BPER: Banca

PRESS RELEASE

Consolidated interim report on operations as at 30 September 2020 approved

Profit for the first nine months comes to € 200.6 million, sustained by a good revenue-generating capacity and effective cost control.
A number of non-recurring components, already recorded in the first half, in addition to contributions to system funds of € 64.7 million, had an impact on the results, such as additional loan loss adjustments of over € 90 million for the worsening of the macroeconomic context caused by the health emergency, as well as other extraordinary charges for a total of approximately € 36 million[1]

Net profit for the third quarter of € 95.9 million benefiting from growth in core revenues[2] (€ 587.6 million) and containment of operating costs (€ 379.8 million), given a reduction in the cost of credit (20 bps). The ordinary contribution to the Deposit Guarantee Schemes ("DGS") estimated at € 30.5 million was accounted for in the quarter

The Group's high level of capital strength is confirmed by a Fully Loaded CET1 ratio pro-forma[3] of 13.03%, an increase of 46 bps since June 2020. Phased In CET1 ratio pro-forma[4] of 14.61%, with an overall capital buffer of over € 2 billion compared with the minimum requirement set by the European Central Bank for 2020[5]
High liquidity position with a LCR index of 175.8% well above the regulatory threshold of 100% and liquidity buffer of over € 15.5 billion

Further strong improvement in asset quality with gross and net NPE ratios of 8.8% and 4.7% respectively (from 9.1% and 5.0% in June and 11.1% and 5.8% at the end of 2019):
- **reduction in stock of gross and net non-performing loans of € 4.9 billion and € 2.5 billion respectively (-20.0% and -17.2% since the end of 2019);**
- **stock of gross and net bad loans down by 31.6% and 27.4% respectively since the end of 2019, also thanks to the "Spring" securitisation completed last July for a gross book value of € 1.2 billion[6];**
- **coverage ratios of non-performing loans improving compared with June in all categories;**
- **annualized default rate down sharply by 40 bps to 1.3% from 1.7% in June;**
- **Texas ratio[7] at 68.0%, down by more than 11.0 pp since the end of last year**

Annualised cost of credit at 101 bps which includes the impact of non-recurring items related to the worsening in the economic scenario for the health emergency and the sale of mezzanine and junior tranches of the "Spring" bad loan securitisation[8]

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 2,100,435,182.40- 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 1.0% since June and 2.9% since the end of 2019, helped by the disbursement of loans guaranteed by the State in response to the health emergency and mainly attributable to the retail and small business segments. Total funding of € 177.3 billion is up by a further 2.2% since last June (+1.0% since the end of 2019) with direct deposits essentially unchanged compared with June (+3.0% since the end of 2019) and indirect deposits well up by 3.5% on the last quarter, returning to the levels of the end of last year. Bancassurance, which is included in the overall funding figure, has continued to turn in an excellent performance, reaching € 7.2 billion, an increase of 2.9% from June and 6.2% from the end of 2019

The support initiatives for individuals and businesses continued in the second half of the year and the safeguards designed to protect the health of customers and employees and ensure the operational continuity of business processes were further strengthened. Over 50% of employees have been enabled to work on a remote basis. As part of the initiatives promoted in support of the economy in response to the health emergency, over 100 thousand applications for a moratorium have been accepted and over € 2.7 billion of State-guaranteed loans have been granted

The Right Issue of € 802 million was completed successfully in October to support the acquisition of a going concern from the Intesa Sanpaolo Group. This is an operation with high strategic and industrial value with a view to boosting the Group's development with a significant increase in market share and customer base.

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 September 2020.

Alessandro Vandelli, Chief Executive Officer and General Manager of BPER Banca, comments: *"Once again, in this second part of the year, we have been busy working on several fronts. First of all, our attention was focused on strengthening and promoting further initiatives in support of families and businesses at this time of economic and social difficulty caused by the protracted health emergency, also thanks to the support of our branches and central services which have returned to full operation in compliance with current regulations. To date, we have accepted over 100 thousand moratorium applications and disbursed State-guaranteed loans for over € 2.7 billion, while promoting numerous charitable initiatives and fundraising in the territories and communities that we serve. In October, the Right issue of € 802 million was successfully completed to finance the purchase of a going concern from the Intesa Sanpaolo Group, an operation of great strategic importance that will allow the BPER Group to grow significantly in terms of market share and customer base. It is a source of great satisfaction to have obtained the support of our shareholders and of the market at such a difficult and uncertain time. Moving on to comment on the results for the first nine months of the year approved today, I cannot deny that I am extremely satisfied with the results that we have achieved, thanks to the extraordinary commitment of all of the Group's staff. Profit levels are good, thanks to our continued ability to generate revenues and hold down operating costs, while further improving our quality of credit and capital position, which was already solid. Net profit for the period exceeds € 200 million, thanks to the resilience of revenues and despite having to recognise more than € 90 million of additional loan loss adjustments in the first half of the year as the macroeconomic forecasts got worse. The Group's already solid capital position further improves with a pro-forma Fully Loaded CET1 ratio at 13.03%, up by 46 bps from June 2020 and by more than one percentage point since the end of 2019. Liquidity remains high with a buffer of more than € 15.5 billion. Another important step forward in improving credit quality should be underlined, with a further contraction in the stock of gross and net non-performing loans by 20.0% and 17.2% respectively since the end of 2019; at the same time, this has led to a significant decrease in the gross and net NPE ratio to 8.8% and 4.7% respectively, the lowest they have been for the last 10 years."*

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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 nine months of 2020 are not comparable with those of the same period of the previous year due to the change in the scope of consolidation, which from 1 July 2019 includes Unipol Banca and Arca Holding, the first one absorbed by the Parent Company BPER Banca on 25 November 2019. The accounting figures for the third quarter of 2020, on the other hand, are comparable with those for the third quarter of 2019 as they are based on the same scope of consolidation).

