BPER:
Banca

PRESS RELEASE

Consolidated results for H1 2020 approved

The strategic and industrial rationale of the project to acquire the Going Concern from Intesa Sanpaolo Group confirmed and definition of the multiple to be applied to CET1 of the Going Concern

2021 economic and financial projections updated

1) Approval of the consolidated results of the first half of 2020

Net profit for the first half comes to € 104.7 million, sustained by a good revenue-generating capacity and effective cost control. The result is affected by a number of non-recurring items such as € 90.5 million of additional loan loss adjustments for the worsening of the macroeconomic context caused by the health emergency and other extraordinary charges for a total of € 36.1 million[1], partially offset by positive income taxes of € 68.9 million.
Even though conditioned by the period of lock-down, net profit for the second quarter stands at € 98.6 million, a distinct increase on € 6.1 million in the first quarter.

Fully Loaded CET1 ratio[2] of 12.57%, rising by over 50 bps since March 2020, confirming the Group's high capital strength. Phased In CET1 ratio[3] of 14.11%, with an overall capital buffer of more than € 2.0 billion compared with the minimum requirement set by the European Central Bank for 2020[4].
High liquidity position with an LCR index of 161.8%, well above the regulatory threshold of 100% and a liquidity buffer of almost € 14.0 billion.

Asset quality improving strongly in the half-year, helped by the sale of a portfolio of bad loans for a gross book value of € 1.2 billion (the "Spring" transaction)[5]:
- **gross and net NPE ratio well down to 9.1% and 5.0% respectively, from 11.1% and 5.8% at the end of 2019; reduction of the stock of gross and net non-performing loans (-18.2% and -12.2%), more than halved since the end of 2017;**
- **default rate still limited to 1.7% (annualised) in line with 2019 despite the deterioration in the economic climate;**
- **Texas ratio[6] at 70.8%, down by more than 8.0 pp since the end of last year.**

BPER Banca S.p.A., head office in Modena, via San Carlo, 8/20 - Tax Code and Modena Companies Register no. 01153230360 – Company belonging to the BPER BANCA GROUP, VAT no. 03830780361 – Share capital Euro 1,565,596,344 - ABI Code 5387.6 - Register of Banks no. 4932 - Member of the Interbank Deposit Guarantee Fund and of the National Guarantee Fund - Parent Company of the BPER Banca S.p.A. Banking Group - Register of Banking Groups no. 5387.6 - Tel. 059.2021111 - Telefax 059.2022033 - e-mail: servizio.clienti@bper.it - Certified e-mail (PEC): bper@pec.gruppobper.it - bper.it – istituzionale.bper.it

Net performing loans up by 1.9% since the beginning of the year and by 3.7% since March, mainly attributable to the corporate segment. Total funding, equal to € 173.4 billion, is showing a distinct recovery from the end of the previous quarter (+4.7%) after the hefty contraction in the first part of the year, mainly due to the negative market effect on indirect deposits. Bancassurance, which is included in the overall funding figure, has continued to turn in an excellent performance, exceeding € 7.0 billion, an increase of 2.2% from the previous quarter and 3.2% from the start of the year.

Net operating income came to € 399.5 million in the half-year, being the difference between operating income of € 1,220.6 million and operating costs of € 821.1 million. Compared with the previous quarter, the result is up by 15.3% thanks to the good performance of operating income (+4.6% q/q) and the containment of operating costs (-0.2% q/q). The ordinary annualized cost of credit stands at 71 bps excluding the impact of the non-recurring components related to the worsening of the economic scenario for the health emergency and the sale of the mezzanine and junior tranches of the bad loans securitization "Spring" (respectively equal to 35 bps and 6 bps)[7].

Numerous initiatives were adopted throughout those parts of Italy where the BPER Group operates to cope with the ongoing health, economic and social emergency, aimed at containing risks, protecting the health of customers and employees, ensuring the operational continuity of company processes and implementing economic support measures for individuals and businesses. 50% of employees were allowed to remote working. Once the lock-down period ended, full operational efficiency of the central services and branches was restored with access regulated in compliance with the anti-assembly regulations in force for the protection of the health of customers and employees. As part of the initiatives promoted in support of the economy in response to the health emergency, over 100 thousand requests for a moratorium have been accepted and over € 1.0 billion of State-guaranteed loans have been granted to individuals and businesses.

The half-year results confirm the value of the extraordinary operations completed during 2019, which contributed both to commercial activity and to profitability. In a situation of considerable uncertainty like the present, the strategic and industrial value of the acquisition of a series of branches from the Intesa Sanpaolo Group is fully confirmed. It will strengthen the distribution network in important areas of the country where the Group currently has a limited presence, like Lombardy, significantly increase the customer base, improve operational efficiency and exploit the full potential of the product factories.

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 2020.

Alessandro Vandelli, CEO and General Manager of BPER Banca, comments: *"In the first part of the year, we were engaged on several fronts to counter the effects of the health emergency as much as we possibly could. We fielded numerous initiatives in the areas where we operate with a view to protecting the health of employees and customers, implementing support measures for households, small businesses and companies, ensuring operational continuity in company processes. Now that the acute phase of the crisis has passed, the situation sees all of our branches and central services fully operational. The speed with which we were able to organise ourselves to support households and businesses in this crisis has allowed us to accept, to date, over 100 thousand requests for a moratorium and to provide funds for more than € 1.0 billion of State-guaranteed loans, at the same time promoting numerous charitable initiatives and fund-raisers for the benefit of the areas and communities that we serve. We are convinced that the collective effort that the country is making can act as a catalyst to kick-start the system again, even though we are well aware that the situation remains particularly fragile. Going on to comment on the results of the first half approved today, it should be noted first of all that, despite the slowdown of the economy following the health emergency, the BPER Group has shown a good level of profitability, helped by its repeated ability to generate revenues and hold down operating costs, while significantly improving credit quality and its already solid capital position. In fact, net profit for the period came to € 104.7 million, thanks to the resilience* *of revenues and despite booking additional loan loss adjustments of around € 90.5 million following the deterioration in the macroeconomic forecasts. The Group's already solid capital position further improves with a Fully Loaded CET1 ratio of 12.57%, rising by 50 bps since March 2020. Liquidity remains high with an available liquidity buffer close to € 14 billion. Also worth pointing out is the further improvement in credit quality, assisted by the recent sale of the bad loans portfolio for a gross book value of approximately € 1.2 billion, on which the GACS government guarantee has been requested. This brings the total value of mass disposals of bad loans to approximately € 5.0 billion in the last two years, ahead of the Group's strategic objectives. In particular, there was a sharp contraction in the stock of gross and net non-performing loans respectively of 18.2% and 12.2% at the end of 2019, that determined, at the same time, a significant decrease in the gross and net NPE ratio, respectively to 9.1% and 5.0%, levels that have not been recorded since 2009. The half-year results confirm the value of the extraordinary operations completed during 2019, which contributed both to commercial activity and to profitability. In a situation of considerable uncertainty like the present, the strategic and industrial value of the acquisition of a series of branches from the Intesa Sanpaolo Group is also fully confirmed. It will strengthen the distribution network in important areas of the country where the Group currently has a limited presence, like Lombardy, significantly increase the customer base, improve operational efficiency and exploit the full potential of our product factories. For this project to turn into a success story, we are trusting on everyone's contribution, particularly from the colleagues who are about to join our Group. We would like to reaffirm our maximum commitment to enhance their skills and experience."*

