BPER: Banca

PRESS RELEASE

9M 2021 consolidated results approved

9M RESULTS HIGHLIGHT CONTINUED GROWTH IN CORE BUSINESS PROFITABILITY, COMBINED WITH A FURTHER MAJOR IMPROVEMENT IN CREDIT QUALITY AND PROVEN CAPITAL STRENGTH

9M21 NET PROFIT OF € 586.2 MLN

Excluding one-offs[1], profit before tax amounts to € 417.1 mln, driven by growing revenues from an increase in net fee and commission income, reflecting both the positive trend in the placement of asset management and bancassurance products and the ongoing recovery of traditional banking

3Q21 NET PROFIT OF € 84.4 MLN AFTER PAYMENT OF € 80 MLN WORTH OF BANKING SYSTEM CHARGES

- Net commission income: € 438.5 mln (+8.0% q/q)
- Operating income: € 892.4 mln (+6.1% q/q)

CREDIT QUALITY CONTINUES TO IMPROVE

- Gross NPE Ratio: 5.5% vs. 5.7% in 2Q21 (7.8% at end 2020)
- Net NPE ratio: 2.6% vs. 2.8% in 2Q21 (4.0% at end 2020)
- NPE coverage: 55.3% up from 51.8% in 2Q21 (51.0% at end 2020). More specifically: coverage of bad loans at 63.0% (vs. 60.9% in 2Q21) and UTP loans at 48.4% (vs. 43.1% in 2Q21)
- Annualised default rate at 0.8%, stable on end-June 2021 (1.0% at end 2020)
- Texas ratio[2] down to 49.3% (55.4% at end 2020)
- Net of € 310 mln worth of additional loan loss provisions, the 70 bps annualised cost of credit is driven by a particularly conservative approach to provisioning

NPE DISPOSAL TARGET CONFIRMED FOR A GBV OF APPROXIMATELY € 1 BN BY THE END OF 2021, OF WHICH € 700 MLN ALREADY COMPLETED IN THE FIRST 9 MONTHS OF THE YEAR

HIGH CAPITAL STRENGTH

Pro-forma fully phased CET1 ratio[3] of 13.7% (14.7% pro-forma phased-in[4]). Large buffer vs. current SREP requirement of 8.125%

INDIRECT FUNDING ON A FURTHER UPTREND IN 3Q21, ADDITIONALLY DRIVEN BY GOOD PERFORMANCE IN SALES AND DISTRIBUTION

- Indirect funding totals € 166.2 bn (+0.7% q/q), of which € 83.1 bn in AuM (+1.3% q/q), inclusive of life bancassurance.
- Major growth in net funding during the 9-month period to € 2,122 mln, of which € 941 mln in 3Q21 (+83.8% q/q)

UNION NEGOTIATIONS UNDERWAY TO PROMOTE GENERATIONAL AND PROFESSIONAL TURNOVER VIA HIRING PLAN AND EXIT OF 1,700 RESOURCES

Modena - 5 November 2021. At its meeting today, the Board of Directors of BPER Banca examined and approved the Bank separate and Group consolidated results as at 30 September 2021, which are inclusive of the pro-rata P&L contribution of the business unit acquired from Intesa Sanpaolo, consisting of 620 branches.

BPER's Chief Executive Officer, Piero Luigi Montani, commented: *"We are very happy with the results of the first nine months of the year, as they reward the hard work that our colleagues put into successfully completing the integration of the 620 branches of the going concern we acquired from Intesa Sanpaolo, which has allowed the Group to take a major leap in size.*

Operationally, the third quarter confirmed the positive trends observed since the beginning of the year. Despite the usual seasonality, results reflected a considerable increase in profitability, which continued to benefit from a rise in net fee and commission income, driven primarily by the placement of asset management and bancassurance products.

In parallel, the credit quality improvement process continues with a gross NPE ratio of 5.5%, down further compared to the previous quarter (5.7%), and a major increase in NPE coverage, which has reached 55.3%.

The strong capital position is confirmed, with a fully phased CET 1 of 13.7%, comfortably in excess of the minimum requirements.

I would also like to emphasise the important ESG objectives we have achieved: from our commitment to the UNEP FI Principles for Responsible Banking, to the set-up of a board-internal Sustainability Committee, to BPER Banca's admission to Borsa Italiana's MIB ESG index.

All of this bears witness to the strategic importance that our Group attaches to sustainability issues, the management of which translates into consistent and concrete commitments both at governance level and in the day-to-day operations of all of the Company's functions.

The results we have achieved in profitability, credit quality and capitalisation, combined with the progress we have made in ESG and the competitive edge we have gained, will pave the way for our 2022-2024 Business Plan. The Plan's strategic guidelines will steer the BPER Group through a new phase of growth in a competitive scenario increasingly characterised by the acceleration of digital and technological processes".