Net interest income comes to € 943.7 million. The third quarter figure was € 325.5 million, up by 4.9% q/q and 3.0% compared with the third quarter of 2019, mainly thanks to the benefits to the cost of funding of joining the ECB's TLTRO 3 refinancing operations. The increase in net interest income is even more significant: +5.9% q/q and +5.3% compared with the third quarter of 2019 if calculated net of the accounting impacts of IFRS 9 and IFRS 16 (€ 320.9 million in the third quarter 2020 compared with € 302.9 million in the second quarter of 2020 and € 304.7 million in the third quarter of 2019[9]).

Net commission income amounts to € 774.8 million. The figure for the third quarter was € 262.1 million showing a marked increase of 6.9% q/q and reflecting a significant recovery in commission income after a particularly negative result in the second quarter due to the period of lock-down. Compared with the second quarter of 2020, the Bancassurance sector held up well, being substantially unchanged, while the asset management sector (+11.5% q/q), cards, collections and payments (+13.2% q/q) and the loans and guarantees segment (+2.6% q/q) performed particularly well.

Dividends in the period came to € 17.4 million (€ 4.6 million in the third quarter, € 12.0 million in the second quarter and € 0.8 million in the first quarter of 2020).

Net income from financial activities came to € 95.6 million (the third quarter figure of € 43.1 million is down by 7.9% q/q). It includes realised net gains on disposal of financial assets and loans of € 117.2 million, net losses on securities and derivatives of € 22.4 million and other revenues of € 0.8 million.

Operating income amounts to € 1,863.5 million. This figure in the third quarter comes to € 642.9 million, up by 3.0% q/q, the highest it has been for the last four quarters.

Operating costs amount to € 1,200.9 million, consisting of staff costs of € 721.3 million, other administrative expenses of € 351.6 million and net adjustments and write-backs to property, plant, and equipment and intangible assets of € 128.0 million. The figure for the third quarter, € 379.8 million, is the lowest it has been for the last five quarters, falling by 7.4% q/q and 2.5% compared with the third quarter of 2019. In detail, in the third quarter of the year: 1) staff costs amount to € 216.6 million, down compared with the previous quarter (-13.0%), benefiting from the positive effects of the manoeuvre on staff and the usual seasonal effect of the third quarter, and also down compared with the third quarter of 2019 (-6.2%); 2) other administrative expenses amount to € 120.1 million, up 2.8% q/q and 1.6% compared with the third quarter of 2019, mainly due to items involved in non-recurring transactions; 3) net adjustments and write-backs to property, plant, and equipment and intangible assets amount to € 43.0 million, down 2.4% q/q (+7.0% compared with the third quarter of 2019).

Net operating income (operating income, net of operating costs) in the period amounts to € 662.6 million. The figure for the third quarter, the highest it has been for the last four quarters, comes to € 263.2 million, up by 23.0% q/q (-1.6% compared with the third quarter of 2019).

Net impairment losses for credit risk amount to € 406.3 million, almost entirely referable to net adjustments to financial assets at amortised cost (€ 405.2 million); this item includes the additional loan loss adjustments made following the deterioration in the macroeconomic context caused by the health emergency, as well as further adjustments of € 16.4 million relating to the sale of the mezzanine and junior tranches of the "Spring" securitisation of bad loans concluded in July[10], already recorded in the first half. In particular, net adjustments for credit risk to financial assets at amortised cost during the third quarter amounted to € 107.9 million, a significant decrease compared with € 157.8 million in the second quarter (-31.6%) and € 139.6 in the first quarter (-22.7%); this figure is down by 33.0%, also compared with the third quarter of last year. The ordinary annualised **cost of credit** is 101 bps and includes the impact of the non-recurring items relating to the deterioration in the economic scenario due to the health emergency and the sale of the mezzanine and junior tranches of the "Spring" securitisation of bad loans.

Net provisions for risks and charges amount to € 30.0 million in the period (€ 15.1 million and € 17.2 million in the third and second quarter respectively, against a write-back of € 2.3 million in the first quarter of 2020).

Contributions to systemic funds recorded during the period total € 64.7 million (€ 58.4 million in the same period of 2019). More specifically: the BPER Group's ordinary contribution to the **Single Resolution Fund (SRF)** for 2020 of € 26.0 million and the additional contribution for 2018 of € 8.1 million, accounted for in the first half; the estimated amount of the ordinary contribution to the **Deposit Guarantee Schemes (DGS)** of € 30.5 million in the third quarter. Note that, in the interests of clarity, these contributions are shown on a separate line in the reclassified income statement, 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 the period was negative for € 4.0 million and includes an impairment adjustment to equity investments for a total of € 8.2 million, which was recorded in the second quarter.