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Consolidated income statement: key figures

(Bear in mind that the income statement figures in the Group's preliminary consolidated results for the first half of 2020 are not comparable with those of the first half of 2019 due to the change in the scope of consolidation, which from 1 July 2019 includes Unipol Banca and Arca Holding, the latter absorbed by the Parent Company BPER Banca on 25 November 2019. On the other hand, the Q1 and Q2 2020 figures are comparable with those of Q3 and Q4 2019, being based on the same scope of consolidation).

Net interest income comes to € 618.3 million. The Q2 figure is € 310.3 million, an increase of 0.7% compared with € 308.0 million in Q1 2020 and an increase of 1.3%, net of the accounting effects of IFRS 9 and IFRS 16 (€ 299.1 million in Q1 2020[8]).

Net commission income amounts to € 512.7 million. The Q2 figure was € 245.1 million, a significant decrease of 8.4% q/q, mainly due to the effects of the health emergency and the government's restrictive measures that lasted for over 2 months. Compared with Q1 2020, the Bancassurance sector held up well, being substantially unchanged, while sectors particularly affected by the crisis were asset management (-10.6% q/q), cards, collections and payments (-8.2% q/q) and the segment referring to loans and guarantees (-5.6% q/q). The monthly trend in net commissions in Q2 makes us cautiously optimistic about a possible recovery by net commissions in the coming quarters; in fact, while the figures show a particularly negative trend in April and May, at the time of the lock-down, commissions in June returned to the level of the first few months of the year.

Dividends in H1 2020 came to € 12.8 million (€ 12.0 million in Q2 and € 0.8 million in Q1 2020).

Net income from financial activities came to € 52.5 million (the Q2 figure of € 46.8 million was much higher than the Q1 figure of € 5.6 million). It includes realised net gains on disposal of financial assets and loans of € 84.8 million, net losses on securities and derivatives of € 30.9 million and other negative elements of € 1.4 million.

Operating income amounts to € 1,220.6 million. This figure in Q2 is € 624.0 million, an increase of 4.6% q/q.

Operating costs amount to € 821.2 million, consisting of staff costs of € 504.7 million, other administrative expenses of € 231.5 million and net adjustments to property, plant, and equipment and intangible assets of € 85.0 million. The Q2 figure was € 410.1 million, down 0.2% q/q. In detail, in the second quarter of the year: 1) staff expenses amount to € 249.1 million, down 2.5% q/q, benefiting from the first positive effects of the redundancy plan, which more than offset inflation on renewal of the national labour contract signed towards the end of 2019; 2) other administrative expenses amount to € 116.9 million, an increase of 2.1% q/q, mainly due to extraordinary operations; 3) net adjustments to property, plant, and equipment and intangible assets amount to € 44.1 million, up 7.6% q/q.

Net operating income (operating income, net of operating costs) in H1 2020 amounts to € 399.5 million. The Q2 figure was € 213.9 million, an increase of 15.3% q/q.

Net impairment losses for credit risk amount to € 298.6 million, almost entirely referable to net adjustments to financial assets at amortised cost; this item includes the additional loan loss provisions following the deterioration in the macroeconomic context caused by the health emergency and further adjustments of € 16.4 million relating to the sale of the mezzanine and junior tranches of the "Spring" securitisation of bad loans recently concluded[9]. In particular, net impairment losses to financial assets at amortised cost in Q2 amount to € 157.8 million compared with € 139.6 million in Q1. The ordinary annualized **cost of credit** stands at 71 bps excluding the impact of the non-recurring components related to the worsening of the economic scenario for the health emergency and the sale of the mezzanine and junior tranches of the bad loans securitization "Spring" (respectively equal to 35 bps and 6 bps).

Net provisions for risks and charges amount to € 14.9 million in the half-year.

The BPER Group's contribution to the Single Resolution Fund (SRF) in H1 2020 was € 34.2 million. 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".

Gains on equity investments and on disposal of investments in H1 was negative for € 5.2 million and includes an impairment adjustment to equity investments for a total of € 8.2 million, which was recorded in Q2.

The profit from current operations before tax was € 46.6 million.

Income taxes for the period are positive for € 68.9 million, mainly related to benefits as foreseen by art. 55 of Legislative Decree 18/2020 "Cure Italy" and the net effect deriving from the step-up of intangible assets.

Profit for the period comes to € 115.6 million and includes net profit attributable to minority interests of € 10.9 million.

The profit pertaining to the Parent Company therefore amounts to € 104.7 million.

Consolidated balance sheet: key figures

Direct funding from customers (due to customers, debt securities issued and financial liabilities designated at fair value through profit or loss) amounts to € 59.8 billion, an increase of 3.0% on the figure at the end of 2019.

Ordinary customer deposits amount to € 55.0 billion (+0.8% compared with the year-end), mainly including current accounts and demand deposits for € 49.9 billion (+4.5% compared with the year-end), time deposits and certificates of deposit for € 0.7 billion (-57.4% compared with the year-end) and bonds for € 1.2 billion (-31.6% compared with the year-end). Institutional funding amounts to € 4.8 billion (+39.1% compared with the year-end), including € 3.6 billion of bonds.

Indirect deposits from customers, marked to market, came to € 106.5 billion, down by 3.7% on the end of the 2019, mainly due to the market effect in the period which was still negative overall, although there has been a strong recovery of 4.8% compared with March 2020. In particular, **assets under management** amount to € 40.2 billion (-3.6% since the year-end, +7.4% since March 2020), of which € 16.5 billion relating to Arca Holding, net of the portion of funds placed by the BPER Group network (-4.0% since the end of 2019, +6.6% since March 2020). **Assets under administration** amount to € 66.3 billion (-3.8% since the end of 2019, +3,3% since March 2020) which includes administered deposits of a leading insurance company. The **portfolio of life insurance premiums**, not included in indirect deposits, amounts to € 7.0 billion, an increase of 3.2% on the end of 2019 and of 2.2% on March 2020.