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Consolidated income statement: key figures

(Please note that the income statement figures referring to the Group consolidated results as at 30 September 2021 are not comparable with prior periods due to the change in the size of the Group, which is inclusive of the assets, liabilities and P&L input that the newly-acquired going concern has been contributing with 587 former UBI Banca branches since 22 February 2021 and 33 branches of Intesa San Paolo since 21 June 2021).

Net interest income settled at € 1,119.4 mln, of which € 980.7 mln from funding and lending with customers. In the third quarter of 2021, NII was € 391.1 mln, up 1.6% q/q, partly driven by the contribution from the Intesa Sanpaolo branches acquired at the end of June. Key contributors included TLTRO-III funds (net of interest paid on deposits with the ECB) for an amount of € 80.9 mln (€ 24.1 mln in 3Q21) and the securities portfolio for an amount of € 80.7 mln (€ 25.1 mln in 3Q21).

Net commission income reached € 1,172.4 mln, driven by the growth in indirect funding and bancassurance (with € 529.7 mln contributed in total) and the contribution of the going concern acquired. Similarly, traditional banking fees and commissions continue their uptrend to € 642.7 mln in the 9-month period. Considering the seasonality of the period, net commission income was likewise particularly positive in 3Q21. Settling at € 438.5 mln, up 8.0% on 2Q21, net commissions benefitted primarily from growing net inflows in assets under management and bancassurance.

Dividends amounted to € 14.6 mln (€ 0.7 mln in 3Q21).

Net income from financial activities totalled € 172.6 mln, benefitting from gains on disposal of financial assets and good financial market performance. In the third quarter of 2021, this aggregate amounted to € 52.9 mln, up 21.7% q/q.

Operating income rose to € 2,490.8 mln, supported by the growth in core revenues (Net Interest Income and Net commission income). In 3Q21, the aggregate totalled € 892.4 mln, up 6.1% q/q, benefitting from both good commercial performance and the full-scale contribution of the acquired business.

Operating costs amounted to € 1,629.2 mln (€ 517.8 mln in 3Q21) and included € 102.7 mln in non-recurring charges, largely attributable to the integration process of the business unit acquired. More specifically:

- **staff costs** totalled € 971.0 mln and included € 18.0 mln in one-off costs, primarily in connection with the activities put in place for new resources' alignment and the enhanced deployment of staff to commercial support for customers from the newly acquired business unit. The aggregate for the third quarter of 2021 amounted to € 313.8 mln, down 11.6% from 2Q21, benefitting from the usual seasonality of the period.

- **Other administrative expenses** amounted to € 498.4 mln, of which € 75.8 mln in non-recurring expenses mainly related to consulting, IT migration and rebranding of the integrated branches. For the third quarter of 2021, this aggregate settled at € 151.1 mln, down 4.0% q/q.

- **Net impairment adjustments to property, plant, equipment and intangible assets** amounted to € 159.8 mln and included € 8.9 mln worth of asset writedowns, partly due to the change in the properties measurement method from cost to fair value (resulting in higher depreciation). For the third quarter of 2021, the aggregate amounted to € 52.8 mln, up 0.6% q/q.

Net operating income amounted to € 861.6 mln. Net of non-recurring items, the amount was € 956.1 mln (of which € 2,482.6 mln in operating income and € 1,526.5 mln in operating costs).

Net impairment losses for credit risk amounted to € 715.2 mln (€ 138.8 mln in 3Q21) and included € 310.0 mln of additional loan loss provisions resulting from the Group's revised measurement policies recognised in the first half of 2021. Accordingly, the **annualised cost of credit** for the 9M period was 124 bps (70 bps excluding additional loan loss provisions).

Net provisions for risks and charges amounted to € 55.0 mln, of which € 30.5 mln non-recurring, most of which traceable to the adjustment of the "profit sharing" quota to be paid to the Resolution Fund in execution of the agreements associated with the acquisition of Nuova Carife S.p.A.

Contributions to the Banking System funds for the year 2021 amount to € 126.1 mln. In particular:

- € 46.1 mln (recognised in 1H21) paid to the Single Resolution Fund (SRF) based on the Group's scope as at 31 December 2019, with € 34.9 mln paid as a regular contribution and € 11.3 mln as an additional contribution requested by the SRF.
- € 80.0 mln (recognised in 3Q21) paid to the **Deposit Guarantee Fund ("DGS")**, up from last year due to the expansion of the deposit base following the integration of the going concern acquired.

In the interests of clarity, please note that these contributions are shown in a separate line in the reclassified income statement, whereas they are included in caption 190 b) "Other administrative expenses" in the Bank of Italy's schedule.

