

PRESS RELEASE

Consolidated results for H1 2019 approved

Profit for the period of € 100.5 million, not directly comparable with the H1 2018 result (€307.9 million), which included non-recurring gains realised on debt securities. Moreover, the half-year profit has been affected by the total write-down of BPER's portion of the support given by the IDPF Voluntary Scheme to Banca Carige for €13.3 million and the ordinary and additional contributions to the European Single Resolution Fund for a total of €32.6 million

Completed on July the strategic operations involved in the acquisition of:

- **minority stakes in Banco di Sardegna,**
- **100% of Unipol Banca and the simultaneous sale of approximately €1 billion of bad loans to UnipolReC**
- **an incremental stake of 24.3% in Arca Holding reaching 57.1% of its share capital**

The Group's high financial solidity is confirmed with a Phased in CET1 ratio¹ of 14.33%, which is well above the SREP requirement set at 9% by the ECB for 2019.

Fully Phased CET1 ratio at 12.33%, an increase of 9 bps on the first quarter 2019 and of 38 bps from the end of 2018

Asset quality slightly better in the quarter with a gross NPE ratio of 13.7%; after completion of the transactions with the Unipol Group, the pro-forma ratio comes to 11.8%, a significant reduction in line with the strategy of accelerating the de-risking process

The growth in commercial activity for loans to customers has been positive with a stock of mortgage loans up by 1.9% on December 2018 and new production rising considerably by 21.4% on the first half of last year. Strong growth in all funding components (+3.7% since the end of 2018) and now close to the threshold of €95.0 billion; in this regard, there is a significant increase in bancassurance (+8.8%) accompanied by increases in deposits both direct (+2.1%) and indirect (+5.3%)

The net operating income in the half-year amounts to €304.5 million, characterized by the substantial stability of the ordinary net interest income² and net commission income and the reduction in operating costs. The annualised cost of credit comes to a low level of 63 bps

The Board of Directors of BPER Banca has examined and approved the separate results of the Bank and the consolidated results of the Group at 30 June 2019.

Alessandro Vandelli, Chief Executive Officer of BPER Banca, commented: *"The intense work carried out on different fronts in this first half of the year has allowed us to achieve very important goals. First of all, we are extremely pleased that we managed to complete in July, as planned, the extraordinary transactions announced in February, namely the acquisition of an additional shareholding in Arca Holding, the acquisition of the minority interests in Banco di Sardegna and the acquisition of 100% of Unipol Banca with the simultaneous sale of around € 1 billion of bad loans to UnipolReC. These operations will allow us to take advantage of further opportunities for growth and development, with the aim of creating value for all stakeholders, at the same time accelerating the process of reducing non-performing loans and maintaining a solid level of capital. In particular, Unipol Banca, at the time of joining our banking group, is showing excellent half-yearly results: a consolidated net profit of over € 21 million, almost double last year's result, and a shareholders' equity that exceeds € 570 million, much higher than expected, thanks to the increase in reserves and the good level of profitability achieved. Furthermore, the Group will benefit from a significant acceleration of the de-risking process in that, as well as the transfer of bad loans to UnipolReC, Unipol Banca has one of the best levels of asset quality in the system with a gross NPE ratio of 8.8%: by way of confirmation, the gross consolidated NPE ratio, at a pro-forma level, falls to 11.8%, down almost 2 percentage points compared with 13.7% at the end of the half-year. With regard to the new 2019-2021 Business Plan, just a few months after its official launch, we are already reporting some important progress: for example, on the cost side, the closure of 48 branches out of the approximately 230 planned over the period of the Plan and on the "simplification" side, the merger of BPER Services into the Parent Company. As regards the ordinary business, the half-year ended positively, recording a profit for the period of just over € 100 million, not directly comparable with the same period of the last year, which included non-recurring gains realised on debt securities; this result was also affected, for nearly € 50 million, by the ordinary and extraordinary contributions to systemic funds and the total write-down of our share of the IDPF Voluntary Scheme's intervention in Banca Carige. Note the substantial stability of ordinary net interest income and net commission income, at the same time as a decline in operating costs. The capital position remains solid with a CET1 ratio Fully phased of 12.33%, 38 bps up on the end of 2018. The second half of the year will see us involved in Unipol Banca's integration, which we plan to complete by the end of the year, along with further simplification and rationalization measures envisaged in the Business Plan".*

Income statement: key figures

Net interest income amounts to € 546.2 million compared with € 573.5 million y/y; the reduction in this margin is mainly due to the accounting effects of IFRS 9 and IFRS 16³, without which the figures for ordinary net interest income⁴ in the two periods would have been € 518.5 million and € 527.1 million respectively, a decline of 1.6%. Net interest income for the second quarter of the year amounts to € 272.3 million (-0.6% q/q) substantially in line with the figures of the previous three quarters.

Net commission income amounts to € 387.8 million, substantially stable compared with the same period last year (-0.3% y/y) with a particularly positive performance in bancassurance (+18.9% y/y), while there was a reduction in the components referable to loans and guarantees (-3.9% y/y). The figure for the second quarter of 2019 is up by 1.4% q/q, mainly due to increases in assets under management and bancassurance (+3.0% q/q) and cards, collections and payments (+8.9% q/q).

Dividends amount to € 10.2 million (€ 13.5 million in the same period of 2018).

The **net income from financial activities** comes to € 27.5 million (€ 170.1 million in the first half of 2018, which included non-recurring gains realised on debt securities) after having expensed the full non-recurring write-down of

BPER's share of the support given by the IDPF Voluntary Scheme to Banca Carige of € 13.3 million. It includes realised net gains on disposal of financial assets and loans of € 30.8 million, net losses on securities and derivatives of € 6.8 million and other positive elements of € 3.4 million. The second quarter figure stands at € 5.4 million, compared with € 22.1 million in the first quarter of 2019. The net income from financial activities amounts to € 5.4 million in the second quarter, down on € 22.1 million in the first quarter of the year.