The **profit from current operations before tax** was € 157.6 million.

Income taxes for the period are positive for € 62.4 million, mainly due to the benefits provided for by art. 55 of Legislative Decree 18/2020 "*Cura Italia*" and the net effect of stepping up intangible assets.

Profit for the period comes to € 220.0 million and includes net profit attributable to minority interests of € 19.4 million.

The **profit pertaining to the Parent Company** therefore amounts to € 200.6 million.

Consolidated balance sheet: key figures

Direct funding from customers (amounts due to customers, debt securities in issue 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 and substantially in line with June. Ordinary customer deposits amount to € 56.6 billion, a significant increase on both December 2019 (+3.7%) and June (+2.9%), mainly including current accounts and demand deposits for € 51.7 billion (+8.3% compared with the year-end), time deposits and certificates of deposit for € 0.5 billion (-70.6% compared with the end of 2019) and bonds for € 1.1 billion (-38.1% compared with the year-end). Institutional funding amounts to € 3.2 billion, down by 8.0% since the end of 2019 and made up entirely of bonds.

Indirect deposits from customers, valued at market prices, come to € 110.2 billion, in line with the figure at the end of 2019, but with significant growth both on June (+3.5%) and March (+8.5%). In particular, **assets under management** amount to € 41.1 billion, down by 1.5% since year-end, but up since June (+2.2%), of which € 16.7 billion relating to Arca Holding, net of the portion of funds placed by the BPER Group network. **Assets under administration** amount to € 69.1 billion (+0.3% since the end of 2019, +4.3% since June 2020) which includes administered deposits of a leading insurance company. The **portfolio of life insurance premiums**, not included in indirect deposits, amounts to € 7.2 billion, an increase of 6.2% on the end of 2019 and of 2.9% on June 2020.

Gross loans to customers amount to € 55.5 billion, up by 0.7% and 0.3% compared with June and the end of 2019 respectively. Gross performing loans amount to € 50.6 billion, whereas gross non-performing loans (bad, unlikely-to-pay and past due loans) amount to € 4.9 billion, a drop of 20.0% since the end of 2019, also as a result of the securitisation of a bad loans portfolio for a gross book value of € 1.2 billion (the "Spring" operation), with an incidence of 8.8% on total gross loans (9.1% in June and 11.1% at the end of 2019). Looking at the various components, **gross bad loans** amount to € 2.4 billion (-31.6% since the end of 2019); **gross unlikely-to-pay loans** amount to € 2.4 billion (down by 5.0% compared with the end of 2019); **gross past due loans** amount to € 182.8 million (-6.2% on the end of 2019). The quality of performing loans remains high, with 63.7% of low-risk ratings.

Net loans to customers amount to € 52.9 billion, up by 0.6% and 1.7% from last June and the end of 2019 respectively. Net performing loans amount to € 50.4 billion, whereas net non-performing loans (bad, unlikely-to-pay and past due loans) amount to € 2.5 billion, down by 17.2% from the end of 2019 also due to the securitisation, with an incidence on total net loans of 4.7% (5.0% in June and 5.8% at the end of 2019) and a coverage ratio up to 49.3% from 47.4% in June. Looking at the various components, **net bad loans** amount to € 0.8 billion, with coverage of 63.9%; **net unlikely-to-pay loans** amount to € 1.5 billion, with coverage of 36.8%; **net past due loans** amount to € 145.9 million with coverage of 20.2%.

The **net interbank position** is negative for € 12.1 billion and is the result of the imbalance between amounts due from banks of € 7.1 billion and amounts due to banks of € 19.2 billion. The BPER Group's total amount of refinancing with the European Central Bank (ECB) amounts to € 16.7 billion, entirely attributable to participation in TLTRO 3 operations with a three-year maturity. Financial instruments, which can be used as collateral for refinancing operations on the market, amount to € 27.5 billion, net of the haircut, of which € 9.9 billion is available, to which € 5.8 billion of deposits available at the ECB must be added.

Financial assets come to a total of € 23.2 billion (+4.3% from June and +22.4% from the end of 2019) and amount to 26.2% of total assets. Debt securities amount to € 22.3 billion and represent 96.0% of the total portfolio: of these, € 10.7 billion refer to government securities and other public entities, of which € 7.5 billion of Italian government securities.

Total shareholders' equity amounts to € 5.4 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 € 5.3 billion.

The **Liquidity Coverage Ratio** (LCR) and the **Net Stable Funding Ratio** (NSFR) are both over 100%; at 30 September 2020, the LCR index is 175.8%, while the NSFR is estimated to be over 100% (it was 118.8% at 30 June 2020).

Capital ratios

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

- Common Equity Tier 1 (CET1) ratio Phased In pro-forma[11] of 14.61% (14.11% at 30 June 2020, 13.60% at 31 March 2020 and 13.91% at 31 December 2019). This ratio calculated on a pro-forma Fully Loaded[12] basis comes to 13.03% (12.57% at 30 June 2020, 12.07% at 31 March 2020 and 12.01% at 31 December 2019);

- Tier 1 ratio (Phased In) pro-forma[13] of 15.05% (14.56% at 30 June 2020, 14.05% at 31 March 2020 and 14.35% at 31 December 2019);

- Total Capital ratio (Phased In) pro-forma[14] of 17.53% (17.03% at 30 June 2020, 16.59% at 31 March 2020 and 16.82% at 31 December 2019).