Gross loans to customers[10] amount to € 55.1 billion. Gross performing loans amount to € 50.1 billion, whereas gross non-performing loans (bad, unlikely-to-pay and past due loans) amount to € 5.0 billion, a drop of 18.2% since the end of 2019, also as a result of the securitisation of a portfolio of bad loans for a gross book value of € 1.2 billion recently concluded (the “Spring” operation), with an incidence of 9.1% on total gross loans (11.1% at the end of 2019). Looking at the various components, **gross bad loans** amount to € 2.4 billion (-31.2% since the end of 2019); **gross unlikely-to-pay loans** amount to € 2.4 billion (down by 3.0% compared with the end of 2019); **gross past due loans** amount to € 228.5 million (+17.2% on the end of 2019). The quality of performing loans remains high, with 62.1% of low-risk ratings.

Net loans to customers[11] amount to € 52.6 billion. Net performing loans amount to € 49.9 billion, whereas net non-performing loans (bad, unlikely-to-pay and past due loans) amount to € 2.6 billion, down by 12.2% from the end of 2019 also due to the securitisation mentioned above, with an incidence on total net loans of 5.0% (5.8% at the end of 2019) and a coverage ratio of 47.4%. Looking at the various components, **net bad loans** amount to € 0.9 billion, with a coverage ratio of 62.8%; **net unlikely-to-pay loans** amount to € 1.6 billion, with coverage of 35.0%; **net past due loans** amount to € 187.0 million with coverage of 18.2%.

The **net interbank position** is negative for € 11.5 billion and is the result of the imbalance between amounts due from banks of € 5.1 billion and amounts due to banks of € 16.6 billion. The BPER Group's total amount of refinancing with the European Central Bank (ECB) amounts to € 15.0 billion, for € 14.0 billion consisting of the participation in the longer term refinancing operations called “TLTRO 3” with a three-year maturity and for € 1.0 billion consisting of loans in US dollars from the ECB. Financial instruments, which can be used as collateral for refinancing operations on the market, amount to € 27.1 billion, net of the haircut, of which € 10.6 billion is available, to which € 3.2 billion of deposits available at the ECB must be added.

Financial assets amount to € 22.3 billion, which is 25.9% of total assets. Debt securities amount to € 21.3 billion and represent 95.7% of the total portfolio: of these, € 10.4 billion refer to government securities and other public entities, including € 7.5 billion of Italian government securities.

Total shareholders' equity amounts to € 5.3 billion, with a portion pertaining to minority interests of € 0.1 billion. The **Group's consolidated shareholders' equity**, including the result for the period, amounts to € 5.2 billion.

The **Liquidity Coverage Ratio** (LCR) and the **Net Stable Funding Ratio** (NSFR) are both over 100%; in detail, at 30 June 2020, the LCR index is 161.8%, while the NSFR is estimated to be over 100% (it was 113.7% at 31 March 2020).

Capital ratios

At 30 March 2020, capital ratios, calculated taking into account the AIRB methodology for the credit risk requirements, are:

- Common Equity Tier 1 Ratio (Phased In) of 14.11% (13.60% at 31 March 2020 and 13.91% at 31 December 2019). This ratio calculated on a Fully Loaded basis comes to 12.57% (12.07% at 31 March 2020 and 12.01% at 31 December 2019);
- Tier 1 ratio (Phased In) of 14.56% (14.05% at 31 March 2020 and 14.35% at 31 December 2019);
- Total Capital Ratio (Phased In) of 17.03% (16.59% at 31 March 2020 and 16.82% at 31 December 2019).

Main structure data at 30 June 2020

The Group is present in nineteen Italian regions with 1,313 bank branches, 36 fewer than at the end of March 2020, in addition to the Luxembourg office of BPER Bank Luxembourg S.A..

The Group employs 13,550 people, 230 fewer than at the end of March 2020 and 255 fewer than at the end of 2019.

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Outlook for operations

The effects of the health emergency on the global economy are currently difficult to quantify even if a significant decrease in production and consumption can reasonably be expected due to the prolonged lock-down and restrictions on the mobility of people. The economic forecasts published by the European Central Bank and the Bank of Italy at the beginning of June indicate a drop in the Gross Domestic Product of the Eurozone and Italy for 2020 of 8.7% and 9.4% respectively, with a prospect of recovery in economic activity only in 2021, which will also benefit from the imposing measures to support the liquidity and income of households and businesses prepared by Governments and Central Banks to cope with this moment of great difficulty caused by the health emergency.

In this difficult and unprecedented situation, it is hard to predict how the main economic and capital aggregates will evolve during the current year. The BPER Group is confident that it will be able to express a good margin on traditional revenues during the year, especially with reference to net interest income, which should benefit from an increase in loans and a reduction in the cost of funding. At the same time, operating costs are expected to diminish gradually, not least due to the steady lowering of staff costs as the efficiency improvements envisaged in the business plan are implemented. Even if there is a prudently estimated cost of credit of around 100 bps for the current year, these elements should help sustain the profitability expected for 2020, which ought to be a good deal better than the first-half result. After the strong improvement during the half, helped by the sale of bad loans, asset quality should remain under control even in a context of high uncertainty and deterioration in the economic scenario, thanks to other management initiatives that have already been planned. Capital strength and liquidity should improve even more over time.

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The Interim Report of the BPER Group at 30 June 2020, 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 2020, as well as a summary of the key financial indicators.

Modena, 5 August 2020

The Chief Executive Officer
Alessandro Vandelli

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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, 5 August 2020

The Manager responsible for preparing the Company's financial reports

Marco Bonfatti

2) The strategic and industrial rationale of the project to acquire the Going Concern from Intesa Sanpaolo Group confirmed and definition of the multiple to be applied to CET1 of the Going Concern

In the current context of high uncertainty, the strategic and industrial rationale for the acquisition of the Going Concern from Intesa Sanpaolo Group is further strengthened, in line with the objectives of dimensional growth and enhancement of the competitive positioning of BPER Group, strengthening both its customer base and market share in economically strong regions such as Lombardy where the Group has currently limited presence.

