBI and UBISS business units from the Intesa Sanpaolo Group. In the following tables, the information on the comparative figures at 31 December 2020 takes into account the retrospective application of change in the accounting method used to measure properties held for investment purposes (for further details of the restatement, please refer to the paragraph "Restatement of the reclassified consolidated financial statements of the BPER Banca Group at 31 December 2020" in the "Attachments" of this Report).

For greater clarity in the presentation of the results for the period, the accounting schedules envisaged by the 6th update of Bank of Italy Circular no. 262/2005 are presented below on a reclassified basis. In particular:

- debt securities measured at amortised cost (caption 40 "*Financial assets measured at amortised cost*") have been reclassified under caption "*Financial assets*";
- the caption *"Other assets"* include captions 110 *"Tax assets"* and 130 *"Other assets";*
- the caption *"Other liabilities"* include captions 60 *"Tax liabilities"*, 80 *"Other liabilities"*, 90 *"Employee termination indemnities"* and 100 *"Provisions for risks and charges"*;
- assets and liabilities classified as held for sale (asset caption 120 *"Non-current assets and disposal groups classified as held for sale"* and liability caption 70 *"Liabilities associated with assets classified as held for sale"*) are presented in their original portfolios in order to report the aggregates more clearly[30].

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

Assets

(in thousands)

Assets	31.03.2021	31.12.2020	Change	% Change
Cash and cash equivalents	589,022	482,192	106,830	22.16
Financial assets	26,408,166	24,661,915	1,746,251	7.08
a) Financial assets held for trading	331,893	279,009	52,884	18.95
b) Financial assets designated at fair value	124,643	127,368	(2,725)	-2.14
c) Other financial assets mandatorily measured at fair value	798,403	765,917	32,486	4.24
d) Financial assets measured at fair value through other comprehensive income	6,332,524	6,269,818	62,706	1.00
e) Debt securities measured at amortised cost	18,820,703	17,219,803	1,600,900	9.30
- banks	5,162,565	4,496,133	666,432	14.82
- customers	13,658,138	12,723,670	934,468	7.34
Loans	96,140,767	62,888,784	33,251,983	52.87
a) Loans to banks	20,716,710	9,856,598	10,860,112	110.18
b) Loans to customers	75,367,414	53,005,879	22,361,535	42.19
c) Financial assets measured at fair value	56,643	26,307	30,336	115.32
Hedging derivatives	127,721	57,776	69,945	121.06
Equity investments	230,247	225,558	4,689	2.08
Property, plant and equipment	1,883,797	1,366,915	516,882	37.81
Intangible assets	465,852	702,723	(236,871)	-33.71
- of which: goodwill	204,392	434,758	(230,366)	-52.99
Other assets	3,153,327	2,675,920	477,407	17.84
Total assets	**128,998,899**	**93,061,783**	**35,937,116**	**38.62**

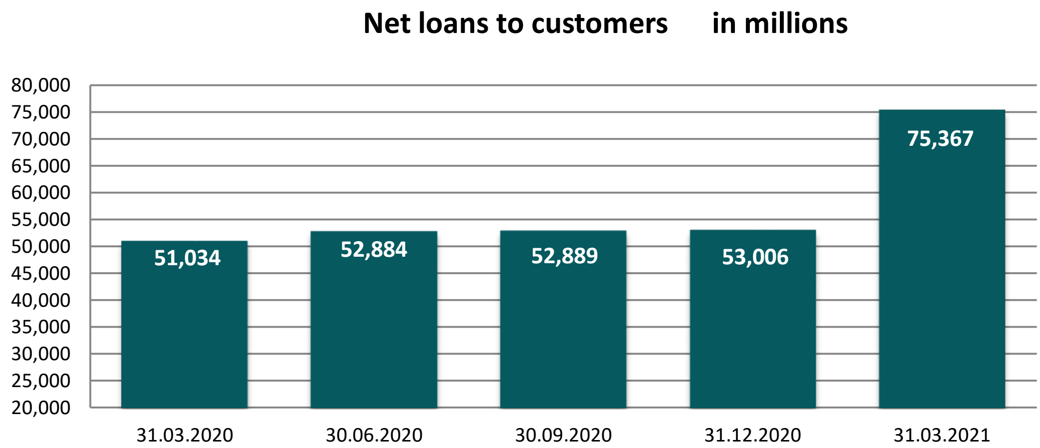
Loans to customers

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

(in thousands)

Captions	31.03.2021	31.12.2020	Change	% Change
Current accounts	4,897,382	3,668,713	1,228,669	33.49
Mortgage loans	52,647,397	35,355,336	17,292,061	48.91
Repurchase Agreement	75,543	83,949	(8,406)	-10.01
Leases and factoring	3,792,033	3,966,030	(173,997)	-4.39
Other transactions	13,955,059	9,931,851	4,023,208	40.51
Net loans to customers	**75,367,414**	**53,005,879**	**22,361,535**	**42.19**

Loans to customers, net of impairment adjustments, total Euro 75,367.4 million (Euro 53,005.9 million at 31 December 2020) up by Euro 22,361.5 million since 31 December 2020.
Among the various technical forms, the increase affects in particular mortgage loans for Euro 17,292.1 million, current accounts for Euro 1,228.7 million and other transactions for Euro 4,023.2 million, while there has been a decrease in repurchase agreements of Euro 8.4 million. The increase in mortgage loans, current accounts and other transactions is mainly due to the purchase of the UBI Business Unit, which took place on 22 February 2021.



(in thousands)

Captions	31.03.2021	31.12.2020	Change	% Change
Gross non-performing exposures	**4,777,827**	**4,342,940**	**434,887**	**10.01**
Bad loans	2,368,453	2,076,384	292,069	14.07
Unlikely to pay loans	2,279,736	2,125,247	154,489	7.27
Past due loans	129,638	141,309	(11,671)	-8.26
Gross performing exposures	**73,339,115**	**51,047,978**	**22,291,137**	**43.67**
Total gross exposure	**78,116,942**	**55,390,918**	**22,726,024**	**41.03**
Impairment provisions for non-performing exposures	**2,366,227**	**2,212,728**	**153,499**	**6.94**
Bad loans	1,370,014	1,349,653	20,361	1.51
Unlikely to pay loans	962,435	831,394	131,041	15.76
Past due loans	33,778	31,681	2,097	6.62
Impairment provisions for performing exposures	**383,301**	**172,311**	**210,990**	**122.45**
Total impairment provisions	**2,749,528**	**2,385,039**	**364,489**	**15.28**
Net non-performing exposures	**2,411,600**	**2,130,212**	**281,388**	**13.21**
Bad loans	998,439	726,731	271,708	37.39
Unlikely to pay loans	1,317,301	1,293,853	23,448	1.81
Past due loans	95,860	109,628	(13,768)	-12.56
Net performing exposures	**72,955,814**	**50,875,667**	**22,080,147**	**43.40**
Total net exposure	**75,367,414**	**53,005,879**	**22,361,535**	**42.19**

At the end of the first quarter of 2021, the provisions relating to non-performing loans amounted to Euro 2,366.2 million (Euro 2,212.7 million at 31 December 2020; +6.94%), for a coverage ratio of 49.53% (50.95% at 31 December 2020), while the provisions for performing loans amount to Euro 383.3 million (Euro 172.3 million at 31 December 2020; +122.45%) and give a coverage ratio of to 0.52% (0.34% at 31 December 2020). The latter have increased mainly due to the effect of the overlays adopted as part of the update of ECL, and of the recalibration of the risk parameters to the "New Definition of Default" carried out at 31 March 2021.
Considering the write-offs of bad loans, Euro 693.4 million (Euro 302.9 million at 31 December 2020), the coverage ratio has increased to 55.92% (54.15% at 31 December 2020).
The total coverage ratio is therefore 3.52%, down compared with the figure at 31 December 2020 (4.31%). Based on the same considerations made above concerning write-offs, the total effective coverage of loans comes to 4.37% (4.83% at 31 December 2020).

(in thousands)

Loans to customers	31.03.2021 Gross	31.03.2021 Net	31.12.2020 Gross	31.12.2020 Net	% Gross change	% Net change	% Coverage ratio
1. BPER Banca S.p.A.	67,877,080	65,855,307	45,281,975	43,586,332	49.90	51.09	2.98
2. BPER Bank Luxembourg s.a.	235,735	226,834	214,109	205,363	10.10	10.46	3.78
3. Bibanca s.p.a.	1,528,636	1,505,020	1,458,406	1,436,112	4.82	4.80	1.54
4. Banco di Sardegna s.p.a.	7,620,961	7,203,447	7,630,038	7,236,104	-0.12	-0.45	5.48
Total banks	**77,262,412**	**74,790,608**	**54,584,528**	**52,463,911**	**41.55**	**42.56**	**3.20**
5. Sardaleasing s.p.a.	3,355,866	3,110,868	3,374,997	3,143,840	-0.57	-1.05	7.30
6. Emilia Romagna Factor s.p.a.	932,733	913,563	1,066,501	1,047,843	-12.54	-12.81	2.06
7. Finitalia S.p.a.	606,007	592,451	612,956	598,349	-1.13	-0.99	2.24
Other companies and consolidation adjustments	(4,040,076)	(4,040,076)	(4,248,064)	(4,248,064)	-4.90	-4.90	-
Total of balance sheet	**78,116,942**	**75,367,414**	**55,390,918**	**53,005,879**	**41.03**	**42.19**	**3.52**

Net non-performing loans amounted to Euro 2,411.6 million (+13.21% compared with 31 December 2020), equal to 3.20% of total net loans to customers (4.02% at 31 December 2020), whereas on a gross basis, the ratio between non-performing loans and loans to customers came to 6.12% (7.84% at 31 December 2020).
More specifically, net bad loans amount to Euro 998.4 million (+37.39% compared with 31 December 2020), net unlikely-to-pay loans amount to Euro 1,317.3 million (+1.81% compared with 31 December 2020) and net past due loans amount to Euro 95.9 million (-12.56 % compared with 31 December 2020).
The coverage of non-performing loans of 49.53% has declined compared with 31 December 2020 (50.95%).
The reduction in the gross and net proportion of the non-performing portfolio to total loans and the change in the corresponding rate of coverage are attributable to the characteristics of the portfolio acquired along with the UBI Business Unit and the de-risking carried out by the Group during the quarter.

(in thousands)

Non-performing loans	31.03.2021 Gross	31.03.2021 Net	31.12.2020 Gross	31.12.2020 Net	% Gross change	% Net change	% Coverage ratio
1. BPER Banca S.p.A.	3,466,890	1,751,624	2,998,231	1,424,112	15.63	23.00	49.48
2. BPER Bank Luxembourg s.a.	10,001	1,518	10,000	1,517	0.01	0.07	84.82
3. Bibanca s.p.a.	47,480	29,304	50,236	32,116	-5.49	-8.76	38.28
4. Banco di Sardegna s.p.a.	724,179	348,904	743,536	373,831	-2.60	-6.67	51.82
Total banks	**4,248,550**	**2,131,350**	**3,802,003**	**1,831,576**	**11.75**	**16.37**	**49.83**
5. Sardaleasing s.p.a.	489,918	266,050	501,749	284,846	-2.36	-6.60	45.69
6. Emilia Romagna Factor s.p.a.	26,463	9,531	24,446	8,392	8.25	13.57	63.98
7. Finitalia S.p.a.	12,896	4,669	14,742	5,398	-12.52	-13.51	63.79
Total of balance sheet	**4,777,827**	**2,411,600**	**4,342,940**	**2,130,212**	**10.01**	**13.21**	**49.53**
Direct write-offs of bad loans	693,358	-	302,916	-	128.89	n.s.	100.00
Adjusted total	**5,471,185**	**2,411,600**	**4,645,856**	**2,130,212**	**17.76**	**13.21**	**55.92**
Non-performing loans (Total of balance sheet)/Loans to customers	**6.12%**	**3.20%**	**7.84%**	**4.02%**			

Net bad loans amount to Euro 998.4 million (37.39% compared with 31 December 2020), representing 1.32% of total net loans to customers (1.37% at 31 December 2020), whereas on a gross basis the ratio of bad loans to total loans to customers comes to 3.03% (3.75% at 31 December 2020). The coverage of bad loans is 57.84% compared with 65.00% at 31 December 2020.

(in thousands)

Bad loans	31.03.2021		31.12.2020		%	%	%
	Gross	Net	Gross	Net	Gross change	Net change	Coverage ratio
1. BPER Banca S.p.A.	1,626,590	709,345	1,326,248	423,770	22.65	67.39	56.39
2. BPER Bank Luxembourg s.a.	6,104	-	6,104	-	-	n.s.	100.00
3. Bibanca s.p.a.	9,389	2,663	9,452	2,640	-0.67	0.87	71.64
4. Banco di Sardegna s.p.a.	444,292	183,326	451,382	190,828	-1.57	-3.93	58.74
Total banks	**2,086,375**	**895,334**	**1,793,186**	**617,238**	**16.35**	**45.05**	**57.09**
5. Sardaleasing s.p.a.	251,301	94,906	252,486	101,120	-0.47	-6.15	62.23
6.Emilia Romagna Factor s.p.a.	21,576	5,367	20,786	5,331	3.80	0.68	75.13
7. Finitalia S.p.a.	9,201	2,832	9,926	3,042	-7.30	-6.90	69.22
Total of balance sheet	**2,368,453**	**998,439**	**2,076,384**	**726,731**	**14.07**	**37.39**	**57.84**
Direct write-offs of bad loans	693,358	-	302,916	-	128.89	n.s.	100.00
Adjusted total	**3,061,811**	**998,439**	**2,379,300**	**726,731**	**28.69**	**37.39**	**67.39**
Bad loans (Total of balance sheet)/Loans to customers	**3.03%**	**1.32%**	**3.75%**	**1.37%**			

Net unlikely-to-pay loans total Euro 1,317.3 million (+1.81% compared with 31 December 2020), representing 1.75% of total net loans to customers (2.44% at 31 December 2020), while on a gross basis the ratio is 2.92% (3.84% at 31 December 2020).
The coverage of unlikely-to-pay loans has increased since the end of 2020 to 42.22%, compared with 39.12% at 31 December 2020.

(in thousands)

Unlikely to pay loans	31.03.2021		31.12.2020		%	%	%
	Gross	Net	Gross	Net	Gross change	Net change	Coverage ratio
1. BPER Banca S.p.A.	1,782,301	998,846	1,618,665	958,838	10.11	4.17	43.96
2. BPER Bank Luxembourg s.a.	3,897	1,518	3,896	1,517	0.03	0.07	61.05
3. Bibanca s.p.a.	9,239	5,641	6,807	4,099	35.73	37.62	38.94
4. Banco di Sardegna s.p.a.	255,673	148,062	259,957	157,305	-1.65	-5.88	42.09
Total banks	**2,051,110**	**1,154,067**	**1,889,325**	**1,121,759**	**8.56**	**2.88**	**43.73**
5. Sardaleasing s.p.a.	224,058	160,429	230,536	168,680	-2.81	-4.89	28.40
6. Emilia Romagna Factor s.p.a.	2,438	1,858	2,875	2,322	-15.20	-19.98	23.79
7. Finitalia S.p.a.	2,130	947	2,511	1,092	-15.17	-13.28	55.54
Total of balance sheet	**2,279,736**	**1,317,301**	**2,125,247**	**1,293,853**	**7.27**	**1.81**	**42.22**
Unlikely to pay loans/Loans to customers	**2.92%**	**1.75%**	**3.84%**	**2.44%**			

The net amount of past due loans of Euro 95.9 million (-12.56% compared with 31 December 2020) represents 0.13% of total net loans to customers (0.21% at 31 December 2020), whereas on a gross basis the ratio of past due loans to total loans to customers is 0.17% (0.26% at 31 December 2020). The coverage of past due loans is 26.06% (22.42% at 31 December 2020).

(in thousands)

Past due loans	31.03.2021		31.12.2020		%	%	%
	Gross	Net	Gross	Net	Gross change	Net change	Coverage ratio
1. BPER Banca S.p.A.	57,999	43,433	53,318	41,504	8.78	4.65	25.11
2. Bibanca s.p.a.	28,852	21,000	33,977	25,377	-15.08	-17.25	27.21
3. Banco di Sardegna s.p.a.	24,214	17,516	32,197	25,698	-24.79	-31.84	27.66
Total banks	**111,065**	**81,949**	**119,492**	**92,579**	**-7.05**	**-11.48**	**26.22**
4. Sardaleasing s.p.a.	14,559	10,715	18,727	15,046	-22.26	-28.79	26.40
5. Emilia Romagna Factor s.p.a.	2,449	2,306	785	739	211.97	212.04	5.84
6. Finitalia S.p.a.	1,565	890	2,305	1,264	-32.10	-29.59	43.13
Total of balance sheet	**129,638**	**95,860**	**141,309**	**109,628**	**-8.26**	**-12.56**	**26.06**
Past due loans/Loans to customers	**0.17%**	**0.13%**	**0.26%**	**0.21%**			

The distribution of loans to non-financial corporates is analysed by ATECO category below:

(in thousands)

Distribution of loans to non-financial corporates	31.03.2021	%
A. Agriculture, forestry and fishing	998,249	1.32
B. Mining and quarrying	57,059	0.08
C. Manufacturing	11,250,609	14.92
D. Provision of electricity, gas, steam and air-conditioning	1,123,914	1.49
E. Provision of water, sewerage, waste management and rehabilitation	600,348	0.80
F. Construction	3,237,641	4.30
G. Wholesaling and retailing, car and motorcycle repairs	6,298,751	8.36
H. Transport and storage	1,680,487	2.23
I. Hotel and restaurants	1,924,666	2.55
J. Information and communication	535,447	0.71
L. Real estate	4,448,915	5.90
M. Professional, scientific and technical activities	1,564,543	2.08
N. Rentals, travel agencies, business support services	1,632,150	2.17
O. Public administration and defence, compulsory social security	5,507	0.01
P. Education	90,590	0.12
Q. Health and welfare	536,103	0.71
R. Arts, sport and entertainment	222,310	0.29
S. Other services	400,603	0.53
Total loans to non-financial corporates	**36,607,892**	**48.57**
Individuals and other not included above	32,602,167	43.26
Financial corporates	3,556,173	4.72
Insurance companies	72,646	0.10
Governments and other public entities	2,528,536	3.35
Total loans	**75,367,414**	**100.00**

Financial assets and equity investments

Among financial assets, debt securities measured at amortised cost are represented solely by the bond component allocated to balance sheet captions 40 a) and b) "Financial assets measured at amortised cost – loans to banks and loans to customers".

(in thousands)

Captions	31.03.2021	31.12.2020	Change	% Change
Financial assets measured at fair value through profit or loss	1,254,939	1,172,294	82,645	7.05
- of which derivatives	*179,962*	*140,043*	*39,919*	*28.50*
Financial assets measured at fair value through other comprehensive income	6,332,524	6,269,818	62,706	1.00
Debt securities measured at amortised cost	18,820,703	17,219,803	1,600,900	9.30
a) banks	5,162,565	4,496,133	666,432	14.82
b) customers	13,658,138	12,723,670	934,468	7.34
Total financial assets	**26,408,166**	**24,661,915**	**1,746,251**	**7.08**

Financial assets amount to Euro 26,408.2 million, including Euro 25,282.6 million of debt securities (95.74% of the total). Of these, Euro 12,477.7 million relates to sovereign States and Central Banks (+6.60% compared with 31 December 2020, mainly due to the purchase of securities measured at amortised cost), while Euro 8,819.1 million relates to Banks (+8.50% compared with 31 December 2020). Equity instruments come to Euro 401.5 million (1.52% of the total), including Euro 248.9 million of stable equity investments classified in the FVOCI portfolio.
"Financial assets held for trading" include derivatives of Euro 180.0 million, up by 28.50% compared with 31 December 2020, consisting of interest rate, currency and commodity derivatives intermediated with customers, derivatives relating to securitisation transactions, as well as forward currency transactions (intermediated with customers and/or used in the management of the foreign exchange position).

(in thousands)

Financial assets	31.03.2021	31.12.2020	Change	% Change
1. BPER Banca S.p.A.	24,620,735	22,855,992	1,764,743	7.72
2. BPER Bank Luxembourg s.a.	167,004	172,037	(5,033)	-2.93
3. Bibanca s.p.a.	11,689	11,539	150	1.30
4. Banco di Sardegna s.p.a.	1,571,057	1,589,462	(18,405)	-1.16
Total banks	**26,370,485**	**24,629,030**	**1,741,455**	**7.07**
Other companies and consolidation adjustments	37,681	32,885	4,796	14.58
Total	**26,408,166**	**24,661,915**	**1,746,251**	**7.08**

(in thousands)

Captions	31.03.2021	31.12.2020	Change	% Change
Equity investments	230,247	225,558	4,689	2.08
of which subsidiaries	*15,501*	*13,757*	*1,744*	*12.68*
of which associates	*214,746*	*211,801*	*2,945*	*1.39*

Following alignment of the scope of consolidation with that used for prudential reporting purposes, this caption comprises significant investments (non-Group companies subject to significant influence, usually being investments in which the equity interest is greater than or equal to 20%), subsidiaries that are not members of the Banking Group since they do not contribute to its banking activities, and Group companies not meeting the requirements of art. 19 of Regulation (EU) 575/2013 that are measured using the equity method.
The impairment tests did not identify any need to recognise an impairment loss on the equity investments.

Fixed assets

(in thousands)

Captions	31.03.2021	31.12.2020	Change	% Change
Intangible assets	465,852	702,723	(236,871)	-33.71
of which goodwill	*204,392*	*434,758*	*(230,366)*	*-52.99*

The goodwill shown in *"Intangible assets"* amounts to Euro 204.4 million, down by 52.99% compared with 31 December 2020 due to the complete write-down of the goodwill allocated to the BPER Banca CGU. The breakdown of "*Goodwill*" at 31 March 2021 is provided below:

(in thousands)

Goodwill	31.03.2021	31.12.2020
1. Group companies	**-**	**230,366**
1.1 Banks/Other companies	**204,392**	**204,392**
- Banco di Sardegna s.p.a.	*27,606*	*27,606*
- Emilia Romagna Factor s.p.a.	*6,768*	*6,768*
- Arca Holding s.p.a.	*170,018*	*170,018*
Total	**204,392**	**434,758**

At 31 March 2021, the BPER Banca Group recognised the need to do an impairment test on completion of the purchase of the business unit from the Intesa Sanpaolo Group and its absorption by the BPER Banca CGU, as it was considered a possible loss factor in the value of goodwill. Impairment testing carried out in accordance with IAS 36 showed that the goodwill relating to the BPER Banca CGU needed to be written down entirely. For more details, please refer to the Explanatory Notes for further details on the result of the impairment test performed as of 31 March 2021.

Interbank and liquidity position

The amount of loans to banks comprises solely the loan component allocated to assets caption 40 a) *"Financial assets measured at amortised cost – loans to banks"*.

(in thousands)

Net interbank position	31.03.2021	31.12.2020	Change	% Change
A. Loans to banks	**20,716,710**	**9,856,598**	**10,860,112**	**110.18**
1. Current accounts and deposits	591,918	438,253	153,665	35.06
2. Other	20,124,792	9,418,345	10,706,447	113.68
B. Due to banks	**22,258,572**	**20,180,999**	**2,077,573**	**10.29**
Total (A-B)	**(1,541,862)**	**(10,324,401)**	**8,782,539**	**-85.07**

The following table gives details of such operations with the ECB. Since 31 December 2020, taking advantage of the additional financial instruments made available by the ECB, the Group has arranged a tranche of TLTRO-III and taken out a foreign currency loan.

(in millions)

Refinancing transactions with the European Central Bank	Currency	Capital	Maturity
1. Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	14,000	28.06.2023
2. Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	2,710	27.09.2023
3. Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	1,670	27.03.2024
4. Currency loan through auction	usd	100	29.04.2021
Total		**18,480**	

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

(in millions)

Counterbalancing Capacity	Guarantee value	Restricted portion	Available portion
Eligible securities and loans	**29,249**	**19,583**	**9,666**
- Securities and loans transferred to the Pooling Account	20,319	18,413	1,906

At 31 December 2021, the Central Treasury held significant resources relating to securities eligible for refinancing at the European Central Bank of an overall amount, net of margin calls, of Euro 29,249 million (Euro 28,095 million at 31 December 2020). The available portion amounts to Euro 9,666 million (Euro 10,047 million at 31 December 2020).

At 31 December 2021, the pooling account of the Central Treasury had significant resources relating to securities eligible for refinancing with the European Central Bank of an overall amount, net of margin calls, of Euro 20,319 million, of which Euro 18,413 million has been refinanced (Euro 1,906 million is still available).

Liabilities and shareholders equity

(in thousands)

Liabilities and shareholders equity	31.03.2021	31.12.2020	Change	% Change
Due to banks	22,258,572	20,180,999	2,077,573	10.29
Direct deposits	94,441,876	63,140,669	31,301,207	49.57
a) Due to customers	89,372,036	58,458,479	30,913,557	52.88
b) Debt securities issued	5,069,840	4,682,190	387,650	8.28
Financial liabilities held for trading	147,324	170,094	(22,770)	-13.39
Hedging derivatives	344,047	469,240	(125,193)	-26.68
Other liabilities	4,977,929	2,766,652	2,211,277	79.93
Minority interests	140,657	133,983	6,674	4.98
Shareholders equity pertaining to the Parent Company	6,688,494	6,200,146	488,348	7.88
a) Valuation reserves	240,535	118,105	122,430	103.66
b) Reserves	2,563,320	2,360,743	202,577	8.58
c) Equity instruments	150,000	150,000	-	-
d) Share premium reserve	1,241,197	1,241,197	-	-
e) Share capital	2,100,435	2,100,435	-	-
f) Treasury shares	(7,259)	(7,259)	-	-
g) Profit (Loss) for the period	400,266	236,925	163,341	68.94
Total liabilities and shareholders equity	**128,998,899**	**93,061,783**	**35,937,116**	**38.62**

Deposits

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

(in thousands)

Captions	31.03.2021	31.12.2020	Change	% Change
Current accounts and demand deposits	85,788,460	55,115,790	30,672,670	55.65
Time deposits	133,958	145,605	(11,647)	-8.00
Repurchase agreements	102,620	149,286	(46,666)	-31.26
Lease liabilities	357,845	257,071	100,774	39.20
Other short-term loans	2,989,153	2,790,727	198,426	7.11
Bonds	4,828,749	4,385,826	442,923	10.10
- subscribed by institutional customers	4,067,496	3,565,484	502,012	14.08
- subscribed by ordinary customers	761,253	820,342	(59,089)	-7.20
Certificates	2,101	2,175	(74)	-3.40
Certificates of deposit	238,990	294,189	(55,199)	-18.76
Direct deposits from customers	**94,441,876**	**63,140,669**	**31,301,207**	**49.57**
Indirect deposits (off-balance sheet figure)	**143,071,091**	**114,775,969**	**28,295,122**	**24.65**
- of which managed	60,425,030	42,719,321	17,705,709	41.45
- of which administered	82,646,061	72,056,648	10,589,413	14.70
Customer funds under administration	**237,512,967**	**177,916,638**	**59,596,329**	**33.50**
Bank borrowing	22,258,572	20,180,999	2,077,573	10.29
Funds under administration or management	**259,771,539**	**198,097,637**	**61,673,902**	**31.13**

Direct customer deposits of Euro 94,441.9 million have increased by 49.57% since 31 December 2020.

Among the various technical forms, current accounts and demand deposits have seen a significantly positive change compared with 31 December 2020, for Euro 30,672.7 million (+55.65%), mainly due to the effect of acquiring the UBI business unit. Bonds have also increased by Euro 442.9 million (+10.10%) mainly as a result of the first issue of "Social Bonds" by the BPER Banca Group, subscribed by institutional investors for a nominal amount of Euro 500 million.
On the other hand, compared with 31 December 2020, there has been a decline in repurchase agreements of Euro 46.7 million (-31.26%), in term deposits of Euro 11.6 million (-8.00%) and certificates of deposit of Euro 55.2 million (-18.76%).
Indirect customer deposits, marked to market, come to Euro 143,071.1 million, a considerable increase compared with 31 December 2020 (Euro 28,295.1 million, +24.65%) due to the contribution of the UBI business unit (Euro 27,594.1 million at 31 March 2021).
Total funds under administration or management by the Group, including deposits from banks (Euro 22,258.6 million) amount to Euro 259,771.5 million.

(in thousands)

Direct deposits	31.03.2021	31.12.2020	Change	% Change
1. BPER Banca S.p.A.	82,709,932	51,471,778	31,238,154	60.69
2. BPER Bank Luxembourg s.a.	819,576	897,973	(78,397)	-8.73
3. Bibanca s.p.a.	229,472	151,882	77,590	51.09
4. Banco di Sardegna s.p.a.	10,841,083	10,814,813	26,270	0.24
Total banks	**94,600,063**	**63,336,446**	**31,263,617**	**49.36**
Other companies and consolidation adjustments	(158,187)	(195,777)	37,590	-19.20
Total	**94,441,876**	**63,140,669**	**31,301,207**	**49.57**

Direct deposits include subordinated liabilities:

(in thousands)

Captions	31.03.2021	31.12.2020	Change	% Change
Non-convertible subordinated liabilities	936,859	926,443	10,416	1.12
Total subordinated liabilities	**936,859**	**926,443**	**10,416**	**1.12**

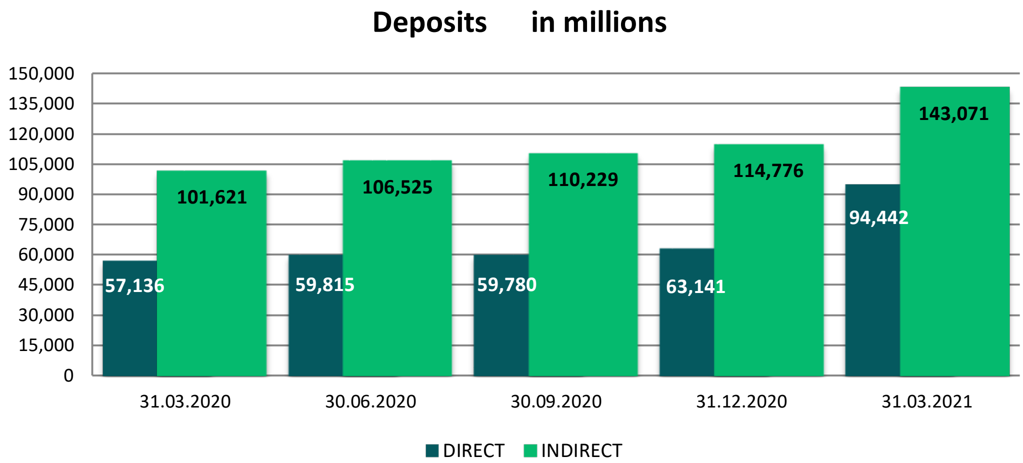
There are no convertible subordinated liabilities at 31 March 2021 (the same as at 31 December 2020).

(in thousands)

Indirect deposits	31.03.2021	31.12.2020	Change	% Change
1. BPER Banca S.p.A.	120,343,740	92,440,968	27,902,772	30.18
2. BPER Bank Luxembourg s.a.	901,117	847,777	53,340	6.29
3. Banco di Sardegna s.p.a.	4,885,477	4,797,054	88,423	1.84
Total banks	**126,130,334**	**98,085,799**	**28,044,535**	**28.59**
4. Arca Fondi SGR s.p.a.	31,090,554	30,378,411	712,143	2.34
Other companies and consolidation adjustments	(14,149,797)	(13,688,241)	(461,556)	3.37
Total	**143,071,091**	**114,775,969**	**28,295,122**	**24.65**

Indirect customer deposits, marked to market, come to Euro 143,071.1 million with an increase of Euro 28,295.1 million (+24.65%) compared to the end of 2020 (+24.65%) due to the contribution of the UBI business unit (Euro 27,594.1 million at 31 March 2021).

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



Indirect deposits do not include the placement of insurance policies; the stock of customer assets invested in insurance products has increased by 139.77% since 31 December 2020, mainly due to the entry of new life insurance policies resulting from the acquisition of the UBI business unit (Euro 10,175.0 million at 31 March 2021).