Badwill of € 1,127.8 mln, including:

- € 817.7 mln relating to badwill resulting from the Purchase Price Allocation (PPA) process required by IFRS 3 "Business combinations"[5] for the acquisition of the going concern. The difference between the equity pertaining to the business unit acquired and the purchase price paid generated an initial badwill (or "gain on a bargain purchase") of € 966.9 mln. The PPA allocation process via the measurement at fair value of the assets and liabilities acquired resulted in € 149.2 mln worth of PPA adjustments. The main effects include a € 337.5 mln lower fair value than book value for the non-performing loans acquired and a € 234.1 mln higher fair value than book value for the performing loans acquired.
- € 310.2 mln in recovery of taxation on badwill as per contractual provisions with Intesa Sanpaolo.

Gains (losses) on investments amounted to a negative € 255.9 mln and were primarily inclusive of € 230.4 mln in impairment losses on goodwill and € 31.1 mln in write-downs largely due to the afore-mentioned change in the investment properties measurement method from cost to fair value.

Profit from current operations before tax totalled € 837.1 mln. Net of non-recurring items, the amount was approximately **€ 417.1 mln**.

Income taxes amounted to € 226.0 mln and included the tax charge on badwill[6] of € 310.2 mln.

As a result, **profit for the period** totalled € 611.1 mln, inclusive of € 24.9 mln in profit for the period pertaining to minority interests.

The **profit for the period pertaining to the Parent Company** therefore amounted to € 586.2 mln (€ 84.4 mln in 3Q21).

Consolidated balance sheet: key figures

Funding and lending volumes were up significantly following the integration of the going concern acquired and were additionally boosted by the positive commercial performance.

Direct deposits from customers (amounts due to customers, debt securities in issue and financial liabilities designated at fair value) amounted to € 97.9 bn (-0.6% since June 2021). The key contributor to the aggregate was funding from retail/corporate customers, totalling € 94.0 bn and consisting mainly of current accounts and deposits (€ 89.6 bn), which were down 0.6% on the previous quarter due to commercial actions aimed at reducing excess liquidity and promoting households' adoption of a medium/long term investment approach. Institutional funding almost entirely consisting of bonds, amounted to € 4.0 bn, essentially in line with 2Q21 (€ 3.9 bn).

Indirect funding, totalling € 166.2 bn, was up 0.7% on end-June 2021. The aggregate includes **assets under management** rising to € 63.9 bn (+1.2% since end-June 2021), of which € 18.4 bn relating to Arca Holding (net of the funds quota placed by the BPER Group network), likewise on an uptrend from the previous quarter (+1.0%). **Life insurance premiums** underwritten amounted to € 19.2 bn (+1.6% since end-June 2021); **assets under custody** totalled € 83.0 bn, broadly stable on the previous quarter.

Gross loans to customers amounted to € 79.3 bn (+0.4% since end-June 2021). As part of the aggregate, gross performing loans amounted to € 75.0 bn (+0.5% since end-June 2021), while gross non-performing loans settled at € 4.4 bn and account for 5.5% of total gross loans, down further from 5.7% as at the end of June 2021 (7.8% at the end of 2020) thanks to the derisking effort underway.

As regards the breakdown of gross non-performing loans, **bad loans** amounted to € 2.4 bn, **unlikely-to-pay (UTP) loans** settled at € 1.9 bn, **past due loans** amounted to € 159.9 mln.

Net loans to customers amounted to € 76.5 bn (+0.3% since end-June 2021). As part of the aggregate, net performing loans amounted to € 74.5 bn (+0.5% on end of June 2021), while net non-performing loans settled at € 2.0 bn and account for 2.6% of total net loans, down from 2.8% in the previous quarter (4.0% as at the end of 2020). The coverage ratio for total non-performing loans has risen to 55.3% (51.8% as at the end of June 2021).

A breakdown of NPEs shows € 0.9 bn in **net bad loans** (-5.0% from end-June 2021), with coverage rising to 63.0% (vs. 60.9% as at end-June 2021), € 1.0 bn in **net UTP exposures** (-15.0% from end-June 2021) with coverage rising to 48.4% (vs. 43.1% as at end-June 2021); and € 121.8 mln in **net past due exposures** with coverage of 23.9% (vs. 24.9% as at end-June 2021).

Performing loan coverage settled at 0.6%, in line with the 0.6% level as at the end of June 2021 (0.3% as at the end of 2020).

As part of the support measures provided by the BPER Group (inclusive of the business unit acquired) for households and businesses to cope with the economic fallout of the pandemic, loan payment moratoria for an aggregate outstanding amount of € 3.0 bn are still active, down 7.2% from the end of June 2021 (-62.8% from 1Q21). State-guaranteed loans amount to € 6.9 bn, up 6.3% from the end of June 2021 (+13.8% on 1Q21).