With reference to the agreement signed on 17th February 2020 with Intesa Sanpaolo and the subsequent supplementary agreements signed on 19th March and 15th June 2020, aimed at regulating the acquisition by BPER Banca S.p.A. ("BPER" or the "BPER Group" and, together with Intesa Sanpaolo, the "Parties") from Intesa Sanpaolo of a Going Concern consisting of 532 bank Branches and related legal relationships, all subject to the completion of the voluntary public exchange and acquisition offer (the "PTO") promoted by Intesa Sanpaolo on the entire share capital of UBI Banca SpA ("UBI"), it should be noted that, today, a third supplementary agreement has been signed between the Parties with regard to the definitive methodology for the calculation of the Transaction consideration.
With this agreement, the consideration for the acquisition of the Going Concern by BPER was set at a multiple of 0.38 times the value of the Common Equity Tier 1 ("CET 1") of the Going Concern resulting from the Balance Sheet of the Going Concern on the Reference Date (30th June 2020). As agreed between the Parties, the computation of CET 1 of the Going Concern will be made by multiplying UBI's CET1 Ratio resulting from the half-year report as of 30th June 2020 as disclosed to the public by UBI on 3rd August, by the Risk Weighted Assets ("RWA") of the Going Concern on the Reference Date, it being understood that in any case such RWA cannot exceed the amount of € 15.5 billion.

All other provisions contained in the agreement signed between BPER and Intesa Sanpaolo on 17th February 2020 and in the subsequent supplementary agreement of 15th June 2020 remain unchanged.

The acquisition of the Going Concern is subject to, among others, the obtainment of the supervisory and antitrust clearances necessary for the transfer of the Going Concern.

The strategic rationale and the main characteristics of the Transaction, already disclosed to the market in previous communications, are confirmed below.

From a strategic standpoint, the acquisition of the Going Concern from Intesa Sanpaolo is in line with the objectives of the BPER Group aimed at dimensional growth, as well as profitability and asset quality improvement, while maintaining at the same time a sound financial position.
Main characteristics of the Transaction:

- acquisition of a Going Concern consisting of 532 banking branches from Intesa Sanpaolo with a significant concentration in Northern Italy (and in particular in the Lombardy region);
- acquisition of assets consisting of a net customer loan portfolio estimated at approximately € 26 billion (with an expected estimated gross NPE ratio of 6.5%)[12] and customer deposits and indirect funding estimated at approximately € 29 billion and € 31 billion, respectively. More than 70% of the assets[13] of the Going Concern relate to customers based in the Northern regions of the country;
- the CET1 ratio of the Going Concern will be 13.41% as resulting from the consolidated balance sheet of UBI Banca as of 30 June 2020[14];
- the Going Concern will include an amount of risk-weighted assets not exceeding € 15.5 billion

As already announced, the consideration for the Going Concern will be paid in cash, and financed by means of a rights issue for a maximum amount of € 1.0 billion, as already approved by BPER's Shareholders' Meeting on 22 April 2020.

The most significant benefits for the BPER Group include:

- dimensional growth and improvement of the competitive position in Italy;
- increase of the customer base by more than 55% and significant improvement of market shares in economically strong regions where the Group has currently limited presence, such as Lombardy;
- increase of the loan book and of the total direct funding by approximately 50%; total assets are estimated to grow by some 40% (total assets post transaction equal to approximately € 120 billion);
- realization of significant cost/revenue synergies deriving from the increase of cross-selling of products by the BPER Group subsidiaries across a broader customer base and from rationalization measures;
- acquisition of a distribution network without central structures or middle/back offices leading to a mitigation of the execution risks;
- improved cost / income ratio in the region of 60%;
- further improvement of the asset quality with an estimated gross NPE ratio of 8.2%, calculated as pro-forma as per 30th June 2020 financials;
- confirming the financial strength of the BPER Group with a pro-forma consolidated Fully Loaded CET 1 ratio estimated in the range of 13.0% in 2021.

3) Update of the 2021 economic and financial projections[15]

The situation of prolonged health emergency and the consequent significant change in the current and future macroeconomic backdrop are expected to significantly affect the economic and financial projections of the BPER Group, as originally outlined in the 2019-21 Business Plan.

In particular, the restrictive measures implemented by the Italian government (i.e. *lockdown*), the macroeconomic scenarios expected for the Country and for the international economy, as well as the significant changes in the EU monetary policy and the governmental initiatives to support families and businesses, have substantially changed the underlying assumptions of the economic and financial targets outlined in the Business Plan. Furthermore, following the preparation of the Business Plan, other extraordinary actions originally not included in the Plan have been considered (including the acquisition of the Going Concern from Intesa Sanpaolo), which are likely to significantly expand the perimeter of the BPER Group.

The Board of Directors of BPER has acknowledged these changes and today has approved the revised estimates, aimed at updating the economic and financial targets of the 2019-21 Business Plan, while confirming its strategic and industrial guidelines.

The updated expectations for the Country's economy evolution, supporting the revision of the 2021 economic and financial projections, take into account a scenario which foresees a significant contraction of the Italian Gross Domestic Product in 2020 (-9.4%), and only a partial recovery in 2021 (+ 5.4%). The normalization phase is assumed to be gradual, following the first signs of recovery from May 2020[16].

In this context, the strategic guidelines envisaged in the Business Plan are confirmed, based on three key pillars: 1) Growth and development of the business, with a strong focus on fee-based services such as bancassurance, wealth management and global advisory for corporate clients and on high margin businesses such as consumer credit; 2) Increase in operating efficiency and simplification of the corporate structure; 3) Acceleration of de-risking and further capital strengthening. Many of the actions envisaged in the Business Plan have already been completed or are currently in advanced stage of implementation.

In consideration of the scenario outlined above and taking into account the structural strengths of the BPER Group, it is estimated that the consolidated net profit could be equal to approximately € 235 million in 2021. This result is determined by assuming, among others, net operating income in the region of € 2.5 billion in 2021, of which approximately 50% consists of net interest income and more than 40% of net commissions, operating costs of less than € 1.6 billion and a cost of risk in the region of 90 bps. The cost / income ratio is expected to be slightly higher than 63% in 2021, while the deterioration of the economic situation previously highlighted leads to conservatively estimate a gross NPE ratio which could be around 10% at the end of 2021, even if further measures are currently being reviewed to contain and reduce the stock of doubtful loans, which should make it possible to contain the effects of the deterioration of the macroeconomic environment. The Group's capital position is expected to remain very solid with a Fully Loaded CET1 ratio not lower than 13.0% in 2021.