(in thousands)

Bancassurance	31.03.2021	31.12.2020	Change	% Change
Insurance premiums portfolio	17,806,829	7,426,514	10,380,315	139.77
- of which life sector	*17,675,450*	*7,301,447*	*10,374,003*	*142.08*
- of which non-life sector	*131,379*	*125,067*	*6,312*	*5.05*

Net of the changes due to the acquisition, customer assets invested in insurance products in any case recorded a positive trend in the first quarter of 2021 compared with the end of 2020 (+2.76%). In particular, the "life" business grew by 2.73%, while the "non-life" business grew by 5.05%.

If life insurance premiums are added to the managed portion of indirect deposits, the total comes to Euro 78,100.5 million, which represents 48.59% of the overall total of indirect deposits and life insurance premiums (Euro 160,746.5 million).

Shareholders equity

(in thousands)

Captions	31.03.2021	31.12.2020	Change	% Change
Shareholders equity pertaining to the Parent Company	6,688,494	6,200,146	488,348	7.88
- of which profit (loss) for the period	*400,266*	*236,925*	*163,341*	*68.94*
- of which shareholders equity excluding profit (loss) for the period	*6,288,228*	*5,963,221*	*325,007*	*5.45*

(in thousands)

Captions	31.03.2021	31.12.2020	Change	% Change
Minority interests	**140,657**	**133,983**	**6,674**	**4.98**
- of which profit (loss) for the period pertaining to minority interests	*6,523*	*25,001*	*(18,478)*	*-73.91*
- of which shareholders equity pertaining to minority interests excluding their share of profit (loss) for the period	*134,134*	*108,982*	*25,152*	*23.08*

(in thousands)

Shareholders equity	31.03.2021	31.12.2020	Change	% Change
1. BPER Banca S.p.A.	5,963,894	5,771,818	192,076	3.33
2. BPER Bank Luxembourg s.a.	68,128	64,124	4,004	6.24
3. Bibanca s.p.a.	297,746	283,535	14,211	5.01
4. Banco di Sardegna s.p.a.	957,750	901,171	56,579	6.28
Total banks	**7,287,518**	**7,020,648**	**266,870**	**3.80**
Other companies and consolidation adjustments	(865,156)	(948,445)	83,289	-8.78
Total	**6,422,362**	**6,072,203**	**350,159**	**5.77**
Profit (Loss) for the period pertaining to the Parent Company	400,266	236,925	163,341	68.94
Profit (loss) for the period pertaining to minority interests	6,523	25,001	(18,478)	-73.91
Total shareholders equity	**6,829,151**	**6,334,129**	**495,022**	**7.82**

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

Total net tangible shareholders equity (after deducting Eur o 465.9 million of intangible assets) amounted to Euro 6,363.3 million.

4.2 Own funds and capital ratios

The harmonised rules for banks and investment companies contained in Regulation (EU) 575/2013 (CRR) and in the 2013/36/EU Directive (CRD IV) approved on 26 June 2013 and published in the Official Journal of the European Union the next day, entered into force on 1 January 2014.
This regulatory framework, which is the only set of rules that seeks to harmonise prudential regulations of the Member States of the European Community, was made applicable in Italy by the Bank of Italys Circular 285, published on 17 December 2013 and subsequent updates.
The scope of consolidation for accounting purposes is the same as that used for prudential reporting purposes: companies excluded are treated in the same way as the Banks and Companies subject to significant influence and consolidated under the equity method.

On 31 March 2021, the BPER Banca Group adopted internal models for measuring the capital requirements relating to the credit risk represented by asset classes with exposures to both corporates and retail customers. The scope of the models[31] includes BPER Banca, Banco di Sardegna and Bibanca. Sardaleasing is formally included in the roll-out plan and will adopt the IRB method in accordance with the planned timetable. The other BPER Banca Group companies and asset classes not included in the roll-out plan will continue to use the Standardised Approach.

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

This requirement is also influenced by the additional Countercyclical Capital Buffer requirement specified for the BPER Banca Group of 0.004% at 31 March 2021, raising the overall minimum to 8.129%.
Compared with that limit, the amount of available equity (CET 1) at 31 March 2021 can be quantified at Euro 2,859 million (about 628 bps of CET1) under the Phased In transitional arrangements, while on a Fully Phased basis it can be put at Euro 2,401 million, or about 529 bps of CET 1.

With regard to the above, the amount calculated for CET1 includes that portion of the profit for the first quarter of the year allocable to equity, Euro 372 million, as determined in accordance with the process envisaged in art. 3 of ECB Decision (EU) 656/2015 dated 4 February 2015 and art. 26, para. 2, of Regulation (EU) 575/2013 (CRR).

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

The following table shows the BPER Banca Groups capital ratios and the minimum capital adequacy requirements for regulatory purposes as at 31 March 2021[32].

(in thousands)

	31.03.2021 Fully Phased	31.03.2021 Phased in	31.12.2020 Restated Fully Phased	31.12.2020 Restated Phased in	Change in Phased in	% Change
Common Equity Tier 1 capital - CET1	6,090,594	6,558,745	5,275,526	5,931,675	627,070	10.57
Additional Tier 1 capital - AT1	150,585	150,585	150,623	150,623	(38)	-0.03
Tier 1 capital - Tier 1	**6,241,179**	**6,709,330**	**5,426,149**	**6,082,298**	**627,032**	**10.31**
Tier 2 capital - Tier 2 - T2	1,029,076	1,029,081	1,014,969	1,015,256	13,825	1.36
Total Own Funds	**7,270,255**	**7,738,411**	**6,441,118**	**7,097,554**	**640,857**	**9.03**
Total Risk-weighted assets (RWA)	**45,388,928**	**45,519,474**	**33,371,840**	**33,487,963**	**12,031,511**	**35.93**
CET1 Ratio (CET1/RWA)	**13.42%**	**14.41%**	**15.81%**	**17.71%**	**-330 bps**	
Tier 1 Ratio (Tier 1/RWA)	**13.75%**	**14.74%**	**16.26%**	**18.16%**	**-342 bps**	
Total Capital Ratio (Total Own Funds/RWA)	**16.02%**	**17.00%**	**19.30%**	**21.19%**	**-419 bps**	
RWA/Total assets	**35.19%**	**35.29%**	**35.86%**	**35.98%**	**-69 bps**	

The capital ratios are as follows:

- Common Equity Tier 1 ratio (Phased In) of 14.41%[33] (17.71% at 31 December 2020[34]). The Fully Phased ratio is 13.42% (15.81% at 31 December 2020 restated[35]);
- Tier 1 ratio (Phased In) of 14.74%[36] (18.16% at 31 December 2020 restated[37]);
- Total Capital Ratio (Phased in) of 17.00%[38] (21.19% at 31 December 2020[39]).

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

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

[32] *The comparative ratios are calculated on the figures at 31 December 2020, which take into account the effects of the retrospective application of change in the accounting method used to measure properties held for investment purposes.*
[33] *Reg. 2395/2017 "Transitional provisions to mitigate the impact of IFRS 9 on Own Funds" introduced the transitional (or so-called "Phased In") regime for the impact of IFRS 9 on Own Funds, giving banks a chance to spread the effect on Own Funds over a period of 5 years (from March 2018 to December 2022), sterilizing the impact on CET1 by applying decreasing percentages over time. The BPER Banca Group chose to adopt the so-called "static approach" to be applied to the impact from comparing the IAS 39 adjustments at 31 December 2017 and the IFRS 9 adjustments at 1 January 2018.*
[34] *See the previous note on comparative figures.*
[35] *See the previous note on comparative figures.*
[36] *See the previous note on transitional provisions.*
[37] *See the previous note on comparative figures.*
[38] *See the previous note on transitional provisions.*
[39] *See the previous note on comparative figures.*

4.3 Reconciliation of consolidated net profit/shareholders equity

Consolidated net profit comprises the sum of the Groups interest , on shareholding basis, in the profits (losses) at 31 March 2021 of the following Banks and Companies included in the scope of line-by-line consolidation.

Reconciliation of consolidated profit (loss) for the period	(in thousands) 31.03.2021
BPER Banca s.p.a.	**392,657**
Other Group companies:	**9,855**
Banco di Sardegna s.p.a.	*679*
BPER Bank Luxembourg s.a.	*1,222*
Bibanca s.p.a.	*3,520*
Sardaleasing s.p.a.	*(8,774)*
Emilia Romagna Factor s.p.a.	*1,708*
Finitalia s.p.a.	*1,979*
Arca Holding s.p.a. - consolidated figure	*8,667*
Optima s.p.a. SIM	*1,288*
Nadia s.p.a.	*(820)*
BPER Credit Management s.c.p.a.	*(3)*
Modena Terminal s.r.l.	*101*
Numera s.p.a.	*288*
Total profit (loss) of the Group	**402,512**
Consolidation adjustments	(2,246)
Consolidated profit (loss) for the period	**400,266**

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

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

		(in thousands)
	Increase (decrease)	
	Profit (Loss) for the period	Shareholders equity
AMOUNTS RELATING TO THE PARENT COMPANY	**392,657**	**6,356,551**
DIFFERENCES between the shareholders equity of companies consolidated on a line - by-line basis (net of minority interests) and the book value of the related equity investments held by their parent companies, as follows:	5,328	312,228
- consolidation adjustments	*(2,637)*	-
- derecognition of intercompany profits and losses	*(1,890)*	-
- share of the results of companies consolidated on a line-by-line basis after tax effect	*9,855*	-
DIVIDENDS collected from companies consolidated on a line-by-line basis or stated under the equity method	(2)	-
DIFFERENCE between the interest in shareholders equity (including results for the period) and the book value of companies consolidated under the equity method.	2,283	19,715
Profit (Loss) for the period and shareholders equity pertaining to the Parent Company as at 31.03.2021	**400,266**	**6,688,494**
Profit (Loss) for the period and shareholders equity pertaining to Minority interests as at 31.03.2021	6,523	140,657
Consolidated Profit (Loss) for the period and shareholders equity as at 31.03.2021	**406,789**	**6,829,151**
Consolidated Profit (Loss) for the period as at 31.03.2020	**10,734**	
Consolidated shareholders equity as at 31.12.2020		**6,334,129**

The figures for 2020 have been restated compared with those that were published at the reference date, due to the change in the accounting method used to measure properties held for investment purposes.

4.4 Income statement aggregates

Summary of figures from the Consolidated income statement at 31 March 2021 are presented below in thousands of Euro, appropriately compared with the amounts at 31 March 2020, indicating the changes between periods in absolute and percentage terms. Note that this comparison is influenced by the increase in size of the Group resulting from the acquisition of the UBI and UBISS business units from the Intesa Sanpaolo Group.

In the following tables, the information on the comparative figures at 31 March 2020 takes into account:

- the retrospective application of change in the accounting method used to measure properties held for investment purposes (for further details of the restatement, please refer to the paragraph "Restatement of the reclassified consolidated income statement of the BPER Banca Group as at 31 March 2020" in the "Attachments" of this Report);
- only as regards the information on the Parent Company, the effects of the merger by absorption of Cassa di Risparmio di Bra s.p.a. and Cassa di Risparmio di Saluzzo s.p.a. which took place on 27 July 2020 with effect for tax and accounting purposes on 1 January 2020 (for further details of the restatement, please refer to the paragraph "Reclassified accounting schedules of the Parent Company at 31 March 2021" in the "Attachments" of this Report).

The results presented here have been reclassified with respect to the formats envisaged in the 6th update to Bank of Italy Circular no. 262/2005. The principal reclassifications related to the following captions:

- the caption "*Net income from financial activities*" includes captions 80, 90, 100 and 110 in the accounting schedule;
- indirect tax recoveries, allocated for accounting purposes to caption 230 *"Other operating expense/income"*, have been reclassified as a reduction in the related costs under caption *"Other administrative expenses"* (Euro 54,698 thousand at 31 March 2021 and Euro 34,037 thousand at 31 March 2020);
- the caption *"Net adjustments to property, plant, equipment and intangible assets"* includes captions 210 and 220 of the accounting schedule;
- the caption *"Net provisions for risks and charges*" include Euro 19,843 thousand relating to the valuation of the profit-sharing clause in the contract for the acquisition of Nuova Carife, allocated to caption 230 "*Other operating expense/income*" in the accounting schedule;
- the caption "*Gains (Losses) on investments*" include captions 250, 260, 270 and 280 of the accounting schedule;
- the caption "*Contributions to the SRF, DGS and IDPF-VS funds*" has been shown separately from the specific accounting technical forms to give a better and clearer representation, as well as to leave the caption "*Other administrative expenses*" as a better reflection of the trend in the Groups operating costs. In particular, at 31 March 2021, this caption represents the component allocated to administrative expenses relate to the 2021 ordinary contribution to the SRF (European Single Resolution Fund) of Euro 31,055 thousand.

Consolidated reclassified income statement

(in thousands)

Captions		31.03.2021	31.03.2020	Change	% Change
10+20	Net interest income	343,513	307,971	35,542	11.54
40+50	Net commission income	328,132	267,595	60,537	22.62
70	Dividends	1,678	809	869	107.42
80+90+100+110	Net income from financial activities	76,241	5,642	70,599	--
230	Other operating expense/income	8,119	14,607	(6,488)	-44.42
	Operating income	**757,683**	**596,624**	**161,059**	**27.00**
190 a)	Staff costs	(302,142)	(255,576)	(46,566)	18.22
190 b)	Other administrative expenses	(189,880)	(114,546)	(75,334)	65.77
210+220	Net adjustments to property, plant and equipment and intangible assets	(54,454)	(39,905)	(14,549)	36.46
	Operating costs	**(546,476)**	**(410,027)**	**(136,449)**	**33.28**
	Net operating income	**211,207**	**186,597**	**24,610**	**13.19**
130 a)	Net impairment losses to financial assets at amortised cost	(419,004)	(139,553)	(279,451)	200.25
	- loans to customers	*(417,667)*	*(139,991)*	*(277,676)*	*198.35*
	- other financial assets	*(1,337)*	*438*	*(1,775)*	*-405.25*
130 b)	Net impairment losses to financial assets at fair value	773	105	668	636.19
140	Gains (Losses) from contractual modifications without derecognition	(602)	(195)	(407)	208.72
	Net impairment losses for credit risk	**(418,833)**	**(139,643)**	**(279,190)**	**199.93**
200	Net provisions for risks and charges	(40,914)	2,276	(43,190)	--
###	Contributions to SRF, DGS, IDPF - VS	(31,055)	(31,978)	923	-2.89
250+260+270 +280	Gains (Losses) on investments	(250,655)	64	(250,719)	--
275	Gain on a bargain purchase	1,077,869	-	1,077,869	n.s.
290	**Profit (Loss) from current operations before tax**	**547,619**	**17,316**	**530,303**	**--**
300	Income taxes on current operations for the period	(140,830)	(6,582)	(134,248)	--
330	**Profit (Loss) for the period**	**406,789**	**10,734**	**396,055**	**--**
340	Profit (Loss) for the period pertaining to minority interests	(6,523)	(4,325)	(2,198)	50.82
350	**Profit (Loss) for the period pertaining to the Parent Company**	**400,266**	**6,409**	**393,857**	**--**

Consolidated reclassified income statement by quarter

(in thousands)

Captions	1st quarter 2021	1st quarter 2020	2nd quarter 2020	3rd quarter 2020	4th quarter 2020
Net interest income	343,513	307,971	310,280	325,492	295,133
Net commission income	328,132	267,595	245,102	262,127	297,690
Dividends	1,678	809	12,034	4,550	1,099
Net income from financial activities	76,241	5,642	46,832	43,115	42,576
Other operating expense/income	8,119	14,607	9,724	7,638	9,005
Operating income	**757,683**	**596,624**	**623,972**	**642,922**	**645,503**
Staff costs	(302,142)	(255,576)	(249,088)	(216,638)	(239,417)
Other administrative expenses	(189,880)	(114,546)	(116,917)	(120,137)	(147,440)
Net adjustments to property, plant and equipment and intangible assets	(54,454)	(39,905)	(41,448)	(40,786)	(45,282)
Operating costs	**(546,476)**	**(410,027)**	**(407,453)**	**(377,561)**	**(432,139)**
Net operating income	**211,207**	**186,597**	**216,519**	**265,361**	**213,364**
Net impairment losses to financial assets at amortised cost	(419,004)	(139,553)	(157,769)	(107,870)	(136,685)
- loans to customers	*(417,667)*	*(139,991)*	*(153,846)*	*(106,524)*	*(134,244)*
- other financial assets	*(1,337)*	*438*	*(3,923)*	*(1,346)*	*(2,441)*
Net impairment losses to financial assets at fair value	773	105	(963)	363	133
Gains (Losses) from contractual modifications without derecognition	(602)	(195)	(247)	(182)	(1,517)
Net impairment losses for credit risk	**(418,833)**	**(139,643)**	**(158,979)**	**(107,689)**	**(138,069)**
Net provisions for risks and charges	(40,914)	2,276	(17,177)	(15,109)	(2,471)
Contributions to SRF, DGS, IDPF - VS	(31,055)	(31,978)	(2,185)	(30,490)	(23,529)
Gains (Losses) on investments	(250,655)	64	(10,151)	62	(10,038)
Gain on a bargain purchase	1,077,869	-	-	-	-
Profit (Loss) from current operations before tax	**547,619**	**17,316**	**28,027**	**112,135**	**39,257**
Income taxes on current operations for the period	(140,830)	(6,582)	74,603	(7,049)	4,219
Profit (Loss) for the period	**406,789**	**10,734**	**102,630**	**105,086**	**43,476**
Profit (Loss) for the period pertaining to minority interests	(6,523)	(4,325)	(6,543)	(8,484)	(5,649)
Profit (Loss) for the period pertaining to the Parent Company	**400,266**	**6,409**	**96,087**	**96,602**	**37,827**

Net interest income

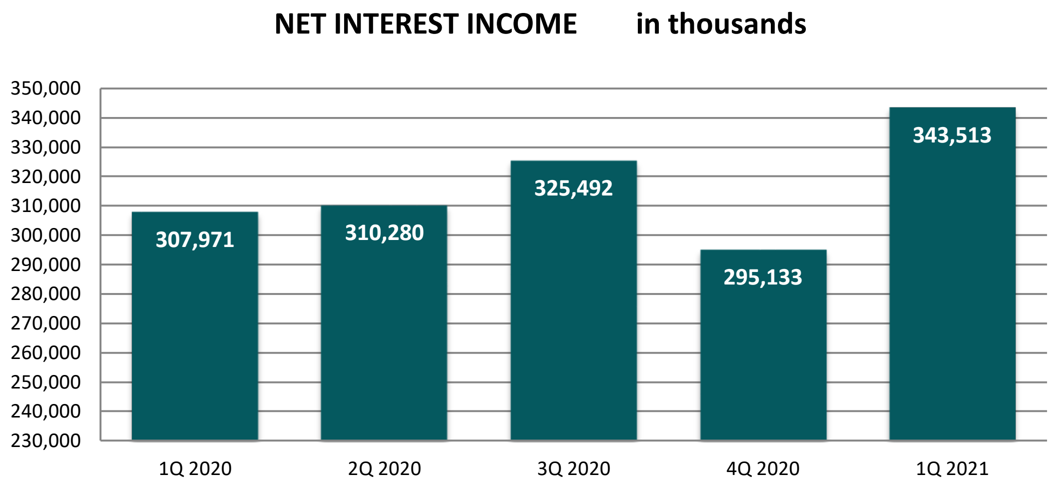
"Net interest income" amounts to Euro 343.5 million, which is higher than the comparative figure at 31 December 2020 (Euro 308.0 million at 31 March 2020) due to the increase in size of the Group as a result of the business combination carried out in the first quarter of the year.
The result includes the benefit for the first three months deriving from participation in the TLTRO III issues, for Euro 42.1 million (Euro 9.9 million at 31 March 2020 on the additional TLTRO II and LTRO issues).
In addition to recalling the dynamics of loans and interest-bearing deposits, highlighted in paragraph 4.1 *"Balance sheet aggregates"*, an indication of the trend in average lending/funding rates is given below for a better understanding of the trend in interest rates for loans and deposits:

- the average interest rate for the period on the Groups loans to customers was 2.11%, a decrease of about 21 bps compared with the average rate in the first three months of the previous year;
- the average yield on the securities portfolio is 0.48%, down by 34 bp compared with the first quarter of 2020 as a result of the decline in market rates;
- the average cost of direct deposits from customers was 0.21%, which is down by about 9 bps with respect to the first three months of last year (0.30%);
- total interest-bearing liabilities involved a cost of close to zero, taking account of the negative rates on interbank funding (it was 0.22% at 31 March 2020);
- the spread between lending and deposit rates of Group relationships with customers came to 1.90% (2.02% at 31 March 2020);
- the overall spread between the average annual rate of return on interest-bearing assets and the average annual cost of interest-bearing liabilities amounts to 1.39% (1.59% at 31 March 2020).

(in thousands)

Net interest income	31.03.2021	31.03.2020	Change	% Change
1. BPER Banca s.p.a.	261,729	216,852	44,877	20.69
2. BPER Bank Luxembourg s.a.	1,145	1,326	(181)	-13.65
3. Bibanca s.p.a.	12,659	12,354	305	2.47
4. Banco di Sardegna s.p.a.	44,027	49,190	(5,163)	-10.50
Total banks	**319,560**	**279,722**	**39,838**	**14.24**
Other companies and consolidation adjustments	23,953	28,249	(4,296)	-15.21
Total	**343,513**	**307,971**	**35,542**	**11.54**

Compared with the quarterly trend in net interest income, as shown in the following graph, the growth compared with the previous quarters is mainly due to the acquisition of the UBI business unit.

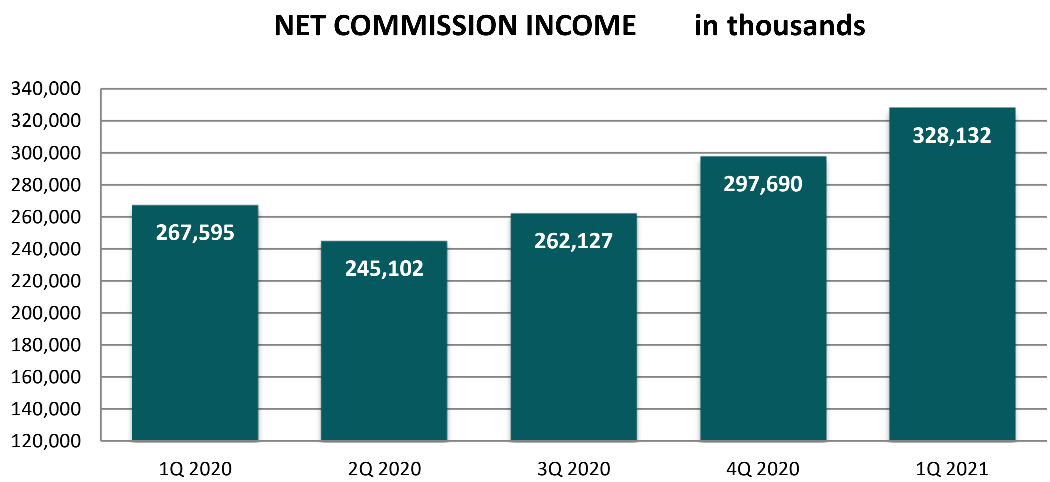


Net commission income

"Net commissions income", Euro 328.1 million, were 22.62% higher than at 31 March 2020.

(in thousands)

Net commission income	31.03.2021	31.03.2020	Change	% Change
Trading in currency/financial instruments	1,942	1,905	37	1.94
Indirect deposits and insurance policies	143,850	118,786	25,064	21.10
Credit cards, collections and payments	49,158	39,843	9,315	23.38
Loans and guarantees	120,274	96,648	23,626	24.45
Other commissions	12,908	10,413	2,495	23.96
Total net commission income	**328,132**	**267,595**	**60,537**	**22.62**



Compared with the quarterly trend in net commission income, as shown in the graph, 1Q2021 was affected by the acquisition of the UBI business unit, which resulted in an increase in the commission income earned on loans, collections, payments, assets under management and insurance premiums.

Net income from financial activities

"Net income from financial activities" (including dividends of Euro 1.7 million) came to Euro 77.9 million (Euro 6.5 million at 31 March 2020), mainly influenced by better market conditions compared with the first quarter of last year, which was heavily conditioned by the start of the Covid-19 emergency.
This result was brought about in particular by:

- gains on the disposal of financial assets for Euro 53.2 million;
- gains on the disposal of loans for Euro 0.4 million;
- net gains on financial assets of Euro 21.6 million;
- other positive elements for Euro 1 million.

(in thousands)

Net income from financial activities (including dividends)	31.03.2021	31.03.2020	Change	% Change
Dividends	1,678	809	869	107.42
Gain from disposal of financial assets and loans	53,575	63,249	(9,674)	-15.30
Capital gains on financial assets	48,808	7,039	41,769	593.39
Capital losses on financial assets	(27,222)	(57,478)	30,256	-52.64
Other revenues (losses)	1,080	(7,168)	8,248	-115.07
Total	**77,919**	**6,451**	**71,468**	--

Operating income

Considering "Other operating expense/income" of Euro 8.1 million (Euro 14.6 million at 31 March 2020), Operating income came to Euro 757.7 million (+27% than in the same period last year).

Operating costs

"Operating costs" amount to Euro 546.5 million, an increase compared with the first three months of 2020 due to the increase in size of the Group as a result of the business combination carried out in the first quarter.
The main components of operating costs are as follows.

"Staff costs", Euro 302.1 million, were higher than in the comparative period (+18.22%); in addition to the increase in size of the Group, one-off costs were incurred for personnel working alongside colleagues in the new branches that have just been acquired.

"Other administrative expenses", shown net of indirect taxes recovered (Euro 54.7 million at 31 March 2021) and the contributions paid to the Resolution Funds (Euro 31.1 million), come to Euro 189.9 million, up by 65.77% compared with the same period last year.
This item is also affected by one-off charges relating to the acquisition of the business unit, in particular for IT migration, consultancy, advertising, rebranding and reimbursement of staff expenses.

"Net adjustments to property, plant and equipment and intangible assets" amount to Euro 54.5 million (Euro 39.9 million in the first three months of 2020) and are affected by the change in the accounting method used to measure properties held for investment purposes.

The result was affected by write-downs of properties classified as inventories for Euro 5.1 million, write-backs on properties used in operations for Euro 2.6 million and the write-down of the "core deposit" intangible asset coming from the PPA of Cassa di Risparmio di Bra for Euro 3.4 million.
Depreciation of right-of-use assets being leased amounts to Euro 15.2 million (Euro 15.3 million at 31 March 2020).

(in thousands)

Operating costs	31.03.2021	31.03.2020	Change	% Change
1. BPER Banca s.p.a.	456,910	321,831	135,079	41.97
2. BPER Bank Luxembourg s.a.	1,242	1,161	81	6.98
3. Bibanca s.p.a.	10,336	8,845	1,491	16.86
4. Banco di Sardegna s.p.a.	59,655	64,672	(5,017)	-7.76
Total banks	**528,143**	**396,509**	**131,634**	**33.20**
Other companies and consolidation adjustments	18,333	13,518	4,815	35.62
Total	**546,476**	**410,027**	**136,449**	**33.28**

Net operating income therefore comes to Euro 211.2 million (Euro 186.6 million at 31 March 2020).

Net impairment losses for credit risk

"Net impairment losses for credit risk" amounted to Euro 418.8 million (Euro 139.6 million in the first quarter 2020).
In particular, “Net impairment losses on financial assets measured at amortised cost” came to Euro 419.0 million (Euro 319.6 million at 31 March 2020), while the measurement of securities through other comprehensive income resulted in write-backs of Euro 0.8 million.

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

(in thousands)

Net impairment losses for credit risk on loans to customers	31.03.2021	31.03.2020	Change	% Change
1. BPER Banca s.p.a.	360,758	123,464	237,294	192.20
2. BPER Bank Luxembourg s.a.	102	(114)	216	-189.47
3. Bibanca s.p.a.	2,013	2,958	(945)	-31.95
4. Banco di Sardegna s.p.a.	35,038	2,952	32,086	--
Total banks	**397,911**	**129,260**	**268,651**	**207.84**
Other companies and consolidation adjustments	19,756	10,731	9,025	84.10
Total	**417,667**	**139,991**	**277,676**	**198.35**

The overall cost of credit at 31 March 2021, calculated only on loans to customers, amounted to 55 bps, the equivalent of 222 bps on an annualised basis; the cost of credit at 31 March 2020 was 27 bps, while the effective cost at 31 December 2020 was 101 bps.
The updates of the ECL model adopted by the BPER Banca Group, both as overlays motivated by Covid-19, and as other updates of the risk parameters, led to additional net adjustments to the performing (Stage 1 and 2) and non-performing (Stage 3, limited to statistical assessments) loan portfolio for a total of Euro 173.7 million.
The residual portion of the cost of credit for the quarter, equal to Euro 244.0 million, is attributable to the non-performing portfolio valued analytically.

Net provisions for risks and charges

"Net provisions for risks and charges" come to Euro 40.9 million (at 31 March 2020 there were write-backs of Euro 2.3 million). Net impairment adjustments on guarantees and commitments come to Euro 1.1 million, whereas "Other provisions for risks and charges" amount to Euro 39.8 million. These mainly include the adjustment of the "profit sharing" element payable to the National Resolution Fund under the agreements for the acquisition of Nuova Carife s.p.a. (Euro 19.8 million payable to the seller following the recovery of prior-year tax losses), in addition to other provisions relating to legal risks on disputes.

Contributions to the SRF, DGS and IDGF-VS Funds

At 31 March 2021, costs of Euro 31.1 million were recognized (Euro 32.0 million at 31 March 2020) as an estimate of the ordinary contribution to the SRF (Single Resolution Fund).

Gains (Losses) on investments

This caption shows a negative balance of Euro 250.7 million (it was positive for Euro 0.1 million at 31 March 2020), mainly deriving from:

- write-down of goodwill for Euro 230.4 million
- negative result of the fair value measurement of properties for Euro 22.6 million;
- positive result from companies valued at equity for Euro 2.3 million

Gain on a bargain purchase

This caption includes the provisional badwill - i.e. the positive capital difference - generated by the acquisition of the UBI business unit, amounting to Euro 1,077.9 million

Profit for the period

The "Profit from current operations before tax" amounts to Euro 547.6 million (Euro 17.3 million at 31 March 2020).

"Income taxes for the period", Euro 140.8 million, were determined by applying the regulations in force at 31 March 2021 and, therefore, considering the changes introduced by the "August Decree" (Decree Law no. 104 of 14 August 2020), in particular, the provision that recognises the possibility, for entities that adopt international accounting standards, to realign for tax purposes any higher carrying amounts of Property, plant and equipment, intangible assets and long-term equity investments, even if they are not subsidiaries or associates. The impact on the income statement is due to recognition of the flat-rate substitute tax of Euro 1.7 million and the reversal of deferred tax for Euro 13.5 million.

Tax is also influenced by the Groups decision to change the accounting method used to measure properties held for investment purposes from cost to fair value and the fact that, in line with its own accounting policy, at 31 March 2021, the requirements for accounting for DTAs potentially recognisable as a result of such a change have not been met; again following the change in the valuation method, DTAs were reversed for Euro 19.6 million.

This caption also includes the current tax burden on the badwill originating from the provisional PPA following the acquisition of the UBI business unit for Euro 296.4 million.

Lastly, note that taxable income at 31 March 2021 makes it possible to fully recover the losses of previous years and the current year and to further reduce IRES taxable income with the ACE transferred to the consolidation, which is used 100%.

The profit for the period after tax is Euro 406.8 million (Euro 10.7 million at 31 March 2020). The profit pertaining to minority interests is Euro 6.5 million (Euro 4.3 million at 31 March 2020). The profit pertaining to the Parent Company amounts to Euro 400.3 million (Euro 6.4 million at 31 March 2020).