The **operating income** comes in at € 986.9 million (€ 1,165.7 million in the same period of 2018; this figure is not comparable with the first half of 2019 mainly due to the non-recurring gains earned on debt securities mentioned previously and the significant effect of the "IFRS 9 reclassification" on net interest income).

Operating costs amount to € 682.4 million, down by 1.0% y/y. In detail, staff costs amount to € 426.7 million, up by 1.5% y/y, mainly due to the normal dynamics of contractual adjustments and higher provisions relating to the variable part of remuneration. Other administrative expenses amount to € 187.1 million (€ 208.9 million pro-forma without considering the effects of applying the new international accounting Principle IFRS 16⁵, down by 1.6% y/y on a like-for-like basis) and net adjustment to property, plant and equipment and intangible assets amounted to € 68.6 million (€ 47.5 million pro-forma without considering the effects of applying the new international accounting Principle IFRS16, not directly comparable with the figure for the same period last year which included net non-recurring adjustments to property, plant and equipment of € 13.5 million).

The **net operating income** (operating income, net of operating costs) amounts to € 304.5 million (€ 476.7 million in the same period of 2018; this figure is not comparable with the first half of 2019 mainly because of non-recurring gains earned on debt securities, as mentioned previously, and of the accounting effects of IFRS 9 and IFRS 16 on net interest income). In the second quarter, the result of operations is equal to € 146.8 million, down compared to € 157.6 million in the previous quarter, mainly due to a lower contribution of net income from financial activities.

Net impairment losses for credit risk amount to € 148.0 million, almost entirely referable to net impairment losses to financial assets at amortised cost (€ 84.2 million in the first half of 2018, which was however considerably influenced by the coming into force of the new international accounting Principle IFRS 9 on 1 January 2018). The **annualised cost of credit** stands at 63 bps with respect to 47 bps in 2018.

Net provisions for risks and charges amount to € 11.7 million in the period (€ 37.0 million in the first half of 2018).

In the first half of the year we recorded the **BPER Group's ordinary contribution to the Single Resolution Fund ("SRF") for 2019** of € 23.0 million (already booked in the first quarter) and the **additional contribution for 2017** of € 9.6 million (booked in the second quarter), for a total amount of € 32.6 million (€ 29.0 million in the same period last year). Note that, in the interests of clarity, these contributions are shown on a separate line in the reclassified income statement (attached to this press release), whereas in the Bank of Italy's schedule they are included in item 190 b) "Other administrative expenses".

The **gain on equity and disposal investments** amounts to € 8.4 million (€ 5.4 million in the same period of last year).

The **profit from current operations before tax** is € 120.5 million. **Income taxes for the period** are € 11.3 million (€ 9.8 million at 30 June 2018).

Profit for the period stands at € 109.3 million and includes a profit for the period pertaining to minority interests of € 8.8 million, almost entirely attributable to Banco di Sardegna's consolidated result. **The profit pertaining to the Parent Company** therefore comes to € 100.5 million.

Balance sheet: key figures

Direct funding from customers (amounts due to customers, debt securities issued and financial liabilities designated at fair value) amounts to € 51.0 billion, up by € 1.0 billion on the figure at the end of 2018. Ordinary customer deposits amount to € 46.5 billion, recording a strong increase in current accounts and sight deposits of € 2.0 billion compared with the end of 2018, partly offset by a drop in bonds, time deposits and certificates of deposit of € 0.7 billion. Institutional deposits amount to € 4.5 billion, down by € 0.5 billion since 31 December 2018 due to the fall in repurchase agreements, only partially offset by the growth in bonds. Total direct funding mainly consists of current accounts and short-term sight deposit and time deposits (80.4%) and bonds (8.6%).

Indirect customer deposits, valued at market prices, come to € 38.2 billion (€ 36.3 billion at 31 December 2018). In particular, **assets under management** amount to € 20.1 billion and show a positive net inflow for the period of € 0.8 billion since the end of 2018 (+4.2%). **Assets under custody** amount to € 18.0 billion, with an increase of € 1.1 billion since the end of 2018 (+6.6%). The **portfolio of life insurance premiums**, not included in indirect deposits, amounts to € 5.4 billion, recording a considerable rise of € 0.4 billion compared with the end of 2018 (+8.8%).

Net loans to customers amount to € 46.5 billion, marginally down compared with € 47.1 billion at 31 December 2018 (-1.1%). Net performing loans amount to € 43.4 billion (down by 1.0% since the end of 2018), whereas net non-performing loans (bad, unlikely-to-pay and past due loans) amount to € 3.1 billion (-2.1% compared with the end of 2018), with a percentage on total net loans of 6.7% and a coverage ratio up slightly to 54.8% compared with 54.5% at 31 December 2018. Looking at the various components, **net bad loans** amount to € 1.4 billion, down by 1.6% on the end of 2018, with a coverage ratio of 67.0%, up by 40 bps compared with the end of 2018; **net unlikely-to-pay loans** amount to € 1.6 billion, well down by 3.6% compared with 31 December 2018, with coverage of 35.3%; **net past due loans** amount to € 78.0 million, compared with € 60.5 million versus 31 December 2018, with coverage of 12.8%.