In the current macroeconomic scenario following the situation of emergency related to the pandemic, it is of ever greater strategic and industrial importance the acquisition of the Going Concern from Intesa Sanpaolo, which, together with the capital strengthening action already envisaged, will contribute to increase revenues and future profitability, as well as strengthening the regulatory capital and financial position of the BPER Group. In particular, it is estimated that these transactions will improve, by the end of 2021, both the gross NPE ratio of the Combined Entity (BPER Group including the Going concern), thanks in particular to the favourable asset quality of the Going Concern, and its cost / income ratio. These ratios are expected to decrease and converge, respectively, in the region of 9% and 60%. Consequently, the estimated consolidated net profit of the Combined Entity is expected to be approximately € 375 million, with an increase in the operating result (net operating income less operating costs) of approximately € 450 million compared to the stand-alone situation, in presence of a prudentially estimated unchanged cost of risk in the region of 90 bps for 2021. BPER Group's sound capital position is confirmed with an expected Fully Loaded CET1 ratio of the Combined Entity higher than 13.0% in 2021.

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A conference call will be held today, **5 August 2020 at 7.00 p.m. (CET)**, to explain the BPER Banca Group's consolidated results at 30 June 2020, as well as updates on the acquisition of the Going Concern from Intesa Sanpaolo and the economic and financial projections for 2021.
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 8058811
UK: +44 1212 818003
USA: +1 718 7058794

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.

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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] The most significant non-recurring items for the half year include the following: 1) additional loan loss adjustments of approximately € 90.5 million for the worsening of the macroeconomic context caused by the health emergency, of which approximately € 50.0 million had already been set aside in the first quarter for prudence sake; 2) loan loss adjustments of € 16.4 million relating to the sale of the mezzanine and junior tranches of the "Spring" securitisation of bad loans recently concluded (accounted for in the second quarter); 3) profit sharing to recover prior-year tax losses to be paid to the Resolution Fund for € 11.5 million (provision of € 16.0 million made in the second quarter against a recovery of € 4.5 million in the first quarter); 4) impairment losses on equity investments for a total of € 8.2 million (accounted for in the second quarter).

[2] This figure has been estimated without the effects of the current transitional arrangements and including the expected absorption of the deferred tax assets recognised on the FTA of IFRS 9.

[3] 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.

[4] In order to support supervised banks in their lending to the real economy under the extraordinary circumstances linked to the spread of the coronavirus (COVID-19), the ECB informed BPER Banca on 8 April 2020 (with effect from 12 March 2020) about a new method for holding the Pillar 2 additional own funds requirement (P2R) of 2%, having to be at least 56.25% of CET1 and 75% of T1. At 30 June 2020, the Common Equity Tier 1 Ratio requirement to be met was therefore equal to 8.125% Phased in and Fully Phased.

[5] Pro-forma data including the effects of the securitisation of bad loans (called the "Spring" transaction): for details, please refer to the press releases published on 18 June and 7 July, as well as the following note 9.

[6] The Texas ratio is defined as gross NPE/(tangible net equity + NPE loan loss provisions).

[7] See note 1 and note 5.

[8] Please refer to the reclassified income statement attached to this press release.

[9] As required by the GACS regulations, 95% of the mezzanine and junior tranches had to be placed with institutional investors in order to achieve derecognition - also for supervisory purposes - of the portfolio of bad loans sold. As part of the "Spring" securitisation of bad loans, the BPER Group sold, at the beginning of July, 95% of the mezzanine and junior tranches of the securities issued to an institutional investor. The difference between the nominal value of the notes issued and the selling price is equal to € 16.4 million and it was recorded in item 130 a) Adjustments to financial assets measured at amortised cost.

[10] Pro-forma data including the effects of the "Spring" securitisation of bad loans.

[11] See Note 9.

[12] The determination of such parameters was performed assuming 30 June 2020 as reference date.

[13] Gross loans and direct deposits from customers.

[14] The determination of such parameters was performed assuming 30 June 2020 as reference date.

[15] Forward-looking information contained in this press release supersedes and replaces any forward-looking statements previously made by the Issuer in relation to the 2019-2021 Business Plan and the Acquisition, which therefore is no longer valid.

[16] Source: Prometeia.

Reclassified financial statement as at 30 June 2020

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"* and 130 "*Other assets*";
- "*Other liabilities"* include captions 60 "*Tax liabilities"*, 80 "*Other liabilities"*, and 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 activities classified as held for sale*") are presented in their original portfolios in order to report the aggregates more clearly[1].

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 68,573 thousand at 30 June 2020 and Euro 63,727 thousand at 30 June 2019);
- "Net provisions for risks and charges" include Euro 11,452 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 charges/income"* in the accounting schedule;
- *"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 DGS, SRF and IDGF-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 *"Other administrative costs"* as a better reflection of the trend in the Group's operating costs. In particular, at 30 June 2020, this caption represents the component allocated for accounting purposes to administrative costs in relation to:
    - the 2020 contribution to the SRF (European Single Resolution Fund) for Euro 25,992 thousand;
    - additional contribution requested by the SRF (European Single Resolution Fund) for 2018 from Italian banks for Euro 8,149 thousand;
    - the 2020 contribution to the DGS (Deposit Guarantee Schemes) for Euro 22 thousand, representing only the amount required to BPER Bank Luxembourg s.a. for the half-year;
- appropriate specification *("of which")* has been included in "*Net interest income*" caption in order to highlight the impacts of IFRS 9 application.

[1] *The balance sheet data include the amounts for 5 branches 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. In that regard, 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 would create and/or strengthen a dominant position.*

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Reclassified consolidated balance sheet as at 30 June 2020

(in thousands)

Assets	30.06.2020	31.12.2019	Change	% Change
Cash and cash equivalents	460,927	566,930	(106,003)	-18.70
Financial assets	22,254,677	18,956,906	3,297,771	17.40
a) Financial assets held for trading	236,699	270,374	(33,675)	-12.45
b) Financial assets designated at fair value	128,690	130,955	(2,265)	-1.73
c) Other financial assets mandatorily measured at fair value	707,983	692,995	14,988	2.16
d) Financial assets measured at fair value through other comprehensive income	6,451,484	6,556,202	(104,718)	-1.60
e) Debt securities measured at amortised cost	14,729,821	11,306,380	3,423,441	30.28
- banks	3,978,372	2,744,570	1,233,802	44.95
- customers	10,751,449	8,561,810	2,189,639	25.57
Loans	58,010,131	54,353,634	3,656,497	6.73
a) Loans to banks	5,100,751	2,321,809	2,778,942	119.69
b) Loans to customers	52,883,574	52,006,038	877,536	1.69
c) Financial assets measured at fair value	25,806	25,787	19	0.07
Hedging derivatives	49,653	82,185	(32,532)	-39.58
Equity investments	218,480	225,869	(7,389)	-3.27
Property, plant and equipment	1,347,121	1,369,724	(22,603)	-1.65
Intangible assets	657,953	669,847	(11,894)	-1.78
- of which: goodwill	434,758	434,758	-	-
Other assets	2,936,605	2,808,403	128,202	4.56
Total assets	**85,935,547**	**79,033,498**	**6,902,049**	**8.73**