(in thousands)

Net profit	31.03.2021	31.03.2020	Change	% Change
1. BPER Banca s.p.a.	392,657	(34,207)	426,864	--
2. BPER Bank Luxembourg s.a.	1,222	(1,604)	2,826	-176.18
3. Bibanca s.p.a.	3,559	3,061	498	16.27
4. Banco di Sardegna s.p.a.	685	29,876	(29,191)	-97.71
Total banks	**398,123**	**(2,874)**	**400,997**	--
Other companies and consolidation adjustments	2,143	9,283	(7,140)	-76.91
Total	**400,266**	**6,409**	**393,857**	--

4.5 Employees

Employees	31.03.2021	31.12.2020	Change
1. BPER Banca s.p.a.	15,031	10,355	4,676
2. BPER Bank Luxembourg s.a.	24	24	-
3. Bibanca s.p.a.	148	138	10
4. Banco di Sardegna s.p.a.	2,173	2,231	(58)
Total banks	**17,376**	**12,748**	**4,628**
Subsidiaries consolidated line-by-line	432	429	3
Total of balance sheet	**17,808**	**13,177**	**4,631**

The figures reflect the number of employees on the books at 31 March 2021. The acquisition of the business unit from Intesa Sanpaolo resulted in an increase in the workforce of 5,107 resources; for more information, see the chapter on "Significant events and strategic transactions" in this Report.
The Group companies employees at 31 March 2021 include no. 604 people seconded within the Group (525 at 31 December 2020).

4.6 Geographical organisation

Branches	31.03.2021	31.12.2020	Change
1. BPER Banca s.p.a.	1,491	908	583
2. Banco di Sardegna s.p.a.	329	329	-
Total Italian banks	**1,820**	**1,237**	**583**
3. BPER Bank Luxembourg s.a.	1	1	-
Total	**1,821**	**1,238**	**583**

The change during the quarter is due to the acquisition of the business unit from the Intesa Sanpaolo Group (no. 587 windows, of which no. 455 branches and no. 132 operating points); for more information, see the chapter "Significant events and strategic transactions" of this Report.
Please refer to the "Attachments" of this Consolidated interim report on operations at 31 March 2021 for details of the Groups geographical presence.

5. Other information

5.1 Treasury shares in portfolio

No quotas or shares in Group companies are held through trust companies or other third parties; furthermore, such parties were not used during the period to buy or sell shares or quotas in Group companies.

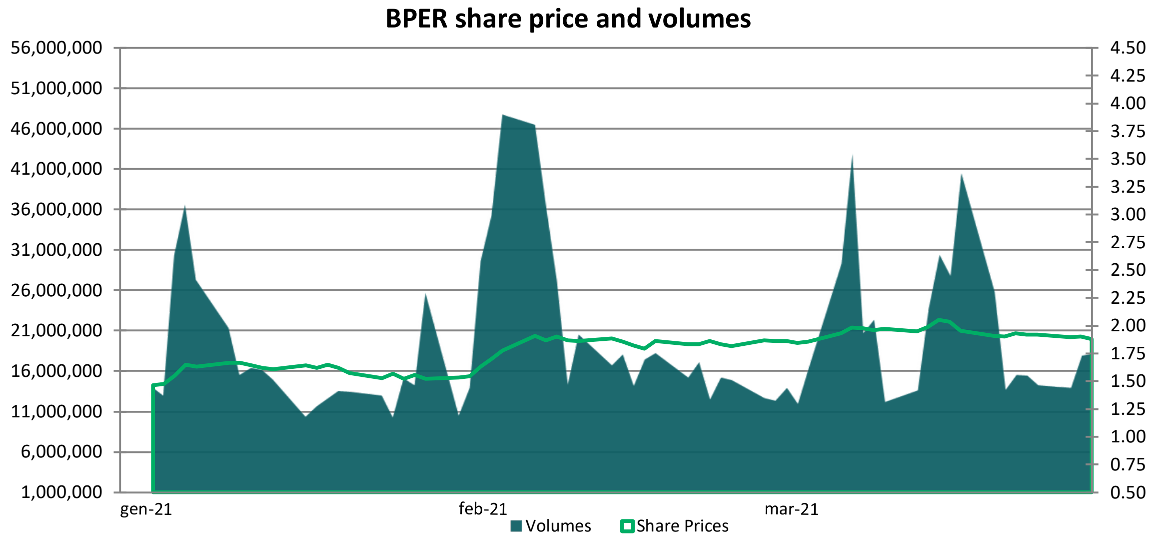
The carrying amount of the Group's interest in the treasury shares held by consolidated companies, classified as a deduction from shareholders equity caption 180, is Euro 7,259 thousand, of which Euro 7,253 thousand relates to BPER Banca shares held by the Parent Company.

Shares of BPER Banca s.p.a.	Number of shares	Total par value
Total as at 31.03.2021	455,458	7,253,180
Total as at 31.12.2020	455,458	7,253,180

There are also 62,180 shares of Bibanca s.p.a. (formerly Banca di Sassari), held by it, for a total of Euro 6 thousand.

5.2 Share price performance

In the first few months of 2021, stock markets rose, albeit in a context of volatility, also due to the global health situation. Fears of a pick-up in inflation in the US led to a sell-off on government bonds with a rise in rates internationally, generating tensions also on equity markets. The intervention of the central banks to mitigate concerns about inflationary risks then favoured a recovery in the listings, which closed the first quarter in positive territory.
In the United States, the S&P500 index rose by 6.5%, while in Europe the Euro Stoxx 50 recorded a more marked increase, at 9.7%. The Italian FTSE MIB index benefited from the inauguration of Mario Draghis government and the improvement in economic prospects, marking an increase above the European average, at 10.9%. In particular, the sectors that had been most penalised after the outbreak of the pandemic performed well, including the financial sector. The index of Italian banks recorded an increase of 18.1% from the beginning of the year.
The BPER Banca stock was among the best in the Italian banking sector, achieving a rise of 26.4%, distinctly better than the sector index. The official price of the BPER Banca stock went from Euro 1.485 at 30 December 2020 to Euro 1.8765 at 31 March 2021. Trading volumes of BPER Banca shares have stabilised at a daily average of about Euro 20 million.



5.3 Rating as at 31 March 2021

Fitch Ratings

At 31 March 2021, Fitch confirmed the ratings that it had assigned to BPER Banca on 23 October 2020, as already explained.

International Rating Agency	Last review date	Short Term	Long Term	Rating watch	Viability Rating	Support rating	Support rating floor	Subordinated debt
Fitch Ratings	23.10.2020	B	BB	Stabile	bb	5	No floor	B+

Short Term (Issuer Default Rating): Debt repayment capacity in the short term (less than 13 months) (F1: best rating – D: default).
Long Term (Issuer Default Rating): Ability to meet financial commitments in a timely manner regardless of the maturity of the individual bonds. This rating is an indicator of the issuers probability of default (AAA: best rating – D: default).
Outlook: indicates the possible future evolution of the rating, which can be "positive", "stable" or "negative".
Viability Rating: Evaluation of the banks intrinsic solidity, on the assumption that it cannot rely on extraordinary forms o f external support (aaa: best rating – f: default).
Support rating: Opinion on the probability of any extraordinary external intervention (by the State or major shareholders) if the bank finds it difficult to honour its senior obligations (1: high probability of external support - 5: cannot rely on any support (as in the case of European banks under the BRRD resolution regime)).
Support rating floor: This rating is an accessory piece of information, closely related to the Support Rating, as it identifies, the minimum level for each level of Support Rating that the Issuer Default Rating could reach in the case of negative events (No Floor for European Banks under the BRRD resolution scheme).
Subordinated debt: Opinion on the issuers ability to honour subordinated de bt. Fitch adds "+" or "-" to report the relative position with respect to the category.
Rating watch: indicates a high probability of a change in rating and the likely direction of that change. The indicator may be "positive", if the rating is expected to remain stable or improve; "negative", if the rating is expected to remain stable or deteriorate; or "evolving", if the rating could be raised, lowered or confirmed.

Moody's

The ratings given by Moodys to BPER Banca in March 2021 were confirmed as of 31 March 2020. The details are as follows.

International Rating Agency	Last review date	Short Term Deposit	Long Term Deposit	Outlook (Long-term Deposit)	Long Term Issuer	Outlook (Long-term Issuer)	Baseline Credit Assessment ("BCA")	Subordinated debt
Moodys	26.03.2020	P-3	Baa3	Negativo	Ba3	Negativo	ba2	Ba3

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

5.4 Disclosure of exposures to sovereign debt held by listed companies

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

Debt securities

Issuer	Rating	Cat	Nominal value	Book value	Fair Value	OCI Reserves	%
Governments (*):			**11,920,914**	**12,171,839**	**12,451,902**	**11,983**	**97.55%**
Italy	BBB-		**7,665,147**	**7,996,154**	**8,264,512**	**10,935**	**64.08%**
		FVTPLT	3,374	3,059	3,059	#	
		FVO	100,000	121,989	121,989	#	
		FVTPLM	65,000	65,997	65,997	#	
		FVOCI	380,425	421,823	421,823	10,935	
		AC	7,116,348	7,383,286	7,651,644	#	
Spain	A-		1,441,500	1,479,416	1,507,697	-	**11.86%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	1,441,500	1,479,416	1,507,697	#	
United States of America	AAA		890,000	741,675	692,636	-	**5.94%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	890,000	741,675	692,636	#	
Germany	AAA		**657,000**	**676,038**	**676,543**	**-**	**5.42%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	657,000	676,038	676,543	#	
European Stability Fund	AA		**334,000**	**359,141**	**366,833**	**1,388**	**2.88%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	95,000	108,330	108,330	1,388	
		AC	239,000	250,811	258,503	#	

(cont.)

Issuer	Rating	Cat	Nominal value	Book value	Fair Value	OCI Reserves	%
Ireland	A+		**191,000**	**197,227**	**202,843**	**-**	**1.58%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	191,000	197,227	202,843	#	
Others	-		**742,267**	**722,188**	**740,838**	**(340)**	**5.79%**
		FVTPLT	1,767	1,645	1,645	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	34,000	30,240	30,240	(340)	
		AC	706,500	690,303	708,953	#	
Other public entities:			**311,762**	**305,839**	**306,197**	**320**	**2.45%**
Italy	-		**7,338**	**7,490**	**7,644**	**89**	**0.06%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	6,236	6,376	6,376	89	
		AC	1,102	1,114	1,268	#	
France	-		**245,400**	**238,308**	**238,511**	**244**	**1.91%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	31,000	34,198	34,198	244	
		AC	214,400	204,110	204,313	#	
Others	-		**59,024**	**60,041**	**60,042**	**(13)**	**0.48%**
		FVTPLT	24	8	8	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	59,000	60,034	60,034	(13)	
		AC		(1)		#	
Total as at 31.03.2021			**12,232,676**	**12,477,678**	**12,758,099**	**12,303**	**100.00%**

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

Loans

Issuer	Rating	Cat	Nominal value	Book value	Fair value	OCI Reserves	%
Governments (*):			**2,005,782**	**2,005,782**	**2,005,782**	**-**	**79.33%**
Italy	BBB+		**2,005,782**	**2,005,782**	**2,005,782**	**-**	**79.33%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	-	
		FVOCI	-	-	-	#	
		AC	2,005,782	2,005,782	2,005,782	#	
Other public entities:			**522,754**	**522,754**	**522,754**	**-**	**20.67%**
Italy	-		**521,326**	**521,326**	**521,326**	**-**	**20.62%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	-	
		FVOCI	-	-	-	#	
		AC	521,326	521,326	521,326	#	
Algeria	-		**1,428**	**1,428**	**1,428**	**-**	**0.06%**
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	-	
		FVOCI	-	-	-	#	
		AC	1,428	1,428	1,428	#	
Total loans as at 31.03.2021			**2,528,536**	**2,528,536**	**2,528,536**	**-**	**100.00%**

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

Based on their "Book Value", repayment of these exposures is distributed as follows:

	on demand	until 1 year	1 to 5 years	over 5 years	Total
Debt securities	-	825,930	4,399,555	7,252,193	**12,477,678**
Loans	199,611	97,839	67,992	2,163,094	**2,528,536**
Total	**199,611**	**923,769**	**4,467,547**	**9,415,287**	**15,006,214**

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

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

Once again in 2021, the BPER Banca Group contributed to the mechanisms to safeguard the soundness of the banking system, established in 2015 at European and Italian level.

In April 2021, the BPER Banca Group received the request for the ordinary contribution to the Single Resolution Fund (SRF) for 2021. In response to this request, the Groups contribution was already accrued in the first quarter of 2021 for a total of Euro 31.1 million (BPER Bancas share: Euro 28.2 million).

5.6 Inspections and audits

During the normal course of its business, the Group is subject to supervision by various Supervisory Authorities, principally the ECB, the Bank of Italy and CONSOB. The Supervisory Authorities carry out inspections, on-site or remotely, on the Issuer and on the Group, as a result of which areas for improvement are generally identified. Following these inspections, the Issuer prepares action plans with the corrective measures that it plans to take and the progress being made on them. This is usually monitored on a quarterly basis with a report being sent to the Supervisory Authorities.

The latest inspections carried out by the Supervisory Authority on the BPER Banca Group in the first quarter of 2021 are as follows.

BANK OF ITALY – BI

- *Inspection (2020)*

From 13 October 2020 to 5 February 2021, Arca Fondi SGR was the subject of an inspection by the Bank of Italy regarding its overall situation. The report on the results of the inspection was received by Arca on 20 April 2021, highlighting some areas for improvement.
Arca Fondi SGR has to send the Supervisory Authority its considerations regarding the findings explained in the report and the corrective measures that the company has already taken, or still has to take. A similar response is requested from BPER Banca with its observations on the initiatives proposed by the subsidiary.

CONSOB

- *Inspection (2020)*

Since October 2020, BPER Banca has been subject to an inspection by CONSOB to ascertain the state of compliance with the new MiFID II regulation following the transposition of Directive 2014/65/EU into Italian law. The inspection was still underway at the date this document was prepared.

Italian Tax Authority – Cooperative Compliance and Tax Control Framework

BPER Banca is included in the list of companies admitted to the collaborative compliance regime provided for in Legislative Decree no. 128 and published on the institutional website of the Italian Tax Authorities.
The structure that manages and governs the Tax Control Framework (TCF) operates with reference to BPER Banca, but gradual extension of the same principles to the other companies of the BPER Banca Group is currently being studied.
During the course of 2021, despite continuation of the pandemic, having detailed operational manuals available, as well as the online tax consulting platform based on the ticketing system already in use at the Bank, made it possible to continue this activity, also with remote working from home and hub-working.
In particular, it was possible to introduce an orderly procedure consistent with internal regulations, being able to use the “Operating Manual for Monitoring the Tax Control Framework”. The manual is consistent

with the qualitative and informative requests deriving from the Policy for the governance of the risk of non-compliance with tax legislation, which also fulfils the requirements of the Tax Control Framework,
On 2 February 2021, the closing meeting of the procedure was held with the Tax Authorities Collaborative Compliance Office, pursuant to para. 6.1 of the Provision of 26 May 2017.
At this meeting, all of the positions taken during the procedure were summarised, specifying whether:

- BPER Banca shared the indications of the Tax Authorities, reaching a "collaborative compliance agreement";
- BPER Banca did not share the indications of the Tax Authorities, leading to "suspended positions". These circumstances did not arise.

Also in the context of the meeting to close the procedure, feedback was provided on how the control system had functioned.

A series of meetings were also held with the other second-level control functions on the update concerning activities that might be sensitive to the risk of committing significant offences under Legislative Decree 231/01 and the related prevention protocols that were the responsibility of the Tax Unit, as well as in-depth analysis with particular regard to tax crimes. These meetings, organised by the Chief Audit Executive (CAE), also discussed the possible integration of the 231 Model with the controls introduced by the TCF. Analysis of this issue is still underway.

Lastly, it is worth mentioning the immense amount of work carried out between August 2020 and March 2021 on analysing the content of the "Relaunch Decree", particularly the various tax "bonuses", as well as the identification and formalisation of the necessary safeguards, which are still being formalised, also in light of the series of instructions issued over time by the Financial Administration.

5.7 Application of the MiFID

On 10 March 2021, CONSOB published resolution no. 21755 which makes changes to the Intermediaries Regulation regarding the requirements of technical knowledge and skills of personnel involved in providing investment services. The resolution came into effect on 31 March 2021. In particular, from that date it is left to the independent determination of the intermediaries to set up the most suitable internal organisational processes to ensure quality training and professional refresher courses for their employees. All of the safeguards regarding the technical knowledge and skills of personnel foreseen in the MiFID II regulation, to ensure the protection of investors, remain. The BPER Banca Group promptly initiated activities to incorporate the above changes in terms of technical knowledge and skills.

6. Outlook for operations

6.1 Outlook for operations

Despite an improvement in the macro picture of the Eurozone, supported by a recovery in demand and by the substantial fiscal stimulus measures, uncertainties about the future repercussions of the pandemic on the economy continue to weigh on the short-term prospects, the evolution of which remains conditioned by the progress being made in the vaccination campaigns and the spread of new Covid-19 variants. Based on the latest indicators, economic activity in Italy seems to have remained almost stable in the first few months of the year, characterised by a recovery in the industrial sector, but with persistent weakness in the services sector due to the restrictive measures. Looking ahead, the progress of the vaccination campaigns currently underway, together with a gradual relaxation of the containment measures, fuel expectations of a decisive recovery in economic activity during the course of 2021, which will also be bolstered by the ongoing measures launched by the Government in favour of households and businesses.
In this context, the BPER Banca Group will continue to focus on increasing profitability, further supported by the benefits deriving from integration of the business unit just acquired, which will provide an important contribution to revenue growth, both in terms of commission income, especially from Asset Management and Bancassurance, and in net interest income. In terms of operating costs, the Bank will continue to implement measures to increase the efficiency of the operating structure and to rationalise the cost base, which together with the expected growth in revenues should reduce the Groups cost/income ratio.

Modena, 7 May 2021

The Board of Directors
The Chairman
Flavia Mazzarella

Consolidated financial statements

Consolidated balance sheet as at 31 March 2021

(in thousands)

	Assets	31.03.2021	31.12.2020
10.	Cash and cash equivalents	589,022	482,192
20.	Financial assets measured at fair value through profit or loss	1,311,582	1,198,601
	a) financial assets held for trading	331,893	279,009
	b) financial assets designated at fair value	124,643	127,368
	c) other financial assets mandatorily measured at fair value	855,046	792,224
30.	Financial assets measured at fair value through other comprehensive income	6,332,524	6,269,818
40.	Financial assets measured at amortised cost	114,813,605	79,991,505
	a) loans to banks	25,879,275	14,352,731
	b) loans to customers	88,934,330	65,638,774
50.	Hedging derivatives	127,721	57,776
70.	Equity investments	230,247	225,558
90.	Property, plant and equipment	1,882,586	1,365,705
100.	Intangible assets	465,852	702,723
	of which:		
	- goodwill	204,392	434,758
110.	Tax assets	1,821,199	2,003,040
	a) current	338,967	418,174
	b) deferred	1,482,232	1,584,866
120.	Non-current assets and disposal groups classified as held for sale	99,425	99,467
130.	Other assets	1,325,136	665,398
	Total assets	**128,998,899**	**93,061,783**

The comparative balances as at 31 December 2020 have been restated, with respect to those published in the consolidated financial statements at the same date, following the change in accounting method used to measure Property, plant and equipment represented by properties held for investment purposes. Please refer to the Explanatory Notes, Other aspects and related attachments for further details.

(in thousands)

	Liabilities and shareholders equity	31.03.2021	31.12.2020
10.	Financial liabilities measured at amortised cost	116,558,126	83,177,191
	a) due to banks	22,258,572	20,180,999
	b) due to customers	89,229,714	58,314,002
	c) debt securities issued	5,069,840	4,682,190
20.	Financial liabilities held for trading	147,324	170,094
40.	Hedging derivatives	344,047	469,240
60.	Tax liabilities	182,836	82,318
	a) current	97,569	4,797
	b) deferred	85,267	77,521
70.	Liabilities associated with assets classified as held for sale	142,631	144,809
80.	Other liabilities	3,933,593	1,945,822
90.	Employee termination indemnities	207,285	148,199
100.	Provisions for risks and charges:	653,906	589,981
	a) commitments and guarantees granted	80,571	62,334
	b) pension and similar obligations	139,502	148,357
	c) other provisions for risks and charges	433,833	379,290
120.	Valuation reserves	240,535	118,105
140.	Equity instruments	150,000	150,000
150.	Reserves	2,563,320	2,360,743
160.	Share premium reserve	1,241,197	1,241,197
170.	Share capital	2,100,435	2,100,435
180.	Treasury shares (-)	(7,259)	(7,259)
190.	Minority interests (+/-)	140,657	133,983
200.	Profit (Loss) for the period (+/-)	400,266	236,925
	Total liabilities and shareholders equity	**128,998,899**	**93,061,783**

The comparative balances as at 31 December 2020 have been restated, with respect to those published in the consolidated financial statements at the same date, following the change in accounting method used to measure Property, plant and equipment represented by properties held for investment purposes. Please refer to the Explanatory Notes, Other aspects and related attachments for further details.

Consolidated income statement as at 31 March 2021

(in thousands)

	Captions	31.03.2021	31.03.2020
10.	Interest and similar income	398,172	359,864
	of which: interest income calculated using the effective interest method	396,152	357,791
20.	Interest and similar expense	(54,659)	(51,893)
30.	**Net interest income**	**343,513**	**307,971**
40.	Commission income	375,117	309,431
50.	Commission expense	(46,985)	(41,836)
60.	**Net commission income**	**328,132**	**267,595**
70.	Dividends and similar income	1,678	809
80.	Net income from trading activities	28,097	(21,287)
90.	Net income from hedging activities	(1,172)	(8,567)
100.	Gains (Losses) on disposal or repurchase of:	40,583	69,327
	a) financial assets measured at amortised cost	35,867	68,468
	b) financial assets measured at fair value through other comprehensive income	5,108	715
	c) financial liabilities	(392)	144
110.	Net income on financial assets and liabilities measured at fair value through profit or loss	8,733	(33,831)
	a) financial assets and liabilities designated at fair value	459	(4,673)
	b) other financial assets mandatorily measured at fair value	8,274	(29,158)
120.	**Net interest and other banking income**	**749,564**	**582,017**
130.	Net impairment losses for credit risk relating to:	(418,231)	(139,448)
	a) financial assets measured at amortised cost	(419,004)	(139,553)
	b) financial assets measured at fair value through other comprehensive income	773	105
140.	Gains (Losses) from contractual modifications without derecognition	(602)	(195)
150.	**Net income from financial activities**	**330,731**	**442,374**
180.	**Net income from financial and insurance activities**	**330,731**	**442,374**
190.	Administrative expenses:	(577,775)	(436,137)
	a) staff costs	(302,142)	(255,576)
	b) other administrative expenses	(275,633)	(180,561)
200.	Net provisions for risks and charges	(21,071)	2,276
	a) commitments and guarantees granted	(1,082)	1,017
	b) other net provisions	(19,989)	1,259
210.	Net adjustments to property, plant and equipment	(34,082)	(26,000)
220.	Net adjustments to intangible assets	(20,372)	(13,905)
230.	Other operating expense/income	42,974	48,644
240.	**Operating costs**	**(610,326)**	**(425,122)**
250.	Gains (Losses) of equity investments	2,280	34
260.	Gains (Losses) on property, plant and equipment and intangible assets measured at fair value	(22,641)	-
270.	Impairment losses on goodwill	(230,366)	-
275.	Gain on a bargain purchase	1,077,869	-
280.	Gains (Losses) on disposal of investments	72	30
290.	**Profit (Loss) from current operations before tax**	**547,619**	**17,316**
300.	Income taxes on current operations for the period	(140,830)	(6,582)
310.	**Profit (Loss) from current operations after tax**	**406,789**	**10,734**
330.	**Profit (Loss) for the period**	**406,789**	**10,734**
340.	Profit (Loss) for the period pertaining to minority interests	(6,523)	(4,325)
350.	**Profit (Loss) for the period pertaining to the Parent Company**	**400,266**	**6,409**

The comparative balances as at 31 March 2020 have been restated, with respect to what was published in the Consolidated interim report at the same date, following the change in accounting method used to measure Property, plant and equipment represented by properties held for investment purposes. Please refer to the Explanatory Notes, Other aspects and related attachments for further details.

	Earning per share (Euro) 31.03.2021	Earning per share (Euro) 31.03.2020
Basic EPS	0.283	0.012
Diluted EPS	0.276	0.012

Consolidated statement of other comprehensive income

(in thousands)

Captions		31.03.2021	31.03.2020
10.	**Profit (Loss) for the period**	**406,789**	**10,734**
	Other comprehensive income, after tax, that will not be reclassified to profit or loss		
20.	Equity instruments designated at fair value through other comprehensive income	36,202	(10,006)
40.	Hedging of equity instruments designated at fair value through other comprehensive income	361	-
50.	Tangible assets	83,040	-
70.	Defined benefit plans	12,572	12,671
90.	Share of the valuation reserves of equity investments carried at equity	213	(75)
	Other comprehensive income, after tax, that may be reclassified to profit or loss		
120.	Cash-flow hedges	849	(2,070)
140.	Financial assets (no equity instruments) measured at fair value through other comprehensive income	(10,244)	(112,846)
170.	**Total other comprehensive income after tax**	**122,993**	**(112,326)**
180.	**Total other comprehensive income (Captions 10+170)**	**529,782**	**(101,592)**
190.	Consolidated other comprehensive income pertaining to minority interests	7,102	4,174
200.	**Consolidated other comprehensive income pertaining to the Parent Company**	**522,680**	**(105,766)**

Consolidated statement of changes in shareholders' equity

(in thousands)

	Balance as at 31.12.20	Changes in opening balances	Balance as at 1.1.21	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes during the period: Changes in reserves	Transactions on shareholders' equity: Issue of new shares	Transactions on shareholders' equity: Purchase of treasury shares	Transactions on shareholders' equity: Extraordinary distribution of dividends	Transactions on shareholders' equity: Changes in equity instruments	Transactions on shareholders' equity: Derivatives on treasury shares	Transactions on shareholders' equity: Stock options	Changes in participatory interests	Other comprehensive income as at 31.03.2021	Shareholders' equity as at 31.03.2021: Group	Shareholders' equity as at 31.03.2021: Minority interests
Share capital:	**2,126,207**	-	**2,126,207**	-	-	-	-	-	-	-	-	-	**(213)**	-	**2,100,435**	**25,559**
a) ordinary shares	2,126,207	-	2,126,207	-	-	-	-	-	-	-	-	-	(213)	-	2,100,435	25,559
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**1,244,066**	-	**1,244,066**	-	-	-	-	-	-	-	-	-	**(71)**	-	**1,241,197**	**2,798**
Reserves:	**2,439,830**	-	**2,439,830**	**261,926**	-	**(34,476)**	-	-	-	-	-	-	-	-	**2,563,320**	**103,960**
a) from profits	1,860,712	-	1,860,712	261,926	-	(35,108)	-	-	-	-	-	-	-	-	1,984,398	103,132
b) other	579,118	-	579,118	-	-	632	-	-	-	-	-	-	-	-	578,922	828
Valuation reserves	**119,359**	-	**119,359**	-	-	-	-	-	-	-	-	-	-	**122,993**	**240,535**	**1,817**
Equity instruments	**150,000**	-	**150,000**	-	-	-	-	-	-	-	-	-	-	-	**150,000**	-
Treasury shares	**(7,259)**	-	**(7,259)**	-	-	-	-	-	-	-	-	-	-	-	**(7,259)**	-
Profit (Loss) for the period	**261,926**	-	**261,926**	**(261,926)**	-	-	-	-	-	-	-	-	-	**406,789**	**400,266**	**6,523**
Group shareholders' equity	**6,200,146**	-	**6,200,146**	-	-	**(34,706)**	-	-	-	-	-	-	**374**	**522,680**	**6,688,494**	-
Minority interests	**133,983**	-	**133,983**	-	-	**230**	-	-	-	-	-	-	**(658)**	**7,102**	-	**140,657**

	Balance as at 31.12.19	Changes in opening balances	Balance as at 1.1.20	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes during the period: Changes in reserves	Transactions on shareholders' equity: Issue of new shares	Transactions on shareholders' equity: Purchase of treasury shares	Transactions on shareholders' equity: Extraordinary distribution of dividends	Transactions on shareholders' equity: Changes in equity instruments	Transactions on shareholders' equity: Derivatives on treasury shares	Transactions on shareholders' equity: Stock options	Changes in participatory interests	Other comprehensive income as at 31.03.2020	Shareholders' equity as at 31.03.2020: Group	Shareholders' equity as at 31.03.2020: Minority interests
Share capital:	**1,599,279**	-	**1,599,279**	-	-	-	-	-	-	-	-	-	**(3)**	-	**1,561,884**	**37,392**
a) ordinary shares	1,599,279	-	1,599,279	-	-	-	-	-	-	-	-	-	(3)	-	1,561,884	37,392
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**1,009,055**	-	**1,009,055**	-	-	-	-	-	-	-	-	-	**(6)**	-	**1,002,722**	**6,327**
Reserves:	**2,102,623**	**12,116**	**2,114,739**	**394,452**	-	**(5,807)**	-	-	-	-	-	-	-	-	**2,417,721**	**85,663**
a) from profits	1,501,654	12,116	1,513,770	394,452	-	(4,748)	-	-	-	-	-	-	-	-	1,819,282	84,192
b) other	600,969	-	600,969	-	-	(1,059)	-	-	-	-	-	-	-	-	598,439	1,471
Valuation reserves	**43,397**	-	**43,397**	-	-	-	-	-	-	-	-	-	-	**(112,326)**	**(71,110)**	**2,181**
Equity instruments	**150,000**	-	**150,000**	-	-	-	-	-	-	-	-	-	-	-	**150,000**	-
Treasury shares	**(7,259)**	-	**(7,259)**	-	-	-	-	-	-	-	-	-	-	-	**(7,259)**	-
Profit (Loss) for the period	**394,452**	-	**394,452**	**(394,452)**	-	-	-	-	-	-	-	-	-	**10,734**	**6,409**	**4,325**
Group shareholders' equity	**5,159,885**	**12,024**	**5,171,909**	-	-	**(5,786)**	-	-	-	-	-	-	**10**	**(105,766)**	**5,060,367**	-
Minority interests	**131,662**	**92**	**131,754**	-	-	**(21)**	-	-	-	-	-	-	**(19)**	**4,174**	-	**135,888**

(*) The change in opening balances relating to reserves from profits includes the impacts deriving from the change in accounting method used to measure real estate assets of the BPER Banca Group held for investment purposes, as reported in the Explanatory Notes of the present report. As a result of the retrospective application of this change, the profit as at 31 March 2020 is different from that published.

Explanatory notes

Key to abbreviations in tables:

FV: Fair value
FV: Fair value excluding variations due to changes in the credit worthiness of the issuer since the issue date*
NV: Nominal or notional value
BV: Book value
L1: Fair value hierarchy – Level 1
L2: Fair value hierarchy – Level 2
L3: Fair value hierarchy – Level 3

X: not applicable

Form and content of the consolidated interim report on operations as at 31 March 2021

Introduction

The Consolidated interim report on operations as at 31 March 2021 (hereinafter "the Report") of the BPER Banca Group has been prepared on a voluntary basis, following changes to the Consolidated Finance Act introduced by Legislative Decree no. 25 of 15 February 2016, which followed the European Directive 2013/50/EU (Transparency II): by replacing the content of paragraph 5 of article 154-ter, it cancelled the need for quarterly reports to be prepared by issuers with Italy as their member state of origin, granting Consob the power to request the publication of periodic financial information in addition to half-yearly and annual reports.

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

The choice made by the BPER Banca Group was therefore based on continuity in the preparation and publication of periodic financial reports[40].