Gross loans to customers amount to € 50.5 billion, down compared with € 51.1 billion at the end of 2018. Gross performing loans amount to € 43.5 billion (-1.0% versus 31 December 2018), whereas gross non-performing loans (bad, unlikely-to-pay and past due loans) amount to € 6.9 billion (-1.5% compared with the end of 2018), with an incidence on total gross loans of 13.7%. Looking at the various components, **gross bad loans** amount to € 4.3 billion, slightly down (-0.4%) compared with 31 December 2018; **gross unlikely-to-pay loans** amount to € 2.5 billion, down by 4.3% compared with the end of 2018; **gross past due loans** amount to € 89.5 million (€ 69.0 million compared with 31 December 2018). The quality of performing loans remains high, with a percentage of low-risk ratings at 61.7%.

The **net interbank position** is negative for € 9.9 billion down € 1.7 billion compared with 31 December 2018 and is the result of the imbalance between loans to banks of € 2.6 billion and due to banks of € 12.5 billion. The BPER Group's total amount of refinancing with the European Central Bank (ECB) amounts to € 9.3 billion, entirely attributable to participation in TLTRO 2 with a four-year maturity⁶. Financial instruments, which can be used as collateral for refinancing operations on the market, amount to € 19.3 billion, net of the haircut, of which € 7.6 billion is available, to which € 1.2 billion of deposits available at the ECB must be added.

Financial assets come to a total of € 17.2 billion (unchanged from the end of 2018) and amount to 24.0% of total assets. Debt securities amount to € 16.3 billion and represent 95.0% of the total portfolio: of these, € 6.6 billion refer to government securities and other public entities, of which € 5.3 billion of Italian government securities.

Total shareholders' equity at 30 June 2019 amounts to € 4.9 billion (in line with 31 December 2018) with a portion attributable to minority interests of € 0.5 billion. The **Group's consolidated shareholders' equity**, including the result for the period, amounts to € 4.4 billion.

The **Liquidity Coverage Ratio** (LCR) and the **Net Stable Funding Ratio** (NSFR) are both over 100%; at 30 June 2019, the LCR index is 174.5%, while the NSFR is estimated to be over 100% (it was 109.1% at 31 March 2019).

Capital ratios

The capital ratios at 30 June 2019, calculated taking into account the AIRB methodology for credit risk requirements, are based on Own Funds including the portion of profit realised during the period, net of the expected dividend:

- *Common Equity Tier 1 Ratio (Phased In)*⁷ of 14.33% (14.24% at 31 March 2019 and 14.27% at 31 December 2018). This ratio calculated on a fully phased basis comes to 12.33% (12.24% at 31 March 2019 and 11.95% at 31 December 2018);
- *Tier 1 ratio (Phased in)* of 14.42% (14.32% at 31 March 2019 and 14.37% at 31 December 2018);
- *Total Capital Ratio (Phased In)* of 17.32% (17.23% at 31 March 2019 and 17.25% at 31 December 2018).

Main structure data at 30 June 2019

The Group is present in eighteen Italian regions with 1,170 bank branches, 48 fewer than at the end of 2018 (-3.9%), in addition to the Luxembourg office of BPER Bank Luxembourg S.A.

Group employees amounted to 11,595, a decrease of 20 compared with the figure of 11,615 members of staff in service at the end of 2018.

Outlook for operations

In the second half of the year, revenues are expected to remain substantially stable, bolstered, in particular, by commission income from the asset management and bancassurance businesses. Ordinary operating costs should already show a downward trend during the year due to planned efficiency and rationalisation measures, some of which already completed or currently in progress. Their dynamics will find full application in the activities envisaged by the new three-year Business Plan presented on 28 February 2019. The cost of ordinary credit is expected to decrease in the second half of the year. All of these factors, together with the benefit expected from the purchase of the minority interests in Banco di Sardegna and the extension of the scope of the banking group to Unipol Banca and ARCA Holding should help support the Group's profitability prospects for the current year.

The Half-year Report of the BPER Group at 30 June 2019, together with the limited audit report of the independent auditors, will be available at the Bank's head office, at Borsa Italiana S.p.A. and on the websites of the Bank (www.bper.it and <https://istituzionale.bper.it/>), as required by law. Note that the auditors have not yet completed their review.

To supplement the information provided in this press release, we attach the consolidated balance sheet and income statement (also quarterly and reclassified) at 30 June 2019, as well as a summary of the key financial indicators.

Modena, 7 August 2019

**The Chief Executive Officer
Alessandro Vandelli**

The Manager responsible for preparing the Company's financial reports, Marco Bonfatti, declares, pursuant to art. 154-bis, paragraph 2, of Legislative Decree no. 58/1998 (Consolidated Finance Act), that the accounting information contained in this press release agrees with the supporting documentation, books of account and accounting entries.

Modena, 7 August 2019

**The Manager responsible for preparing the
Company's financial reports**

Marco Bonfatti

A conference call will be held today, **7 August 2019 at 18.00 p.m. (CET)**, to explain the consolidated results of the BPER Group at 30 June 2019.

The conference call will be held in English and will be chaired by **Alessandro Vandelli, the Chief Executive Officer.**

To join the conference call, dial the following telephone number:

**ITALY: +39 02 8020911
UK: +44 1212 818004
USA: +1 718 7058796**

A set of slides to support the presentation will be available the same day, before the start of the presentation and the conference call, in the Investor Relations area of the Bank's website <https://istituzionale.bper.it>

This press release is also available in the 1INFO storage device.

This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.

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Footnotes

¹ Reg. 2395/2017 "Transitional provisions for mitigating the impact of the introduction of IFRS 9 on own funds" introduced the transitional regime (the so-called "phased-in") 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 in CET1 by applying decreasing percentages over time. The BPER Banca Group has chosen to adopt the so-called "static approach" to be applied to the impact resulting from comparison between the IAS 39 adjustments at 31/12/2017 and the IFRS 9 adjustments at 1/1/2018.