(in thousands)

Liabilities and shareholders' equity	30.06.2020	31.12.2019	Change	% Change
Due to banks	16,600,757	12,213,133	4,387,624	35.93
Direct deposits	59,814,831	58,055,608	1,759,223	3.03
a) Due to customers	54,457,590	52,220,719	2,236,871	4.28
b) Debt securities issued	5,357,241	5,834,889	(477,648)	-8.19
Financial liabilities held for trading	166,835	165,970	865	0.52
Hedging derivatives	444,191	294,114	150,077	51.03
Other liabilities	3,553,948	3,013,126	540,822	17.95
Minority interests	139,442	131,662	7,780	5.91
Shareholders' equity pertaining to the Parent Company	5,215,543	5,159,885	55,658	1.08
a) Valuation reserves	(2,322)	37,750	(40,072)	-106.15
b) Reserves	2,405,839	2,035,205	370,634	18.21
c) Equity instruments	150,000	150,000	-	-
d) Share premium reserve	1,002,722	1,002,722	-	-
e) Share capital	1,561,884	1,561,884	-	-
f) Treasury shares	(7,259)	(7,259)	-	-
g) Profit (Loss) for the period	104,679	379,583	(274,904)	-72.42
Total liabilities and shareholders' equity	**85,935,547**	**79,033,498**	**6,902,049**	**8.73**

Reclassified consolidated income statement as at 30 June 2020

(in thousands)

Captions		30.06.2020	30.06.2019	Change	% Change
10+20	Net interest income	618,251	546,184	72,067	13.19
	*of which IFRS 9 components**	*17,359*	*28,435*	*(11,076)*	*-38.95*
40+50	Net commission income	512,697	387,754	124,943	32.22
70	Dividends	12,843	10,226	2,617	25.59
80+90+100+110	Net income from financial activities	52,474	27,465	25,009	91.06
230	Other operating expense/income	24,331	15,260	9,071	59.44
	Operating income	**1,220,596**	**986,889**	**233,707**	**23.68**
190 a)	Staff costs	(504,664)	(426,740)	(77,924)	18.26
190 b)	Other administrative expenses	(231,463)	(187,134)	(44,329)	23.69
210+220	Net adjustments to property, plant and equipment and intangible assets	(85,008)	(68,552)	(16,456)	24.01
	Operating costs	**(821,135)**	**(682,426)**	**(138,709)**	**20.33**
	Net operating income	**399,461**	**304,463**	**94,998**	**31.20**
130 a)	Net impairment losses to financial assets at amortised cost	(297,322)	(147,036)	(150,286)	102.21
130 b)	Net impairment losses to financial assets at fair value	(858)	29	(887)	--
140	Gains (Losses) from contractual modifications without derecognition	(442)	(967)	525	-54.29
	Net impairment losses for credit risk	**(298,622)**	**(147,974)**	**(150,648)**	**101.81**
200	Net provisions for risks and charges	(14,901)	(11,693)	(3,208)	27.44
###	Contributions to SRF, DGS, IDPF - VS	(34,163)	(32,643)	(1,520)	4.66
250+270 +280	Gains (Losses) on equity investments, disposal investments and impairment losses on goodwill	(5,160)	8,395	(13,555)	-161.47
290	**Profit (Loss) from current operations before tax**	**46,615**	**120,548**	**(73,933)**	**-61.33**
300	Income taxes on current operations for the period	68,947	(11,279)	80,226	-711.29
330	**Profit (Loss) for the period**	**115,562**	**109,269**	**6,293**	**5.76**
340	Profit (Loss) for the period pertaining to minority interests	(10,883)	(8,777)	(2,106)	23.99
350	**Profit (Loss) for the period pertaining to the Parent Company**	**104,679**	**100,492**	**4,187**	**4.17**

** 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.*

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Reclassified consolidated income statement by quarter as at 30 June 2020

(in thousands)

Captions		1st quarter 2020	2nd quarter 2020	1st quarter 2019	2nd quarter 2019	3rd quarter 2019	4th quarter 2019
10+20	Net interest income	307,971	310,280	273,896	272,288	315,909	302,446
	*of which IFRS 9 components**	*9,414*	*7,945*	*13,352*	*15,083*	*11,748*	*3,460*
40+50	Net commission income	267,595	245,102	192,544	195,210	268,316	275,880
70	Dividends	809	12,034	539	9,687	3,424	451
80+90+100+110	Net income from financial activities	5,642	46,832	22,062	5,403	49,721	36,807
230	Other operating expense/income	14,607	9,724	6,337	8,923	19,511	16,308
	Operating income	**596,624**	**623,972**	**495,378**	**491,511**	**656,881**	**631,892**
190 a)	Staff costs	(255,576)	(249,088)	(213,631)	(213,109)	(230,936)	(392,010)
190 b)	Other administrative expenses	(114,546)	(116,917)	(90,930)	(96,204)	(118,223)	(146,473)
210+220	Net adjustments to property, plant and equipment and intangible assets	(40,957)	(44,051)	(33,172)	(35,380)	(40,189)	(76,335)
	Operating costs	**(411,079)**	**(410,056)**	**(337,733)**	**(344,693)**	**(389,348)**	**(614,818)**
	Net operating income	**185,545**	**213,916**	**157,645**	**146,818**	**267,533**	**17,074**
130 a)	Net impairment losses to financial assets at amortised cost	(139,553)	(157,769)	(72,485)	(74,551)	(160,985)	(139,526)
130 b)	Net impairment losses to financial assets at fair value	105	(963)	421	(392)	553	674
140	Gains (Losses) from contractual modifications without derecognition	(195)	(247)	(891)	(76)	(651)	(1,361)
	Net impairment losses for credit risk	**(139,643)**	**(158,979)**	**(72,955)**	**(75,019)**	**(161,083)**	**(140,213)**
200	Net provisions for risks and charges	2,276	(17,177)	(1,995)	(9,698)	2,491	(2,991)
###	Contributions to SRF, DGS, IDPF - VS	(31,978)	(2,185)	(23,184)	(9,459)	(25,771)	(2,267)
250+270+280	Gains (Losses) on equity investments, disposal investments and impairment losses on goodwill	321	(5,481)	3,809	4,586	415	(2,199)
275	Gain on a bargain purchase	-	-	-	-	353,805	(10,444)
290	**Profit (Loss) from current operations before tax**	**16,521**	**30,094**	**63,320**	**57,228**	**437,390**	**(141,040)**
300	Income taxes on current operations for the period	(6,119)	75,066	(12,266)	987	(8,666)	(2,501)
330	**Profit (Loss) for the period**	**10,402**	**105,160**	**51,054**	**58,215**	**428,724**	**(143,541)**
340	Profit (Loss) for the period pertaining to minority interests	(4,320)	(6,563)	(3,083)	(5,694)	(6,291)	199
350	**Profit (Loss) for the period pertaining to the Parent Company**	**6,082**	**98,597**	**47,971**	**52,521**	**422,433**	**(143,342)**