1. Declaration of compliance with International Financial Reporting Standards

The Report has been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Commission, as provided by EU Regulation no. 1606 dated 19 July 2002, and currently in force, including the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

Reference was also made, where necessary, to the "Framework for the preparation and presentation of financial statements" and to the documents prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI).
In the absence of a standard or interpretation specifically applicable to a particular transaction, the Parent Company makes use of the professional opinion of its own staff, in particular the Administration and Reporting Department, to develop a rule for accounting recognition that makes it possible to provide reliable financial information and to ensure that the financial statements give a true and fair view of the financial position, result of operations and cash flows of the Group, reflecting the economic substance of the transaction and its key aspects.
In formulating these accounting rules, reference is made as far as possible to International Accounting Standards and interpretations dealing with similar or comparable matters.
As part of its guidance and coordination activity, the Parent Company requires the other Group Banks and Companies to apply the Groups own accounting recognition rules, in the right circumstances.

[40] *The following announcement was made to the market on 14 January 2021: "BPER Banca has chosen voluntarily to continue publishing additional periodic financial information with respect to the half-yearly and annual financial report, with reference to 31 March and 30 September of each financial year, including the information provided in art. 154-ter paragraph 5 letter a) and b) of Legislative Decree 58/1998 "Consolidated law on financial intermediation" (i.e. the data contained in the former interim financial reports), ensuring consistency and fairness as well as comparability with the corresponding data contained in the press releases and financial reports previously disclosed to the public". The calendar of corporate events was changed on 1 April 2021.*

As required by IAS 8, the following table shows the new international accounting standards or amendments to standards already in force, with the related Approval Regulations, whose application is mandatory from 2021.

EC Approval Regulation	Title	In force from years beginning
2097/2020	The Commission Regulation (EU) No. 2020/2097 of 15 December 2020, published in the Official Journal of the European Union on 16 December 2020, adopts amendements to IFRS 4. The amendments to IFRS 4 "Insurance Contracts" aim to address the temporary accounting consequences of the different effective dates of IFRS 9 "Financial Instruments" and the forthcoming IFRS 17 "Insurance Contracts". In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17.	1 January 2021
25/2021	The Commission Regulation (EU) No. 2021/25 of 13 January 2021, published in the Official Journal of the European Union L 11 on 14 January 2021, adopts "Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16".	1 January 2021

With respect to the Regulations indicated, following the changes that came into force on 1 January 2021, the Group has not identified any significant impacts on the accounting schedules at 31 March 2021.

It should also be noted that, on 31 March 2021, the IASB published the document "Covid-19-Related Rent Concessions beyond 30 June 2021, which amends IFRS 16 Leases". This document extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting treatment of concessions granted to lessees due to Covid-19. The changes apply from 1 April 2021.
IFRS 16, already updated to deal specifically with the situation created following the Covid-19 pandemic, did not have significant effects on the BPER Banca Group, as it did not make any changes to the Groups rent agreements either in 2020 or during the first quarter of 2021, due to the spread of the pandemic.

2 - Basis of preparation

In terms of the schedules presented and its technical form, these Consolidated interim report on operations have been prepared on the basis of the Bank of Italys Circular no. 262/2005, as amended (most recently by the 6th amendment dated 30 November 2018, effective from 1 January 2019) – issued in implementation of art. 9 of Legislative Decree 38/2005 – and the additional instructions provided in separate communications not yet incorporated into the main document[41]. During preparation, account has been taken of the interpretative and support documents for the application of the accounting standards in relation to the impacts of Covid-19, issued by the Italian and European regulatory and supervisory bodies and by the standard setters, to the extent applicable[42].

[41] *These include the indications contained in the communication of 15 December 2020 with provisions concerning the impacts of Covid-19 and the measures to support the economy and amendments to IAS/IFRS.*
[42] *Amongst others, the following are worth mentioning: the communication from the EBA of 25 March 2020 "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid 19 measures", the communication of ESMA of 25 March 2020 "Public Statement. Accounting implications of the Covid 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9", the document of the IFRS Foundation of 27 March 2020" IFRS 9 and Covid-19 - Accounting for*

Where not already included in these documents mentioned above, Italian laws on the financial statements of companies[43] and the Italian Civil Code have been taken into consideration.
This Consolidated interim report on operations consists of the consolidated balance sheet, the consolidated income statement, the statement of other consolidated comprehensive income and the statement of changes in consolidated shareholders equity, as well as the explanatory notes. They are accompanied by the directors' report on operations.

The currency used in the financial statements is the Euro. Figures are expressed in thousands of Euro[44].

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

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

expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic", the letter from the ECB dated 1 April 2020" IFRS 9 in the context of the coronavirus (Covid 19) pandemic" addressed to all significant institutions, the EBA guidelines of 2 April 2020 "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid19 crisis", the communication of ESMA of 20 May 2020 "Implications of the Covid-19 outbreak on interim financial reports", The EBA guidelines of 2 June 2020" Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid 19 crisis", the ESMA communication of 28 October 2020" European common enforcement priorities for 2020 annual financial reports", the EBA guidelines of 2 December 2020 "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid 19 crisis" , the letter from the ECB dated 4 December 2020 "Identification and measurement of credit risk in the context of the coronavirus (Covid 19) pandemic" addressed to all significant institutions, Call for attention by CONSOB no. 1/21 of 16/02/2021 - Covid 19 - measures to support the economy.

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

[44] *As regards roundings, reference has been made to the instructions given in Circular 262/2005 BI and subsequent updates, entering the amount due to rounding in "Other assets/other liabilities" in the balance sheet and "Other operating expense/income" in the income statement.*

retroactive basis. In this regard, reference should be made to the following paragraph “Change in the accounting method used to measure real estate assets of the BPER Banca Group”.

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

Uncertainties in the use of estimates

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

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

With particular regard to the quantification of impairment losses on loans and financial assets, determination of the fair value of financial instruments, the results of the impairment test on goodwill, the considerations made regarding the recoverability of deferred tax assets, the estimates and assumptions relating to them and used to prepare this Report, they may be subject to amendment when new and potentially more reliable information gradually becomes available about the impacts deriving from the spread of Covid-19.
As clarified in the IASB document dated 27 March 2020[45], the usual measurement models adopted by the BPER Banca Group (in particular, the models used to estimate the ECL and determine the Significant Increase in Credit Risk (SICR) in the context of the IFRS 9 impairment calculation) cannot be applied "mechanically" in highly exceptional situations, when the related input information needed does not satisfy the "reasonable and supportable" requirements. In these situations, measurements can be made using alternative approaches (the so-called overlay approach) that also comply with the relevant IAS/IFRS. As regards the approach taken in preparing this Interim Report on Operations, please refer to Section 5 - Other aspects, in the paragraph “Risks, uncertainties and impacts of the Covid-19 pandemic”.

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

Going Concern[46]

In preparing the Report, the Directors considered the going-concern assumption to be appropriate because they did not find any uncertainties related to events or circumstances that, individually or collectively, could give rise to doubts about the going concern. This assessment took account of the capitalisation of the Group, which has significant buffer capital with respect to the minimum requirement for 2021 established by the European Central Bank, as well as the liquidity position and related buffer with respect to the regulatory threshold, and the likely outlook for operations despite the uncertainties linked to the current emergency.

Inspections and audits

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

3 - Scope of consolidation and methodology

The consolidation criteria and methodology are described in part A of the explanatory notes to the consolidated financial statements as at 31 December 2020.

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

- the accounting scope of consolidation governed by IFRS 10[47] "Consolidated Financial Statements", IAS 27 "Separate Financial Statements", IAS 28 "Investments in Associates and Joint Ventures" and, if required by the circumstances, IFRS 11 "Joint Agreements" (all adopted by Regulation (EU) 1254/2012 and effective from 1 January 2014 and subsequent amendments) and IFRS 3 "Business Combinations" (adopted by Regulation (EU) 495/2009 and subsequent amendments).
- the prudential scope of consolidation governed by Regulation (EU) 575/2013, in which art. 19 indicates the entities to be excluded from the prudential consolidation.

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

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

Art. 19 of the CRR[48] excludes from the scope of line-by-line consolidation all financial entities and operating companies, including members of the Banking Group, whose total assets and off-balance sheet amounts are less than the lower of the following two amounts:

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

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[46] As required by document No. 2 issued with joint signature by the Bank of Italy, CONSOB and ISVAP (now IVASS) on 6 February 2009.
[47] IFRS 10 §B86 in relation to consolidation procedures.
[48] Regulation (EU) no. 575/2013.

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

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

The following companies are members of the Banking Group which at 31 March 2021 do not satisfy the requirements of art. 19 of the CRR:

- Estense Covered Bond s.r.l.;
- BPER Trust Company s.p.a.;
- Estense CPT Covered Bond s.r.l.

The other subsidiaries that are not members of the banking Group, since their activities do not contribute to its banking operations, are:

- Italiana Valorizzazioni Immobiliari s.r.l.;
- Adras s.p.a.;
- SIFA' - Società Italiana Flotte Aziendali s.p.a.

1. Investments in wholly-owned subsidiaries

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

	Company name	Operational head office	Registered head office	Type of relationship (1)	Share capital in Euro	Nature of holding		% Available votes (2)
						Parent company	% holding	
1.	Banco di Sardegna s.p.a.	Sassari	Cagliari	1	155,247,762	BPER Banca	99.159	100.000
2.	Bibanca s.p.a.	Sassari	Sassari	1	74,458,607	BPER Banca	78.560	
						B. Sard.	20.522	
3.	BPER Bank Luxembourg SA	Luxembourg	Luxembourg	1	30,667,500	BPER Banca	100.000	
4.	Nadia s.p.a.	Modena	Modena	1	127,307,361	BPER Banca	68.339	
						B. Sard.	31.661	
5.	Sardaleasing s.p.a.	Milan	Sassari	1	152,632,074	BPER Banca	52.741	
						B. Sard.	46.933	
6.	Optima s.p.a. S.I.M.	Modena	Modena	1	13,000,000	BPER Banca	100.000	
7.	Numera Sistemi e Informatica s.p.a.	Sassari	Sassari	1	2,065,840	B. Sard.	100.000	
8.	Modena Terminal s.r.l.	Campogalliano	Campogalliano	1	8,000,000	BPER Banca	100.000	
9.	Emilia Romagna Factor s.p.a.	Bologna	Bologna	1	54,590,910	BPER Banca	99.057	
10.	BPER Credit Management s.cons.p.a.	Modena	Modena	1	1,000,000	BPER Banca	70.000	
						B. Sard.	20.000	
						Bibanca	3.000	
						EmilRo Factor	1.000	
						Sardaleasing	6.000	
11.	Arca Holding s.p.a.(*)	Milan	Milan	1	50,000,000	BPER Banca	57.061	
12.	Arca Fondi SGR s.p.a	Milan	Milan	1	50,000,000	Arca Holding	100.000	
13.	Finitalia s.p.a.	Milan	Milan	1	15,376,285	BPER Banca	100.000	

(*) not a member of the banking Group.

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

Key:

(1) Type of relationship:
1 Majority of votes at the ordinary shareholders meeting.
(2) Available votes at ordinary shareholders meeting, distinguishing between actual and potential.

1.2 Equity investments within the Group consolidated with the application of the equity method

	Company name	Operational head office	Registered head office	Type of relationship (1)	Share capital in Euro	Nature of holding		% Available votes (2)
						Parent company	% holding	
A. Subsidiaries Companies that are not members of the Banking Group								
1.	Adras s.p.a.	Milan	Milan	1	1,954,535	BPER Banca	100.000	
2.	Italiana Valorizzazioni Immobiliari s.r.l.	Milan	Milan	1	2,000,000	BPER Banca	100.000	
3.	SIFA - Società Italiana Flotte Aziendali s.p.a.	Milan/Reggio Emilia	Trento	1	122,449	BPER Banca	100.000	
B. Subsidiaries Companies that are members of the Banking Group but do not satisfy the requirements of art. 19 of the CRR								
4.	Estense Covered Bond s.r.l.	Conegliano	Conegliano	1	10,000	BPER Banca	60.000	
5.	BPER Trust Company s.p.a.	Modena	Modena	1	500,000	BPER Banca	100.000	
6.	Estense CPT Covered Bond s.r.l.	Conegliano	Conegliano	1	10,000	BPER Banca	60.000	

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

Key:

(1) Type of relationship:
1 Majority of votes at the ordinary shareholders meeting.
(2) Available votes at ordinary shareholders meeting, distinguishing between actual and potential.

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

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

3. Significant restrictions

Among the banks and companies included in BPER Banca Groups scope of consolidation, there are no significant restrictions as foreseen by IFRS 12 § 13.

4. Other information

The line-by-line consolidation is based on the financial statements prepared and approved by the individual subsidiaries as at 31 March 2021. These have been prepared in accordance with IAS/IFRS by the individual

banks and financial companies subject to Bank of Italy supervision. All the other Italian Group companies and BPER Bank Luxembourg s.a. included in the scope of consolidation normally prepare their financial statements according to Italian accounting standards. These companies therefore prepared separate accounting schedules and data according to the international accounting standards used for consolidation purposes.
Accounts prepared according to IAS/IFRS and approved as at 31 March 2021 were used for companies owned or controlled by the Group and consolidated using the equity method.
The other investments carried at equity were measured on the basis of their latest financial statements, in accordance with IAS 28.

4 – Subsequent events to the reporting date

The Consolidated interim report on operations as at 31 March 2021 was approved on 7 May 2021 by the Board of Directors of BPER Banca, which authorised its publication on the same date.
Information on events falling within the scope of strategic actions and occurring after the reporting date is presented and commented on in the Directors Report on Group operations. These events did not affect the consolidated financial statements pursuant to IAS 10.

5 – Other aspects

Risks, uncertainties and impacts of the Covid-19 pandemic

The change in the general and sector macroeconomic situations starting in the second quarter of 2020 has required banks to update their measurements of credit risk. This parameter has, in fact, been heavily affected by uncertainties linked to the spread of the Covid-19 pandemic and the related containment measures, as well as by the scale and duration of the public support measures. The emergency has also imposed on the BPER Banca Group the need to govern the impacts on credit risk and on the balance sheet assessments connected to it.
In this regard, the Parent Company has carried out analyses to identify the best methods of intervention on the credit risk measurement and forecasting systems, aligning them with the current context and trying to avoid being excessively pro-cyclical in the definition of collective provisions, as indicated by the Regulators, among others (especially ESMA and ECB).
The BPER Banca Group has implemented the various instructions issued by the Italian government[49] (including the suspension of loan instalment payments – the “Covid-19 moratoria”) and affirmed its commitment to support business and private customers, at the same time identifying the best methods of recognition and presentation in the financial statements of these measures, in accordance with its accounting policies and instructions from the Regulators[50].
As regards the methods used to value "Financial assets measured at amortised cost" (represented mainly by loans disbursed) when preparing this Report, in accordance with the treatment adopted from last year, the overlay approach has been used, as already indicated in the section on "Uncertainties in the use of estimates”.

[49] *Decree Law 18 of 17 March 2020; Liquidity Decree 23 of 8 April 2020; Relaunch Decree of 13 May 2020.*
[50] *For quantitative information on the moratoria granted by the BPER Banca Group and still in existence at the balance sheet date, please refer to Part B - Assets, Section 4 of the Explanatory Notes.*

Specifically, the Group has maintained its "expert" classification in Stage 2 of counterparties operating in sectors of the economy most hit by the crisis, also with an intrinsic riskiness highlighted by higher internal ratings than the sector average, which was assessed as having encountered situations of financial difficulty on the basis of reasoned assumptions, taking into account the possible granting of Covid-19 moratoria; these interventions complemented the automatisms already envisaged by the Significant Increase in Credit Risk (SICR) model.
In relation to the calculation of expected losses, for the macroeconomic scenarios adopted at Group level, reference was made to the most up-to-date forecasts provided by the specialist company that the Group normally uses. To limit the pro-cyclical effects of the economic recovery expected as early as 2021 (Italian GDP expected to be +4.7%), a corrective factor has been applied to the first year of the forecast, "mediating" the recovery shown in the final data for 2020 (featuring a marked contraction - Italian GDP -8.9%, as is generally known - which, evidently, has not yet reversed its effects, neither on the classifications as default, nor on the decline of the performing portfolio to non-performing).
This approach maintained a high degree of prudence when updating Expected Credit Losses (ECL), in accordance with the Regulators indications, in a macroeconomic context still very much characterised by uncertainty.
Moreover, again from a prudential point of view, within the scope of the Covid-19 moratoria still outstanding at 31 March 2021, any improvements in rating class have been “sterilised” with respect to the situation of the individual positions at the time the moratoria were granted.

In addition to the overlays mentioned, which aimed to include in the Groups ECL model specific safeguards for the uncertainty still linked to the Covid-19 emergency, at 31 March 2021 the risk parameters (PD and LGD as per IFRS 9) were recalibrated in order to start updating them for the consequences of the “New Definition of Default”, which the Group applied as early as October 2019 (the so-called “2-step approach”).

These interventions, both as overlays motivated by Covid-19, and other updates of the risk parameters, led to additional net adjustments on the performing (Stage 1 and 2) and non-performing (Stage 3, limited to statistical assessments) loan portfolio for a total of Euro 173.7 million.

Change in the accounting method used to measure real estate assets of the BPER Banca Group

The BPER Banca Group has opted to change the accounting method used to measure “Property, plant and equipment” starting from 1 January 2021 and limiting to real estate assets. The change involves:

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

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

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

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

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

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

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

Change in the accounting method used to measure properties held for investment purposes (IAS 40)

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

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

Change in the accounting method used to measure properties used in operations (IAS 16)

From 1 January 2021, the date of the change in the measurement method, the BPER Banca Group has measured properties used in operations according to the so-called revaluation model envisaged by IAS 16. As a consequence of the prospective application of the change in measurement method, the difference between the fair value and the net carrying amount, determined at the individual property level at the date of transition to the new measurement model, the following was recognised at 1 January 2021:

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

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

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

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

Method for estimating the fair value of real estate assets

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

- "full" appraisals, according to which the fair value is determined on the basis of all information relating to the business, including on-site inspections;
- "desktop" appraisals, according to which the fair value is determined on the basis of the average value of comparable properties, without any on-site inspection. [51]

Effects of change in accounting method used to measure real estate assets

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

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

Caption details		Consolidated impacts before tax			Consolidated impacts after tax		
		Income statement	Reserves	Total	Income statement	Reserves	Total
Properties used in operations – IAS 16	A	(19,913)	122,369	**102,456**	(19,122)	83,041	**63,919**
Properties held for investment – IAS 40	B	-	14,978	**14,978**		3,375	**3,375**
Total consolidated impacts	**C = A+B**	**(19,913)**	**137,347**	**117,434**	**(19,122)**	**86,416**	**67,294**
Impacts represented in the following captions of the Income statement and Shareholders equity							
Caption 260 "Gains (Losses) on property, plant and equipment and intangible assets measured at fair value"		(22,489)	-	**(22,489)**	(22,489)		**(22,489)**
Caption 210 "Net adjustments to property, plant and equipment"		2,576	-	**2,576**	2,576		**2,576**
Caption 300 "Income taxes on current operations for the period"					791		**791**
Caption 120. "Valuation reserves"		-	122,369	**122,369**		83,041	**83,041**
Caption 150. "Reserves"		-	14,978	**14,978**		3,375	**3,375**

Please refer to the "Criteria for recognition in the financial statements" for the description of the recognition, measurement and derecognition criteria of the income components of "*Property, plant and equipment*" and as set out in the "Attachments" of this Report for the restatement of the 2020 accounting schedules.

Criteria for recognition in the financial statements

The following are shown below:

- The criteria for recognition, measurement and derecognition of the income components of "*Property, plant and equipment*" modified along with the method of measurement, limited to properties owned by the Group, changing from cost to fair value[52];
- the methods for determining the impairment and fair value of the properties owned by the Group, again updated as a result of the change in the method of measurement for such properties.

The other criteria for the recognition, classification, measurement and derecognition of the income statement items as at 31 March 2021 are unchanged with respect to those applied when preparing the Consolidated financial statements as at 31 December 2020, to which reference is made.

[52] *For more details on the restatement methods, please refer to the "Attachments" of this Report; these figures have not been audited.*

Property, plant and equipment

Recognition

Property, plant and equipment are initially recorded at purchase price, including all directly attributable costs of purchasing and bringing the asset to working condition.
Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement.
Leases (in which the Bank is the lessee) are recognised (pursuant to IFRS 16) using the "right of use" model. At the initial recognition date, the value of the right of use is equal to the initial recognition value of the lease liability, adjusted for the following components:

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

When the asset is made available to the BPER Banca Group for its use (initial recognition date), the related right of use is recognised.
In identifying the rights of use, the BPER Banca Group applies the "simplifications" permitted by IFRS 16; contracts with the following characteristics are therefore not considered:

- "Short-term", i.e. with a residual life of less than 12 months;
- "Low-value", i.e. with an estimated value of the asset of less than Euro 5,000.

As regards the other application choices adopted by the BPER Banca Group, it should be noted that:

- with reference to the duration of the "property" leases, the Group considers as "reasonably certain" only the first renewal period, subject to contractual clauses and specific circumstances that involve considering different contractual durations;
- as regards "Cars" and "Other contracts", the Group makes use of the practical expedient by which the lessee is allowed to not separate the lease components from the other components, treating them as a single lease component. As regards property leases, the Group considers the non-lease component as not material.

Classification

Property, plant and equipment comprise land, property used in operations, properties held for investment, installations, furniture, furnishings and all types of equipment.
These are property, plant and equipment that will be used for more than one accounting period and which are held for use in the production of business or the supply of goods and services, for rental to third parties or for administrative purposes.
Rights of use acquired under leases (in the capacity of lessee) are included, if these rights relate to assets classified as property, plant and equipment.
This caption also includes assets awaiting finance lease and assets under construction intended for finance leasing (in the capacity of lessor), in the case of contracts "with retention of risks", as well as assets granted under operating leases (again as lessor).
This caption also includes certain real estate assets classified in accordance with IAS 2 "Inventories" within the portfolios of the Groups real estate companies, including construction land, buildings under construction, completed buildings and property development initiatives held for sale.

This caption also includes leasehold improvements, relating to identifiable and separable property, plant and equipment.

Measurement

After their initial recognition, property, plant and equipment, including rights of use, are measured under the cost model, net of accumulated depreciation and impairment, with the exception of the following categories:

- own properties used in operations (IAS 16), which are measured, starting from 1 January 2021, under the revaluation model, according to which property, plant and equipment, whose fair value can be reliably determined, are recognised at a restated value, equal to the fair value at the date of the restatement, net of accumulated depreciation and any accumulated impairment losses;
- properties held for investment purposes (IAS 40), including rights of use, which from 1 January 2020, are measured retroactively according to the fair value method, by which all property investments are measured at fair value and no longer subject to depreciation or impairment;
- Inventories of property (IAS 2), which are measured at the lower of cost and net realisable value, represented by the estimated selling price less the presumed costs for completion and other costs needed to make the sale.

After initial recognition, at the end of each financial period, the following accounting entries may take place for properties used in operations:

- if the carrying amount has increased following a restatement, the increase must be recognised in a specific revaluation reserve in shareholders equity. However, the increase has to be recognised in the income statement to the extent that it reinstates a write-down of the same asset previously recognised in the income statement;
- if the carrying amount has decreased following a restatement, the decrease must be recognised in the income statement. However, the decrease has to be recognised in the statement of other comprehensive income as a revaluation surplus, to the extent that there are any credit balances in the revaluation reserve that refer to this asset. The decrease recognised in the statement of other comprehensive income reduces the amount accumulated in equity under the revaluation reserve.

When an IAS 16 real estate unit is revalued, the carrying amount of the asset is brought into line with the revalued amount by eliminating accumulated depreciation against the gross carrying amount of the asset (the so-called "elimination approach").

For properties held for investment purposes, on the other hand, following initial recognition and at each balance sheet date, the following is recognised in the income statement:

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

For more information on how to determine the fair value of properties, please refer to the section of this document entitled "Information on fair value".

Property, plant and equipment are systematically depreciated over their useful life, identified by single homogeneous category or, for real estate assets, charged to the individual property at the time of initial registration, adopting the straight-line method of depreciation, with the exception of:

- land acquired separately or included in the value of property (excluding value in use on buildings), since it has an indefinite useful life. The value of land included in property is deemed to be separable from the value of buildings; the division between the value of the land and the value of the building takes place on the basis of independent expert appraisals;
- properties held for investment purposes as, being valued at fair value, they are not subject to depreciation;
- works of art, since the useful life of a work of art cannot be estimated and its value normally appreciates over time;
- inventories classified in accordance with IAS 2.

The useful life of business assets is reviewed at least once a year, at the end of each accounting period, and any change with respect to the previous year is treated as a change in accounting estimate, governed by IAS 8. It is therefore accounted for prospectively, determining an impact on the depreciation charge of the year in which the change takes place and on the depreciation charges of subsequent years.
If there is any evidence at a reporting date that the value of an asset may be impaired, its carrying amount is compared with its recoverable value, being the higher of its fair value net of any selling costs or its value in use, as represented by the present value of the cash flows generated by the asset, as explained in paragraph "Method for determining the extent of impairment". Any adjustments are recorded in the income statement.
Property held for investment purposes is excluded from impairment testing.
If the reasons for recognising an impairment loss cease to apply, the loss can be written back but without exceeding the carrying value that the asset would have had (net of depreciation) if no impairment losses had been recognised in prior years.
Properties used in operations, measured under the revaluation model, any loss due to impairment of a revalued asset must be treated as a decrease in the revaluation up to its amount, after which any difference is recognised in the income statement.
Assets recognised pursuant to IAS 2 are measured at the lower of cost or net realisable value. Any adjustments are recognised in the income statement.

Change of use of properties

The BPER Banca Group only transfers properties between the various categories (regulated respectively by IAS 16, IAS 40 and IAS 2) if there is an effective change in the use of the property. In the event of a change in use from being an property held for investment recognised at fair value to being a property used in operation by the owner or held for sale in inventory, the fair value at the date of the change in use must be considered as a replacement for the cost of the property for subsequent accounting, according to the provisions of IAS 16, IFRS 16 or IAS 2.
If a property used in operation becomes an property held for investment that has to be recognised at fair value, the BPER Banca Group applies IAS 16 for its own properties and IFRS 16 for properties held by the lessee as an asset consisting of the right of use until the date on which the change of use occurs. The BPER Banca Group treats any difference existing at that date between the carrying amount of the property in accordance with IAS 16 or IFRS 16 and the fair value in the same way as a revaluation, in accordance with IAS 16.

Up to the date on which a property used by the owner becomes an property hel for investment recorded at fair value, the BPER Banca Group depreciates the property (or the right of use) and recognizes any impairment that may occur. The BPER Banca Group treats any difference existing at that date between the carrying amount of the property in accordance with IAS 16 or IFRS 16 and the fair value in the same way as a revaluation, in accordance with IAS 16. In particular, any resulting decrease in the carrying amount of the property is charged to profit or loss for the year. However, to the extent that the amount is included in the revaluation reserve of that particular property, the decrease is recognised in the statement of the other comprehensive income and reduces the revaluation reserve included in shareholders equity.
Any resulting increase in the carrying amount is treated as follows:

- to the extent that if the increase adjusts a previous loss due to a reduction in the value of that property, it is charged to the income statement. The amount recognised in the income statement must not exceed the amount needed to restore the carrying amount that would have been (net of depreciation) if no impairment loss had been recognised;
- any remainder of the increase is recognised in the statement of other comprehensive income and increases the revaluation reserve included in equity. At the time of subsequent disposal of the property held for investment, the revaluation reserve included in shareholders eq uity can be transferred to retained earnings. The transfer from the revaluation reserve to retained earnings does not go through the income statement.

Derecognition

Property, plant and equipment are derecognised on disposal, or when the assets concerned are permanently taken out of use and no further economic benefits are expected from their disposal. When a property used in operation is eliminated from the financial statements, any valuation reserve recognised in equity is transferred directly to "*Reserves - Retained earnings*", without passing through the income statement.

Recognition of components affecting the income statement

Depreciation, calculated pro-rata temporis, of assets measured at cost or fair value in accordance with the requirements of IAS 16 are recognised in the income statement under "*Net adjustments to property, plant and equipment*".
Positive restatements of properties used in operations are recognised in equity under *"Valuation reserves"*, unless they are restoring a decrease in the value of the asset previously recognised in the income statement (in this case, the positive changes in value are recognised in the income statement under *"Gains (Losses) on property, plant and equipment and intangible assets measured at fair value"*).
Negative restatements of properties used in operations are recognised in the income statement under "*Gains (Losses) on property, plant and equipment and intangible assets measured at fair value*" unless the "*Valuation reserve*" for the specific property is not sufficiently large (in which case, the negative changes are recognised in equity as a decrease in the "*Valuation reserve*").
Any adjustments or write-backs due to the impairment of property, plant and equipment valued under the cost or revaluation models are recognised in the income statement under "*Net adjustments to property, plant and equipment*", unless, for the assets measured under the revaluation model, the valuation reserve relating to the specific property is not sufficiently large.
The changes in fair value, both positive and negative, relating to properties held for investment purposes are recognised in the income statement under *"Gains (Losses) on property, plant and equipment and intangible assets measured at fair value"*.

Disposal gains and losses are however recorded in caption "*Gains (Losses) on disposal of investments*" of the income statement.

Non-current assets and disposal groups classified as held for sale

Recognition and classification

Non-current assets and groups of assets/liabilities subject to a disposal process (tangible, intangible and financial assets) are classified in the asset caption *"Non-current assets and disposal groups classified as held for sale"* and the liability caption *"Liabilities associated with assets classified as held for sale"*, when such sale is deemed to be highly likely.

Measurement

These assets and liabilities are valued at the lower of their carrying amount, determined according to the relevant IFRS, and their fair value, net of selling costs, unless they are properties held for investment purposes, which, on the basis of paragraph 5 of IFRS 5, even if they are classified in "*Non-current assets and disposal groups held for sale*", are valued in accordance with IAS 40 and therefore at fair value through profit or loss.

Recognition of components affecting the income statement

Income and charges (net of tax effect) relating to discontinued operations are classified in the *"Gains (Losses) from non-current assets and disposal groups classified as held for sale after tax "* caption of the income statement.

Method for determining the extent of impairment

Property, plant, equipment and intangible assets with a finite useful life

Property, plant, equipment and intangible assets with a finite useful life, with the exception of properties hel for investment purposes, are subjected to impairment testing 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 property, plant and equipment or intangible asset, net of disposal costs, or to its value in use if this can be determined and exceeds fair value.

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

In relation to the methods for determining the fair value, please refer to the following paragraph “Information on fair value”, highlighting that the “full” valuation of the individual property is required to qualify the impairment.

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

The criteria adopted to select positions for analysis and prepare documentation to justify the sustainability of adverse differences between net carrying amount and fair value are described below:

- properties used in operations: no further analysis is needed if positive values emerge from comparison of the total value of the property (ground up or otherwise), or if negative differences are contained within 10% of their net carrying amount. If the negative difference exceeds that limit, a check is carried out to see if it amounts to less than 5 years of depreciation;
- particular complexes: the valuation requires an expert appraisal confirmed by a specific Board resolution.

Any write-down must be carried out up to the total market value and attributed primarily to the property element.
As with property owned by the Bank, the right-of-use assets recognised in relation to leased buildings used in operations (IFRS 16) are also subjected to periodic impairment tests that consider their expected use (decisions to close branches and related contract amendments already carried out) and suitable market indications regarding the costs to be incurred in order to rent them out.

Information on fair value

Methods and frequency of identifying the fair value of own properties
For the purpose of determining the fair value of its real estate assets, the BPER Banca Group uses an independent firm of expert appraisers
The mandate given to this firm envisages the possible methods of estimating fair values, depending on the characteristics, intended use and potential of each property, including:

- comparative method: the value of the property derives from a comparison with current market prices for comparable properties through an adjustment process that appreciates the peculiarities of the property being valued with respect to the characteristics of the comparable properties;
- Discounted Cash Flow (DCF): the value of the property derives from discounting the cash flows expected from the lease agreements and/or from the proceeds of sales, net of costs pertaining to the property; the procedure uses an appropriate discount rate, which analytically considers the characteristic risks of the property in question;
- transformation method: transformation value means the market value of the asset in the hypothesis of its transformation according to the use envisaged by the urban planning instruments. The transformation value is obtained by determining the final market value of the property after the transformation, after deducting the costs to be incurred to carry out the transformation, taking into account the element of risk related to the uncertainty of the timing of the intervention and the future trend of the real estate market.