Main structure data at 30 September 2020

The Group is present in nineteen Italian regions with 1,310 bank branches, 3 fewer than at the end of June and 39 fewer than the end of 2019, in addition to the Luxembourg office of BPER Bank Luxembourg S.A. Moreover, a further 72 branches were closed in October, bringing the total number at 31 October to 1,238, reaching and exceeding the target of the 2019-2021 Business Plan more than a year in advance.

Group employees amounted to 13,405, a decrease of 145 compared with the end of June and of 400 compared with the end of 2019.

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Significant subsequent events that took place after 30 September 2020

The Right Issue in support of the acquisition of a going concern from the Intesa Sanpaolo Group was successfully completed in October: 100% of the new shares were subscribed for an amount of € 802 million

On 28 October, at the conclusion of the stock exchange offer of the option rights not exercised during the offer period that began on 5 October and ended on 23 October 2020, the process for the exercise of the option rights relating to the offer of 891,398,064 newly issued BPER ordinary shares resulting from the cash increase in capital for € 802,258,257.60 was completed. In light of the full subscription of the Increase in Capital, the Underwriting Syndicate did not have to intervene. BPER's new share capital therefore comes to € 2,100,435,182.40, split into 1,413,263,512 ordinary shares without par value.

Fitch Ratings confirmed BPER Banca's ratings with a "Stable" outlook

Fitch confirmed the Bank's ratings on 23 October 2020. The Long-Term Issuer Default Rating ("IDR") and Viability Rating ("VR") were confirmed at BB with a Stable outlook and bb respectively and, at the same time, the Rating Watch Negative ("RWN") was removed. Confirmation of the ratings reflects the progress made in improving asset quality, also as a result of the "Spring" bad loan securitisation concluded in July for a gross carrying amount of Euro 1.2 billion. Fitch's decision also follows completion of the € 802 million increase in capital to finance the acquisition of 532 branches from the Intesa Sanpaolo Group which, thanks to the significant growth in size, should help support the BPER Banca Group's profitability in the coming years.

Lastly, Fitch believes that both of these transactions can help offset external pressures resulting from the economic slowdown. The "Stable" outlook incorporates the Rating Agency's expectation that BPER's capitalisation will remain satisfactory relative to its level of rating and able to absorb the expected deterioration in asset quality and profitability, mainly due to the economic crisis following the health emergency.

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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 for the current year, with a prospect of recovery in economic activity only in 2021, helped by the massive intervention on the part of governments and central banks to support the liquidity and income of households and businesses to cope with this moment of great difficulty caused by the health emergency.

In this difficult context, 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 100-110 bps for the current year, these elements should help sustain the profitability for the current year. Asset quality should continue the improvement trend in the fourth quarter of the year, despite the situation of huge uncertainty and the deep deterioration of the economic scenario. Capital solidity and liquidity will remain at high levels.

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With reference to the regulatory provisions that were introduced with the amendment to Legislative Decree 25 of 15 February 2016, which followed the European Directive 2013/50/EU (Transparency II) and the subsequent Consob Resolution n. 19770 of 26 October 2016, it should be noted that BPER Banca decided on a voluntary basis, in continuity with the past, to publish the Group's consolidated interim report on operations at 31 March and 30 September of each year.
The document will soon be available at the Bank's head office, on the website of the Bank (www.bper.it and https://istituzionale.bper.it/), of Borsa Italiana S.p.A. and of the authorised storage system (www.1info.it).

To supplement the information provided in this press release, we attach the consolidated balance sheet and income statement (also quarterly and reclassified) at 30 September 2020, as well as a summary of the key financial indicators.

Modena, 4 November 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, 4 November 2020

The Manager responsible for preparing
the Company's financial reports
Marco Bonfatti

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A conference call will be held today, **4 November 2020 at 6.00 p.m**. (CET), to explain the consolidated results of the BPER Group at 30 September 2020.
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.

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Footnotes

[1] The most significant non-recurring items for the period, already recorded in the first half, 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 debts (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 al 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] Core revenues: net interest income + net commission income

[3] The Fully Loaded Common Equity Tier 1 ratio pro-forma has been estimated excluding the effects of the transitional provisions in force and taking into account the result for the period, net of the expected pro-quota dividends, and the expected absorption of deferred tax assets relating to first-time adoption of IFRS9. The inclusion of the result for the period in CET1 is subject to the approval of the European Central Bank. The authorization process for the request for recognition of the result for the period has not yet begun and will be finalized with reference to the reporting date for regulatory purposes of December 2020.

[4] 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. The "pro-forma" values reported include the result accrued during the third quarter, equal to € 95.9 million, for which the request for recognition in the Own Funds has not yet begun and will be finalized with reference to the reporting date for regulatory purposes of December 2020.

[5] 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 of 2%, having to be at least 56.25% of CET1 and 75% of T1. At 30 September 2020, the Common Equity Tier 1 Ratio requirement to be met was therefore equal to 8.125% Phased in and Fully Loaded.

[6] See press releases of 18 June 2020 and 7 July 2020.