The € 123.0 mln negative **net interbank position** is the result of the difference between € 23.2 bn in loans to banks and € 23.3 bn in loans from banks. Refinancing operations of the BPER Group with the European Central Bank (ECB), entirely consisting in TLTRO III funds with a maturity of three years, totalled € 18.4 bn. Financial assets eligible as collateral for refinancing operations on the market amount to € 30.9 bn, net of haircut, including € 9.5 bn unencumbered, which come in addition to the € 21.4 bn worth of deposits with the ECB.

Financial assets, amounting to € 27.4 bn, account for 20.5% of total assets. As part of the aggregate, debt securities amount to € 26.4 bn (96.2% of the total portfolio) and include € 12.2 bn in securities issued by governments and other public entities, including € 8.4 bn worth of Italian government bonds.

Total shareholders' equity amounts to € 6.9 bn, with minority interests accounting for € 0.2 bn. The **Group's consolidated shareholders' equity**, including net profit for the period, amounts to € 6.8 bn.

As at 30 September 2021, the **Liquidity Coverage Ratio** (LCR) exceeds 200%, while the **Net Stable Funding Ratio** (NSFR) is estimated at over 100%.

Capital ratios

As at 30 September 2021, the capital ratios measured under the AIRB approach to credit risk were as follows:

- pro-forma Phased In Common Equity Tier 1 (CET1) ratio[7] of 14.7% (14.5% as at 30 June 2021). Calculated on a pro-forma Fully Phased[8] basis, the ratio is 13.7% (13.5% as at 30 June 2021);
- pro-forma Phased In Tier 1 ratio[9] of 15.0% (14.9% as at 30 June 2021);
- pro-forma Phased in Total Capital Ratio[10] of 17.4% (17.2% as at 30 June 2021).

Structure highlights as at 30 September 2021

Already with a footprint in as many as nineteen regions of Italy, the Group has now further increased its competitive position with the going concern acquisition.

The total number of branches across the country is 1,846 (in addition to the Luxembourg Head Office of BPER Bank Luxembourg SA) from 1,237 as at the end of 2020, with a high concentration in Northern Italy.

Group employees total 18,076 as compared to a headcount of 13,177 at year-end 2020.

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Outlook for operations

Despite persistent bottlenecks in supply and uncertainties surrounding the spread of Covid-19 variants, economic recovery in the euro area is gaining momentum, with trade volumes back to pre-pandemic levels. The Governing Council of the ECB additionally confirmed the strongly expansionary stance of its monetary policy, as a way to support the ongoing recovery of the euro area economy. In Italy, second-quarter growth was higher than anticipated, fuelling expectations of over 2% GDP growth in the third quarter[11], supported by increased consumer spending, continued growth in industrial activity and a recovery in the services sector after mobility restrictions were eased.

Against this background, the Bank’s operations in the last part of the year will continue to focus on increasing core profitability, improving the risk profile and maintaining a sound capital position. Despite margin pressure due to the persistence of negative interest rates and excess liquidity, revenues will benefit from the expected growth in lending volumes and a positive trend in fees and commissions, which will continue to be driven by growth in asset management and bancassurance, as well as by the ongoing recovery in transactional banking. On the one hand, operating costs will continue to be a major focus of spending optimisation initiatives. On the other, they will incorporate a one-off component consisting in charges payable for the headcount optimisation effort which was announced at the end of September. Credit quality is expected to improve further, with volumes of non-performing loans anticipated to decline as a result of ongoing derisking. While reflecting a particularly conservative approach to provisioning, the cost of credit looks set to remain under control. The capital position is expected to remain robust.

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With reference to the regulatory provisions that were introduced with the amendment to Legislative Decree 25 of 15 February 2016, implementing European Directive 2013/50/EU (Transparency II) and subsequent Consob Resolution no. 19770 of 26 October 2016, it should be noted that, in line with its approach in previous years, BPER Banca has voluntarily decided to publish the Group's consolidated interim report on operations as at 31 March and 30 September of each year.
The document will be available at the Bank's head office, on the Bank's websites (www.bper.it and https://istituzionale.bper.it/), as well as on the website of Borsa Italiana S.p.A. and in the authorised storage device (www.1info.it).

As a complement to the information provided in this press release, attached please find the consolidated Balance Sheet and Income Statement (quarterly breakdown and reclassified) as at 30 September 2021, in addition to a summary of key financial indicators.

Modena, 5 November 2021

The Chief Executive Officer
Piero Luigi Montani

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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 Law on Finance), that the accounting information contained in this press release corresponds to the underlying documentary evidence, books and accounting records.