Furthermore, for properties held for investment purposes, the Group requests a “desktop” valuation every year from a firm of expert appraisers, according to which the fair value is determined on the basis of the average value of comparable properties, without requiring an on-site inspection. Only for properties with a value greater than Euro 1 million or in the event of a significant difference in value compared with the previous year (valuation delta in absolute terms in excess of 10%), the Group requests a "full" valuation from the appraisal firm, according to which the fair value is determined on the basis of all information relating to the property, also acquired through an on-site inspection.
For properties used in operations, the Group provides for an annual updating of the valuations in "desktop" mode. On the other hand, a "full" valuation is carried out only for properties that show a significant difference between their carrying amount at the measurement date and the "desktop" fair value estimate.

In particular, there is a significant difference if, from the comparison between the fair value of the "desktop" appraisal and the carrying amount, there emerges:

- a positive delta of more than 10%; or
- a negative delta of more than 10%, and at the same time the parameters described in the paragraph "Methods for determining the extent of impairment" are met (highlighting the need for a "full" valuation to account for an impairment). In the event of a negative delta of more than 10%, but less than the thresholds for qualifying the impairment, the value will be recalculated based on the results of the desktop valuation.

For the purposes of determining the fair value and useful life, the external appraiser takes into account any extraordinary maintenance costs (e.g. costs incurred for the expansion, modernisation or improvement of the structural elements of the property).

Domestic tax group election

BPER Banca has elected to establish a Domestic Tax Group, which was introduced by Legislative Decree no. 344/2003 and subsequent amendments and is governed by arts. 117-129 of the Consolidated Income Tax Law.
Under this arrangement, which is binding for three years, the subordinate members transfer their results to the parent, for fiscal purposes only, which then calculates a single consolidated taxable income or tax loss.
The option for Bibanca s.p.a., Sardaleasing s.p.a. and Sifà - Società Italia Flotte Aziendali s.p.a. expired on 31 December 2020 and will be renewed for the three-year period 2021-2023 when the consolidating company submits its tax return.

Consolidated companies	2019	2020	2021	2022	2023
Bibanca s.p.a.			x	x	x
Banco di Sardegna s.p.a.	x	x	x		
Optima s.p.a. SIM	x	x	x		
Emilia Romagna Factor s.p.a.		x	x	x	
Sardaleasing s.p.a.			x	x	x
SIFA - Società Italiana Flotte Aziendali s.p.a.			x	x	x
BPER Trust Company s.p.a.	x	x	x		
Nadia s.p.a.	x	x	x		
Finitalia s.p.a.		x	x	x	
Arca Fondi Sgr s.p.a.		x	x	x	
Arca Holding s.p.a.		x	x	x	

Information on the consolidated balance sheet

Assets

Financial assets measured at fair value through profit or loss
Caption 20

2.1 Financial assets held for trading: breakdown by product

Description/Amounts	Total 31.03.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	72,957	10,028	8	66,753	9,884	8
1.1 Structured securities	41,228	1,566	-	37,763	1,562	-
1.2 Other debt securities	31,729	8,462	8	28,990	8,322	8
2. Equity instruments	67,418	1,488	32	60,974	1,315	32
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**140,375**	**11,516**	**40**	**127,727**	**11,199**	**40**
B. Derivative instruments						
1. Financial derivatives	244	155,504	24,214	12	113,078	26,953
1.1 trading	244	155,504	24,214	12	113,078	26,953
1.2 connected with the fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 connected with the fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total (B)	**244**	**155,504**	**24,214**	**12**	**113,078**	**26,953**
Total (A+B)	**140,619**	**167,020**	**24,254**	**127,739**	**124,277**	**26,993**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of Explanatory Notes to the Consolidated financial statements at 31 December 2020.

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

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

Description/Amounts	Total 31.03.2021	Total 31.12.2020
A. Cash assets		
1. Debt securities	82,993	76,645
a) Central Banks	-	-
b) Public Administrations	4,712	4,134
c) Banks	14,777	13,532
d) Other financial companies	55,418	52,660
of which: insurance companies	600	481
e) Non financial companies	8,086	6,319
2. Equity instruments	68,938	62,321
a) Banks	16,341	14,414
b) Other financial companies	6,057	4,659
of which: Insurance companies	1,763	1,078
c) Non financial companies	46,540	43,248
d) Other issuers	-	-
3. UCITS units	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
f) Households	-	-
Total (A)	**151,931**	**138,966**
B. Derivative instruments		
a) Central counterparties	-	-
b) Others	179,962	140,043
Total (B)	**179,962**	**140,043**
Total (A+B)	**331,893**	**279,009**

2.3 Financial assets designed at fair value: breakdown by product

Description/Amounts	Total 31.03.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1.Debt securities	**-**	**123,975**	**668**	**-**	**126,700**	**668**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	123,975	668	-	126,700	668
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	-	-
2.2 Others	-	-	-	-	-	-
Total	**-**	**123,975**	**668**	**-**	**126,700**	**668**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of Explanatory Notes to the Consolidated financial statements at 31 December 2020.

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

2.4 Financial assets designated at fair value: breakdown by borrowers/issuers

Description/Amounts	Total 31.03.2021	Total 31.12.2020
1. Debt securities	**124,643**	**127,368**
a) Central Banks	-	-
b) Public Administrations	121,989	120,711
c) Banks	1,986	1,991
d) Other financial companies	-	3,998
of which: Insurance companies	-	3,998
e) Non financial companies	668	668
2. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: Insurance companies	-	-
e) Non financial companies	-	-
f) Households	-	-
Total	**124,643**	**127,368**

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

Description/Amounts	Total 31.03.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**112,710**	**57,884**	**-**	**112,937**	**57,930**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	112,710	57,884	-	112,937	57,930
2. Equity instruments	**2,894**	**-**	**80,758**	**1,808**	**-**	**81,857**
3. UCITS units	**257,600**	**1,008**	**285,549**	**256,426**	**1,004**	**253,955**
4. Loans	**-**	**30,329**	**26,314**	**-**	**-**	**26,307**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	30,329	26,314	-	-	26,307
Total	**260,494**	**144,047**	**450,505**	**258,234**	**113,941**	**420,049**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of Explanatory Notes to the Consolidated financial statements at 31 December 2020.

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

2.6 Other financial assets mandatorily measured at fair value: breakdown by borrowers/issuer

	Total 31.03.2021	Total 31.12.2020
1. Equity instruments	**83,652**	**83,665**
of which: banks	18	22,020
of which: other financial companies	8,835	7,715
of which: non-financial companies	74,799	53,930
2. Debts securities	**170,594**	**170,867**
a) Central Banks	-	-
b) Public Administrations	65,997	65,816
c) Banks	29,789	29,792
d) Other financial companies	74,308	74,239
of which: insurance companies	-	-
e) Non financial companies	500	1,020
3. UCITS Units	**544,157**	**511,385**
4. Loans	**56,643**	**26,307**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	26,317	26,307
of which: insurance companies	26,317	26,307
e) Non financial companies	30,005	-
f) Households	321	-
Total	**855,046**	**792,224**

Financial assets measured at fair value through other comprehensive income
Caption 30

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

Description/Amounts	Total 31.03.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debts securities	**5,592,285**	**485,010**	**6,363**	**5,603,929**	**409,984**	**7,695**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	5,592,285	485,010	6,363	5,603,929	409,984	7,695
2. Equity instruments	**1,963**	**2,161**	**244,742**	**1,701**	**2,243**	**244,266**
3. Loans	-	-	-	-	-	-
Total	**5,594,248**	**487,171**	**251,105**	**5,605,630**	**412,227**	**251,961**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of Explanatory Notes to the Consolidated financial statements at 31 December 2020.

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

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by borrowers/issuers

Description/Amounts	Total 31.03.2021	Total 31.12.2020
1. Debt securities	**6,083,658**	**6,021,608**
a) Central Banks	-	-
b) Public Administrations	661,001	688,348
c) Banks	3,610,006	3,586,774
d) Other financial companies	1,092,822	1,085,290
of which: insurance companies	42,379	42,580
e) Non financial companies	719,829	661,196
2. Equity instruments	**248,866**	**248,210**
a) Banks	31,565	31,429
b) Other issuers:	217,301	216,781
- other financial companies	179,790	179,570
of which: insurance companies	143,900	143,900
- non financial companies	37,468	37,168
- others	43	43
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
f) Households	-	-
Total	**6,332,524**	**6,269,818**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total impairment provisions

	Gross value				Total impairment provisions			Total partial write-off
	First stage	of which: low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	5,893,190	-	194,550	26	2,431	1,669	8	-
Loans	-	-	-	-	-	-	-	-
Total 31.03.2021	**5,893,190**	**-**	**194,550**	**26**	**2,431**	**1,669**	**8**	**-**
Total 31.12.2020	**5,678,055**	**-**	**348,408**	**26**	**3,427**	**1,446**	**8**	**-**
of which: purchased or originated credit-impaired financial assets	X	X	-	-	X	-	-	-

At 31 March 2021, none of the debt securities classified in Stage 3 has been written off.

Financial assets measured at amortised cost
Caption 40

4.1 Financial assets measured at amortised cost: breakdown by product of loans to banks

Type of transaction/Amounts	Total 31.03.2021						Total 31.12.2020					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: purchased or originated impaired financial assets	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated impaired financial assets	L1	L2	L3
A.Loans to Central Banks	**19,034,180**	**-**	**-**	**-**	**-**	**-**	**8,409,330**	**-**	**-**	**-**	**-**	**8,409,330**
1. Time deposits	52,592	-	-	X	X	X	56,087	-	-	X	X	X
2. Reserve requirement	18,981,588	-	-	X	X	X	8,353,243	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B.Loans to banks	**6,845,095**	**-**	**-**	**5,067,036**	**163,915**	**-**	**5,943,401**	**-**	**-**	**4,460,005**	**136,774**	**1,447,268**
1. Loans	1,682,530	-	-	-	-	-	1,447,268	-	-	-	-	1,447,268
1.1 Current accounts and demand deposits	514,111	-	-	X	X	X	366,910	-	-	X	X	X
1.2. Time deposits	77,807	-	-	X	X	X	71,343	-	-	X	X	X
1.3 Other loans:	1,090,612	-	-	X	X	X	1,009,015	-	-	X	X	X
- Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	1,090,612	-	-	X	X	X	1,009,015	-	-	X	X	X
2. Debts securities	5,162,565	-	-	5,067,036	163,915	-	4,496,133	-	-	4,460,005	136,774	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	5,162,565	-	-	5,067,036	163,915	-	4,496,133	-	-	4,460,005	136,774	-
Total	**25,879,275**	**-**	**-**	**5,067,036**	**163,915**	**-**	**14,352,731**	**-**	**-**	**4,460,005**	**136,774**	**9,856,598**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of Explanatory Notes to the Consolidated financial statements at 31 December 2020.

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

4.2 Financial assets measured at amortised cost: breakdown by product of loans to customers

Type of transaction/Amounts	Total 31.03.2021						Total 31.12.2020					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: purchased or originated impaired financial assets	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated impaired financial assets	L1	L2	L3
1. Loans	**72,866,600**	**2,409,592**	**1,477,143**	**-**	**-**	**-**	**50,787,230**	**2,127,874**	**1,059,274**	**-**	**-**	**56,889,931**
1.1.Current accounts	4,594,439	299,980	174,400	X	X	X	3,383,735	281,942	136,019	X	X	X
1.2. Repurchase agreements	75,543	-	-	X	X	X	83,949	-	-	X	X	X
1.3. Mortgages	51,119,391	1,442,888	1,070,532	X	X	X	34,062,368	1,208,508	758,040	X	X	X
1.4. Credit cards, personal loans and assignments of one-fifth of salary	3,468,866	49,224	15,591	X	X	X	2,848,863	45,647	12,161	X	X	X
1.5. Financial leasing	2,631,939	258,666	18,696	X	X	X	2,646,669	280,753	20,373	X	X	X
1.6. Factoring	896,381	5,047	9,159	X	X	X	1,032,494	6,114	8,552	X	X	X
1.7. Other loans	10,080,041	353,787	188,765	X	X	X	6,729,152	304,910	124,129	X	X	X
2. Debt securities	**13,658,138**	**-**	**-**	**12,979,101**	**91,930**	**894,266**	**12,723,670**	**-**	**-**	**12,080,622**	**147,272**	**931,142**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	13,658,138	-	-	12,979,101	91,930	894,266	12,723,670	-	-	12,080,622	147,272	931,142
Total	**86,524,738**	**2,409,592**	**1,477,143**	**12,979,101**	**91,930**	**894,266**	**63,510,900**	**2,127,874**	**1,059,274**	**12,080,622**	**147,272**	**57,821,073**

The sub-caption "Other loans" of performing loans includes: Euro 5,341 million of bullet loans (+40.96%), Euro 1,981 million of advances on invoices and bills subject to collection (+12.37%), Euro 1,051 million of import/export advances (+68.97%), Euro 41 million of credit assignments (+36.67%) and Euro 705 million of other miscellaneous items (+34.29%).
An explanation of the fair value hierarchy used for classification has been given in Part A.4 of explanatory notes to the consolidated financial statements at 31 December 2020.

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

4.3 Financial assets measured at amortised cost: breakdown by borrowers/issuers of loans to customers

Type of transaction/Amounts	Total 31.03.2021			Total 31.12.2020		
	First and second stage	Third stage	of which: purchased or originated impaired financial assets	First and second stage	Third stage	of which: purchased or originated impaired financial assets
1. Debt securities	**13,658,138**	**-**	**-**	**12,723,670**	**-**	**-**
a) Public Administration	11,623,979	-	-	10,826,424	-	-
b) Other financial companies	1,629,147	-	-	1,586,485	-	-
of which: insurance companies	15,071	-	-	15,016	-	-
c) Non financial companies	405,012	-	-	310,761	-	-
2. Loans:	**72,866,600**	**2,409,592**	**1,477,143**	**50,787,230**	**2,127,874**	**1,059,274**
a) Public Administration	2,515,768	12,768	1	2,244,215	15,824	2,747
b) Other financial companies	3,487,162	64,482	52,798	3,107,295	91,135	70,555
of which: insurance companies	72,646	-	-	54,120	-	-
c) Non financial companies	34,847,113	1,746,878	1,015,908	24,011,734	1,546,295	719,451
d) Households	32,016,557	585,464	408,436	21,423,986	474,620	266,521
Total	**86,524,738**	**2,409,592**	**1,477,143**	**63,510,900**	**2,127,874**	**1,059,274**

4.4 Financial assets measured at amortised cost: gross value and total impairment provisions

	Gross value				Total impairment provisions			Total partial write-off
	First stage	of which: low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	18,827,069	-	-	-	6,366	-	-	-
Loans	84,379,863	-	9,598,124	4,774,215	167,036	227,641	2,364,623	693,230
Total 31.03.2021	**103,206,932**	**-**	**9,598,124**	**4,774,215**	**173,402**	**227,641**	**2,364,623**	**693,230**
Total 31.12.2020	**71,817,772**	**-**	**6,234,871**	**4,339,127**	**73,336**	**115,676**	**2,211,253**	**302,788**
of which: purchased or originated credit-impaired financial assets	X	X	285,878	1,991,364	X	6,457	793,642	314,140

Hedging derivatives
Caption 50

5.1 Hedging derivatives: breakdown by type of hedge and level

	FV 31.03.2021			NV	FV 31.12.2020			NV
	L1	L2	L3	31.03.2021	L1	L2	L3	31.12.2020
A. Financial derivatives								
1. Fair Value	-	124,532	-	4,945,798	-	53,795	-	1,934,322
2. Cash flows	-	3,189	-	54,446	-	3,981	-	54,446
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair Value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**127,721**	**-**	**5,000,244**	**-**	**57,776**	**-**	**1,988,768**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of Explanatory Notes to the Consolidated financial statements at 31 December 2020.

Key:
NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

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

Transactions/Type of hedge	Fair Value							Cash-flow hedges		Foreign investments
	Specific						General	Specific	General	
	debt securities and interest rates	equity instruments and stock indexes	currencies and gold	credit	goods	others				
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	80,595	X	-	-	X	X	X	3,189	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other operations	-	-	-	-	-	-	X	-	X	-
Total assets	80,595	-	-	-	-	-	-	3,189	-	-
1. Financial Liabilities	43,937	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	43,937	-	-	-	-	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Intangible assets
Caption 100

10.1 Intangible assets: breakdown by asset type

Description/Amounts	Total 31.03.2021		Total 31.12.2020	
	Finite duration	Undefinite duration	Finite duration	Undefinite duration
A.1 Goodwill	**X**	**204,392**	**X**	**434,758**
A.1.1 pertaining to group	X	204,392	X	434,758
A.1.2 pertaining to minority interests	X	-	X	-
A.2 Other intangible assets	**261,460**	**-**	**267,965**	**-**
A.2.1 Assets measured at cost	261,460	-	267,965	-
a) intangible assets generated internally	-	-	-	-
b) other assets	261,460	-	267,965	-
A.2.2 Assets measured at fair value	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	**261,460**	**204,392**	**267,965**	**434,758**

Goodwill	31.03.2021	31.12.2020
1. Group companies	-	**230,366**
1.1 Banks/Other companies	**204,392**	**204,392**
- Banco di Sardegna s.p.a.	27,606	27,606
- Emilia Romagna Factor s.p.a.	6,768	6,768
- Arca Holding s.p.a.	170,018	170,018
Total	**204,392**	**434,758**

The BPER Banca CGU included the goodwill arising from acquisitions and subsequent mergers carried out in previous years. The mergers by absorption involved transferring the assets and liabilities of the units absorbed to the separate financial statements of BPER Banca, also recording the goodwill previously recognised only on consolidation.
The impairment test, carried out in accordance with IAS 36 also at 31 March 2021, made it necessary to completely write down the goodwill recognised in the BPER Banca CGU.

Information on goodwill

When accounting for business combinations, IFRS 3 requires the recognition of any intangible assets and goodwill arising from the transaction; goodwill is measured as the difference between the value of the consideration paid and (i) the fair value at the transaction date of the assets and liabilities of the acquired company, (ii) any specific intangible assets identified and (iii) any contingent liabilities recognised.
IAS 36 says that intangible assets with an indefinite useful life and goodwill are to be subjected to an impairment test at least once a year and, in any case, whenever there are signs that could indicate that there has been an impairment loss. Moreover, an impairment test must be carried out on intangible assets with a finite useful life whenever there are signs of impairment.

Annual impairment testing is carried out at the time the year-end financial statements are being prepared, whereas when interim reports are being prepared, a check has to be performed to see if there are any signs of impairment; in this case, if the check has a positive outcome, an impairment test is carried out.
As a first step, impairment testing requires identification of the Cash Generating Units (CGUs) that will benefit from the goodwill deriving from the business combination and allocation of that goodwill to them. A CGU is the smallest group of assets that generates cash inflows in an autonomous manner.
An impairment test is performed by comparing the carrying amount of the CGU with its recoverable value, where "recoverable value" means the higher of its fair value less selling costs and its value in use. Any adjustments are recorded in the income statement.

In line with the above, when the annual financial statements as at 31 December 2020 were being prepared, an impairment test was carried out on goodwill to see if the carrying amount was sustainable. The result was that the recoverable amounts of the various CGUs were higher than the corresponding book values, so no impairment adjustments were made to intangible assets on that occasion.
However, events occurred during the first quarter of 2021 that could be taken as indicators of impairment, including an event that substantially changed the configuration of one of the CGUs to which part of the goodwill was allocated. The event in question was the acquisition of the business complex from the Intesa Sanpaolo Group, which was completed on 19 February 2021, and the cash generating unit was the BPER Banca CGU.
This event revealed the need to carry out a check on the impact of the transaction and on the sustainability of the goodwill recorded in the separate financial statements of the Parent Company BPER Banca, which arose following bank acquisitions and subsequent mergers (the latest being the absorption of the former Cassa di Risparmio di Bra and Cassa di Risparmio di Saluzzo) and, less recently, the purchase of branches from the Unicredit Group. In fact, the deal had a dual effect:

- on the one hand, it caused a substantial change in the assets and liabilities of BPER Banca, this being the entity that acquired the business complex, which resulted in a significant increase in its net book value;
- on the other hand, it involved a significant change in the cash flows that the post-deal BPER Banca will be able to generate in the future.

This meant checking the sustainability of the value of goodwill, as the increase in the net book value of the assets following the business combination might not have led to an equivalent increase in the recoverable value of the entire entity, which would have meant that there was an impairment of goodwill.
Furthermore, approval of the new NPE Plan which took place on 30 March 2021 and consequent formalisation of the plan for the disposal of the non-performing assets, required a verification of the potential impact of this, which was not yet reflected in the forecasts underlying the impairment test at 31 December 2020; in this case, the deal involved updating the forecasts for the BPER Banca CGU as well as for the Banco di Sardegna CGU, the two legal entities most affected by the steps that will be taken after approval of the NPE Plan.
The growth assumptions for some of the main balance sheet and income statement figures of the two CGUs were therefore also revised in light of the updated macroeconomic indicators compared with those that had been considered at the time of the previous impairment test.

As regards the macroeconomic scenario published by external infoproviders, by comparing the updated figures with those that had been used for the forecasts underlying the impairment test at 31 December 2020, there were figures that were almost in line or with a better trend, including *(i)* a more optimistic estimate of the GDP growth rate, on average +7bps, *(ii)* an improvement in the 3-month EMU interbank interest rate, showing a recovery of +12bps in recent years, turning positive again during the course of 2025, *(iii)* assets under management with growth rates of more than +59 bps on average in the years 2023-2024 and of +496 bps for the last year (2025).

Considering both the expected trend in the macroeconomic scenarios and the absence of further events that might indicate impairment, the BPER Banca Group did not deem it necessary to carry out an intermediate update of the impairment test on the goodwill allocated to the other CGUs.

Identification of a Cash Generating Unit

According to IAS 36, the level at which goodwill is tested has to be correlated with the level of internal reporting of business performance and planning of future trends used by management to monitor the dynamics. In this regard, identifying this level depends considerably on the organisational models and the attribution of management responsibilities for the definition of operating activities and subsequent monitoring.
Given the characteristics of the individual entities and the consolidated operational and organisational model of the BPER Banca Group which governs the segment reporting system, the planning processes and the reporting systems, which has not changed in terms of general framework compared with the end of the 2020, each CGU is identified with an individual Group bank or product company. Based on the above, the goodwill recognised in the consolidated financial statements at 31 March 2021 was allocated to the following CGUs:

- BPER Banca CGU;
- Banco di Sardegna CGU;
- Emilia Romagna Factor CGU;
- Arca Holding CGU.

Compared with the configuration recorded at 31 December 2020, as mentioned in the introduction, the BPER Banca CGU has undergone a change following the inclusion of the business complex acquired from the Intesa Sanpaolo Group, consisting mainly of branches and operating points of the former UBI Banca Banking Group, as well as other assets and liabilities related to the complex.

The impairment test was carried out on the BPER Banca CGU and the Banco di Sardegna CGU for the reasons mentioned previously, reflecting the changes that had taken place and the events that occurred in the first three months of the year.

Carrying amount of the CGUs

The carrying amount of the CGUs is determined in a way that is consistent with the method used to estimate its recoverable value.
Given that it refers to banks, it is not possible to identify the cash flows generated by a CGU without considering the flows deriving from financial assets/liabilities, which represent its core business. In other words, the recoverable value of the CGU is influenced by these flows, which means that the carrying amount has to be determined in line with the estimated recoverable value and therefore also has to include the financial assets/liabilities (so-called "equity side" approach).
The carrying amount of each CGU corresponds to the total of: *(i)* the interest held in the shareholders equity of the legal entity, including its results for the period; *(ii)* the goodwill allocated, net of any adjustments deriving from previous impairment tests; *(iii)* the residual net carrying amount of the specific

intangible assets with a finite useful life that were identified in the context of the business combination by applying the acquisition method.
With reference to the book value of the BPER Banca CGU at 31 March 2021, this includes the net book value of the assets and liabilities of the business complex acquired by the Intesa Sanpaolo Group on 19 February 2021.

The following table summarises the book values, including intangible assets and goodwill, recorded with reference to the CGUs on which an impairment test was carried out.

(in millions)

CGU	Book value	of which: goodwill	of which: "Core Deposits" (attributable to Group)
BPER Banca	6,533.0	*230.4*	*2.3*
Banco di Sardegna	956.0	*27.6*	-

Details are provided below on the valuation parameters used to estimate the value in use of each CGU examined, applying the most appropriate valuation method, in line with the information set that was available at the time, as described below.
Note that as regards the Emilia Romagna Factor CGU, to which Euro 6.8 million of goodwill has been allocated, and the Arca Holding CGU, to which Euro 170 million of goodwill has been allocated, there are no indicators of impairment that would require testing. So for these, the results of the impairment test carried out at 31 December 2020 still apply. In any case, an overall sustainability check of the value of goodwill was carried out at a consolidated level with the second-level impairment test reported below.

Criteria for estimating the recoverable value of CGUs

The recoverable value of the CGU is its fair value net of disposal costs or, if greater, its value in use. The standard says that is it not necessary to define both value in use and fair value when performing the impairment test, as it is sufficient for at least one of them to exceed the carrying amount in order to confirm that there is no impairment.
Generally speaking, for the purpose of identifying recoverable value, reference was made to the value in use estimated using the Dividend Discount Model (DDM). This method estimates the value in use of an asset by discounting the flows of potentially distributable dividends, determined by management on the basis of economic-financial projections linked to that asset.
The cash flow expected in the last year of the planning period is projected in perpetuity using an appropriate long-term growth rate "g" and the opportunity cost of capital in order to estimate the terminal value.
In the case of banks and financial institutions in general, the expected dividend flow is understood to mean the distributable cash flow, taking account of capital restrictions imposed by the Regulatory Authorities or considered reasonable in order to cover the typical risks of the business. Accordingly, future cash flows are identifiable as flows that could potentially be distributed after meeting the minimum capital allocation constraints; given this, the Excess Capital Method variant of the DDM is commonly used for appraisals in the banking sector, applying the following formula:

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

Key:
W = value in use;
CF_i = potential cash flow available for distribution over time i;
i = reference year of cash flow;
n = period of time covered by the financial projections;
k_e = opportunity cost of capital, considering current assessments of the time value of money and specific business risks;
TV = terminal value; this corresponds to the present value of a perpetuity calculated based on long-term sustainable cash flow with a constant growth rate of "g".

The method was applied in estimating the value in use of the BPER Banca and Banco di Sardegna CGUs, given the availability of forecast cash flows processed recently by BPER Banca Group management.
Details are provided below regarding the estimate of cash flows and other valuation parameters used in applying the valuation methods described and applied to the case in question.

Estimation of future cash flows

The value in use of the CGUs that was tested for impairment was estimated by discounting the forecast cash flows, as defined above, with reference to an explicit forecast period up to the year 2026.
Economic and financial forecasts have been drawn up for each legal entity, BPER Banca CGU and Banco di Sardegna CGU, starting from those developed and approved for the impairment test carried out at 31 December 2020 and adjusting them for the events that took place in the first quarter of 2021; in particular:

- the purchase of the business complex involved the legal relationships, assets and liabilities of a business unit owned by UBI Banca (consisting of 455 bank branches and 132 operating points), a business unit owned by Intesa Sanpaolo (consisting of 31 bank branches and 2 operating points) and a business unit owned by UBISS (a consortium company controlled by UBI Banca which essentially provides services to the branches being acquired).
- the update of the effects of the NPE Strategy, whose approval by the administrative bodies took place on 30 March 2021, largely already anticipated in the forecasts used in the previous impairment test;
- updating the macroeconomic parameters. In this regard, reference was made to the forecasts on the most up-to-date economic and market scenarios available close to the period when the impairment test is carried out, which take into account the most probable effects on the short and medium-long term, linked among other things to the evolution of the health emergency and the interventions under the National Recovery and Resilience Plan. In preparing the forecasts, we used information from external infoproviders, updated to March 2021, on the expected trend in economic and financial macro-variables (such as GDP, unemployment, consumer prices, market interest rates, etc.) and at system level (such as the growth in loans, deposits, etc.);
- the review of the impacts related to Basel 4, in order to reflect the latest adjustments to the legislation not yet known at the time of the previous impairment test. The CET1 target ratio, which was kept constant throughout the forecast period, was estimated with reference to the recommendations contained in the SREP Capital Demand and in the Overall Capital Ratio for individual tests.

The following table sets out the main assumptions underlying the economic-financial projections used to estimate the value in use of the BPER Banca and Banco di Sardegna CGUs and, in particular, those regarding the compound annual growth rates (CAGR) of loans and deposits and the profitability indicators in the last year of the forecast (2026).

CGU	CAGR 2020-2025			Profitability ratios at 2025		
	Loans	Direct deposits	Indirect deposits	Net interest and other banking income/VH	Net impairment losses on loans	Operating costs/VH
BPER Banca	1.4%	0.4%	1.4%	1.0%	0.6%	0.7%
Banco di Sardegna	1.5%	0.8%	1.5%	1.6%	0.6%	1.1%

Key:
VH = Volumes handled (Loans + Total Deposits)

The cash flows distributable by each CGU were estimated assuming a target minimum Supervisory requirement in line with the Supervisory provisions for the CGU in question, able to maintain a satisfactory level of capitalisation that is consistent with the expected growth in activities over the explicit forecasting period.

The estimate of value in use includes the estimated terminal value, which quantifies the present value of the cash flows potentially distributable to shareholders in the period subsequent to that covered by explicit projections. This estimate was made with reference to a normalised flow based on the profit for the final year of the projection (2026), net of physiological capital absorption and compounded at a rate that reflects the difference between the opportunity cost of capital and the nominal growth rate “g”; the "g" rate, assumed to be 1.5%, is substantially in line with expected long-term inflation, estimated considering the analysis of several external forecasting sources and the actual trend, assuming an average real rate of growth of zero.

Estimate of the cost of capital

Value in use is determined by discounting the expected cash flows at an appropriate rate reflecting the estimated opportunity cost of capital, consistent with the requirements of IAS 36 and the guidelines of the impairment testing of goodwill, using the Capital Asset Pricing Model (CAPM). The following formula is applied:

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

Key:
R_f = Risk free rate;
$(R_m - R_f)$ = Market Risk Premium;
β = Beta.

The CAPM expresses a linear relationship, under conditions of market equilibrium, between the yield on an investment and its systematic risk. In detail, the yield on an investment is calculated as the sum of the risk-free rate (expression of the time value of money) and the risk premium, which is the beta of the security multiplied by the market risk premium.
The discount rate used incorporates the risk-free component and risk premiums related to the equity component observed over a sufficiently long period of time to reflect different market conditions and economic cycles.

In the circumstances, the opportunity cost of capital was estimated to be 8.97%, considering the following CAPM parameters:

- the risk-free rate, being the time value of money corresponding to the yield on a risk-free investment usually represented by government bonds. The general structure of the CAPM refers to a risk-free rate, but makes no reference to the period of time to be considered. The orientation that has prevailed in valuation practice is to select a long-term government bond rate (generally 10-year bonds) of the country where the entity is located and operates. An average value of the 10-year BTP yield rates of 0.99%, calculated over a one-year observation period, has been used here. This is lower than the rate used for the impairment test at 31 December 2020 (average of 1.14% calculated over a one-year observation period) continuing to benefit from the declining trend recorded in recent months. At 31 March 2021, the average yield on 10-year government bonds was 0.67%.
- the market risk premium, being the difference between the yield on a diversified portfolio of risky investments available on the market and the yield on a risk-free bond. It should be borne in mind that the risk premium is generally associated with longer-term investments. Since this represents, in fact, the additional return over the risk-free rate that an investor requires to invest in a portfolio of risky assets, it cannot be linked to short-term market fluctuations. Specifically, a market risk premium of 5.70% was used, the same as that used in estimating the cost of capital for the impairment test at 31 December 2020, in line with those issued periodically by infoproviders that analyse the sector and macroeconomic trends or periodically record those used on average in practice by various operators when carrying out valuations;
- beta, being the specific investment risk. A beta expresses the correlation between the yield on a single risky investment and that on a market portfolio. A coefficient equal to one indicates that the investment being considered follows the exact trend of the market portfolio, while a beta greater than one identifies an "aggressive" investment, the yield of which may vary to a greater extent than that on the market return. A beta lower than one corresponds to a "defensive" investment; in this case variations in the investment yield are less sensitive. The beta used here is estimated at 1.40, equal to the beta of the BPER Banca Group estimated over a sufficiently long period of time to minimise the distorting effects of strong price volatility that characterised the stock market from the beginning of March.