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

[8] See Notes 1 and 9.

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

[10] As required by the GACS regulations, 95% of the mezzanine and junior tranches had to be placed with third-party 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, at the beginning of July the BPER Group sold 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 was € 16.4 million, which was recorded in item 130 a) Adjustments to financial assets measured at amortised cost.

[11] See note 4.

[12] See note 3.

[13] See note 4.

[14] See note 4.

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Gruppo

Reclassified financial statements as at 30 September 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"*, 90 "*Employee termination indemnities"* and 100 "*Provisions for risks and charges*";
- assets and liabilities classified as held for sale (asset caption 120 *"Non-current assets and disposal groups classified as held for sale"* and liability caption 70 *"Liabilities associated with assets classified as held for sale*") are presented in their original portfolios in order to report the aggregates more clearly[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 103,478 thousand at 30 September 2020 and Euro 100,051 thousand at 30 September 2019);
- *"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 IDPF-VS funds"* has been shown separately from the specific accounting technical forms to give a better and clearer representation, as well as to leave the "Other administrative costs" as a better reflection of the trend in the Group's operating costs. In particular, at 30 September 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 30,512 thousand, representative of the estimate of what will be required by the end of the 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.*

BPER:
Gruppo

Reclassified consolidated balance sheet as at 30 September 2020

(in thousands)

Assets	30.09.2020	31.12.2019	Change	% Change
Cash and cash equivalents	464,244	566,930	(102,686)	-18.11
Financial assets	23,212,173	18,956,906	4,255,267	22.45
a) Financial assets held for trading	257,216	270,374	(13,158)	-4.87
b) Financial assets designated at fair value	126,045	130,955	(4,910)	-3.75
c) Other financial assets mandatorily measured at fair value	703,080	692,995	10,085	1.46
d) Financial assets measured at fair value through other comprehensive income	6,322,985	6,556,202	(233,217)	-3.56
e) Debt securities measured at amortised cost	15,802,847	11,306,380	4,496,467	39.77
- banks	4,236,290	2,744,570	1,491,720	54.35
- customers	11,566,557	8,561,810	3,004,747	35.09
Loans	60,025,257	54,353,634	5,671,623	10.43
a) Loans to banks	7,110,099	2,321,809	4,788,290	206.23
b) Loans to customers	52,889,342	52,006,038	883,304	1.70
c) Financial assets measured at fair value	25,816	25,787	29	0.11
Hedging derivatives	49,631	82,185	(32,554)	-39.61
Equity investments	220,254	225,869	(5,615)	-2.49
Property, plant and equipment	1,345,489	1,369,724	(24,235)	-1.77
Intangible assets	660,733	669,847	(9,114)	-1.36
- of which: goodwill	434,758	434,758	-	-
Other assets	2,640,208	2,808,403	(168,195)	-5.99
Total assets	**88,617,989**	**79,033,498**	**9,584,491**	**12.13**

(in thousands)

Liabilities and shareholders' equity	30.09.2020	31.12.2019	Change	% Change
Due to banks	19,188,980	12,213,133	6,975,847	57.12
Direct deposits	59,780,401	58,055,608	1,724,793	2.97
a) Due to customers	55,145,698	52,220,719	2,924,979	5.60
b) Debt securities issued	4,634,703	5,834,889	(1,200,186)	-20.57
Financial liabilities held for trading	167,410	165,970	1,440	0.87
Hedging derivatives	459,681	294,114	165,567	56.29
Other liabilities	3,568,127	3,013,126	555,001	18.42
Minority interests	137,257	131,662	5,595	4.25
Shareholders' equity pertaining to the Parent Company	5,316,133	5,159,885	156,248	3.03
a) Valuation reserves	53,367	37,750	15,617	41.37
b) Reserves	2,351,088	2,035,205	315,883	15.52
c) Equity instruments	150,000	150,000	-	-
d) Share premium reserve	1,002,722	1,002,722	-	-
e) Share capital	1,565,596	1,561,884	3,712	0.24
f) Treasury shares	(7,259)	(7,259)	-	-
g) Profit (Loss) for the period	200,619	379,583	(178,964)	-47.15
Total liabilities and shareholders' equity	**88,617,989**	**79,033,498**	**9,584,491**	**12.13**

BPER: Gruppo

Reclassified consolidated income statement as at 30 September 2020

(in thousands)