² Ordinary net interest income means the net interest income as reported in the reclassified consolidated income statement (captions 10 and 20) net of: 1) the changes introduced from 1 January 2018 following the application of the 5th update of Bank of Italy Circular 262/2005 ("IFRS 9"), which refers to interest on the time value of non-performing loans and part of the interest income not recognised on customer loan exposures classified as non-performing and 2) interest expense in application of IFRS 16. With reference to the latter, application of the 6th update of Bank of Italy Circular 262/2005 from 1 January 2019 provides for the recognition on the assets side of the balance sheet of a right to use the asset involved in the contract and, on the liabilities side, of a lease payable, quantified as the discounted sum of the lease instalments still to be paid to the lessor; the new model also changes the method of recording items in the income statement, namely depreciation of the right of use asset and interest expense on the lease payable. For details of these items, see the reclassified consolidated income statement as at 30 June 2019 attached to this press release.

By way of example, ordinary net interest income for the 2nd quarter of 2019 amounts to € 257.6 million, calculated as the sum of the book interest income (captions 10 and 20) of € 272.3 million, net of the sum of the three items shown previously for a total of -€ 14.7 million ("time value of bad loans" -€ 15.2 million; "unrecognised interest income on non-performing exposures" +€ 0.1 million; "IFRS 16 interest expense" +€ 0.4 million). By way of comparison, ordinary net interest income for the second quarter of 2018 amounted to € 259.5 million, calculated as the sum of book interest income (captions 10 and 20) of € 280.3 million, net of the sum of the first two items previously reported for -€ 20.8 million ("time value of bad loans" -€ 22.6 million; "unrecognised interest income on non-performing exposures" +€ 1.8 million; "IFRS 16 interest expense" was not present in 2018 as the new accounting standard only came into force on 1 January 2019).

³ Following the application of the 5th and 6th update of Bank of Italy Circular 262/2005 dated respectively January 1, 2018 and January 1, 2019, net interest income for the second quarter of 2019 includes € 15.2 million of interest from the time value of non-performing loans, € 0.1 million relating to part of the unrecognised interest income on exposures classified as non-performing in loans to customers and € 0.4 million relating to interest expense on application of the new IFRS 16, for an overall net impact of € 14.7 million (the first quarter of 2019 included € 16.2 million relating to interest from the time value of non-performing loans, € 2.9 million relating to part of the unrecognised interest income on exposures classified as non-performing in loans to customers and € 0.4 million relating to interest expense on application of IFRS 16, for an overall net impact of € 13.0 million). Note that net interest income at 31 December 2018 included € 85.6 million of interest from the time value of non-performing loans (€ 29.1 million in the 1st quarter, € 22.6 million in the 2nd quarter, € 20.0 million in the 3rd quarter and € 13.9 million in the 4th quarter), which in 2017 was included in "Net impairment adjustments to loans". Furthermore, the portion of interest income not recognised on customer loan exposures classified as non-performing in 2018 amounted to € 9.2 million (€ 3.5 million in the 1st quarter, € 1.8 million in the 2nd quarter, € 2.5 million in the 3rd quarter and € 1.4 million in the 4th quarter). Overall, the net impact on net interest income for the entire 2018 amounted to € 76.4 million (€ 25.6 million in the 1st quarter, € 20.8 million in the 2nd quarter, € 17.6 million in the 3rd quarter and € 12.4 million in the 4th quarter).

⁴ See Note 2.

⁵ See Note 2.

⁶ Details of the Group's participation in TLTRO 2 are as follows: € 4.1 billion subscribed in June 2016, used in part to repay all of the TLTRO 1 loan; € 1.0 billion at the end of December 2016 and € 4.2 billion at the end of March 2017.

⁷ See Note 1.

Reclassified financial statement as at 30 June 2019

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 have been reclassified as follows.

In the balance sheet:

- Debt securities valued at amortised cost (caption 40 *“Financial assets measured at amortised cost”*) have been reclassified under caption *“Financial assets”*;
- *“Other assets”* include captions 110 *“Tax assets”*, 120 *“Non current assets and disposal groups classified as held for sale”* and 130 *“Other assets”*;
- *“Other liabilities”* include captions 60 *“Tax liabilities”*, 80 *“Other liabilities”*, 90 *“Employee termination indemnities”* and 100 *“Provisions for risks and charges”*.

In the income statement:

- *“Net income from financial activities”* includes captions 80, 90, 100 and 110 in the standard reporting format;
- Indirect tax recoveries, allocated for accounting purposes to caption 230 *“Other operating expense/income”*, have been reclassified as a reduction in the related costs under *“Other administrative expenses”* (Euro 63,727 thousand at 30 June 2019 and Euro 63,452 thousand at 30 June 2018);
- *“Net adjustments to property, plant, equipment and intangible assets”* include captions 210 and 220 in the standard reporting format;
- *“Gains (Losses) on equity investments, disposal investments and impairment losses on goodwill”* include captions 250, 270 and 280 in the reporting format;
- *“Contributions to the SRF, DGS and IDPF-VS funds”* have been shown separately from the specific accounting technical forms to give a better and clearer representation, as well as to leave the *“Other administrative expenses”* as a better reflection of the trend in the Group's operating costs. In particular, at 30 June 2019, this caption represents the component allocated to administrative costs related to:
 - the 2019 ordinary contribution to the SRF (European Single Resolution Fund) for Euro 23,043 thousand;
 - the additional contribution required by SRF to the Italian Banks for the year 2017 equal to Euro 9,587 thousand;
 - the 2019 ordinary contribution to the DGS (Deposit Guarantee Scheme) for Euro 13 thousand recognised by the Luxembourg subsidiary BPER Bank Luxembourg s.a.
- appropriate specifications (*“of which”*) have been included in *“Net interest income”*, *“Other administrative expenses”* and *“Net adjustments to property, plant, equipment and intangible assets”* captions in order to highlight the impacts of IFRS 16 application (from 1 January 2019¹) and in *“Net interest income”* caption in order to highlight the impacts of IFRS 9 application (from 1 January 2018).