Management believes that the rate estimated in this way reflects the BPER Banca Groups actual riskiness, which is substantially aligned with the system. It is also consistent with the riskiness implicit in the economic projections, so there is no need to add any further risk premium.

Results of impairment tests

An impairment tests requires a comparison between the recoverable amount of the CGU to which goodwill has been allocated and its carrying amount. In accordance with applicable accounting standards, goodwill must be adjusted when the carrying amount of the CGU to which it has been allocated exceeds the recoverable amount, which in this case is assumed to be equal to the value in use.

At the reporting date for these consolidated interim financial statements, the impairment test carried out at the BPER Banca and Banco di Sardegna CGUs showed a need to recognise an impairment loss on the BPER Banca CGUs goodwill of Euro 230 million.

There is also a need to completely write down the rest of the core deposits, given the considerable difference between the recoverable value and the book value of the BPER Banca CGU to which they were

allocated following the absorption of the former CR Bra CGU, and the persistence of negative interest rates on alternative sources of funding. This condition, in fact, eliminates the benefit linked to the lower cost of funding from customers deposits (the so -called "mark-down") previously acquired through the business combination with CR Bra.
The other CGUs to which intangible assets with an indefinite life are allocated did not show this need as there were no signs of impairment in the first three months of the year; or, as in the case of the Banco di Sardegna CGU, even if there were signs at the time of the impairment test, a value in use emerged at 31 March 2021 that was higher than the carrying amount.
The Parent Company acquired an opinion from an independent external expert on the impairment testing process used by its internal organisations.

Sensitivity analysis

The principal parameters used in the measurement model, such as cash flows and the opportunity cost of capital, may be influenced, even significantly influenced, by changes in the overall economic picture. The effect that these changes might have on the cash flow projections and the main financial assumptions could render future results substantially different from those used to verify the sustainability of goodwill.
For this reason, pursuant to IAS 36 and with reference only to the Banco di Sardegna CGU, as it is the only one with residual goodwill and the only one on which an update of the value in use was carried out, sensitivity analyses were performed to assess the impact of changes in the key parameters underlying the valuation model on the estimated value in use and, therefore, on the results of the impairment test. This analysis was all the more necessary in this period of uncertainty when there is always an implicit risk that the current health emergency could suddenly evolve in ways that are unpredictable at the moment, even though every attempt has been made to take into account all of the variables known at the date of the test, including the most up-to-date expectations at a macroeconomic and system level.
In particular, the impact on value in use of a change in certain key variables was checked:

- +25 bps and +50 bps on the cost of "basic" capital (equal to 8.97%);
- -25 bps and -50 bps in the long-term "basic" growth rate "g" (equal to 1.5%);
- +50 bps and +100 bps maximum in the target minimum regulatory capital requirement in the period of the forecast, including the last year of the forecast (2026).

CGU	Change in Value in Use of CGU					
	k_e rate		"g" rate		CET 1 ratio target	
	+25 bps	+50 bps	-25 bps	-50 bps	+50 bps	+100 bps
Banco di Sardegna	-1.4%	-2.7%	-0.5%	-1.0%	-1.7%	-3.4%

The analysis showed that there was plenty room for deterioration of the parameters underlying the valuation process, so there was no real risk of impairment in connection with that type of sensitivity.

Again for stress testing purposes, alternative variations were considered for the opportunity cost of capital, for the profits expected in the analytical forecast period (including that used in the estimate of the normalised flow underlying the terminal value) and the normalised expected cash flow in the final period of the projections (used to estimate the terminal value), in order to reduce the value in use of the CGU to its carrying amount, or, in other words, the threshold value of the main inputs, beyond which impairment testing of the CGU would result in a loss.

CGU	Maximum k_e rate	Maximum reduction of profits in the forecasting period and of normalised profit	Maximum decrease in the normalised flow
Banco di Sardegna	14.12%	-33.5%	-58.0%

Confirming what has already been pointed out above in relation to the Banco di Sardegna CGU, this analysis highlighted the sustainability of goodwill, even in the face of a considerable deterioration in the main parameters underlying the valuation model. Specifically, it emerged that in the event of an increase of +515 bps in the opportunity cost of capital, from 8.97% to 14.12%, a reduction of -33.5% in profits in each year (including the profit underlying the normalised cash flow) or a reduction of -58.0% in the cash flow underlying the terminal value, it would bring the recoverable value substantially into line with its carrying amount.

Second level impairment test

When the market capitalisation is persistently lower than the carrying amount of equity, it is useful to perform a second level impairment test, even if there are no costs unallocated to the individual CGUs and corporate assets; this is also done to support the reasonableness of the results achieved with the impairment test carried out on the individual CGUs to which goodwill has been allocated.
Leaving to the end of this section the discussion on the main reasons for the difference between value in use and market capitalisation, second level impairment testing provides a check on overall reasonableness, by comparing the BPER Banca Groups estimated value in use with its carrying amount at 31 March 2021.
In line with the impairment tests carried out for each CGU, the excess capital method was used for the measurement, considering the Group as a single cash generating unit. This approach is preferable when there are consolidated economic projections and in the presence of a group with various lines of business that are reasonably similar in nature.
Potentially distributable cash flows were estimated starting from the consolidated income statement and balance sheet projections used for the impairment test at 31 December 2021, revised to reflect the various events that took place in the first quarter, as mentioned above.

The same cost of capital and long-term growth rate “g” identified for the impairment testing of the CGUs were used for measurement purposes, while the target minimum regulatory requirement was aligned with the Supervisory instructions applicable to the BPER Banca Group, which was able to maintain a satisfactory level of capitalisation consistent with the expected growth in activities.

From a comparison of the overall book value of the BPER Banca Group and the related recoverable value, it emerged that, in line with what has been seen for the BPER Banca CGU, they are significantly influenced by the purchase of the business complex. The consolidated book value at 31 March 2021 underwent an increase compared with 31 December 2020 that was greater than the increase in its recoverable value, so the difference between these amounts was significantly lower than what resulted from the previous impairment test. In any case, the test confirms the sustainability of goodwill as a whole, albeit with a lower margin.

Also in this case, sensitivity analyses were carried out with respect to pejorative variations in the key parameters, such as the cost of capital, the long-term growth rate “g” and the minimum target regulatory requirement. The analysis shows that the margins of goodwill recorded in the assets of the consolidated financial statements are very limited and that a minimal deterioration in the parameters would be sufficient to generate an impairment loss.

CGU	Change in Value in Use of CGU					
	k_e rate		"g" rate		CET 1 ratio target	
	+25 bps	+50 bps	-25 bps	-50 bps	+75 bps	+150 bps
BPER Banca Group	-2.7%	-5.2%	-0.7%	-1.4%	-5.7%	-11.4%

Again for stress testing purposes, alternative variations were considered for the opportunity cost of capital, for the profits expected in the analytical forecast period (including that used in the estimate of the normalised flow underlying the terminal value) and the normalised expected cash flow in the final period of the projections (used to estimate the terminal value), in order to reduce the value in use of the BPER Banca Group to its carrying amount, or, in other words, the threshold value of the main inputs, beyond which impairment testing of the BPER Banca Group would result in a loss.

CGU	Maximum ke rate	Maximum reduction of profits in the forecasting period and of normalised profit	Maximum reduction in the normalised flow
BPER Banca Group	9.15%	-2.1%	-3.4%

In confirmation of what has already emerged from the sensitivity analysis, as can be seen in the above table, a minimal deterioration in the parameters would be sufficient to reduce the value in use closer to the book value, with the consequent risk of an impairment loss. However, given the results of the impairment test on the BPER Banca CGU, as highlighted by the previous analyses, it is necessary in any case to adjust the amount of goodwill allocated to it. So the book value effectively to be tested at consolidated level, net of the overall adjustment, is reduced by Euro 233 million for the adjustment of goodwill and the core deposits, and this gives rise to a reasonably large margin for the residual goodwill that is allocated to the Banco di Sardegna CGU, the Emilia Romagna Factor CGU and the Arca Holding CGU.

In a macroeconomic context conditioned by the spread of a health emergency unprecedented in modern history, expectations on the performance of some market and system parameters could change substantially if currently unknown scenarios occur. The forecasts underlying the impairment test, as described above, take into account what is the most probable evolution of market parameters in the light of the information available at the date of the impairment test; however, the exceptional nature of the event means that one cannot completely exclude a more pessimistic scenario, just as, on the other hand, one cannot completely exclude the possibility of a more optimistic scenario. Given that the latter would only confirm the sustainability of the current level of goodwill, forecasts have been prepared up to 2021-2026 for the BPER Banca Group which take into account a deterioration in the economic and financial conditions compared with those underlying the impairment test described above (the latter carried out on the basis of the so-called "Baseline Scenario") and developing the so-called “Adverse Scenario”.

The results obtained with the second-level impairment test in the Adverse Scenario show a potential write-down of the goodwill recorded at a consolidated level . However, considering that each scenario has to be weighted by probability, that the Baseline Scenario is the one deemed most likely and that the negative effect weighted by probability of the Adverse Scenario is substantially negligible, it is reasonable to say that the goodwill recognised at consolidated level continues to be sustainable.

The value in use of the BPER Banca Group is higher than its stock market capitalisation. Note that, in the first three months of 2021, the BPER Banca stock has recovered by 26% compared with the price recorded at start of the year (Euro 1.49). Despite this performance, the market valuation of the BPER Banca Group that emerges continues to be below the book value.
This situation, which is shared with other listed Italian banks, highlights a sector that for a long time has been suffering from a difficult recovery in stock market prices due to problems linked to credit quality, the slow recovery in the national economy, marked all the more so by the current situation, and by the high public debt-to-GDP ratio which requires greater attention and monitoring by the EU institutions.
BPER Bancas share price, like those of many other listed Italian banks, often do not fully reflect the policies underlying the strategic measures implemented or in the process of being implemented and which are summarised in the business plans drawn up and approved by many Italian banking groups. These measures generally provide for a containment of costs, an increase in margins by focusing on a different business mix, directing the activity towards areas with higher value added and better credit quality with important actions to write down and/or sell non-performing positions. The measures taken to date should lead the market in the medium term to revalue individual banks according to their individual fundamentals and performances.

Compared with the stock market capitalisation, which expresses the current trading value of an investment, the value in use expresses a configuration of value that refers more to a logic of long-term "strategic" investment. In fact, value in use is a direct expression of the financial flows that the asset is able to generate over the analytical forecast period and in the subsequent one in an ongoing concern principle, i.e. the assumption that a generic company will remain in business indefinitely in the coming years. The value is, therefore, also based on the internal expectations of the company, unlike market valuations which are mostly based on short-term expectations of the market generally.
In light of the above, management is of the opinion that the impairment test must be carried out with the awareness that the current economic situation has an important impact on the financial flows expected from operating activities in the short and medium term, but without affecting the primary sources of income generation and the competitive advantages that the BPER Banca Group has acquired over time.
Considering these elements, in the current market context, value in use is a better expression of the recoverable value of the Groups operating activities. Moreover, in developing the valuation model, precautions were taken both in the estimate of forecast flows and in the choice of financial parameters, as summarised below:

- the forecast flows were estimated considering the most up-to-date system forecasts at the date of verification of the sustainability of goodwill;
- the expected cash flows do not include the benefits of future reorganisations, except for those related to measures already implemented or being implemented at the time;
- the cost of capital has been determined analytically on the basis of parameters updated at the time of the valuation, using the prudential approach that has always characterised our selection of parameters;
- the growth rate "g" for the purposes of estimating the terminal value was set at zero in real terms.

Liabilities

Financial liabilities measured at amortised cost Caption 10

1.1 Financial liabilities measured at amortised cost: breakdown by product of due to banks

Type of transaction/Amounts	Total 31.03.2021				Total 31.12.2020			
	B V	Fair Value			B V	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Due to Central Banks	**18,342,435**	X	X	X	**16,873,779**	X	X	X
2. Due to banks	**3,916,137**	X	X	X	**3,307,220**	X	X	X
2.1 Other current accounts and demand deposits	373,339	X	X	X	192,442	X	X	X
2.2 Time deposits	2,638	X	X	X	3,034	X	X	X
2.3 Loans	3,527,349	X	X	X	3,108,927	X	X	X
2.3.1 Repurchase agreements	3,118,559	X	X	X	2,735,967	X	X	X
2.3.2 Others	408,790	X	X	X	372,960	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	11,233	X	X	X	1,520	X	X	X
2.6 Other payables	1,578	X	X	X	1,297	X	X	X
Total	22,258,572	-	-	22,258,572	20,180,999	-	-	20,180,999

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of Explanatory Notes to the Consolidated financial statements at 31 December 2020.
The fair value is assumed to be the same as the book value as they are sight or short-term transactions, mainly at floating rates.

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

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

Type of transaction/Amounts	Total 31.03.2021				Total 31.12.2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	85,648,409	X	X	X	54,973,514	X	X	X
2. Time deposits	133,958	X	X	X	145,605	X	X	X
3. Loans	2,053,399	X	X	X	2,023,352	X	X	X
3.1 Repurchase agreements	102,620	X	X	X	149,286	X	X	X
3.2 Other	1,950,779	X	X	X	1,874,066	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	356,900	X	X	X	256,073	X	X	X
6. Other payables	1,037,048	X	X	X	915,458	X	X	X
Total	**89,229,714**	**-**	**-**	**89,229,714**	**58,314,002**	**-**	**-**	**58,314,002**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of Explanatory Notes to the Consolidated financial statements at 31 December 2020.
The fair value is assumed to be the same as the book value as they are sight or short-term transactions, mainly at floating rates.

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

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

Type of transaction/Amounts	Total 31.03.2021				Total 31.12.2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	4,828,749	3,923,199	1,031,075	-	4,385,826	3,410,099	1,093,181	-
1.1 structured	-	-	-	-	-	-	-	-
1,2 others	4,828,749	3,923,199	1,031,075	-	4,385,826	3,410,099	1,093,181	-
2. other securities	241,091	-	2,109	238,990	296,364	-	2,192	294,205
2.1 structured	2,101	-	2,109	-	2,175	-	2,192	-
2.2 others	238,990	-	-	238,990	294,189	-	-	294,205
Total	**5,069,840**	**3,923,199**	**1,033,184**	**238,990**	**4,682,190**	**3,410,099**	**1,095,373**	**294,205**

"Bonds" include Euro 936.9 thousand of subordinated loans, none of which are convertible into shares.
In the "Level 3" column of point 2.2, the fair value is assumed to be the same as the book value as these are short-term transactions.
An explanation of the fair value hierarchy used for classification has been given in Part A.4 of Explanatory Notes to the Consolidated financial statements at 31 December 2020.

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

Financial liabilities held for trading
Caption 20

2.1 Financial liabilities held for trading: breakdown by product

Type of transactions/Amounts	Total 31.03.2021					Total 31.12.2020				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Other securities	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives	X	566	138,237	7,894	X	X	9	161,028	8,445	X
1.1 Trading	X	566	118,350	7,894	X	X	9	142,612	8,445	X
1.2 Connected with the fair value option	X	-	19,711	-	X	X	-	18,333	-	X
1.3 Others	X	-	176	-	X	X	-	83	-	X
2. Credit derivatives	X	-	627	-	X	X	-	612	-	X
2.1 Trading	X	-	627	-	X	X	-	612	-	X
2.2 Connected with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Others	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**566**	**138,864**	**7,894**	**X**	**X**	**9**	**161,640**	**8,445**	**X**
Total (A+B)	**X**	**566**	**138,864**	**7,894**	**X**	**X**	**9**	**161,640**	**8,445**	**X**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of Explanatory Notes to the Consolidated financial statements at 31 December 2020.

Key:
NV = Nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair value = Fair value excluding variations due to changes in the creditworthiness of the issuer since the issue date*

Hedging derivatives
Caption 40

4.1 Hedging derivatives: breakdown by type of hedge and hierarchy levels

	Fair value 31.03.2021			NV	Fair value 31.12.2020			NV
	L1	L2	L3	31.03.2021	L1	L2	L3	31.12.2020
A. Financial derivatives	**-**	**344,047**	**-**	**5,765,240**	**-**	**469,240**	**-**	**6,340,719**
1) Fair value	-	338,089	-	5,715,240	-	463,255	-	6,290,719
2) Cash flows	-	5,958	-	50,000	-	5,985	-	50,000
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**344,047**	**-**	**5,765,240**	**-**	**469,240**	**-**	**6,340,719**

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of Explanatory Notes to the Consolidated financial statements at 31 December 2020.

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

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

Operations/Type of hedge	Fair Value							Cash flow		Foreign investments
	Specific						General	Specific	General	
	debt securities and interest rates	equity instruments and stock indexes	currencies and gold	credit	goods	others				
1. Financial assets measured at fair value through other comprehensive income	145,647	-	-	998	X	X	X	5,958	X	X
2. Financial assets measured at amortised cost	191,350	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other operations	94	-	-	-	-	-	X	-	X	-
Total assets	**337,091**	**-**	**-**	**998**	**-**	**-**	**-**	**5,958**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Information on the consolidated income statement

Interests
Captions 10 and 20

1.1 Interest and similar income: breakdown

Captions/Technical forms	Debt securities	Loans	Other transactions	Total 31.03.2021	Total 31.03.2020
1. Financial assets measured at fair value through profit or loss:	**1,807**	**10**	**-**	**1,817**	**1,729**
1.1 Financial assets held for trading	306	-	-	306	260
1.2 Financial assets designated at fair value	814	-	-	814	803
1.3 Other financial assets mandatorily measured at fair value	687	10	-	697	666
2. Financial assets measured at fair value through other comprehensive income	**9,179**	**-**	**X**	**9,179**	**18,608**
3. Financial assets measured at amortised cost:	**25,866**	**326,243**	**X**	**352,109**	**340,040**
3.1 Loans to banks	4,974	492	X	5,466	7,857
3.2 Loans to customers	20,892	325,751	X	346,643	332,183
4. Hedging derivatives	**X**	**X**	**(7,569)**	**(7,569)**	**(13,034)**
5. Other assets	**X**	**X**	**39**	**39**	**141**
6. Financial liabilities	**X**	**X**	**X**	**42,597**	**12,380**
Total	**36,852**	**326,253**	**(7,530)**	**398,172**	**359,864**
of which: interest income on impaired financial assets	-	25,649	-	25,649	29,555
of which: interest income on finance lease	-	14,372	-	14,372	14,254

Caption 6. "Financial liabilities" includes the benefit of the negative rates applied to the funds borrowed from the ECB as part of TLTRO II for Euro 42.1 million.

1.3 Interest and similar expense: breakdown

Captions/Technical forms	Loans	Debts securities	Other transactions	Total 31.03.2021	Total 31.03.2020
1. Financial liabilities measured at amortised cost	23,469	19,591	X	43,060	54,801
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	3,210	X	X	3,210	8,854
1.3 Due to customers	20,259	X	X	20,259	22,894
1.4 Debt securities issued	X	19,591	X	19,591	23,053
2. Financial liabilities held for trading	1	-	421	422	387
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	156	156	132
5. Hedging derivatives	X	X	(518)	(518)	(3,582)
6. Financial assets	X	X	X	11,539	155
Total	**23,470**	**19,591**	**59**	**54,659**	**51,893**
of which: interest expense on lease payables	793	-	-	793	541

Caption 6. "Financial assets" includes the interest calculated by applying negative interest rates on the excess liquidity deposited with the ECB for Euro 10.3 million.

Commissions
Captions 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	Total 31.03.2021	Total 31.03.2020
a) guarantees granted	8,269	8,525
b) credit derivatives	-	-
c) management, brokerage and consulting:	189,261	160,542
1. trading on financial instruments	202	166
2. trading on foreign currencies	2,193	2,086
3. portfolio management	98,031	93,057
3.1 individuals	9,397	8,648
3.2 collectives	88,634	84,409
4. custody and administration of securities	9,643	9,051
5. depositary bank	-	-
6. placement of securities	39,782	26,241
7. order taking and trasmission	4,108	4,025
8. advisory services	1,978	1,140
8.1 on investments	-	-
8.2 on financial structure	1,978	1,140
9. distribution of third-party services	33,324	24,776
9.1 portfolio management	1,317	113
9.1.1 individuals	1,171	-
9.1.2 collectives	146	113
9.2 insurance products	24,824	17,410
9.3 other products	7,183	7,253
d) collection and payments services	38,937	34,574
e) services related to securitisations	280	51
f) services for factoring transactions	2,957	2,522
g) tax collection services	-	-
h) management of multilateral trading system	-	-
i) maintenance and management of current accounts	63,090	50,874
j) other services	72,323	52,343
1. commissions income on other loans to customers	46,200	35,092
2. commissions income on pos and pagobancomat services	11,515	6,637
3. other commisions income	14,608	10,614
Total	**375,117**	**309,431**

2.2 Commission expense: breakdown

Type of services/Amounts	Total 31.03.2021	Total 31.03.2020
a) guarantees received	242	365
b) credit derivatives	-	-
c) management and brokerage services	36,585	32,197
1.trading on financial instruments	453	346
2. trading on foreign currencies	-	-
3. portfolio management:	32,704	29,967
3.1 own portfolios	32,704	29,967
3.2 third party portfolios	-	-
4. custody and administration of securities	1,151	1,144
5. placement of financial instruments	-	1
6. out-of-branche offer of securities, financial instruments, products and services	2,277	739
d) collection and payment services	1,294	1,368
e) other services	8,864	7,906
Total	**46,985**	**41,836**

Dividends and similar income Caption 70

3.1 Dividends and similar income: breakdown

Captions/Income	Total 31.03.2021		Total 31.03.2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	725	-	99	-
B. Other financial assets mandatorily measured at fair value	-	953	-	675
C. Financial assets measured at fair value through other comprehensive income	-	-	35	-
D. Equity investments	-	-	-	-
Total	**725**	**953**	**134**	**675**

Net income from trading activities
Caption 80

4.1 Net income from trading activities: breakdown

Transactions /Income items	Capital gains (A)	Profits on trading (B)	Capital losses (C)	Losses on trading (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**8,835**	**1,486**	**(2,510)**	**(853)**	**6,958**
1.1 Debt securities	2,754	317	(1,655)	(318)	1,098
1.2 Equity instruments	6,081	1,169	(855)	(535)	5,860
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**25,267**
4. Derivative instruments	**44,494**	**30,611**	**(35,714)**	**(20,498)**	**(4,128)**
4.1 Financial derivatives:	44,494	30,607	(35,643)	(20,421)	(3,984)
- on debt securities and interest rates	43,821	29,460	(34,516)	(15,478)	23,287
- on equities and stock indexes	515	469	(953)	(4,400)	(4,369)
- on currency and gold	X	X	X	X	(23,021)
- others	158	678	(174)	(543)	119
4.2 Credit derivatives	-	4	(71)	(77)	(144)
of which: natural hedges connected with the fair value option	X	X	X	X	-
Total	**53,329**	**32,097**	**(38,224)**	**(21,351)**	**28,097**

Net income from hedging activities Caption 90

5.1 Net income from hedging activities: breakdown

Income items/Amounts	Total 31.03.2021	Total 31.03.2020
A. Income from:		
A.1 Fair value hedging derivatives	199,418	6,237
A.2 Hedged financial assets (fair value)	182	121,962
A.3 Hedged financial liabilities (fair value)	4,878	1,135
A.4 Cash-flow hedging derivatives	21	-
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging activity (A)	**204,499**	**129,334**
B. Charges from:		
B.1 Fair value hedges	5,140	131,926
B.2 Hedged financial assets (fair value)	200,509	64
B.3 Hedged financial liabilities (fair value)	-	5,910
B.4 Cash-flow hedging derivatives	22	1
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedging activity (B)	**205,671**	**137,901**
C. Net income from hedging activities (A-B)	**(1,172)**	**(8,567)**
of which: result of hedging on net positions	-	-

Gains (Losses) on disposal or repurchase Caption 100

6.1 Gains (Losses) on disposal or repurchase: breakdown

Captions/Income items	Total 31.03.2021			Total 31.03.2020		
	Gains	Losses	Net result	Gains	Losses	Net result
Financial assets						
1. Financial assets measured at amortised cost	45,528	(9,661)	35,867	75,563	(7,095)	68,468
1.1 Loans to banks	-	-	-	6,397	-	6,397
1.2 Loans to customers	45,528	(9,661)	35,867	69,166	(7,095)	62,071
2. Financial assets measured at fair value through other comprehensive income	5,120	(12)	5,108	715	-	715
2.1 Debt securities	5,120	(12)	5,108	715	-	715
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**50,648**	**(9,673)**	**40,975**	**76,278**	**(7,095)**	**69,183**
Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities issued	1	(393)	(392)	930	(786)	144
Total liabilities (B)	**1**	**(393)**	**(392)**	**930**	**(786)**	**144**

This result derives mainly from the sale of debt securities classified in the HTC and HTC&S portfolios.

Net income on financial assets and liabilities measured at fair value through profit or loss Caption 110

7.1 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown on financial assets and liabilities designated at fair value

Transactions / Income items	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**480**	**-**	**(21)**	**-**	**459**
1.1 Debt securities	480	-	(21)	-	459
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities issued	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	X	X	X	X	-
Total	**480**	**-**	**(21)**	**-**	**459**

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

Transactions/Income items	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net Result [(A+B) - (C+D)]
1. Financial assets	**30,713**	**1,877**	**(24,691)**	**(23)**	**7,876**
1.1 Debt securities	1,599	1,719	(1,000)	(3)	2,315
1.2 Equity securities	20,783	-	-	-	20,783
1.3 UCITS units	8,331	158	(23,691)	(20)	(15,222)
1.4 Loans	-	-	-	-	-
2. Foreign currency financial assets: exchange differences	**X**	**X**	**X**	**X**	**398**
Total	**30,713**	**1,877**	**(24,691)**	**(23)**	**8,274**

Net impairment losses for credit risk
Caption 130

8.1 Net impairment losses for credit risk relating to financial assets measured at amortised cost: breakdown

Transactions/Income items	Impairment losses (1)			Write - backs (2)		Total	Total
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Others			31.03.2021	31.03.2020
A. Loans to banks	(2,957)	-	-	1,192	-	(1,765)	583
- Loans	(2,822)	-	-	189	-	(2,633)	735
- Debt securities	(135)	-	-	1,003	-	868	(152)
of which: purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-
B. Loans to customers	(180,637)	(5,791)	(347,137)	1,324	115,002	(417,239)	(140,136)
- Loans	(180,112)	(5,791)	(347,137)	371	115,002	(417,667)	(139,991)
- Debt securities	(525)	-	-	953	-	428	(145)
of which: purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-
Total	**(183,594)**	**(5,791)**	**(347,137)**	**2,516**	**115,002**	**(419,004)**	**(139,553)**

8.2 Net impairment losses for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income items	Impairment losses (1)			Write - backs (2)		Total	Total
	First and second stage	Third stage		First and second stage	Third stage	31.03.2021	31.03.2020
		Write-off	Others				
A. Debt securities	(3)	-	-	776	-	773	105
B. Loans	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-
of which: purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-
Total	**(3)**	**-**	**-**	**776**	**-**	**773**	**105**

Administrative expenses Caption 190

12.1 Staff costs: breakdown

Type of costs/Amounts	Total 31.03.2021	Total 31.03.2020
1) Employees	291,390	250,927
a) wages and salaries	216,820	182,451
b) social security charges	53,550	47,887
c) Termination indemnities	10,568	9,914
d) Pension expenses	156	146
e) provision for employee termination indemnities	41	181
f) provision for pension and similar commitments:	94	279
- defined contribution plan	-	-
- defined benefit plans	94	279
g) payments to external supplementary pension funds:	5,093	5,297
- defined contribution plan	5,093	5,297
- defined benefit plans	-	-
h) costs from share based payments	429	(355)
i) other personnel benefits	4,639	5,127
2) Other not-retired employees	8,340	2,129
3) Directors and Statutory Auditors	2,387	2,486
4) Retired employees	25	34
Total	302,142	255,576

12.2 Average number of employees by category

	31.03.2021	31.03.2020
Employees:	15,314	13,157
a) Managers	265	257
b) Middle managers	5,396	4,562
c) Other employees	9,653	8,338
Other employees	734	141

12.2.1 Number of employees by category: banking group

	31.03.2021	31.03.2020
Employees:	**17,808**	**13,780**
a) Managers	274	259
b) Total 3rd and 4th level middle managers	2,366	1,864
c) Total 1st and 2nd level middle managers	3,906	2,816
d) Other employees	11,262	8,841
Other employees	**701**	**134**

12.5 Other administrative expenses: breakdown

Captions	31.03.2021	31.03.2020
Indirect taxes and duties	**71,054**	**38,462**
Stamp duty	52,918	32,678
Other indirect taxes with right of recourse	2,383	1,774
Municipal property tax	3,688	2,625
Others	12,065	1,385
Other costs	**204,579**	**142,099**
Maintenance and repairs	34,679	13,446
Rental expense	5,040	4,824
Post office, telephone and telegraph	5,899	6,441
Data transmission fees and use of databases	11,415	10,610
Advertising	20,189	2,851
Consulting and other professional services	35,661	21,520
Lease of IT hardware and software	17,853	9,682
Insurance	2,976	2,235
Cleaning of office premises	4,145	2,556
Printing and stationery	3,396	1,811
Energy and fuel	3,808	5,182
Transport	2,432	2,626
Staff training and expense refunds	4,301	3,408
Information and surveys	3,403	3,160
Security	1,919	2,291
Administrative services	6,116	-
Use of external data gathering and processing services	2,916	4,361
Membership fees	2,059	2,003
Condominium expenses	1,003	1,434
Contribution to SRF, DGS, IDPF-VS	31,055	31,978
Sundry other	4,314	9,680
Total	**275,633**	**180,561**

The increase in this caption has also been influenced by the acquisition of the UBI Banca branches.
The caption "Contribution to SRF, DGS, IDPF-VS" includes an estimate of the ordinary 2020 contribution to the SRF (European Single Resolution Fund) of Euro 31.1 million.

Other operating expense/income
Caption 230

16.1 Other operating expense: breakdown

Description/Amounts	31.03.2021	31.03.2020
Loss on disposal of leased assets	2,383	861
Amortisation of leasehold improvement expenditure	1,069	925
Out-of-period expense	1,261	524
Other expense	34,237	14,008
Total	**38,950**	**16,318**

The caption "Other expense" includes charges for the profit-sharing clause contained in the contract for the purchase of Nuova Carife (Euro 19.8 million).

16.2 Other operating income: breakdown

Description/Amounts	31.03.2021	31.03.2020
Rental income	1,689	1,704
Recovery of taxes	54,698	34,037
Gains on disposal of fixed assets given under finance leases	604	456
Other income	24,933	28,765
Total	**81,924**	**64,962**

Information on risks and related hedging policies

Risks faced by the Banking Group

It should be noted that, in compliance with the prudential regulations intended to strengthen the ability of banks to absorb shocks deriving from economic and financial tensions, the Group monitors capital adequacy, the exposure to risks and the general characteristics of the related management and control systems, in order to facilitate market discipline.
The document "Public Disclosure - Pillar 3" is prepared pursuant to the requirements of Circular 285 of 17 December 2013 and subsequent updates issued by the Bank of Italy, Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and the EBA Guidelines dated 23 December 2014 that came into force on 1 January 2015.