Captions		30.09.2020	30.09.2019	Change	% Change
10+20	Net interest income	943,743	862,093	81,650	9.47
	*of which IFRS 9 components**	*22,544*	*40,183*	*(17,639)*	*-43.90*
40+50	Net commission income	774,824	656,070	118,754	18.10
70	Dividends	17,393	13,650	3,743	27.42
80+90+100+110	Net income from financial activities	95,589	77,186	18,403	23.84
230	Other operating expense/income	31,969	34,771	(2,802)	-8.06
	Operating income	**1,863,518**	**1,643,770**	**219,748**	**13.37**
190 a)	Staff costs	(721,302)	(657,676)	(63,626)	9.67
190 b)	Other administrative expenses	(351,600)	(305,357)	(46,243)	15.14
210+220	Net adjustments to property, plant and equipment and intangible assets	(128,003)	(108,741)	(19,262)	17.71
	Operating costs	**(1,200,905)**	**(1,071,774)**	**(129,131)**	**12.05**
	Net operating income	**662,613**	**571,996**	**90,617**	**15.84**
130 a)	Net impairment losses to financial assets at amortised cost	(405,192)	(308,021)	(97,171)	31.55
	- loans to customers	(400,361)	(305,369)	(94,992)	31.11
	- other financial assets	(4,831)	(2,652)	(2,179)	82.16
130 b)	Net impairment losses to financial assets at fair value	(495)	582	(1,077)	-185.05
140	Gains (Losses) from contractual modifications without derecognition	(624)	(1,618)	994	-61.43
	Net impairment losses for credit risk	**(406,311)**	**(309,057)**	**(97,254)**	**31.47**
200	Net provisions for risks and charges	(30,010)	(9,202)	(20,808)	226.12
###	Contributions to SRF, DGS, IDPF - VS	(64,653)	(58,414)	(6,239)	10.68
250+270 +280	Gains (Losses) on equity investments, disposal investments and impairment losses on goodwill	(4,020)	8,810	(12,830)	-145.63
275	Gain on a bargain purchase	-	353,805	(353,805)	-100.00
290	**Profit (Loss) from current operations before tax**	**157,619**	**557,938**	**(400,319)**	**-71.75**
300	Income taxes on current operations for the period	62,362	(19,945)	82,307	-412.67
330	**Profit (Loss) for the period**	**219,981**	**537,993**	**(318,012)**	**-59.11**
340	Profit (Loss) for the period pertaining to minority interests	(19,362)	(15,068)	(4,294)	28.50
350	**Profit (Loss) for the period pertaining to the Parent Company**	**200,619**	**522,925**	**(322,306)**	**-61.64**

** 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.*

BPER:
Gruppo

Reclassified consolidated income statement by quarter as at 30 September 2020

(in thousands)

Captions		1st quarter 2020	2nd quarter 2020	3rd quarter 2020	1st quarter 2019	2nd quarter 2019	3rd quarter 2019	4th quarter 2019
10+20	Net interest income	307,971	310,280	325,492	273,896	272,288	315,909	302,446
	*of which IFRS 9 components**	*9,414*	*7,945*	*5,185*	*13,352*	*15,083*	*11,748*	*3,460*
40+50	Net commission income	267,595	245,102	262,127	192,544	195,210	268,316	275,880
70	Dividends	809	12,034	4,550	539	9,687	3,424	451
80+90+100+110	Net income from financial activities	5,642	46,832	43,115	22,062	5,403	49,721	36,807
230	Other operating expense/income	14,607	9,724	7,638	6,337	8,923	19,511	16,308
	Operating income	**596,624**	**623,972**	**642,922**	**495,378**	**491,511**	**656,881**	**631,892**
190 a)	Staff costs	(255,576)	(249,088)	(216,638)	(213,631)	(213,109)	(230,936)	(392,010)
190 b)	Other administrative expenses	(114,546)	(116,917)	(120,137)	(90,930)	(96,204)	(118,223)	(146,473)
210+220	Net adjustments to property, plant and equipment and intangible assets	(40,957)	(44,051)	(42,995)	(33,172)	(35,380)	(40,189)	(76,335)
	Operating costs	**(411,079)**	**(410,056)**	**(379,770)**	**(337,733)**	**(344,693)**	**(389,348)**	**(614,818)**
	Net operating income	**185,545**	**213,916**	**263,152**	**157,645**	**146,818**	**267,533**	**17,074**
130 a)	Net impairment losses to financial assets at amortised cost	(139,553)	(157,769)	(107,870)	(72,485)	(74,551)	(160,985)	(139,526)
	- loans to customers	*(139,991)*	*(153,846)*	*(106,524)*	*(71,328)*	*(74,632)*	*(159,409)*	*(139,449)*
	- other financial assets	*438*	*(3,923)*	*(1,346)*	*(1,157)*	*81*	*(1,576)*	*(77)*
130 b)	Net impairment losses to financial assets at fair value	105	(963)	363	421	(392)	553	674
140	Gains (Losses) from contractual modifications without derecognition	(195)	(247)	(182)	(891)	(76)	(651)	(1,361)
	Net impairment losses for credit risk	**(139,643)**	**(158,979)**	**(107,689)**	**(72,955)**	**(75,019)**	**(161,083)**	**(140,213)**
200	Net provisions for risks and charges	2,276	(17,177)	(15,109)	(1,995)	(9,698)	2,491	(2,991)
###	Contributions to SRF, DGS, IDPF - VS	(31,978)	(2,185)	(30,490)	(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)	1,140	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**	**111,004**	**63,320**	**57,228**	**437,390**	**(141,040)**
300	Income taxes on current operations for the period	(6,119)	75,066	(6,585)	(12,266)	987	(8,666)	(2,501)
330	**Profit (Loss) for the period**	**10,402**	**105,160**	**104,419**	**51,054**	**58,215**	**428,724**	**(143,541)**
340	Profit (Loss) for the period pertaining to minority interests	(4,320)	(6,563)	(8,479)	(3,083)	(5,694)	(6,291)	199
350	**Profit (Loss) for the period pertaining to the Parent Company**	**6,082**	**98,597**	**95,940**	**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 September 2020