Modena, 5 November 2021

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

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A live conference call to discuss the BPER Banca Group consolidated results as at 30 September 2021 will be held today, **5 November 2021 at 6 p.m**. (CET).
The conference call, in Italian with simultaneous translation into English, will be held by the Chief Executive Officer Piero Luigi Montani**.**

To join the conference call, please dial the following numbers:

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

A set of slides to support the presentation will be made available on the Bank's website https://istituzionale.bper.it in the Investor Relations section, Presentations page, shortly before the start of the conference call.

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

Notes

[1] Summarised below are the extraordinary items recognised in the first nine months of 2021:

- + € 817.7 mln attributable to the provisional badwill recognised following the going concern acquisition;
- + € 310.2 mln in tax recovery on badwill from Intesa Sanpaolo, as contractually agreed. The figure was recognised in "Gain on a bargain purchase" with the tax charge on badwill being recognised for the same amount with a negative sign in "Income taxes on current operations for the period";
- - € 310.0 mln gross in additional loan loss provisions following the Group's revision of its provisioning policies;
- - € 230.4 mln gross in goodwill impairment (capital neutral) recognised as "Gains (losses) on investments" in the reclassified Income Statement;
- - € 93.8 mln gross in integration-related costs;
- - € 8.9 mln gross in value adjustments to property, plant, equipment and intangible assets;
- - € 30.5 mln gross, most of which referring to the adjustment of the "profit sharing" quota to be paid to the Resolution Fund in execution of the agreements connected with the acquisition of Nuova Carife s.p.a, recognised under "Net provisions for risks and charges" in the reclassified Income Statement;
- - € 31.1 mln gross relating to the impact of changes to the properties measurement method, recognised as "Gains (losses) on investments" in the reclassified Income Statement.
- + € 21.2 mln in one-off gains recognised as "Net income from financial activities"
- - € 13.0 mln in one-off charges recognised as "Other operating income and expenses"
- - € 11.3 mln in additional contributions to the SRF recognised as "Contributions to the SRF, DGS and IDPF-VS funds"

[2] Texas ratio defined as the ratio between Gross NPEs/(tangible equity + NPE loan loss provisions).

[3] The pro-forma Fully Phased CET1 ratio is estimated by excluding the effects of transitional provisions in force and including profit (loss) for the period for the portion not allocated to dividends, i.e. simulating in advance the effects of the ECB's authorisation for the inclusion of these profits in Own Funds pursuant to art. 26, para. 2 of the CRR.

[4] The Phased-in capital ratios are calculated in accordance with the provisions of Regulation (EU) 2017/2395, amending Regulation (EU) 575/2013 (CRR) as regards "Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on Own Funds". The Regulation introduced the transitional (Phase-in) regime offering banks the option to mitigate the impacts of IFRS 9 on Own Funds over a period of 5 years (from March 2018 to December 2022), by neutralising the impact on CET1 with the application of decreasing add-back factors over time. The BPER Banca Group elected to apply the "static approach" to the impact arising from a reconciliation of impairment losses under IAS 39 as at 31 December 2017 to impairment losses under IFRS 9 as at 1 January 2018. Calculation of the pro-forma amounts of these ratios includes the profit (loss) for the period for the portion not allocated to dividends, i.e. simulating in advance the effects of the ECB's authorisation for the inclusion of these profits in Own Funds pursuant to art. 26, para. 2 of the CRR.

[5] Under IFRS 3, Purchase Price Allocation adjustments can be made within a 12-month measurement period from the business combination date.

[6] See Note 1.

[7] See Note 4.

[8] See Note 3.

[9] See Note 4.

[10] See Note 4..

[11] Economic Bulletin Bank of Italy No. 4 of 2021.

Reclassified financial statements as at 30 September 2021

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"*;
- the caption *"Other assets"* includes captions 110 *"Tax assets"* and 130 "*Other assets*";
- the caption "*Other liabilities"* includes 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:

- the caption "*Net income from financial activities"* includes captions 80, 90, 100 and 110 of the accounting schedule;
- Indirect tax recoveries, allocated for accounting purposes to caption 230 *"Other operating expense/income"*, have been reclassified as a reduction in the related costs under *"Other administrative expenses"* (Euro 171.6 million at 30 September 2021 and Euro 103.5 million at 30 September 2020);
- the caption *"Net adjustments to property, plant, equipment and intangible assets"* includes captions 210 and 220 of the accounting schedule;
- the caption *"Net provisions for risks and charges"* includes Euro 19.8 million 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"* of the accounting schedule;
- the caption *"Gains (Losses) on investments"* includes captions 250, 260, 270 and 280 of the accounting schedule;
- the caption *"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 expenses"* as a better reflection of the trend in the Groups operating costs. In particular, at 30 September 2021, this caption represents the component allocated for accounting purposes to administrative expenses in relation to:
  - the 2021 contribution to the SRF (European Single Resolution Fund) for Euro 34.9 million;
  - additional contribution requested by the SRF (European Single Resolution Fund) for 2019 from Italian banks for Euro 11.3 million;
  - the 2021 contribution to the DGS (Deposit Guarantee Schemes) for Euro 80 million, representative of the estimate of what will be required by the end of the year.
- appropriate specification *("of which")* has been included in the caption "*Net interest income*" in order to highlight the impacts of IFRS 9 application.