This document is published as at 31 March 2021 together with the financial statements on the BPER website: https://istituzionale.bper.it.

Risks of consolidated for accounting purpose

Informazioni di natura quantitativa

Quantitative information

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, adjustments, trends and economic distribution

A.1.1 Breakdown of financial assets by portfolio classification and credit quality (book values)

Portfolios/quality		Bad loans	Unlikely to pay loans	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost		997,522	1,316,370	95,700	1,233,475	111,170,538	114,813,605
2. Financial assets measured at fair value through other comprehensive income		18	-	-	-	6,083,640	6,083,658
3. Financial assets designated at fair value		-	-	-	-	124,643	124,643
4. Other financial assets mandatorily at fair value		-	-	-	-	227,237	227,237
5. Financial assets classified as held for sale		917	931	159	1,400	87,816	91,223
Total	**31.03.2021**	**998,457**	**1,317,301**	**95,859**	**1,234,875**	**117,693,874**	**121,340,366**
Total	**31.12.2020**	**726,749**	**1,293,853**	**109,628**	**460,912**	**83,837,288**	**86,428,430**

A.1.2 Breakdown of financial assets by portfolio classification and credit quality (gross and net values)

Portfolios/quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Overall impairment provisions	Net exposure	Overall partial write-off	Gross exposure	Overall impairment provisions	Net exposure	
1. Financial assets measured at amortised cost	4,774,215	2,364,623	2,409,592	693,230	112,805,056	401,043	112,404,013	114,813,605
2. Financial assets measured at fair value through other comprehensive income	26	8	18	-	6,087,740	4,100	6,083,640	6,083,658
3. Financial assets designated at fair value	-	-	-	-	X	X	124,643	124,643
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	227,237	227,237
5. Financial assets classified as held for sale	3,611	1,604	2,007	128	89,791	575	89,216	91,223
Total 31.03.2021	**4,777,852**	**2,366,235**	**2,411,617**	**693,358**	**118,982,587**	**405,718**	**118,928,749**	**121,340,366**
Total 31.12.2020	**4,342,967**	**2,212,737**	**2,130,230**	**302,916**	**84,167,823**	**194,165**	**84,298,200**	**86,428,430**

Portfolios/quality	Low credit quality assets		Other activities
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	4,210	5,267	257,688
2. Hedging derivatives	-	-	127,721
Total 31.03.2021	**4,210**	**5,267**	**385,409**
Total 31.12.2020	**313**	**400**	**274,064**

Risk of prudential consolidation

1.1 Credit risk

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

Qualitative information

1. General aspects

As a result of the ongoing vaccination campaigns and support from economic policies, the international context in the first quarter of 2021 was marked by an improvement in global prospects.
In the Euro area, where vaccinations are taking place at a slower pace than in the United States and the United Kingdom, economic activity has been affected by a new increase in infections and, despite a temporary rise in inflation, prices remain low, making it essential to maintain favourable financial conditions.
Inflation is even more contained in Italy where the resilience of the economy is confirmed: however, a strengthening in industry is accompanied by a situation in services that is still weak.
According to Istat, the first few months of 2021 show a recovery in manufacturing, driven by the upswing in exports and construction.
In addition to the recovery in foreign trade, inflation also turned positive in March 2021 due to the increase in energy prices.
According to surveys by the Bank of Italy, a resumption of investment programmes is expected during the rest of 2021, with a gradual recovery in consumer intentions by households, even if the propensity to save remains high.
Obviously, there are still high levels of uncertainty on the macroeconomic scenario, mainly dependent on the evolution of infections and, for this reason, the Government has launched further support measures and allocated additional resources to strengthen the vaccination plan and other healthcare measures to combat the pandemic.
In this context, the BPER Banca Group confirms and continues to follow the Lending Policy Guidelines approved at the beginning of the year.

2. Credit risk management policies

The credit management policy of the BPER Banca Group pursues the aim of carefully selecting counterparties through an analysis of their creditworthiness, including the use of well-established tools such as the internal rating system, having regard for the achievement of commercial and support objectives. Given the evolution of the pandemic and the consequent deterioration in the macroeconomic context, during 2020 and 2021 support measures were adopted for businesses and households in difficulty. The aim was to support the economic fabric and at the same time contain the riskiness of the loan portfolio through recourse to State guarantees on loans under the government measures foreseen in the Liquidity Decree.

In view of the Group's strategic objectives and operations, the general risk management strategy is to accept a moderate level of risk involving:

- the assessment of the current and prospective creditworthiness of counterparties;
- the diversification of the portfolio, limiting the concentration of exposures towards individual counterparties and sectors of economic activity;
- the introduction of assessments of climatic, environmental and sustainability risks, with particular reference to those sectors with greater energy absorption or characterised by a high dependence on fossil fuels;
- the development of "green financing" and "technological innovation", transversal to all sectors of the economy and intended to ensure greater competitiveness for the companies concerned;
- continuing to finance consumer households in the various technical forms (home mortgages, personal loans, etc.).

Quantitative information

A. Credit quality

A.1.4 Prudential consolidation - Cash and off-balance sheet credit exposures to banks: gross and net values

Type of exposures/amounts	Gross exposure		Total impairment provisions	Net Exposure	Total partial write-off
	Non-performing	Performing			
A. Cash exposures					
a) Bad loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	84,682	3,368	81,314	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	29,465,614	11,095	29,454,519	-
- of which: forborne exposures	X	-	-	-	-
Total (A)	**-**	**29,550,296**	**14,463**	**29,535,833**	**-**
B. Off-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	1,472,400	90	1,472,310	-
Total (B)	**-**	**1,472,400**	**90**	**1,472,310**	**-**
Total (A+B)	**-**	**31,022,696**	**14,553**	**31,008,143**	**-**

A.1.5 Prudential consolidation - Cash and off-balance sheet credit exposures to customers: gross and net values

Type of exposures/amounts	Gross exposure		Total impairment provisions	Net exposure	Total partial write-off
	Non-performing	Performing			
A. Cash exposures					
a) Bad loans	2,368,479	X	1,370,022	998,457	693,358
- of which: forborne exposures	345,491	X	203,234	142,257	13,922
b) Unlikely to pay loans	2,279,736	X	962,435	1,317,301	-
- of which: forborne exposures	1,232,567	X	480,987	751,580	-
c) Non-performing past due exposures	129,637	X	33,778	95,859	-
- of which: forborne exposures	117	X	11	106	-
d) Performing past due exposures	X	1,171,273	17,712	1,153,561	-
- of which: forborne exposures	X	52,881	1,342	51,539	-
e) Other performing exposures	X	88,695,891	373,543	88,322,348	-
- of which: forborne exposures	X	848,602	25,175	823,427	-
Total (A)	**4,777,852**	**89,867,164**	**2,757,490**	**91,887,526**	**693,358**
B. Off-balance sheet credit exposures					
a) Non performing	452,487	X	39,492	412,995	-
b) Performing	X	37,281,891	33,435	37,248,456	-
Total (B)	**452,487**	**37,281,891**	**72,927**	**37,661,451**	**-**
Total (A+B)	**5,230,339**	**127,149,055**	**2,830,417**	**129,548,977**	**693,358**

A. 1.7 Prudential consolidation – cash credit exposures to customers: change in gross non-performing exposures

Reasons/Categories	Bad loans	Unlikely to pay loans	Non-performing past due exposures
A. Opening balance (gross amount)	**2,076,411**	**2,125,247**	**141,309**
- Sold but not derecognised	-	-	-
B. Increases	**453,163**	**587,099**	**61,097**
B.1 entry from performing exposures	2,374	52,923	39,145
B.2 entry from purchased or originated impaired financial assets	-	-	-
B.3 transfers from other non-performing exposures	47,944	21,409	3,295
B.4 contractual modifications without derecognitions	-	-	-
B.5 other increases	402,845	512,767	18,657
C. Decreases	**161,095**	**432,610**	**72,769**
C.1 transfers to performing exposures	-	39,690	31,976
C.2 write-offs	38,262	6,823	112
C.3 recoveries	56,546	210,866	16,644
C.4 sales proceeds	17,804	55,676	-
C.5 losses on disposals	8,300	1,361	-
C.6 transfers to other non-performing exposures	215	49,872	22,561
C.7 contractual modifications without derecognitions	-	-	57
C.8 other decreases	39,968	68,322	1,419
D. Closing balance (gross amounts)	**2,368,479**	**2,279,736**	**129,637**
- Sold but not derecognised	-	-	-

A.1.9 Prudential Consolidation - Non performing cash credit exposures to customers: change in total impairment provisions

Reasons/Category	Bad loans	Unlikely to pay loans	Non-performing past due exposures
A. Opening balance in total impairment provisions	**1,349,662**	**831,394**	**31,681**
- Sold but not derecognised	-	-	-
B. Increases	**173,984**	**301,153**	**15,506**
B.1 impairment losses on purchased or originated assets	-	-	-
B. 2 other value adjustments	133,857	206,298	14,438
B.3 losses on disposal	8,300	1,361	-
B.4 transfer from other non performing exposure	22,306	6,085	326
B. 5 contractual modifications without derecognitions	-	-	-
B.6 other increases	9,521	87,409	742
C. Decreases	**153,624**	**170,112**	**13,409**
C.1 write-backs from assessments	20,932	46,051	6,027
C.2 write-backs from recoveries	35,733	12,193	642
C.3 gains on disposal	10,002	-	-
C.4 write-offs	38,262	6,823	112
C.5 transfers to other non performing exposures	210	22,169	6,338
C. 6 contractual modifications without derecognitions	-	-	-
C.7 other decreases	48,485	82,876	290
D. Closing balance in total impairment provisions	**1,370,022**	**962,435**	**33,778**
- Sold but not derecognised	-	-	-

Information on consolidated shareholders' equity

Consolidated shareholders' equity

Qualitative information

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

All of these activities have helped to mitigate the financial impact of several major extraordinary transactions, such as the acquisitions of Unipol Banca and Arca Holding, and to maintain adequate capital solidity that allowed the acquisition of the "Business Complex". This consists of no. 587 branches of UBI Banca (no. 33 branches of Intesa Sanpaolo will be added in June 2021), for which the Parent Company BPER Banca approved an increase in capital of Euro 802.3 million which was implemented in October 2020. For further details about the acquisition from Intesa Sanpaolo, please refer to the chapter of this report entitled "Significant events and strategic transactions".

The Parent Company is subject to the capital adequacy requirements established by the Basel Committee, in accordance with the rules defined by EU Regulation no. 575/2013 (CRR). In regulatory terms, BPER Banca s.p.a., Banco di Sardegna s.p.a. and Bibanca s.p.a. were authorised from 30 June 2016 to use the AIRB approach for measuring credit risk for Corporate and Retail segments. Other BPER Banca Group companies apply the Standard Method (SA) for the measurement of credit risk while, at the same time, continuing preparations to extend the use of advanced methodologies to other Group entities whose IT systems have already been aligned.

Lastly, with reference to the transition to IFRS 9, the Board of Directors of BPER Banca has decided to make the election allowed by Regulation (EU) no. 2395/2017 of the European Parliament and of the Council as regards "transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds". The five-year transition period envisaged in that regulation will end on 1 January 2023 (for 2021 a 50%

correction factor has been applied, 70% for 2020), when the provisions recorded will be included in full in the calculation of own funds during the transition to 1 January 2018. BPER Banca has also decided that the entire banking group will adopt the "static" option, which limits deferral of the impact on capital solely to FTA of the regulation.

Quantitative information

B.1 Consolidated Shareholders equity: breakdown by business type

Captions	Prudential consolidation	Insurance companies	Other companies	Consolidation adjustments and eliminations	Total
1. Share capital	2,810,340	-	-	(684,346)	2,125,994
2. Share premium reserve	1,543,282	-	-	(299,287)	1,243,995
3. Reserves	3,717,375	-	-	(1,050,095)	2,667,280
4. Equity instruments	150,000	-	-	-	150,000
5. (Treasury shares)	(7,259)	-	-	-	(7,259)
6. Valuation reserves:	236,280	-	-	6,072	242,352
- Equity instruments designated at fair value through other comprehensive income	87,805	-	-	(296)	87,509
- Hedging of equity instruments designated at fair value through other comprehensive income	(942)	-	-	140	(802)
- Financial assets (no equity instruments) measured at fair value through other comprehensive income	29,589	-	-	3,008	32,597
- Property, plant and equipment	83,040	-	-	-	83,040
- Intangible assets	-	-	-	-	-
- Foreign investments hedges	-	-	-	-	-
- Cash flow hedges	(723)	-	-	-	(723)
- Hedging instruments (non-designated elements)	-	-	-	-	-
- Exchange differences	-	-	-	-	-
- Non-current assets and disposal groups held for sale	-	-	-	-	-
- Financial liabilities designated at fair value through profit or loss (variation due to changes in the credit worthiness)	-	-	-	-	-
- Actuarial gains (losses) on defined benefit plans	(143,192)	-	-	-	(143,192)
- Share of the valuation reserves of equity investments carried at equity	-	-	-	3,220	3,220
- Special revaluation laws	180,703	-	-	-	180,703
7. Profit (Loss) for the year (+/-) of group and minority interests	409,029	-	-	(2,240)	406,789
Total	**8,859,047**	**-**	**-**	**(2,029,896)**	**6,829,151**

Own funds and capital adequacy ratios

The disclosures about own funds and capital adequacy are provided in the document entitled "Public Disclosures as at 31 March 2021 – Pillar 3", prepared in accordance with the aforementioned Bank of Italy Circular no. 285 dated 17 December 2013 and subsequent amendments, which applies in Italy the requirements of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and the subsequent EBA Guidance documents in force on the reporting date.
The document has been published together with the Consolidated interim report on operations at 31 March 2021 on the website of the Parent Company: https://istituzionale.bper.it.

Information on business combinations

Transactions carried out as at 31 March 2021

1.1 Business combinations

The acquisition of the business complex, represented by a network of former UBI Banca and Intesa Sanpaolo branches, referred to in the Agreements signed by BPER Banca with the counterparties starting from 17 February 2020 and better described in the Interim Report on Operations at chapter 2 “Significant events and strategic transactions”, was formalised on 19 February 2021 with the signing of the definitive sale contracts. The contracts provided for the transfer to BPER Banca of the business units of UBI Banca s.p.a. and UBISS s.c.p.a., taking effect for legal purposes on 22 February 2021, whereas the transfer of the Intesa Sanpaolo Groups business unit will take effect on 21 June 2021.
On the basis of these contracts, the overall consideration agreed for the purchase of the business units is Euro 644.0 million, of which Euro 23.5 million refers to the unit owned by Intesa Sanpaolo. The amounts are expected to be paid by BPER Banca entirely in cash at the dates that the transfers take effect. The net equity of the entire business complex (identified contractually as being equal to its Common Equity Tier 1) was agreed at Euro 1,611.0 million.
For the purposes of this Report, the provisional Purchase Price Allocation (PPA) was carried out (in accordance with IFRS 3) which led to the emergence of a “gain from a bargain purchase”, or badwill. This result would be largely attributable to the fact that the transaction took place in a "buyers market"; in fact, one of the reference parameters considered in defining the price, together with other less significant ones, was the relationship between the market price and the book value of the banks selling the business complex.
Considering this result, albeit provisional, the clause contained in the Agreements which provides for deferred adjustment of the consideration to be borne by Intesa Sanpaolo, depending on the fiscal relevance of the badwill for BPER Banca, has been applied in the context of the PPA.

Accounting treatment of the transaction

This transaction counts as a Business Combination for the purposes of IFRS 3, having satisfied the requirements for the identification of an acquired "business”.
The initial and supplementary agreements signed in 2020 and, most recently, in early January 2021, by BPER Banca and Intesa Sanpaolo (later joined by UBI Banca), the contents of which were confirmed by the final contracts signed on 19 February 2021, showed that the subject of the agreements was the transfer of a series of branches, defined as a set of rights, obligations and legal relationships relating to (or connected with): (i) contracts signed with each branchs customers, (ii) employment relationships with the members of staff working in them, (iii) lease and utility contracts related to them, and (iv) ownership of (or real rights over or enjoyment of) the movable and immovable property, plant and equipment used by the branch. With respect to the characteristics of the complex acquired, it is therefore possible to identify[53]:

- Inputs: contracts with customers (and consequent loans, direct and indirect deposits), employees (as an "organised workforce that has the necessary skills, knowledge or experience") and premises (owned or rented properties) needed for the provision of banking services.
- Processes: all those connected with the provision of banking services to customers (i.e. processes such as loan disbursement, credit monitoring, provision of payment services, provision of financial and investment services), as well as development of the clientèle (customer acceptance). These processes are considered "substantial" as intended by IFRS 3 since, being a business complex

[53] *As required by IFRS 3 B7.*

already "in production" at the date of the combination, it is carried on by employees who already have the necessary skills, knowledge or experience in the banking sector (also understood as relationships with customers) which cannot be replaced without costs, efforts or significant delays due to the ability to carry on generating "production deriving from the banking activity"[54].

- Production: understood as the ability to generate revenues not only in the form of interest, but also in the form of commissions from banking services provided to customers.

It should also be noted that the so-called "concentration test" envisaged by paras. B7A and B7B of IFRS 3 (in force from 1 January 2020), focused on gross assets and indicated, in any case, as optional, was not applied as the qualitative analysis reported above regarding the components of the business complex transferred showed sufficient elements to conclude that what has been acquired represents a business.

Having qualified the transaction as a business combination, the Acquisition Method envisaged by IFRS 3 has to be applied, as described in Part A.2 of the Explanatory Notes of the Consolidated Financial Statements as at 31 December 2020, to which reference should be made for details.

According to IFRS 3, the business combination must be recognised on the date that the buyer effectively obtains control over the assets acquired; in this case, the acquisition date was identified with the legal effectiveness of the transfer of the units (as resulting from the sale contracts). In fact, by 22 February 2021, the preliminary IT migration had already been carried out for the units acquired from UBI Banca and UBISS. The sale of the unit acquired from Intesa Sanpaolo, on the other hand, was expected to take effect for legal purposes on 21 June 2021, also preceded by the related IT migration.

The balance sheet values of the units acquired on 22 February 2021 and the related adjustments for fair value measurement at the time of the PPA are presented below.

[54] *IFRS 3 B12C: If a set of activities and assets has a production at the acquisition date, the process (or group of processes) acquired is considered substantial if, applied to one or more of the inputs acquired:*
a) is of crucial importance to continue generating production and the inputs acquired include an organised workforce that has the necessary skills, knowledge or experience to carry out this process (or group of processes); or
b) significantly contributes to the ability to continue generating production and:
i) is considered unique or scarce; or
ii) cannot be replaced without cost, effort or significant delays due to the ability to carry on generating production.

Assets		UBI Business unit	UBISS Business unit	PPA	Total Business unit acquired
10.	Cash and cash equivalents	115,511	-	-	115,511
20.	Financial assets measured at fair value through profit or loss	94,489	-	-	94,489
	a) financial assets held for trading	65,555	-	-	65,555
	c) other financial assets mandatorily measured at fair value	28,934	-	-	28,934
30.	Financial assets measured at fair value through other comprehensive income	-	-	-	-
40.	Financial assets measured at amortised cost	28,685,827	939	(117,408)	28,569,358
	a) loans to banks (*)	6,651,888	939	-	6,652,827
	b) loans to customers	22,033,939	-	(117,408)	21,916,531
60.	Change in value of macro-hedged financial assets	-	-	-	-
70.	Equity investments	-	-	-	-
80.	Property, plant and equipment	435,423	4,251	(22,409)	417,265
90.	Intangible assets	-	542	-	542
	of which:	-	-	-	-
	- goodwill	-	-	-	-
100.	Tax assets	-	-	-	-
	a) current	-	-	-	-
	b) deferred	-	-	-	-
120.	Other assets	2,547,224	-	11,883	2,559,107
	Total assets	**31,878,474**	**5,732**	**(127,934)**	**31,756,272**

(*) The caption includes € 1,553 million of interbank deposits in addition to the amounts of the unit acquired at the transfer date and needed to bring the units net equity up to the CET1 figure used as a point of reference from a contractual point of view.

Liabilities and shareholders equity		UBI Business unit	UBISS Business unit	PPA	Total Business unit acquired
10.	Financial liabilities measured at amortised cost	30,156,380	4,964	(2,728)	30,158,616
	a) due to banks	-	4,964	-	4,964
	b) due to customers	30,145,835	-	(2,728)	30,143,107
	c) debt securities issued	10,545	-	-	10,545
20.	Financial liabilities held for trading	1,831	-	-	1,831
60.	Tax liabilities	-	-	-	-
	a) current	-	-	-	-
	b) deferred	-	-	-	-
80.	Other liabilities	41,594	179	-	41,773
90.	Employee termination indemnities	72,967	344	-	73,311
100.	Provisions for risks and charges	56,672	245	21,883	78,800
	a) commitments and guarantees granted	17,158	-	-	17,158
	b) pension and similar obligations	-	-	-	-
	c) other provisions for risks and charges	39,514	245	21,883	61,642
110.	Valuation reserves	-	-	-	-
140.	Reserves	-	-	-	-
160.	Share capital	-	-	-	-
180.	Profit (Loss) for the period (+/-)	-	-	-	-
	Total liabilities and shareholders equity	**30,329,444**	**5,732**	**19,155**	**30,354,331**

At the date of approval of this Report, the balance sheet balances acquired were determined on a provisional basis, measured at fair value with the support of accredited external consultants. More specifically:

- Performing and non-performing loans: the model for determining the fair value involves discounting expected gross cash flows, appropriately adjusted to take into account expected losses and related operating costs (recovery costs for non-performing positions), based on an appropriate discount rate (the BPER Banca Groups Average Cost of Funding for performing loans and a Weighted Average Cost of Capital (WACC) for non-performing loans). The parameters used in the model were determined with maximum recourse to available market information. As part of the provisional PPA, the adjustment made to the balances acquired to express them at fair value at the date of the business combination came to Euro 220.1 million for the performing portfolio and Euro -337.5 million for the non-performing portfolio;
- Intangible assets: analyses are currently underway to identify any intangibles originating from Customer Relationships, not already recognised in the sellers financial statements. Preliminary analyses show that there would not seem to be the conditions for enhancing the value of so-called Core Deposits as the benefit linked to the lower cost of the deposits acquired compared with alternative sources of funding (the so-called "mark-down") would be zero. There are also analyses still underway on the characteristics of the indirect deposits acquired to identify any conditions of implicit remuneration, which would allow them to be reassessed as intangible assets.
- Property, plant and equipment: preliminary checks have been carried out to verify the reliability of the fair value measurements of the properties acquired, based on on-site appraisals by the independent expert used by the BPER Banca Group. The results of these activities at the date of preparing this Report led to an estimated adjustment to fair value of the property, plant and equipment acquired of Euro -19.9 million;
- Direct deposits: the characteristics of the direct deposits acquired (substantially represented by demand or short-term items) suggest that their fair value is substantially the same as their carrying amount;
- Right-of-use assets and lease liabilities: for the leases acquired (mainly for real estate), BPER Banca Groups valuation methodology was applied at the date of the business combination, as required by paragraphs 28A and 28B of IFRS 3. This revaluation had an impact on Property, plant and equipment (right-of-use assets) equal to Euro -2.5 million and on Due to customers (lease liabilities) of Euro -2.7 million;
- Contingent liabilities: the recognition of any implicit risks in the business complex acquired has been commenced, as has the measurement at fair value of any contingent liabilities and any legal risks connected with disputes at the branches. The results of this activity at the date of preparing this Report led to an estimate of additional contingent liabilities of Euro 10 million. This was the increase recorded compared with the funds allocated by the seller on existing disputes, the latter amounting to Euro 11.9 million which, not having been included in the accounting situation of the unit acquired pending the exclusion of the seller from the judgements pending, they have been quantified as a total of Euro 21.9 million, which has been booked to Other assets (Due from seller) for the amount owed by the seller (Euro 11.9 million);
- Tax effects: the provision referred to when preparing this Report envisages that the economic result of the combination (considered the acquisition of a business unit) is relevant for the calculation of direct taxes (IRES) for the period. The resulting current tax burden is shown in caption 270. “Income taxes for the period on current operations” for a total of Euro 296.4 million;

- Adjustment of the consideration: the matters discussed in the previous paragraphs led to the application of the specific contractual clause which provides for a deferred adjustment of the consideration paid by BPER Banca to Intesa Sanpaolo for the acquisition of the business units, estimating the quota to be reimbursed by Intesa Sanpaolo according to the tax burden referred to in the previous point and therefore equal to Euro 296.4 million.

Depending on the choices made, the difference between the net equity acquired at 22 February 2021 and the price paid is shown below, so as to identify the provisional result of the PPA.

Business unit acquired	
Imabalance assets/liabilities as st 22 February 2021 (A)	1,401,941
Value of the consideration (B)	620,486
Adjustment of the consideration (C)	296,414
Temporary badwill (A-B+C)	**1,077,869**

Details of Business unit acquired	
Imabalance assets/liabilities acquired	1,549,030
Property, plant and equipment	(19,892)
Rights of use	(2,517)
NPE portfolio	(337,503)
Performing loans portfolio	220,095
Lease payables	2,728
Loans to transferor	11,883
Contingent liabilities	(21,883)
Imabalance assets/liabilities as st 22 February 2021 (A)	**1,401,941**
Value of the consideration for UBI business unit	620,486
Value of the consideration for UBISS business unit (*)	-
Value of the consideration (B)	**620,486**
Adjustment of the consideration (C)	296,414
Temporary badwill before tax D= (A-B+C)	**1,077,869**
Tax effetcts (E)	(296,414)
Temporary badwill after tax F= (D+E)	**781,455**

(*) The price agreed for the transfer of the UBISS branch was € 1, paid by BPER Banca to Intesa Sanpaolo for a zero net equity.

1.2 Operations between entities under common control

On 6 November 2020, the Boards of Directors of Nadia s.p.a. and Tholos s.p.a., each to the extent of their respective sphere of competence, approved the Merger Plan for the absorption of Tholos s.p.a. by Nadia s.p.a. The Shareholders Meetings of the two companies that approved the merger were held on 18 November 2020. Please refer to the Directors Report for furt her details.

The merger, which qualified as a business combination between entities under common control and therefore outside the scope of IFRS 3, took effect for accounting and tax purposes on 1 January 2021. It has no effect on the consolidated financial statements.

Attachments

Financial statements of the Parent Company as at 31 March 2021

The Parent Companys b alance sheet and income statement as at 31 March 2021 are shown below. The comparative figures have been restated to show the effects of the retrospective application of change in the accounting method used to measure properties held for investment purposes, which constitutes a voluntary change in accounting policy to be applied retrospectively pursuant to IAS 8 par. 19-b). Please refer to paragraph "5 - Other aspects" of the Explanatory Notes to this Report for further details.
Income statement, again for the 2020 figures, also takes into account the effects of the merger by absorption of Cassa di Risparmio di Bra s.p.a. and Cassa di Risparmio di Saluzzo s.p.a. which took place on 27 July 2020 with effect for accounting and tax purposes on 1 January 2020.

(in thousands)

	Assets	31.03.2021	31.12.2020	IAS 40 impact	31.12.2020 restated	Change	% Change
10.	Cash and cash equivalents	497,509	365,864	-	365,864	131,645	35.98
20.	Financial assets measured at fair value through profit or loss	1,094,927	983,756	-	983,756	111,171	11.30
	a) financial assets held for trading	358,932	310,818	-	310,818	48,114	15.48
	b) financial assets designated at fair value	124,643	123,370	-	123,370	1,273	1.03
	c) other financial assets mandatorily measured at fair value	611,352	549,568	-	549,568	61,784	11.24
30.	Financial assets measured at fair value through other comprehensive income	6,116,100	6,051,222	-	6,051,222	64,878	1.07
40.	Financial assets measured at amortised cost	106,097,556	71,340,689	-	71,340,689	34,756,867	48.72
	a) loans to banks	27,953,649	16,418,169	-	16,418,169	11,535,480	70.26
	b) loans to customers	78,143,907	54,922,520	-	54,922,520	23,221,387	42.28
50.	Hedging derivatives	127,673	57,695	-	57,695	69,978	121.29
70.	Equity investments	2,008,287	2,008,146	-	2,008,146	141	0.01
80.	Property, plant and equipment	1,288,998	806,384	(2,322)	804,062	484,936	60.31
90.	Intangible assets	245,204	480,782	-	480,782	(235,578)	-49.00
	of which:						
	- goodwill	-	230,366	-	230,366	(230,366)	-100.00
100.	Tax assets	1,522,494	1,689,110	(1,884)	1,687,226	(164,732)	-9.76
	a) current	327,648	402,666	-	402,666	(75,018)	-18.63
	b) deferred	1,194,846	1,286,444	(1,884)	1,284,560	(89,714)	-6.98
110.	Non-current assets and disposal groups classified as held for sale	2,980	3,194	522	3,716	(736)	-19.81
120.	Other assets	1,111,501	444,330	-	444,330	667,171	150.15
	Total assets	**120,113,229**	**84,231,172**	**(3,684)**	**84,227,488**	**35,885,741**	**42.61**

(in thousands)

	Liabilities and shareholders equity	31.03.2021	31.12.2020	IAS 40 impact	31.12.2020 restated	Change	% Change
10.	Financial liabilities measured at amortised cost	108,982,193	75,566,875	-	75,566,875	33,415,318	44.22
	a) due to banks	26,272,261	24,095,097	-	24,095,097	2,177,164	9.04
	b) due to customers	77,635,361	46,793,064	-	46,793,064	30,842,297	65.91
	c) debt securities issued	5,074,571	4,678,714	-	4,678,714	395,857	8.46
20.	Financial liabilities held for trading	158,803	182,981	-	182,981	(24,178)	-13.21
40.	Hedging derivatives	332,630	456,447	-	456,447	(123,817)	-27.13
60.	Tax liabilities	146,086	47,136	2,512	49,648	96,438	194.24
	a) current	88,613	-	-	-	88,613	n.s.
	b) deferred	57,473	47,136	2,512	49,648	7,825	15.76
80.	Other liabilities	3,446,584	1,500,563	-	1,500,563	1,946,021	129.69
90.	Employee termination indemnities	170,513	107,416	-	107,416	63,097	58.74
100.	Provisions for risks and charges	519,869	454,186	-	454,186	65,683	14.46
	a) commitments and guarantees granted	66,409	49,251	-	49,251	17,158	34.84
	b) pension and similar obligations	138,977	147,829		147,829	(8,852)	-5.99
	c) other provisions for risks and charges	314,483	257,106	-	257,106	57,377	22.32
110.	Valuation reserves	36,272	(54,799)	-	(54,799)	91,071	-166.19
130.	Equity instruments	150,000	150,000	-	150,000	-	-
140.	Reserves	2,443,243	2,342,135	103	2,342,238	101,005	4.31
150.	Share premium reserve	1,241,197	1,241,197	-	1,241,197	-	-
160.	Share capital	2,100,435	2,100,435	-	2,100,435	-	-
170.	Treasury shares (-)	(7,253)	(7,253)	-	(7,253)	-	-
180.	Profit (Loss) for the period (+/-)	392,657	143,853	(6,299)	137,554	255,103	185.46
	Total liabilities and shareholders equity	**120,113,229**	**84,231,172**	**(3,684)**	**84,227,488**	**35,885,741**	**42.61**

(in thousands)