(in thousands)

Assets		30.09.2020	31.12.2019	Change	% Change
10.	Cash and cash equivalents	464,244	566,924	(102,680)	-18.11
20.	Financial assets measured at fair value through profit or loss	1,112,157	1,120,111	(7,954)	-0.71
	a) financial assets held for trading	257,216	270,374	(13,158)	-4.87
	b) financial assets designated at fair value	126,045	130,955	(4,910)	-3.75
	c) other financial assets mandatorily measured at fair value	728,896	718,782	10,114	1.41
30.	Financial assets measured at fair value through other comprehensive income	6,322,985	6,556,202	(233,217)	-3.56
40.	Financial assets measured at amortised cost	75,710,690	65,541,246	10,169,444	15.52
	a) loans to banks	11,346,389	5,066,379	6,280,010	123.95
	b) loans to customers	64,364,301	60,474,867	3,889,434	6.43
50.	Hedging derivatives	49,631	82,185	(32,554)	-39.61
70.	Equity investments	220,254	225,869	(5,615)	-2.49
90.	Property, plant and equipment	1,344,461	1,368,696	(24,235)	-1.77
100.	Intangible assets	660,733	669,847	(9,114)	-1.36
	of which:				
	- goodwill	434,758	434,758	-	-
110.	Tax assets	1,925,563	2,024,579	(99,016)	-4.89
	a) current	332,827	466,312	(133,485)	-28.63
	b) deferred	1,592,736	1,558,267	34,469	2.21
120.	Non-current assets and disposal groups classified as held for sale	97,691	97,142	549	0.57
130.	Other assets	709,580	780,697	(71,117)	-9.11
	Total assets	**88,617,989**	**79,033,498**	**9,584,491**	**12.13**

(in thousands)

Liabilities and shareholders' equity		30.09.2020	31.12.2019	Change	% Change
10.	Financial liabilities measured at amortised cost	78,830,382	70,135,262	8,695,120	12.40
	a) due to banks	19,188,980	12,213,133	6,975,847	57.12
	b) due to customers	55,006,699	52,087,240	2,919,459	5.60
	c) debt securities issued	4,634,703	5,834,889	(1,200,186)	-20.57
20.	Financial liabilities held for trading	167,410	165,970	1,440	0.87
40.	Hedging derivatives	459,681	294,114	165,567	56.29
60.	Tax liabilities	65,112	75,737	(10,625)	-14.03
	a) current	6,838	5,405	1,433	26.51
	b) deferred	58,274	70,332	(12,058)	-17.14
70.	Liabilities associated with assets classified as held for sale	139,340	134,077	5,263	3.93
80.	Other liabilities	2,733,573	2,069,511	664,062	32.09
90.	Employee termination indemnities	160,321	191,120	(30,799)	-16.12
100.	Provisions for risks and charges	608,780	676,160	(67,380)	-9.97
	a) commitments and guarantees granted	55,290	55,995	(705)	-1.26
	b) pension and similar obligations	154,740	161,619	(6,879)	-4.26
	c) other provisions for risks and charges	398,750	458,546	(59,796)	-13.04
120.	Valuation reserves	53,367	37,750	15,617	41.37
140.	Equity instruments	150,000	150,000	-	-
150.	Reserves	2,351,088	2,035,205	315,883	15.52
160.	Share premium reserve	1,002,722	1,002,722	-	-
170.	Share capital	1,565,596	1,561,884	3,712	0.24
180.	Treasury shares (-)	(7,259)	(7,259)	-	-
190.	Minority interests (+/-)	137,257	131,662	5,595	4.25
200.	Profit (Loss) for the period (+/-)	200,619	379,583	(178,964)	-47.15
	Total liabilities and shareholders' equity	**88,617,989**	**79,033,498**	**9,584,491**	**12.13**

BPER:
Gruppo

Consolidated income statement as at 30 September 2020

(in thousands)