¹ The *“of which interest expense lease liabilities IFRS 16”* and *“of which depreciation right of use IFRS 16”* captions show a value at 30 June 2018 referred to the interests and depreciations of *“Property, plant and equipment”* recognized as financial leases.

Reclassified consolidated balance sheet as at 30 June 2019

Assets	(in thousands)			
	30.06.2019	31.12.2018	Change	% Change
Cash and cash equivalents	395,525	459,782	(64,257)	-13.98
Financial assets	17,159,152	17,152,084	7,068	0.04
a) Financial assets held for trading	270,204	247,219	22,985	9.30
b) Financial assets designated at fair value	219,702	218,662	1,040	0.48
c) Other financial assets mandatorily measured at fair value	557,815	662,744	(104,929)	-15.83
d) Financial assets measured at fair value through other comprehensive income	7,808,130	8,560,568	(752,438)	-8.79
e) Debt securities measured at amortised cost	8,303,301	7,462,891	840,410	11.26
- banks	2,384,640	1,766,169	618,471	35.02
- customers	5,918,661	5,696,722	221,939	3.90
Loans	49,158,263	48,594,875	563,388	1.16
a) Loans to banks	2,616,439	1,540,509	1,075,930	69.84
b) Loans to customers	46,541,824	47,050,942	(509,118)	-1.08
c) Financial assets measured at fair value through other comprehensive income	-	3,424	(3,424)	-100.00
Hedging derivatives	53,567	35,564	18,003	50.62
Equity investments	453,046	446,049	6,997	1.57
Property, plant and equipment	1,261,800	1,063,273	198,527	18.67
Intangible assets	431,922	445,689	(13,767)	-3.09
- of which: goodwill	264,740	264,740	-	-
Other assets	2,669,393	2,437,451	231,942	9.52
Total assets	71,582,668	70,634,767	947,901	1.34

Liabilities and shareholders' equity	(in thousands)			
	30.06.2019	31.12.2018	Change	% Change
Due to banks	12,504,749	13,126,248	(621,499)	-4.73
Direct deposits	51,029,054	49,996,419	1,032,635	2.07
a) Due to customers	45,465,848	44,594,863	870,985	1.95
b) Debt securities issued	5,563,206	5,401,556	161,650	2.99
Financial liabilities held for trading	220,086	143,824	76,262	53.02
Hedging derivatives	306,649	92,374	214,275	231.96
Other liabilities	2,572,406	2,379,334	193,072	8.11
Minority interests	505,929	507,457	(1,528)	-0.30
Shareholders' equity pertaining to the Parent Company	4,443,795	4,389,111	54,684	1.25
a) Valuation reserves	15,130	949	14,181	--
b) Reserves	1,961,433	1,619,469	341,964	21.12
c) Share premium reserve	930,073	930,073	-	-
d) Share capital	1,443,925	1,443,925	-	-
e) Treasury shares	(7,258)	(7,258)	-	-
f) Profit (Loss) for the period	100,492	401,953	(301,461)	-75.00
Total liabilities and shareholders' equity	71,582,668	70,634,767	947,901	1.34

Reclassified consolidated income statement as at 30 June 2019

		(in thousands)			
Captions		30.06.2019	30.06.2018	Change	% Change
10+20	Net interest income	546,184	573,502	(27,318)	-4.76
	<i>of which IFRS 9 components*</i>	28,435	46,394	(17,959)	-38.71
	<i>of which interest expense lease liabilities IFRS 16</i>	(742)	(33)	(709)	--
40+50	Net commission income	387,754	389,056	(1,302)	-0.33
70	Dividends	10,226	13,461	(3,235)	-24.03
80+90+100+110	Net income from financial activities	27,465	170,065	(142,600)	-83.85
230	Other operating expense/income	15,260	19,659	(4,399)	-22.38
	Operating income	986,889	1,165,743	(178,854)	-15.34
190 a)	Staff costs	(426,740)	(420,434)	(6,306)	1.50
190 b)	Other administrative expenses	(187,134)	(212,266)	25,132	-11.84
	<i>of which rental expenses</i>	(8,699)	(31,155)	22,456	-72.08
210+220	Net adjustments to property, plant, equipment and intangible assets	(68,552)	(56,325)	(12,227)	21.71
	<i>of which depreciation right of use IFRS 16</i>	(22,384)	(1,459)	(20,925)	--
	Operating costs	(682,426)	(689,025)	6,599	-0.96
	Net operating income	304,463	476,718	(172,255)	-36.13
130 a)	Net impairment losses to financial assets at amortised cost	(147,036)	(84,934)	(62,102)	73.12
130 b)	Net impairment losses to financial assets at fair value	29	1,904	(1,875)	-98.48
140	Gains (Losses) from contractual modifications without derecognition	(967)	(1,183)	216	-18.26
	Net impairment losses for credit risk	(147,974)	(84,213)	(63,761)	75.71
200	Net provisions for risks and charges	(11,693)	(37,039)	25,346	-68.43
###	Contributions to SRF, DGS, IDPF - VS	(32,643)	(28,952)	(3,691)	12.75
250+270+280	Gains (Losses) on equity investments, disposal investments and impairment losses on goodwill	8,395	5,418	2,977	54.95
290	Profit (Loss) from current operations before tax	120,548	331,932	(211,384)	-63.68
300	Income taxes on current operations for the period	(11,279)	(9,768)	(1,511)	15.47
330	Profit (Loss) for the period	109,269	322,164	(212,895)	-66.08
340	Profit (Loss) for the period pertaining to minority interests	(8,777)	(14,279)	5,502	-38.53
350	Profit (Loss) for the period pertaining to the Parent Company	100,492	307,885	(207,393)	-67.36

* The "of which IFRS 9 components" caption includes the time value of bad loans and the write-down of part of the interest charged on non-performing exposures.