	Captions	31.03.2021	BPER Banca 31.03.2020	CR Bra and CR Saluzzo merger effects	IAS 40 impact	31.03.2020 restated	Change	% Change
10.	Interest and similar income	317,033	261,518	8,649	-	270,167	46,866	17.35
	of which: interest income calculated using the effective interest method	314,974	259,345	8,633	-	267,978	46,996	17.54
20.	Interest and similar expense	(55,304)	(52,090)	(1,225)	-	(53,315)	(1,989)	3.73
30.	**Net interest income**	**261,729**	**209,428**	**7,424**	**-**	**216,852**	**44,877**	**20.69**
40.	Commission income	262,663	200,617	5,743	-	206,360	56,303	27.28
50.	Commission expense	(18,494)	(13,644)	(211)	-	(13,855)	(4,639)	33.48
60.	**Net commission income**	**244,169**	**186,973**	**5,532**	**-**	**192,505**	**51,664**	**26.84**
70.	Dividends and similar income	1,680	789	-	-	789	891	112.93
80.	Net income from trading activities	27,473	(20,740)	78		(20,662)	48,135	-232.96
90.	Net income from hedging activities	(1,235)	(8,324)	2	-	(8,322)	7,087	-85.16
100.	Gains (Losses) on disposal or repurchase of:	17,248	45,649	216	-	45,865	(28,617)	-62.39
	a) financial assets measured at amortised cost	12,532	45,004	-	-	45,004	(32,472)	-72.15
	b) financial assets measured at fair value through other comprehensive income	5,108	495	220	-	715	4,393	614.41
	c) financial liabilities	(392)	150	(4)	-	146	(538)	-368.49
110.	Net income on financial assets and liabilities measured at fair value through profit or loss:	10,168	(24,866)	-	-	(24,866)	35,034	-140.89
	a) financial assets and liabilities designated at fair value	459	(4,673)	-	-	(4,673)	5,132	-109.82
	b) other financial assets mandatorily measured at fair value	9,709	(20,193)	-	-	(20,193)	29,902	-148.08
120.	**Net interest and other banking income**	**561,232**	**388,909**	**13,252**	**-**	**402,161**	**159,071**	**39.55**
130.	Net impairment losses for credit risk relating to:	(361,633)	(112,216)	(10,790)	-	(123,006)	(238,627)	194.00
	a) financial assets measured at amortised cost	(362,394)	(112,334)	(10,788)	-	(123,122)	(239,272)	194.34
	b) financial assets measured at fair value through other comprehensive income	761	118	(2)	-	116	645	556.03
140.	Gains (Losses) from contractual modifications without derecognition	(551)	(375)	(1)	-	(376)	(175)	46.54
150.	**Net income from financial activities**	**199,048**	**276,318**	**2,461**	**-**	**278,779**	**(79,731)**	**-28.60**
160.	Administrative expenses:	(486,965)	(332,982)	(9,466)	-	(342,448)	(144,517)	42.20
	a) staff costs	(250,247)	(194,943)	(5,631)	-	(200,574)	(49,673)	24.77
	b) other administrative expenses	(236,718)	(138,039)	(3,835)	-	(141,874)	(94,844)	66.85
170.	Net provisions for risks and charges	(15,664)	(1,098)	107	-	(991)	(14,673)	--
	a) commitments and guarantees granted	-	1,866	(4)	-	1,862	(1,862)	-100.00
	b) other net provisions	(15,664)	(2,964)	111	-	(2,853)	(12,811)	449.04
180.	Net adjustments to property, plant and equipment	(26,180)	(22,287)	(552)	418	(22,421)	(3,759)	16.77
190.	Net adjustments to intangible assets	(19,056)	(12,641)	(79)	-	(12,720)	(6,336)	49.81
200.	Other operating expense/income	43,862	50,995	431		51,426	(7,564)	-14.71
210.	**Operating costs**	**(504,003)**	**(318,013)**	**(9,559)**	**418**	**(327,154)**	**(176,849)**	**54.06**
220.	Gains (Losses) of equity investments	(4)	250	-	-	250	(254)	-101.60
230.	Gains (Losses) on property, plant and equipment and intangible assets measured at fair value	(12,161)	-	-	-	-	(12,161)	n.s.
240.	Impairment losses on goodwill	(230,366)	-	-	-	-	(230,366)	n.s.
245.	Gain on a bargain purchase	1,077,869	-	-	-	-	1,077,869	n.s.
250.	Gains (Losses) on disposal of investments	47	262	12	(257)	17	30	176.47
260.	**Profit (Loss) from current operations before tax**	**530,430**	**(41,183)**	**(7,086)**	**161**	**(48,108)**	**578,538**	**--**
270.	Income taxes on current operations for the period	(137,773)	14,911	(628)	(382)	13,901	(151,674)	--
280.	**Profit (Loss) from current operations after tax**	**392,657**	**(26,272)**	**(7,714)**	**(221)**	**(34,207)**	**426,864**	**--**
300.	**Profit (Loss) for the period**	**392,657**	**(26,272)**	**(7,714)**	**(221)**	**(34,207)**	**426,864**	**--**

Reclassified financial statements of the Parent Company as at 31 March 2021

(in thousands)

Assets	31.03.2021	31.12.2020	IAS 40 impact	31.12.2020 restated	Change	% Change
Cash and cash equivalents	497,509	365,864	-	365,864	131,645	35.98
Financial assets	24,620,735	22,855,992	-	22,855,992	1,764,743	7.72
a) Financial assets held for trading	358,932	310,818	-	310,818	48,114	15.48
b) Financial assets designated at fair value	124,643	123,370	-	123,370	1,273	1.03
c) Other financial assets mandatorily measured at fair value	554,709	523,261	-	523,261	31,448	6.01
d) Financial assets measured at fair value through other comprehensive income	6,116,100	6,051,222	-	6,051,222	64,878	1.07
e) Debt securities measured at amortised cost	17,466,351	15,847,321	-	15,847,321	1,619,030	10.22
- banks	5,177,751	4,511,133	-	4,511,133	666,618	14.78
- customers	12,288,600	11,336,188	-	11,336,188	952,412	8.40
Loans	88,687,848	55,519,675	-	55,519,675	33,168,173	59.74
a) Loans to banks	22,775,898	11,907,036	-	11,907,036	10,868,862	91.28
b) Loans to customers	65,855,307	43,586,332	-	43,586,332	22,268,975	51.09
c) Financial assets measured at fair value	56,643	26,307	-	26,307	30,336	115.32
Hedging derivatives	127,673	57,695	-	57,695	69,978	121.29
Equity investments	2,008,287	2,008,146	-	2,008,146	141	0.01
Property, plant and equipment	1,288,998	806,384	(2,322)	804,062	484,936	60.31
Intangible assets	245,204	480,782	-	480,782	(235,578)	-49.00
- of which: goodwill	-	230,366	-	230,366	(230,366)	-100.00
Other assets	2,636,975	2,136,634	(1,362)	2,135,272	501,703	23.50
Total assets	**120,113,229**	**84,231,172**	**(3,684)**	**84,227,488**	**35,885,741**	**42.61**

(in thousands)

Liabilities and shareholders equity	31.03.2021	31.12.2020	IAS 40 impact	31.12.2020 restated	Change	% Change
Due to banks	26,272,261	24,095,097	-	24,095,097	2,177,164	9.04
Direct deposits	82,709,932	51,471,778	-	51,471,778	31,238,154	60.69
a) Due to customers	77,635,361	46,793,064	-	46,793,064	30,842,297	65.91
b) Debt securities issued	5,074,571	4,678,714	-	4,678,714	395,857	8.46
Financial liabilities held for trading	158,803	182,981	-	182,981	(24,178)	(13.21)
Hedging derivatives	332,630	456,447	-	456,447	(123,817)	(27.13)
Other liabilities	4,283,052	2,109,301	2,512	2,111,813	2,171,239	102.81
Shareholders equi ty	6,356,551	5,915,568	(6,196)	5,909,372	447,179	7.57
a) Valuation reserves	36,272	(54,799)	-	(54,799)	91,071	(166.19)
b) Reserves	2,443,243	2,342,135	103	2,342,238	101,005	4.31
c) Equity instruments	150,000	150,000	-	150,000	-	-
d) Share premium reserve	1,241,197	1,241,197	-	1,241,197	-	-
e) Share capital	2,100,435	2,100,435	-	2,100,435	-	-
f) Treasury shares	(7,253)	(7,253)	-	(7,253)	-	-
g) Profit (Loss) for the period	392,657	143,853	(6,299)	137,554	255,103	185.46
Total liabilities and shareholders equity	**120,113,229**	**84,231,172**	**(3,684)**	**84,227,488**	**35,885,741**	**42.61**

(in thousands)

Captions	31.03.2021	BPER Banca 31.03.2020	CR Bra and CR Saluzzo merger effects	IAS 40 impact	31.03.2020 restated	Change	% Change
Net interest income	261,729	209,428	7,424	-	216,852	44,877	20.69
Net commission income	244,169	186,973	5,532	-	192,505	51,664	26.84
Dividends	1,680	789	-	-	789	891	112.93
Net income from financial activities	53,653	(8,281)	296	-	(7,985)	61,638	-771.92
Other operating expense/income	16,664	25,153	(495)	-	24,658	(7,994)	-32.42
Operating income	**577,895**	**414,062**	**12,757**	**-**	**426,819**	**151,076**	**35.40**
Staff costs	(250,247)	(194,943)	(5,631)	-	(200,574)	(49,673)	24.77
Other administrative expenses	(161,427)	(83,636)	(2,480)	-	(86,116)	(75,311)	87.45
Net adjustments to property, plant and equipment and intangible assets	(45,236)	(34,928)	(631)	418	(35,141)	(10,095)	28.73
Operating costs	**(456,910)**	**(313,507)**	**(8,742)**	**418**	**(321,831)**	**(135,079)**	**41.97**
Net operating income	**120,985**	**100,555**	**4,015**	**418**	**104,988**	**15,997**	**15.24**
Net impairment losses to financial assets at amortised cost	(362,394)	(112,334)	(10,788)	-	(123,122)	(239,272)	194.34
- loans to customers	(360,758)	(112,625)	(10,839)	-	(123,464)	(237,294)	192.20
- other financial assets	(1,636)	291	51	-	342	(1,978)	-578.36
Net impairment losses to financial assets at fair value	761	118	(2)	-	116	645	556.03
Gains (Losses) from contractual modifications without derecognition	(551)	(375)	(1)	-	(376)	(175)	46.54
Net impairment losses for credit risk	**(362,184)**	**(112,591)**	**(10,791)**	**-**	**(123,382)**	**(238,802)**	**193.55**
Net provisions for risks and charges	(35,507)	(1,098)	107	-	(991)	(34,516)	--
Contributions to SRF, DGS, IDPF - VS	(28,250)	(28,561)	(429)	-	(28,990)	740	-2.55
Gains (Losses) on investments	(242,483)	512	12	(257)	267	(242,750)	--
Gain on a bargain purchase	1,077,869	-	-	-	-	1,077,869	n.s.
Profit (Loss) from current operations before tax	**530,430**	**(41,183)**	**(7,086)**	**161**	**(48,108)**	**578,538**	**--**
Income taxes on current operations for the period	(137,773)	14,911	(628)	(382)	13,901	(151,674)	--
Profit (Loss) for the period	**392,657**	**(26,272)**	**(7,714)**	**(221)**	**(34,207)**	**426,864**	**--**

Restatement of the Consolidated financial statements of the BPER Banca Group as at 1st January 2020

The following tables show the Restatement of the balance sheet captions as at 1 January 2020 and 31 December 2020 following the retrospective application of change in the accounting method used to measure properties held for investment purposes. The changes shown in the first accounting schedule show the impact on the opening balances of the earliest year for which the comparative figures of real estate assets as per IAS 40 have been restated in accordance with IAS 8. A restated income statement as at 31 December 2020 is also provided.

Please refer to paragraph "5 - Other aspects" of the Explanatory Notes to this Report for further details.

(in thousands)

Assets		01.01.2020	IAS 40 impact	01.01.2020 restated
10.	Cash and cash equivalents	566,924	-	566,924
20.	Financial assets measured at fair value through profit or loss	1,120,111	-	1,120,111
	a) financial assets held for trading	270,374	-	270,374
	b) financial assets designated at fair value	130,955	-	130,955
	c) other financial assets mandatorily measured at fair value	718,782		718,782
30.	Financial assets measured at fair value through other comprehensive income	6,556,202	-	6,556,202
40.	Financial assets measured at amortised cost	65,541,246	-	65,541,246
	a) loans to banks	5,066,379	-	5,066,379
	b) loans to customers	60,474,867		60,474,867
50.	Hedging derivatives	82,185	-	82,185
70.	Equity investments	225,869	-	225,869
90.	Property, plant and equipment	1,368,696	21,526	1,390,222
100.	Intangible assets	669,847	-	669,847
	of which:			
	- goodwill	434,758	-	434,758
110.	Tax assets	2,024,579	(2,184)	2,022,395
	a) current	466,312	-	466,312
	b) deferred	1,558,267	(2,184)	1,556,083
120.	Non-current assets and disposal groups classified as held for sale	97,142	338	97,480
130.	Other assets	780,697	-	780,697
	Total assets	**79,033,498**	**19,680**	**79,053,178**

(in thousands)

	Liabilities and shareholders equity	01.01.2020	IAS 40 impact	01.01.2020 restated
10.	Financial liabilities measured at amortised cost	70,135,262	-	70,135,262
	a) due to banks	12,213,133	-	12,213,133
	b) due to customers	52,087,240	-	52,087,240
	c) debt securities issued	5,834,889	-	5,834,889
20.	Financial liabilities held for trading	165,970	-	165,970
40.	Hedging derivatives	294,114	-	294,114
60.	Tax liabilities	75,737	7,564	83,301
	a) current	5,405	-	5,405
	b) deferred	70,332	7,564	77,896
70.	Liabilities associated with assets classified as held for sale	134,077	-	134,077
80.	Other liabilities	2,069,511	-	2,069,511
90.	Employee termination indemnities	191,120	-	191,120
100.	Provisions for risks and charges	676,160	-	676,160
	a) commitments and guarantees granted	55,995	-	55,995
	b) pension and similar obligations	161,619	-	161,619
	c) other provisions for risks and charges	458,546	-	458,546
120.	Valuation reserves	37,750	-	37,750
140.	Equity instruments	150,000	-	150,000
150.	Reserves	2,035,205	12,024	2,047,229
160.	Share premium reserve	1,002,722	-	1,002,722
170.	Share capital	1,561,884	-	1,561,884
180.	Treasury shares (-)	(7,259)	-	(7,259)
190.	Minority interests (+/-)	131,662	92	131,754
200.	Profit (Loss) for the year (+/-)	379,583	-	379,583
	Total liabilities and shareholders equity	**79,033,498**	**19,680**	**79,053,178**

Restatement of the Consolidated financial statements of the BPER Banca Group as at 31 December 2020

(in thousands)

Assets		31.12.2020	IAS 40 impact	31.12.2020 restated
10.	Cash and cash equivalents	482,192	-	482,192
20.	Financial assets measured at fair value through profit or loss	1,198,601	-	1,198,601
	a) financial assets held for trading	279,009	-	279,009
	b) financial assets designated at fair value	127,368	-	127,368
	c) other financial assets mandatorily measured at fair value	792,224	-	792,224
30.	Financial assets measured at fair value through other comprehensive income	6,269,818	-	6,269,818
40.	Financial assets measured at amortised cost	79,991,505	-	79,991,505
	a) loans to banks	14,352,731	-	14,352,731
	b) loans to customers	65,638,774	-	65,638,774
50.	Hedging derivatives	57,776	-	57,776
70.	Equity investments	225,558	-	225,558
90.	Property, plant and equipment	1,351,480	14,225	1,365,705
100.	Intangible assets	702,723	-	702,723
	of which:			
	- goodwill	434,758	-	434,758
110.	Tax assets	2,007,073	(4,033)	2,003,040
	a) current	418,174	-	418,174
	b) deferred	1,588,899	(4,033)	1,584,866
120.	Non-current assets and disposal groups classified as held for sale	98,714	753	99,467
130.	Other assets	665,398	-	665,398
	Total assets	**93,050,838**	**10,945**	**93,061,783**

(in thousands)

	Liabilities and shareholders equity	31.12.2020	IAS 40 impact	31.12.2020 restated
10.	Financial liabilities measured at amortised cost	83,177,191	-	83,177,191
	a) due to banks	20,180,999	-	20,180,999
	b) due to customers	58,314,002	-	58,314,002
	c) debt securities issued	4,682,190	-	4,682,190
20.	Financial liabilities held for trading	170,094	-	170,094
40.	Hedging derivatives	469,240	-	469,240
60.	Tax liabilities	74,748	7,570	82,318
	a) current	4,797	-	4,797
	b) deferred	69,951	7,570	77,521
70.	Liabilities associated with assets classified as held for sale	144,809	-	144,809
80.	Other liabilities	1,945,822	-	1,945,822
90.	Employee termination indemnities	148,199	-	148,199
100.	Provisions for risks and charges	589,981	-	589,981
	a) commitments and guarantees granted	62,334	-	62,334
	b) pension and similar obligations	148,357	-	148,357
	c) other provisions for risks and charges	379,290	-	379,290
120.	Valuation reserves	118,105	-	118,105
140.	Equity instruments	150,000	-	150,000
150.	Reserves	2,348,691	12,052	2,360,743
160.	Share premium reserve	1,241,197	-	1,241,197
170.	Share capital	2,100,435	-	2,100,435
180.	Treasury shares (-)	(7,259)	-	(7,259)
190.	Minority interests (+/-)	133,935	48	133,983
200.	Profit (Loss) for the year (+/-)	245,650	(8,725)	236,925
	Total liabilities and shareholders equity	**93,050,838**	**10,945**	**93,061,783**

(in thousands)

	Captions	31.12.2020	IAS 40 impact	31.12.2020 restated
10.	Interest and similar income	1,431,109	-	1,431,109
	of which: interest income calculated using the effective interest method	1,422,351	-	1,422,351
20.	Interest and similar expense	(192,233)	-	(192,233)
30.	**Net interest income**	**1,238,876**	**-**	**1,238,876**
40.	Commission income	1,246,875	-	1,246,875
50.	Commission expense	(174,361)	-	(174,361)
60.	**Net commission income**	**1,072,514**	**-**	**1,072,514**
70.	Dividends and similar income	18,492	-	18,492
80.	Net income from trading activities	(14,220)	-	(14,220)
90.	Net income from hedging activities	(653)	-	(653)
100.	Gains (Losses) on disposal or repurchase of:	141,182	-	141,182
	a) financial assets measured at amortised cost	130,513	-	130,513
	b) financial assets measured at fair value through other comprehensive income	10,356	-	10,356
	c) financial liabilities	313	-	313
110.	Net income on financial assets and liabilities measured at fair value through profit or loss:	11,856	-	11,856
	a) financial assets and liabilities designated at fair value	(3,683)	-	(3,683)
	b) other financial assets mandatorily measured at fair value	15,539	-	15,539
120.	**Net interest and other banking income**	**2,468,047**	**-**	**2,468,047**
130.	Net impairment losses for credit risk relating to:	(542,239)	-	(542,239)
	a) financial assets measured at amortised cost	(541,877)	-	(541,877)
	b) financial assets measured at fair value through other comprehensive income	(362)	-	(362)
140.	Gains (Losses) from contractual modifications without derecognition	(2,141)	-	(2,141)
150.	**Net income from financial activities**	**1,923,667**	**-**	**1,923,667**
180	**Net income from financial and insurance activities**	**1,923,667**	**-**	**1,923,667**
190.	Administrative expenses:	(1,687,910)	-	(1,687,910)
	a) staff costs	(960,719)	-	(960,719)
	b) other administrative expenses	(727,191)	-	(727,191)
200.	Net provisions for risks and charges	(21,029)	-	(21,029)
	a) commitments and guarantees granted	(6,329)	-	(6,329)
	b) other net provisions	(14,700)	-	(14,700)
210.	Net adjustments to property, plant and equipment	(118,816)	11,097	(107,719)
220.	Net adjustments to intangible assets	(59,702)	-	(59,702)
230.	Other operating expense/income	169,491	-	169,491
240.	**Operating costs**	**(1,717,966)**	**11,097**	**(1,706,869)**
250.	Gains (Losses) of equity investments	(2,945)	-	(2,945)
260.	Gains (Losses) on property, plant and equipment and intangible assets measured at fair value	-	(17,069)	(17,069)
280.	Gains (Losses) on disposal of investments	866	(915)	(49)
290.	**Profit (Loss) from current operations before tax**	**203,622**	**(6,887)**	**196,735**
300.	Income taxes on current operations for the year	67,045	(1,854)	65,191
310.	**Profit (Loss) from current operations after tax**	**270,667**	**(8,741)**	**261,926**
330.	**Profit (Loss) for the year**	**270,667**	**(8,741)**	**261,926**
340.	Profit (Loss) for the year pertaining to minority interests	(25,017)	16	(25,001)
350.	**Profit (Loss) for the year pertaining to the Parent Company**	**245,650**	**(8,725)**	**236,925**

Restatement of the Reclassified consolidated financial statements of the BPER Banca Group as at 31 December 2020

Below is the Reclassified consolidated balance sheet and income statement of the BPER Banca Group as at 31 December 2020, restated to show the effects of retrospective application of change in the accounting method used to measure properties held for investment purposes, which constitutes a voluntary change in accounting policy, to be applied retrospectively pursuant to IAS 8 para. 19-b). Please refer to paragraph "5 - Other aspects" of the Explanatory Notes to this Report for further details.

The asset and liability balances as at 31 December 2020 were reported in the comparative balances set out in paragraph "4.1 *Balance sheet aggregates*" of chapter "4. *The BPER Banca Groups results of operations*" in the Group interim report on operations.

(in thousands)

Assets	31.12.2020	IAS 40 impact	31.12.2020 restated
Cash and cash equivalents	482,192	-	482,192
Financial assets	24,661,915	-	24,661,915
a) Financial assets held for trading	279,009	-	279,009
b) Financial assets designated at fair value	127,368	-	127,368
c) Other financial assets mandatorily measured at fair value	765,917	-	765,917
d) Financial assets measured at fair value through other comprehensive income	6,269,818	-	6,269,818
e) Debt securities measured at amortised cost	17,219,803	-	17,219,803
- banks	4,496,133	-	4,496,133
- customers	12,723,670	-	12,723,670
Loans	62,888,784	-	62,888,784
a) Loans to banks	9,856,598	-	9,856,598
b) Loans to customers	53,005,879	-	53,005,879
c) Financial assets measured at fair value	26,307	-	26,307
Hedging derivatives	57,776	-	57,776
Equity investments	225,558	-	225,558
Property, plant and equipment	1,352,690	14,225	1,366,915
Intangible assets	702,723	-	702,723
- of which: goodwill	434,758	-	434,758
Other assets	2,679,200	(3,280)	2,675,920
Total assets	**93,050,838**	**10,945**	**93,061,783**

(in thousands)

Liabilities and shareholders equity	31.12.2020	IAS 40 impact	31.12.2020 restated
Due to banks	20,180,999	-	20,180,999
Direct deposits	63,140,669	-	63,140,669
a) Due to customers	58,458,479	-	58,458,479
b) Debt securities issued	4,682,190	-	4,682,190
Financial liabilities held for trading	170,094	-	170,094
Hedging derivatives	469,240	-	469,240
Other liabilities	2,759,082	7,570	2,766,652
Minority interests	133,935	48	133,983
Shareholders equity pertaining to the Parent Company	6,196,819	3,327	6,200,146
a) Valuation reserves	118,105	-	118,105
b) Reserves	2,348,691	12,052	2,360,743
c) Equity instruments	150,000	-	150,000
d) Share premium reserve	1,241,197	-	1,241,197
e) Share capital	2,100,435	-	2,100,435
f) Treasury shares	(7,259)	-	(7,259)
g) Profit (Loss) for the period	245,650	(8,725)	236,925
Total liabilities and shareholders equity	**93,050,838**	**10,945**	**93,061,783**

(in thousands)

Captions		31.12.2020	IAS 40 impact	31.12.2020 restated
10+20	Net interest income	1,238,876	-	1,238,876
40+50	Net commission income	1,072,514	-	1,072,514
70	Dividends	18,492	-	18,492
80+90+100 +110	Net income from financial activities	138,165	-	138,165
230	Other operating expense/income	40,974	-	40,974
	Operating income	**2,509,021**	**-**	**2,509,021**
190 a)	Staff costs	(960,719)	-	(960,719)
190 b)	Other administrative expenses	(499,040)	-	(499,040)
210+220	Net adjustments to property, plant and equipment and intangible assets	(178,518)	11,097	(167,421)
	Operating costs	**(1,638,277)**	**11,097**	**(1,627,180)**
	Net operating income	**870,744**	**11,097**	**881,841**
130 a)	Net impairment losses to financial assets at amortised cost	(541,877)	-	(541,877)
	- loans to customers	*(534,605)*	-	*(534,605)*
	- other financial assets	*(7,272)*	-	*(7,272)*
130 b)	Net impairment losses to financial assets at fair value	(362)	-	(362)
140	Gains (Losses) from contractual modifications without derecognition	(2,141)	-	(2,141)
	Net impairment losses for credit risk	**(544,380)**	**-**	**(544,380)**
200	Net provisions for risks and charges	(32,481)	-	(32,481)
###	Contributions to SRF, DGS, IDPF - VS	(88,182)	-	(88,182)
250+260+270 +280	Gains (Losses) on investments	(2,079)	(17,984)	(20,063)
290	**Profit (Loss) from current operations before tax**	**203,622**	**(6,887)**	**196,735**
300	Income taxes on current operations for the year	67,045	(1,854)	65,191
330	**Profit (Loss) for the year**	**270,667**	**(8,741)**	**261,926**
340	Profit (Loss) for the year pertaining to minority interests	(25,017)	16	(25,001)
350	**Profit (Loss) for the year pertaining to the Parent Company**	**245,650**	**(8,725)**	**236,925**

Restatement of the Reclassified consolidated income statement of the BPER Banca Group as at 31 March 2020

Below is the Reclassified consolidated income statement of the BPER Banca Group as at 31 March 2020, restated to show the effects of retrospective application of change in the accounting method used to measure properties held for investment purposes. The income statement balances as at 31 March 2020 were reported in the comparative balances set out in paragraph "4.4 *Income statement aggregates*" of chapter "4. *The BPER Banca Groups resu lts of operations*" in the Group interim report on operations.

(in thousands)

Captions		31.03.2020	IAS 40 impact	31.03.2020 restated
10+20	Net interest income	307,971	-	307,971
40+50	Net commission income	267,595	-	267,595
70	Dividends	809	-	809
80+90+100+110	Net income from financial activities	5,642	-	5,642
230	Other operating expense/income	14,607	-	14,607
	Operating income	**596,624**	**-**	**596,624**
190 a)	Staff costs	(255,576)	-	(255,576)
190 b)	Other administrative expenses	(114,546)	-	(114,546)
210+220	Net adjustments to property, plant and equipment and intangible assets	(40,957)	1,052	(39,905)
	Operating costs	**(411,079)**	**1,052**	**(410,027)**
	Net operating income	**185,545**	**1,052**	**186,597**
130 a)	Net impairment losses to financial assets at amortised cost	(139,553)	-	(139,553)
	- loans to customers	(139,991)	-	(139,991)
	- other financial assets	438	-	438
130 b)	Net impairment losses to financial assets at fair value	105	-	105
140	Gains (Losses) from contractual modifications without derecognition	(195)	-	(195)
	Net impairment losses for credit risk	**(139,643)**	**-**	**(139,643)**
200	Net provisions for risks and charges	2,276	-	2,276
###	Contributions to SRF, DGS, IDPF - VS	(31,978)	-	(31,978)
250+260+270 +280	Gains (Losses) on investments	321	(257)	64
290	**Profit (Loss) from current operations before tax**	**16,521**	**795**	**17,316**
300	Income taxes on current operations for the period	(6,119)	(463)	(6,582)
330	**Profit (Loss) for the period**	**10,402**	**332**	**10,734**
340	Profit (Loss) for the period pertaining to minority interests	(4,320)	(5)	(4,325)
350	**Profit (Loss) for the period pertaining to the Parent Company**	**6,082**	**327**	**6,409**

Geographical organisation

Details	BPER Banca	BSAR	31.03.2021	31.12.2020
Emilia - Romagna	**293**		**293**	**293**
Bologna	51		51	51
Ferrara	38		38	38
Forlì – Cesena	25		25	25
Modena	74		74	74
Parma	24		24	24
Piacenza	4		4	4
Ravenna	30		30	30
Reggio Emilia	33		33	33
Rimini	14		14	14
Friuli Venezia G.	**2**		**2**	**2**
Pordenone	1		1	1
Trieste	1		1	1
Abruzzo	**92**		**92**	**87**
Chieti	35		35	35
L'Aquila	34		34	34
Pescara	11		11	10
Teramo	12		12	8
Basilicata	**31**		**31**	**28**
Matera	16		16	16
Potenza	15		15	12
Calabria	**70**		**70**	**37**
Catanzaro	12		12	9
Cosenza	30		30	14
Crotone	7		7	6
Reggio Calabria	18		18	5
Vibo Valentia	3		3	3
Campania	**120**		**120**	**89**
Avellino	22		22	22
Benevento	4		4	4
Caserta	13		13	6
Naples	49		49	25
Salerno	32		32	32
Lazio	**84**	**4**	**88**	**77**
Frosinone	6	-	6	6
Latina	14	-	14	14
Rieti	6	-	6	2
Rome	50	4	54	54
Viterbo	8	-	8	1
Liguria	**14**	**3**	**17**	**11**
Genova	5	1	6	6
Imperia	4	-	4	
La Spezia	2	1	3	3
Savona	3	1	4	2
Lombardy	**328**	**1**	**329**	**57**
Bergamo	77	-	77	2
Brescia	99	-	99	7
Como	9	-	9	1
Cremona	5	-	5	5
Lecco	2	-	2	1
Lodi	2	-	2	1
Mantua	10	-	10	10
Milan	28	1	29	22
Monza Brianza	16	-	16	3
Pavia	10	-	10	2
Varese	70	-	70	3
Marche	**130**		**130**	**13**
Ancona	44		44	5
Ascoli Piceno	12		12	2
Fermo	14		14	1
Macerata	26		26	3
Pesaro-Urbino	34		34	2

Details	BPER Banca	BSAR	31.03.2021	31.12.2020
Molise	**12**		**12**	**10**
Campobasso	9		9	7
Isernia	3		3	3
Piedmont	**95**		**95**	**58**
Alessandria	18		18	5
Asti	4		4	4
Biella	1		1	1
Cuneo	29		29	29
Novara	6		6	1
Turin	34		34	18
Verbano-Cusio-Ossola	2		2	
Vercelli	1		1	
Puglia	**67**		**67**	**37**
Bari	18		18	11
Barletta Andria Trani	10		10	4
Brindisi	7		7	1
Foggia	18		18	14
Lecce	5		5	4
Taranto	9		9	3
Sardinia		**320**	**320**	**320**
Cagliari		30	30	30
Nuoro		62	62	62
Oristano		48	48	48
Sassari		98	98	82
Sud Sardegna		82	82	98
Sicily	**33**		**33**	**33**
Agrigento	3		3	3
Catania	7		7	7
Messina	9		9	9
Palermo	8		8	8
Siracusa	4		4	4
Trapani	2		2	2
Tuscany	**48**	**1**	**49**	**31**
Arezzo	19		19	1
Florence	7		7	7
Grosseto	4		4	4
Livorno	3	1	4	4
Lucca	4		4	4
Massa e Carrara	2		2	2
Pisa	3		3	3
Pistoia	2		2	2
Prato	2		2	2
Siena	2		2	2
Trentino-Alto Adige	**4**		**4**	**4**
Trento	4		4	4
Umbria	**26**		**26**	**8**
Perugia	19		19	5
Terni	7		7	3
Veneto	**42**		**42**	**42**
Belluno	2		2	2
Padua	9		9	9
Rovigo	7		7	7
Treviso	3		3	3
Venice	4		4	4
Verona	12		12	12
Vicenza	5		5	5
Total as at 31.03.2021	**1,491**	**329**	**1,820**	
Total as at 31.12.2020	**908**	**329**		**1,237**
Changes during the period of the Groups territorial organization				**583**

Certification of the Manager responsible for preparing the Companys financial reports

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

The Manager responsible for preparing the company's financial reports Marco Bonfatti, certifies, pursuant to para. 2 of art. 154-bis of Decree 58/1998 (Consolidated Financial Law) that the accounting information contained in this Consolidated interim report on operations as at 31 March 2021, agrees with the underlying accounting entries, records and documentation.

Modena, 7 May 2021

The Manager responsible for preparing the
company's financial reports