Comparable figures at 31 December 2020 and 30 September 2020 shown respectively in the following balance sheet and income statement schedules have been restated to show the effects of the retrospective application of the change in the measurement method of property, plant and equipment held for investment. It should be noted that such effects have been exposed in apposite coloumn "of which: IAS 40 impact".

[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

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Reclassified consolidated balance sheet as at 30 September 2021

(in thousands)

Assets	30.09.2021	31.12.2020	of which: IAS 40 impact	Change	% Change
Cash and cash equivalents	653,111	482,192		170,919	35.45
Financial assets	27,440,604	24,661,915		2,778,689	11.27
a) Financial assets held for trading	319,284	279,009		40,275	14.44
b) Financial assets designated at fair value	123,952	127,368		(3,416)	-2.68
c) Other financial assets mandatorily measured at fair value	660,989	765,917		(104,928)	-13.70
d) Financial assets measured at fair value through other comprehensive income	6,374,707	6,269,818		104,889	1.67
e) Debt securities measured at amortised cost	19,961,672	17,219,803		2,741,869	15.92
- banks	5,605,132	4,496,133		1,108,999	24.67
- customers	14,356,540	12,723,670		1,632,870	12.83
Loans	99,690,315	62,888,784		36,801,531	58.52
a) Loans to banks	23,150,018	9,856,598		13,293,420	134.87
b) Loans to customers	76,482,758	53,005,879		23,476,879	44.29
c) Financial assets measured at fair value	57,539	26,307		31,232	118.72
Hedging derivatives	135,450	57,776		77,674	134.44
Equity investments	230,738	225,558		5,180	2.30
Property, plant and equipment	2,051,718	1,366,915	14,225	684,803	50.10
Intangible assets	478,192	702,723		(224,531)	-31.95
- of which: goodwill	204,392	434,758		(230,366)	-52.99
Other assets	3,494,184	2,675,920	(3,280)	818,264	30.58
Total assets	**134,174,312**	**93,061,783**	**10,945**	**41,112,529**	**44.18**

(in thousands)

Liabilities and shareholders equity	30.09.2021	31.12.2020	of which: IAS 40 impact	Change	% Change
Due to banks	23,273,048	20,180,999		3,092,049	15.32
Direct deposits	97,917,992	63,140,669		34,777,323	55.08
a) Due to customers	93,238,225	58,458,479		34,779,746	59.49
b) Debt securities issued	4,679,767	4,682,190		(2,423)	-0.05
Financial liabilities held for trading	122,314	170,094		(47,780)	-28.09
Hedging derivatives	293,020	469,240		(176,220)	-37.55
Other liabilities	5,620,737	2,766,652	7,570	2,854,085	103.16
Minority interests	154,084	133,983	48	20,101	15.00
Shareholders equity pertaining to the Parent Company	6,793,117	6,200,146	3,327	592,971	9.56
a) Valuation reserves	233,306	118,105		115,201	97.54
b) Reserves	2,492,344	2,360,743	12,052	131,601	5.57
c) Equity instruments	150,000	150,000		-	-
d) Share premium reserve	1,240,515	1,241,197		(682)	-0.05
e) Share capital	2,100,435	2,100,435		-	-
f) Treasury shares	(9,706)	(7,259)		(2,447)	33.71
g) Profit (Loss) for the period	586,223	236,925	(8,725)	349,298	147.43
Total liabilities and shareholders equity	**134,174,312**	**93,061,783**	**10,945**	**41,112,529**	**44.18**

BPER:
Gruppo

Reclassified consolidated income statement as at 30 September 2021

(in thousands)