Reclassified consolidated income statement by quarter as at 30 June 2019

Captions		(in thousands)					
		1st quarter 2019	2nd quarter 2019	1st quarter 2018	2nd quarter 2018	3rd quarter 2018	4th quarter 2018
10+20	Net interest income	273,896	272,288	293,234	280,268	276,590	272,345
	<i>of which IFRS 9 components*</i>	13,352	15,083	25,637	20,757	17,576	12,397
	<i>of which interest expense lease liabilities IFRS 16</i>	(361)	(381)	(18)	(15)	(16)	(15)
40+50	Net commission income	192,544	195,210	198,120	190,936	188,025	199,184
70	Dividends	539	9,687	584	12,877	325	20,553
80+90+100+110	Net income from financial activities	22,062	5,403	153,634	16,431	20,879	(86,922)
230	Other operating expense/income	6,337	8,923	11,485	8,174	10,998	13,552
	Operating income	495,378	491,511	657,057	508,686	496,817	418,712
190 a)	Staff costs	(213,631)	(213,109)	(207,534)	(212,900)	(194,553)	(206,507)
190 b)	Other administrative expenses	(90,930)	(96,204)	(102,285)	(109,981)	(104,323)	(125,842)
	<i>of which rental expenses</i>	(4,692)	(4,007)	(15,615)	(15,540)	(15,883)	(15,994)
210+220	Net adjustments to property, plant and equipment and intangible assets	(33,172)	(35,380)	(21,339)	(34,986)	(22,933)	(39,681)
	<i>of which depreciation right of use IFRS 16</i>	(11,249)	(11,135)	(726)	(733)	(741)	(741)
	Operating costs	(337,733)	(344,693)	(331,158)	(357,867)	(321,809)	(372,030)
	Net operating income	157,645	146,818	325,899	150,819	175,008	46,682
	Net impairment losses to financial assets at amortised cost						
130 a)		(72,485)	(74,551)	(26,141)	(58,793)	(70,272)	(70,566)
130 b)	Net impairment losses to financial assets at fair value	421	(392)	1,763	141	150	12
140	Gains (Losses) from contractual modifications without derecognition	(891)	(76)	-	(1,183)	(1,536)	(237)
	Net impairment losses for credit risk	(72,955)	(75,019)	(24,378)	(59,835)	(71,658)	(70,791)
200	Net provisions for risks and charges	(1,995)	(9,698)	(11,663)	(25,376)	(12,091)	23,936
###	Contributions to SRF, DGS, IDPF - VS	(23,184)	(9,459)	(20,282)	(8,670)	(23,448)	75
250+270+280	Gains (Losses) on equity investments, disposal investments and impairment losses on goodwill	3,809	4,586	2,827	2,591	3,535	(57,654)
	Profit (Loss) from current operations before tax	63,320	57,228	272,403	59,529	71,346	(57,752)
300	Income taxes on current operations for the period	(12,266)	987	(6,918)	(2,850)	(14,206)	124,238
	Profit (Loss) for the period	51,054	58,215	265,485	56,679	57,140	66,486
340	Profit (Loss) for the period pertaining to minority interests	(3,083)	(5,694)	(14,462)	183	(6,899)	(22,659)
	Profit (Loss) for the period pertaining to the Parent Company	47,971	52,521	251,023	56,862	50,241	43,827

* The "of which IFRS 9 components" caption includes the time value of bad loans and the write-down of part of the interest charged on non-performing exposures.

Consolidated balance sheet as at 30 June 2019

		(in thousands)			
Assets	30.06.2019	31.12.2018	Change	% Change	
10. Cash and cash equivalents	395,525	459,782	(64,257)	-13.98	
20. Financial assets measured at fair value through profit or loss	1,047,721	1,128,625	(80,904)	-7.17	
a) financial assets held for trading	270,204	247,219	22,985	9.30	
b) financial assets designated at fair value	219,702	218,662	1,040	0.48	
c) other financial assets mandatorily measured at fair value	557,815	662,744	(104,929)	-15.83	
30. Financial assets measured at fair value through other comprehensive income	7,808,130	8,563,992	(755,862)	-8.83	
40. Financial assets measured at amortised cost	57,461,564	56,054,342	1,407,222	2.51	
a) loans to banks	5,001,079	3,306,678	1,694,401	51.24	
b) loans to customers	52,460,485	52,747,664	(287,179)	-0.54	
50. Hedging derivatives	53,567	35,564	18,003	50.62	
70. Equity investments	453,046	446,049	6,997	1.57	
90. Property, plant and equipment	1,261,800	1,063,273	198,527	18.67	
100. Intangible assets	431,922	445,689	(13,767)	-3.09	
of which:					
- goodwill	264,740	264,740	-	-	
110. Tax assets	1,868,566	1,885,616	(17,050)	-0.90	
a) current	458,612	457,838	774	0.17	
b) deferred	1,409,954	1,427,778	(17,824)	-1.25	
120. Non current assets and disposal groups classified as held for sale	5,288	2,800	2,488	88.86	
130. Other assets	795,539	549,035	246,504	44.90	
Total assets	71,582,668	70,634,767	947,901	1.34	