** 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.*

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Consolidated balance sheet as at 30 June 2020

(in thousands)

	Assets	30.06.2020	31.12.2019	Change	% Change
10.	Cash and cash equivalents	460,927	566,924	(105,997)	-18.70
20.	Financial assets measured at fair value through profit or loss	1,099,178	1,120,111	(20,933)	-1.87
	a) financial assets held for trading	236,699	270,374	(33,675)	-12.45
	b) financial assets designated at fair value	128,690	130,955	(2,265)	-1.73
	c) other financial assets mandatorily measured at fair value	733,789	718,782	15,007	2.09
30.	Financial assets measured at fair value through other comprehensive income	6,451,484	6,556,202	(104,718)	-1.60
40.	Financial assets measured at amortised cost	72,623,513	65,541,246	7,082,267	10.81
	a) loans to banks	9,079,123	5,066,379	4,012,744	79.20
	b) loans to customers	63,544,390	60,474,867	3,069,523	5.08
50.	Hedging derivatives	49,653	82,185	(32,532)	-39.58
70.	Equity investments	218,480	225,869	(7,389)	-3.27
90.	Property, plant and equipment	1,346,093	1,368,696	(22,603)	-1.65
100.	Intangible assets	657,953	669,847	(11,894)	-1.78
	of which:				
	- goodwill	434,758	434,758	-	-
110.	Tax assets	2,047,161	2,024,579	22,582	1.12
	a) current	439,769	466,312	(26,543)	-5.69
	b) deferred	1,607,392	1,558,267	49,125	3.15
120.	Non current assets and disposal groups classified as held for sale	96,124	97,142	(1,018)	-1.05
130.	Other assets	884,981	780,697	104,284	13.36
	Total assets	**85,935,547**	**79,033,498**	**6,902,049**	**8.73**

(in thousands)

	Liabilities and shareholders' equity	30.06.2020	31.12.2019	Change	% Change
10.	Financial liabilities measured at amortised cost	76,278,205	70,135,262	6,142,943	8.76
	a) due to banks	16,600,757	12,213,133	4,387,624	35.93
	b) due to customers	54,320,207	52,087,240	2,232,967	4.29
	c) debt securities issued	5,357,241	5,834,889	(477,648)	-8.19
20.	Financial liabilities held for trading	166,835	165,970	865	0.52
40.	Hedging derivatives	444,191	294,114	150,077	51.03
60.	Tax liabilities	68,487	75,737	(7,250)	-9.57
	a) current	13,973	5,405	8,568	158.52
	b) deferred	54,514	70,332	(15,818)	-22.49
70.	Liabilities associated with assets classified as held for sale	137,964	134,077	3,887	2.90
80.	Other liabilities	2,695,270	2,069,511	625,759	30.24
90.	Employee termination indemnities	168,658	191,120	(22,462)	-11.75
100.	Provisions for risks and charges	620,952	676,160	(55,208)	-8.16
	a) commitments and guarantees granted	57,466	55,995	1,471	2.63
	b) pension and similar obligations	153,181	161,619	(8,438)	-5.22
	c) other provisions for risks and charges	410,305	458,546	(48,241)	-10.52
120.	Valuation reserves	(2,322)	37,750	(40,072)	-106.15
140.	Equity instruments	150,000	150,000	-	-
150.	Reserves	2,405,839	2,035,205	370,634	18.21
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 (+/-)	139,442	131,662	7,780	5.91
200.	Profit (Loss) for the period (+/-)	104,679	379,583	(274,904)	-72.42
	Total liabilities and shareholders' equity	**85,935,547**	**79,033,498**	**6,902,049**	**8.73**

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Consolidated income statement as at 30 June 2020

(in thousands)

	Captions	30.06.2020	30.06.2019	Change	Change %
10.	Interest and similar income	716,346	661,433	54,913	8.30
	of which: interest income calculated using the effective interest method	712,516	655,383	57,133	8.72
20.	Interest and similar expense	(98,095)	(115,249)	17,154	-14.88
30.	**Net interest income**	**618,251**	**546,184**	**72,067**	**13.19**
40.	Commission income	596,441	406,115	190,326	46.87
50.	Commission expense	(83,744)	(18,361)	(65,383)	356.10
60.	**Net commission income**	**512,697**	**387,754**	**124,943**	**32.22**
70.	Dividends and similar income	12,843	10,226	2,617	25.59
80.	Net income from trading activities	(16,385)	(17,996)	1,611	-8.95
90.	Net income from hedging activities	(5,012)	(1,436)	(3,576)	249.03
100.	Gains (Losses) on disposal or repurchase of:	96,054	51,083	44,971	88.04
	a) financial assets measured at amortised cost	90,656	25,736	64,920	252.25
	b) financial assets measured at fair value through other comprehensive income	4,542	24,980	(20,438)	-81.82
	c) financial liabilities	856	367	489	133.24
110.	Net income on financial assets and liabilities measured at fair value through profit or loss	(22,183)	(4,186)	(17,997)	429.93
	a) financial assets and liabilities designated at fair value	(3,866)	1,602	(5,468)	-341.32
	b) other financial assets mandatorily measured at fair value	(18,317)	(5,788)	(12,529)	216.47
120.	**Net interest and other banking income**	**1,196,265**	**971,629**	**224,636**	**23.12**
130.	Net impairment losses for credit risk relating to:	(298,180)	(147,007)	(151,173)	102.83
	a) financial assets measured at amortised cost	(297,322)	(147,036)	(150,286)	102.21
	b) financial assets measured at fair value through other comprehensive income	(858)	29	(887)	--
140.	Gains (Losses) from contractual modifications without derecognition	(442)	(967)	525	-54.29
150.	**Net income from financial activities**	**897,643**	**823,655**	**73,988**	**8.98**
180.	**Net income from financial and insurance activities**	**897,643**	**823,655**	**73,988**	**8.98**
190.	Administrative expenses:	(838,863)	(710,244)	(128,619)	18.11
	a) staff costs	(504,664)	(426,740)	(77,924)	18.26
	b) other administrative expenses	(334,199)	(283,504)	(50,695)	17.88
200.	Net provisions for risks and charges	(3,449)	(11,693)	8,244	-70.50
	a) commitments and guarantees granted	(1,459)	933	(2,392)	-256.38
	b) other net provisions	(1,990)	(12,626)	10,636	-84.24
210.	Net adjustments to property, plant and equipment	(56,120)	(43,118)	(13,002)	30.15
220.	Net adjustments to intangible assets	(28,888)	(25,434)	(3,454)	13.58
230.	Other operating expense/income	81,452	78,987	2,465	3.12
240.	**Operating costs**	**(845,868)**	**(711,502)**	**(134,366)**	**18.88**
250.	Gains (Losses) of equity investments	(5,537)	8,338	(13,875)	-166.41
280.	Gains (Losses) on disposal investments	377	57	320	561.40
290.	**Profit (Loss) from current operations before tax**	**46,615**	**120,548**	**(73,933)**	**-61.33**
300.	Income taxes on current operations for the period	68,947	(11,279)	80,226	-711.29
310.	**Profit (Loss) from current operations after tax**	**115,562**	**109,269**	**6,293**	**5.76**
330.	**Profit (Loss) for the period**	**115,562**	**109,269**	**6,293**	**5.76**
340.	Profit (Loss) for the period pertaining to minority interests	(10,883)	(8,777)	(2,106)	23.99
350.	**Profit (Loss) for the period pertaining to the Parent Company**	**104,679**	**100,492**	**4,187**	**4.17**