Captions		30.09.2021	30.09.2020	of which: IAS 40 impact	Change	% Change
10+20	Net interest income	1,119,419	943,743		175,676	18.61
	*of which IFRS 9 components**	*13,737*	*22,544*		*(8,807)*	*-39.07*
40+50	Net commission income	1,172,409	774,824		397,585	51.31
70	Dividends	14,624	17,393		(2,769)	-15.92
80+90+100 +110	Net income from financial activities	172,610	95,589		77,021	80.58
230	Other operating expense/income	11,735	31,969		(20,234)	-63.29
	Operating income	**2,490,797**	**1,863,518**		**627,279**	**33.66**
190 a)	Staff costs	(971,024)	(721,302)		(249,722)	34.62
190 b)	Other administrative expenses	(498,408)	(351,600)		(146,808)	41.75
210+220	Net adjustments to property, plant and equipment and intangible assets	(159,813)	(122,139)	5,864	(37,674)	30.85
	Operating costs	**(1,629,245)**	**(1,195,041)**	**5,864**	**(434,204)**	**36.33**
	Net operating income	**861,552**	**668,477**	**5,864**	**193,075**	**28.88**
130 a)	Net impairment losses to financial assets at amortised cost	(714,497)	(405,192)		(309,305)	76.34
	- loans to customers	*(714,070)*	*(400,361)*		*(313,709)*	*78.36*
	- other financial assets	*(427)*	*(4,831)*		*4,404*	*-91.16*
130 b)	Net impairment losses to financial assets at fair value	1,461	(495)		1,956	-395.15
140	Gains (Losses) from contractual modifications without derecognition	(2,165)	(624)		(1,541)	246.96
	Net impairment losses for credit risk	**(715,201)**	**(406,311)**		**(308,890)**	**76.02**
200	Net provisions for risks and charges	(55,033)	(30,010)		(25,023)	83.38
###	Contributions to SRF, DGS, IDPF - VS	(126,118)	(64,653)		(61,465)	95.07
250+260+270 +280	Gains (Losses) on investments	(255,915)	(10,025)	(6,005)	(245,890)	--
275	Gain on a bargain purchase	1,127,847	-		1,127,847	n.s.
290	**Profit (Loss) from current operations before tax**	**837,132**	**157,478**	**(141)**	**679,654**	**431.59**
300	Income taxes on current operations for the period	(226,049)	60,972	(1,390)	(287,021)	-470.74
330	**Profit (Loss) for the period**	**611,083**	**218,450**	**(1,531)**	**392,633**	**179.74**
340	Profit (Loss) for the period pertaining to minority interests	(24,860)	(19,352)	10	(5,508)	28.46
350	**Profit (Loss) for the period pertaining to the Parent Company**	**586,223**	**199,098**	**(1,521)**	**387,125**	**194.44**

** 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 September 2021

(in thousands)

Captions		1st quarter 2021	2nd quarter 2021	3rd quarter 2021	1st quarter 2020	2nd quarter 2020	3rd quarter 2020	4th quarter 2020
10+20	Net interest income	343,513	384,809	391,097	307,971	310,280	325,492	295,133
	*of which IFRS 9 components**	*4,097*	*3,972*	*5,668*	*9,414*	*7,945*	*5,185*	*3,184*
40+50	Net commission income	328,132	405,826	438,451	267,595	245,102	262,127	297,690
70	Dividends	1,678	12,269	677	809	12,034	4,550	1,099
80+90+100+110	Net income from financial activities	76,241	43,471	52,898	5,642	46,832	43,115	42,576
230	Other operating expense/income	8,119	(5,631)	9,247	14,607	9,724	7,638	9,005
	Operating income	**757,683**	**840,744**	**892,370**	**596,624**	**623,972**	**642,922**	**645,503**
190 a)	Staff costs	(302,142)	(355,061)	(313,821)	(255,576)	(249,088)	(216,638)	(239,417)
190 b)	Other administrative expenses	(189,880)	(157,403)	(151,125)	(114,546)	(116,917)	(120,137)	(147,440)
210+220	Net adjustments to property, plant and equipment and intangible assets	(54,454)	(52,510)	(52,849)	(39,905)	(41,448)	(40,786)	(45,282)
	Operating costs	**(546,476)**	**(564,974)**	**(517,795)**	**(410,027)**	**(407,453)**	**(377,561)**	**(432,139)**
	Net operating income	**211,207**	**275,770**	**374,575**	**186,597**	**216,519**	**265,361**	**213,364**
130 a)	Net impairment losses to financial assets at amortised cost	(419,004)	(157,291)	(138,202)	(139,553)	(157,769)	(107,870)	(136,685)
	- loans to customers	*(417,667)*	*(159,229)*	*(137,174)*	*(139,991)*	*(153,846)*	*(106,524)*	*(134,244)*
	- other financial assets	*(1,337)*	*1,938*	*(1,028)*	*438*	*(3,923)*	*(1,346)*	*(2,441)*
130 b)	Net impairment losses to financial assets at fair value	773	913	(225)	105	(963)	363	133
140	Gains (Losses) from contractual modifications without derecognition	(602)	(1,177)	(386)	(195)	(247)	(182)	(1,517)
	Net impairment losses for credit risk	**(418,833)**	**(157,555)**	**(138,813)**	**(139,643)**	**(158,979)**	**(107,689)**	**(138,069)**
200	Net provisions for risks and charges	(40,914)	(9,592)	(4,527)	2,276	(17,177)	(15,109)	(2,471)
###	Contributions to SRF, DGS, IDPF - VS	(31,055)	(15,106)	(79,957)	(31,978)	(2,185)	(30,490)	(23,529)
250+260+270 +280	Gains (Losses) on investments	(250,655)	(2,629)	(2,631)	64	(10,151)	62	(10,038)
275	Gain on a bargain purchase	1,077,869	72,053	(22,075)	-	-	-	-
290	**Profit (Loss) from current operations before tax**	**547,619**	**162,941**	**126,572**	**17,316**	**28,027**	**112,135**	**39,257**
300	Income taxes on current operations for the period	(140,830)	(50,902)	(34,317)	(6,582)	74,603	(7,049)	4,219
330	**Profit (Loss) for the period**	**406,789**	**112,039**	**92,255**	**10,734**	**102,630**	**105,086**	**43,476**
340	Profit (Loss) for the period pertaining to minority interests	(6,523)	(10,497)	(7,840)	(4,325)	(6,543)	(8,484)	(5,649)
350	**Profit (Loss) for the period pertaining to the Parent Company**	**400,266**	**101,542**	**84,415**	**6,409**	**96,087**	**96,602**	**37,827**