		(in thousands)			
Liabilities and shareholders' equity		30.06.2019	31.12.2018	Change	% Change
10.	Financial liabilities measured at amortised cost	63,533,803	63,122,667	411,136	0.65
	a) due to banks	12,504,749	13,126,248	(621,499)	-4.73
	b) due to customers	45,465,848	44,594,863	870,985	1.95
	c) debt securities issued	5,563,206	5,401,556	161,650	2.99
20.	Financial liabilities held for trading	220,086	143,824	76,262	53.02
40.	Hedging derivatives	306,649	92,374	214,275	231.96
60.	Tax liabilities	65,674	62,644	3,030	4.84
	a) current	6,527	3,966	2,561	64.57
	b) deferred	59,147	58,678	469	0.80
80.	Other liabilities	1,840,166	1,663,946	176,220	10.59
90.	Employee termination indemnities	188,527	182,793	5,734	3.14
100.	Provisions for risks and charges	478,039	469,951	8,088	1.72
	a) commitments and guarantees granted	62,126	63,059	(933)	-1.48
	b) pensions and similar obligations	163,255	131,126	32,129	24.50
	c) other provisions for risks and charges	252,658	275,766	(23,108)	-8.38
120.	Valuation reserves	15,130	949	14,181	--
150.	Reserves	1,961,433	1,619,469	341,964	21.12
160.	Share premium reserve	930,073	930,073	-	-
170.	Share capital	1,443,925	1,443,925	-	-
180.	Treasury shares (-)	(7,258)	(7,258)	-	-
190.	Minority interests (+/-)	505,929	507,457	(1,528)	-0.30
200.	Profit (Loss) for the period (+/-)	100,492	401,953	(301,461)	-75.00
Total liabilities and shareholders' equity		71,582,668	70,634,767	947,901	1.34

Consolidated income statement as at 30 June 2019

Captions	(in thousands)			
	30.06.2019	30.06.2018	Change	Change %
10. Interest and similar income	661,433	703,820	(42,387)	-6.02
of which: interest income calculated using the effective interest method	655,383	693,173	(37,790)	-5.45
20. Interest and similar expense	(115,249)	(130,318)	15,069	-11.56
30. Net interest income	546,184	573,502	(27,318)	-4.76
40. Commission income	406,115	406,708	(593)	-0.15
50. Commission expense	(18,361)	(17,652)	(709)	4.02
60. Net commission income	387,754	389,056	(1,302)	-0.33
70. Dividends and similar income	10,226	13,461	(3,235)	-24.03
80. Net income from trading activities	(17,996)	16,482	(34,478)	-209.19
90. Net income from hedging activities	(1,436)	2,410	(3,846)	-159.59
100. Gains (Losses) on disposal or repurchase of:	51,083	147,978	(96,895)	-65.48
a) financial assets measured at amortised cost	25,736	(11,447)	37,183	-324.83
b) financial assets measured at fair value through other comprehensive income	24,980	159,255	(134,275)	-84.31
c) financial liabilities	367	170	197	115.88
110. Net income on financial assets and liabilities measured at fair value through profit or loss	(4,186)	3,195	(7,381)	-231.02
a) financial assets and liabilities designated at fair value	1,602	(2,943)	4,545	-154.43
b) other financial assets mandatorily measured at fair value	(5,788)	6,138	(11,926)	-194.30
120. Net interest and other banking income	971,629	1,146,084	(174,455)	-15.22
130. Net impairment losses for credit risk relating to:	(147,007)	(83,030)	(63,977)	77.05
a) financial assets measured at amortised cost	(147,036)	(84,934)	(62,102)	73.12
b) financial assets measured at fair value through other comprehensive income	29	1,904	(1,875)	-98.48
140. Gains (Losses) from contractual modifications without derecognition	(967)	(1,183)	216	-18.26
150. Net income from financial activities	823,655	1,061,871	(238,216)	-22.43
180. Net income from financial and insurance activities	823,655	1,061,871	(238,216)	-22.43
190. Administrative expenses:	(710,244)	(725,104)	14,860	-2.05
a) staff costs	(426,740)	(420,434)	(6,306)	1.50
b) other administrative expenses	(283,504)	(304,670)	21,166	-6.95
200. Net provisions for risks and charges	(11,693)	(37,039)	25,346	-68.43
a) commitments and guarantees granted	933	11,923	(10,990)	-92.17
b) other net provisions	(12,626)	(48,962)	36,336	-74.21
210. Net adjustments to property, plant and equipment	(43,118)	(33,354)	(9,764)	29.27
220. Net adjustments to intangible assets	(25,434)	(22,971)	(2,463)	10.72
230. Other operating expense/income	78,987	83,111	(4,124)	-4.96
240. Operating costs	(711,502)	(735,357)	23,855	-3.24
250. Gains (Losses) of equity investments	8,338	5,339	2,999	56.17
280. Gains (Losses) on disposal investments	57	79	(22)	-27.85
290. Profit (Loss) from current operations before tax	120,548	331,932	(211,384)	-63.68
300. Income taxes on current operations	(11,279)	(9,768)	(1,511)	15.47
310. Profit (Loss) from current operations after tax	109,269	322,164	(212,895)	-66.08
330. Profit (Loss) for the period (+/-)	109,269	322,164	(212,895)	-66.08
340. Profit (Loss) for the period pertaining to minority interests	(8,777)	(14,279)	5,502	-38.53
350. Profit (Loss) for the period pertaining to the Parent Company	100,492	307,885	(207,393)	-67.36

The "Interest and similar income" and "Interest and similar expense" captions at 30 June 2018 have been restated with respect to the Consolidated half-year report as at 30 June 2018, due to reclassification of interest on hedging derivatives pursuant to the 5th update to Bank of Italy Circular 262/2005.