Performance ratios[2]

Financial ratios	30.06.2020	2019 (*)
Structural ratios		
Net loans to customers/total assets	61.54%	65.80%
Net loans to customers/direct deposits from customers	88.41%	89.58%
Financial assets/total assets	25.90%	23.99%
Fixed assets[3]/total assets	1.82%	2.02%
Goodwill/total assets	0.51%	0.55%
Direct deposits/total assets	88.92%	88.91%
Indirect deposits under management/indirect deposits	37.74%	37.71%
Financial assets/tangible equity[4]	4.74	4.10
Total tangible assets[5]/tangible equity	18.16	16.96
Net interbank position (in thousands of Euro)	(11,500,006)	(9,891,324)
Number of employees[6]	13,550	13,805
Number of national bank branches	1,313	1,349
Profitability ratios		
ROE [7]	4.26%	8.66%
ROTE[8]	4.92%	9.92%
ROA[9]	0.27%	0.50%
Cost to income ratio[10]	67.27%	69.15%
Net impairment losses on loans to customers/net loans to customers	0.56%	0.31%
Basic EPS[11]	0.201	0.209
Diluted EPS[12]	0.188	0.209

(*) The comparative patrimonial ratios, together with ROE, ROTE e ROA, have been calculated on figures at 31 December 2019 as per the Consolidated financial statements as at 31 December 2019, while economical ratios have been calculated on figures at 30 June 2019 as per the Consolidated half-year report as at 30 June 2019.

[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 Realease.*
[3] *Fixed assets include both Equity investments and Property, plant and equipment. The ratio would be at 1.48% (1.64% at 31 December 2019) without considering the application of IFRS 16.*
[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 figure) does not include the expectations.*
[7] *ROE has been calculated as annualized net profit for the period on average shareholders' equity of Group not included net profit.*
[8] *ROTE has been calculated as annualized net profit for the period on average shareholders' equity of Group not included net profit and intangible assets.*
[9] *ROA has been calculated as annualized net profit for the period (including net profit for the period pertaining to minority interests) on total assets.*
[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 layout provided by the 6th update of Bank of Italy Circular no. 262 the cost/income ratio is at 70.71% (73.23% at 30 June 2019 as per the Consolidated half-year report as at 30 June 2019).*
[11] *EPS has been calculated net of treasury shares in portfolio.*
[12] *See previous note.*

(cont.)

Financial ratios	30.06.2020	2019 (*)
Risk ratios[13]		
Net non-performing loans/net loans to customers	5.01%	5.77%
Net bad loans/net loans to customers	1.68%	2.25%
Net unlikely to pay loans/net loans to customers	2.98%	3.19%
Net past due loans/net loans to customers	0.36%	0.32%
Impairment provisions for non-performing loans/gross non-performing loans	47.41%	51.03%
Impairment provisions for bad loans/gross bad loans	62.82%	66.04%
Impairment provisions for unlikely to pay loans/gross unlikely to pay loans	34.97%	33.01%
Impairment provisions for past due loans/gross past due loans	18.15%	14.57%
Impairment provisions for performing loans/gross performing loans	0.32%	0.33%
Texas ratio[14]	70.82%	79.04%
Own Funds (Phased in) (in thousands of Euro)[15]		
Common Equity Tier 1 (CET1)	4,773,562	4,828,807
Own Funds	5,758,897	5,839,914
Risk-weighted assets (RWA)	33,820,055	34,721,277
Capital and liquidity ratios		
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in	14.11%	13.91%
Tier 1 Ratio (T1 Ratio) - Phased in	14.56%	14.35%
Total Capital Ratio (TC Ratio) - Phased in	17.03%	16.82%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Loaded[16]	12.57%	12.01%
Liquidity Coverage Ratio (LCR)	161.8%	158.9%
Net Stable Funding Ratio (NSFR)[17]	n.a.	114.0%

Non-financial ratios	30.06.2020	2019 (*)
Productivity ratios (in thousands of Euro)		
Direct deposits per employee	4,414.38	4,205.40
Loans to customers per employee	3,902.85	3,767.19
Assets managed per employee	2,966.85	3,021.68
Assets administered per employee	4,894.74	4,991.60
Core revenues[18] per employee	83.46	80.55
Net interest and other banking income per employee	88.29	83.80
Operating costs per employee	62.43	61.36

(*) The comparative patrimonial ratios have been calculated on figures at 31 December 2019 as per the Consolidated financial statements as at 31 December 2019, while economical ratios have been calculated on figures at 30 June 2019 as per the Consolidated half-year report as at 30 June.

[13] *Pro-forma data including the effects of the "Spring" securitisation of bad loans.*
[14] *The texas ratio is calculated as total gross non-performing loans on net tangible equity increased by impairment provisions for non-performing loans.*
[15] *Items have been calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by the Commission Delegated Regulation (EU) 2395/2017.*
[16] *The Fully Loaded Common Equity Tier 1 ratio has been estimated excluding the effects of the transitional provisions in force and taking into account the expected absorption of deferred tax assets relating to first-time adoption of IFRS9.*
[17] *The NSFR, not yet available, is in any case estimated to exceed 100% (113.7% as at 31 March 2020).*
[18] *Core revenues = net interest income + net commission income.*