Captions		30.09.2020	30.09.2019	Change	Change %
10.	Interest and similar income	1,086,160	1,057,644	28,516	2.70
	of which: interest income calculated using the effective interest method	1,079,978	1,039,265	40,713	3.92
20.	Interest and similar expense	(142,417)	(195,551)	53,134	-27.17
30.	**Net interest income**	**943,743**	**862,093**	**81,650**	**9.47**
40.	Commission income	902,370	720,079	182,291	25.32
50.	Commission expense	(127,546)	(64,009)	(63,537)	99.26
60.	**Net commission income**	**774,824**	**656,070**	**118,754**	**18.10**
70.	Dividends and similar income	17,393	13,650	3,743	27.42
80.	Net income from trading activities	(15,796)	(23,554)	7,758	-32.94
90.	Net income from hedging activities	(2,522)	(4,178)	1,656	-39.64
100.	Gains (Losses) on disposal or repurchase of:	136,059	110,205	25,854	23.46
	a) financial assets measured at amortised cost	127,262	39,458	87,804	222.53
	b) financial assets measured at fair value through other comprehensive income	8,348	70,311	(61,963)	-88.13
	c) financial liabilities	449	436	13	2.98
110.	Net income on financial assets and liabilities measured at fair value through profit or loss	(22,152)	(5,287)	(16,865)	318.99
	a) financial assets and liabilities designated at fair value	(4,166)	(6,965)	2,799	-40.19
	b) other financial assets mandatorily measured at fair value	(17,986)	1,678	(19,664)	--
120.	**Net interest and other banking income**	**1,831,549**	**1,608,999**	**222,550**	**13.83**
130.	Net impairment losses for credit risk relating to:	(405,687)	(307,439)	(98,248)	31.96
	a) financial assets measured at amortised cost	(405,192)	(308,021)	(97,171)	31.55
	b) financial assets measured at fair value through other comprehensive income	(495)	582	(1,077)	-185.05
140.	Gains (Losses) from contractual modifications without derecognition	(624)	(1,618)	994	-61.43
150.	**Net income from financial activities**	**1,425,238**	**1,299,942**	**125,296**	**9.64**
180.	**Net income from financial and insurance activities**	**1,425,238**	**1,299,942**	**125,296**	**9.64**
190.	Administrative expenses:	(1,241,033)	(1,121,498)	(119,535)	10.66
	a) staff costs	(721,302)	(657,676)	(63,626)	9.67
	b) other administrative expenses	(519,731)	(463,822)	(55,909)	12.05
200.	Net provisions for risks and charges	(18,558)	(9,202)	(9,356)	101.67
	a) commitments and guarantees granted	705	6,837	(6,132)	-89.69
	b) other net provisions	(19,263)	(16,039)	(3,224)	20.10
210.	Net adjustments to property, plant and equipment	(84,092)	(69,649)	(14,443)	20.74
220.	Net adjustments to intangible assets	(43,911)	(39,092)	(4,819)	12.33
230.	Other operating expense/income	123,995	134,822	(10,827)	-8.03
240.	**Operating costs**	**(1,263,599)**	**(1,104,619)**	**(158,980)**	**14.39**
250.	Gains (Losses) of equity investments	(4,523)	10,539	(15,062)	-142.92
275.	Gain on a bargain purchase	-	353,805	(353,805)	-100.00
280.	Gains (Losses) on disposal investments	503	(1,729)	2,232	-129.09
290.	**Profit (Loss) from current operations before tax**	**157,619**	**557,938**	**(400,319)**	**-71.75**
300.	Income taxes on current operations for the period	62,362	(19,945)	82,307	-412.67
310.	**Profit (Loss) from current operations after tax**	**219,981**	**537,993**	**(318,012)**	**-59.11**
330.	**Profit (Loss) for the period**	**219,981**	**537,993**	**(318,012)**	**-59.11**
340.	Profit (Loss) for the period pertaining to minority interests	(19,362)	(15,068)	(4,294)	28.50
350.	**Profit (Loss) for the period pertaining to the Parent Company**	**200,619**	**522,925**	**(322,306)**	**-61.64**

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Performance ratios[2]

Financial ratios	30.09.2020	2019 (*)
Structural ratios		
Net loans to customers/total assets	59.68%	65.80%
Net loans to customers/direct deposits from customers	88.47%	89.58%
Financial assets/total assets	26.19%	23.99%
Gross non-performing loans/gross loans to customers	8.83%	11.07%
Net non-performing loans/net loans to customers	4.70%	5.77%
Texas ratio[3]	67.95%	79.04%
Profitability ratios		
ROE[4]	5.42%	8.66%
ROTE[5]	6.26%	9.92%
ROA[6]	0.33%	0.50%
Cost to income ratio[7]	64.44%	65.20%
Cost of credit risk[8]	0.76%	0.31%
Own Funds (Phased in) (in thousands of Euro)[9]		
Common Equity Tier 1 (CET1)	4,803,225	4,828,807
Own Funds	5,786,627	5,839,914
Risk-weighted assets (RWA)	33,618,188	34,721,277
Capital and liquidity ratios		
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in	14.29%	13.91%
Tier 1 Ratio (T1 Ratio) - Phased in	14.74%	14.35%
Total Capital Ratio (TC Ratio) - Phased in	17.21%	16.82%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Loaded pro-forma[10]	13.03%	12.01%
Liquidity Coverage Ratio (LCR)	175.8%	158.9%
Net Stable Funding Ratio (NSFR)[11]	n.a.	114.0%

(*) The comparative patrimonial ratios, together with ROE, ROTE and 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 September 2019 as per the Consolidated interim report as at 30 September 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 Release.

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

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

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

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

[7] The Cost to income ratio has been calculated on the basis of the layout of the reclassified income statement (operating costs/operating income); when calculated on the basis of the layout provided by the 6th update of Bank of Italy Circular no. 262, the Cost to income ratio is at 68.99% (68.65% at 30 September 2019 as per the Consolidated interim report as at 30 September 2019).

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

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

[10] The Fully Loaded Common Equity Tier 1 ratio pro-forma has been estimated excluding the effects of the transitional provisions in force and taking into account the result for the period, net of the expected pro-quota dividends, and the expected absorption of deferred tax assets relating to first-time adoption of IFRS9. The inclusion of the result for the period in CET1 is subject to the approval of the European Central Bank. The authorization process for the request for recognition of the result for the period and will be finalized with reference to the reporting date for regulatory purposes of December 2020.

[11] The NSFR, not yet available, is in any case estimated to exceed 100% (118.8% as at 30 June 2020).