Performance ratios²

Financial ratios	30.06.2019	2018 (*)
Structural ratios		
Net loans to customers/total assets	65.02%	66.61%
Net loans to customers/direct deposits from customers	91.21%	94.11%
Financial assets/total assets	23.97%	24.28%
Fixed assets ³ /total assets	2.40%	2.14%
Goodwill/total assets	0.37%	0.37%
Direct deposits/total assets	88.76%	89.36%
Indirect deposits under management/indirect deposits	52.75%	53.32%
Financial assets/tangible equity ⁴	3.80	3.85
Total tangible assets ⁵ /tangible equity	15.75	15.77
Net interbank position (in thousands of Euro)	(9,888,310)	(11,585,739)
Number of employees ⁶	11,595	11,615
Number of national bank branches	1,170	1,218
Profitability ratios		
ROE ⁷	4.87%	9.06%
ROTE ⁸	5.44%	10.15%
ROA ⁹ (net profit/total assets)	0.31%	0.63%
Cost to income ratio ¹⁰	69.15%	59.11%
Net impairment losses on loans to customers/net loans to customers	0.31%	0.18%
Basic EPS ¹¹	0.209	0.640
Diluted EPS ¹²	0.209	0.640

(*) The comparative patrimonial ratios, together with ROE, ROTE and ROA, have been calculated on figures at 31 December 2018 as per the Consolidated financial statements as at 31 December 2018, while economical ratios have been calculated on figures at 30 June 2018 as per the Consolidated half-year report as at 30 June 2018.

² 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 per the present Press Release.

³ Fixed assets include both Equity investments and Property, plant and equipment.

⁴ Tangible equity: total shareholders' equity, including minority interests, net of intangible assets.

⁵ Total tangible assets = total assets net of intangible assets.

⁶ The number of employees (point figures) does not include the expectations.

⁷ ROE at 30 June 2019 has been calculated on an annual basis replicating the profit (loss) for the period for the rest of the year.

⁸ ROTE at 30 June 2019 has been calculated on an annual basis replicating the profit (loss) for the period for the rest of the year.

⁹ ROA at 30 June 2019 has been calculated on an annual basis replicating the profit (loss) for the period for the rest of the year.

¹⁰ The cost/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 layouts provided by the 6th update of Circular no. 262 of the Bank of Italy the cost/income ratio is at 73.23% (64.16% at 30 June 2018 as per the Consolidated half-year report as at 30 June 2018).

¹¹ EPS has been calculated net of treasury shares in portfolio.

¹² See previous note.

(cont.)

Financial ratios	30.06.2019	2018 (*)
Risk ratios		
Net non-performing loans/net loans to customers	6.74%	6.81%
Net bad loans/net loans to customers	3.06%	3.08%
Net unlikely to pay loans/net loans to customers	3.51%	3.60%
Net past due loans/net loans to customers	0.17%	0.13%
Impairment provisions for non-performing loans/gross non-performing loans	54.76%	54.52%
Impairment provisions for bad loans/gross bad loans	67.02%	66.62%
Impairment provisions for unlikely to pay loans/gross unlikely to pay loans	35.27%	35.73%
Impairment provisions for past due loans/gross past due loans	12.81%	12.33%
Impairment provisions for performing loans/gross performing loans	0.33%	0.37%
Texas ratio ¹³	83.41%	84.97%
Own Funds (Phased in) (in thousands of Euro)¹⁴		
Common Equity Tier 1 (CET1)	4,356,558	4,367,711
Own Funds	5,266,359	5,278,852
Risk-weighted assets (RWA)	30,402,689	30,606,171
Capital and liquidity ratios		
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in	14.33%	14.27%
Tier 1 Ratio (T1 Ratio) - Phased in	14.42%	14.37%
Total Capital Ratio (TC Ratio) - Phased in	17.32%	17.25%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Phased	12.33%	11.95%
Leverage Ratio - Phased in ¹⁵	6.1%	6.0%
Leverage Ratio - Fully Phased ¹⁶	5.3%	5.0%
Liquidity Coverage Ratio (LCR)	174.5%	154.3%
Net Stable Funding Ratio (NSFR) ¹⁷	n.a.	106.8%
Non-financial ratios		
Productivity ratios (in thousands of Euro)		
Direct deposits per employee	4,400.95	4,304.47
Loans to customers per employee	4,013.96	4,050.88
Assets managed per employee	1,737.62	1,664.31
Assets administered per employee	1,556.64	1,457.29
Core revenues ¹⁸ per employee	80.55	82.59
Net interest and other banking income per employee	83.80	98.33
Operating costs per employee	61.36	63.09

(*) The comparative patrimonial ratios have been calculated on figures at 31 December 2018 as per the Consolidated financial statements as at 31 December 2018, while economical ratios have been calculated on figures at 30 June 2018 as per the Consolidated half-year report as at 30 June 2018.

¹³ The Texas ratio is calculated as the relationship between total gross non-performing loans and net tangible equity increased by impairment provisions for non-performing loans.

¹⁴ Items have been calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by the Commission Delegated Regulation (EU) 2395/2017.

¹⁵ The ratio has been calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by the Commission Delegated Regulation (EU) 62/2015.

¹⁶ See previous note.

¹⁷ The NSFR, not yet available, is in any case estimated to exceed 100% (109.1% as at 31 March 2019).

¹⁸ Core revenues = net interest income + net commission income.