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

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Consolidated balance sheet as at 30 September 2021

(in thousands)

	Assets	30.09.2021	31.12.2020	of which: IAS 40 impact	Change	% Change
10.	Cash and cash equivalents	653,111	482,192		170,919	35.45
20.	Financial assets measured at fair value through profit or loss	1,161,764	1,198,601		(36,837)	-3.07
	a) financial assets held for trading	319,284	279,009		40,275	14.44
	b) financial assets designated at fair value	123,952	127,368		(3,416)	-2.68
	c) other financial assets mandatorily measured at fair value	718,528	792,224		(73,696)	-9.30
30.	Financial assets measured at fair value through other comprehensive income	6,374,707	6,269,818		104,889	1.67
40.	Financial assets measured at amortised cost	119,504,629	79,991,505		39,513,124	49.40
	a) loans to banks	28,755,150	14,352,731		14,402,419	100.35
	b) loans to customers	90,749,479	65,638,774		25,110,705	38.26
50.	Hedging derivatives	135,450	57,776		77,674	134.44
70.	Equity investments	230,738	225,558		5,180	2.30
90.	Property, plant and equipment	2,050,585	1,365,705	14,225	684,880	50.15
100.	Intangible assets	478,192	702,723		(224,531)	-31.95
	of which:					
	- goodwill	204,392	434,758		(230,366)	-52.99
110.	Tax assets	1,751,665	2,003,040	(4,033)	(251,375)	-12.55
	a) current	325,691	418,174		(92,483)	-22.12
	b) deferred	1,425,974	1,584,866	(4,033)	(158,892)	-10.03
120.	Non-current assets and disposal groups classified as held for sale	97,127	99,467	753	(2,340)	-2.35
130.	Other assets	1,736,344	665,398		1,070,946	160.95
	Totale assets	**134,174,312**	**93,061,783**	**10,945**	**41,112,529**	**44.18**

E-MARKET SDIR CERTIFIED

(in thousands)

	Liabilities and shareholders equity	30.09.2021	31.12.2020	of which: IAS 40 impact	Change	% Change
10.	Financial liabilities measured at amortised cost	121,031,362	83,177,191		37,854,171	45.51
	a) due to banks	23,273,048	20,180,999		3,092,049	15.32
	b) due to customers	93,078,547	58,314,002		34,764,545	59.62
	c) debt securities issued	4,679,767	4,682,190		(2,423)	-0.05
20.	Financial liabilities held for trading	122,314	170,094		(47,780)	-28.09
40.	Hedging derivatives	293,020	469,240		(176,220)	-37.55
60.	Tax liabilities	206,482	82,318	7,570	124,164	150.83
	a) current	125,842	4,797		121,045	--
	b) deferred	80,640	77,521	7,570	3,119	4.02
70.	Liabilities associated with assets classified as held for sale	166,164	144,809		21,355	14.75
80.	Other liabilities	4,580,934	1,945,822		2,635,112	135.42
90.	Employee termination indemnities	208,281	148,199		60,082	40.54
100.	Provisions for risks and charges	618,554	589,981		28,573	4.84
	a) commitments and guarantees granted	80,400	62,334		18,066	28.98
	b) pension and similar obligations	138,811	148,357		(9,546)	-6.43
	c) other provisions for risks and charges	399,343	379,290		20,053	5.29
120.	Valuation reserves	233,306	118,105		115,201	97.54
140.	Equity instruments	150,000	150,000		-	-
150.	Reserves	2,492,344	2,360,743	12,052	131,601	5.57
160.	Share premium reserve	1,240,515	1,241,197		(682)	-0.05
170.	Share capital	2,100,435	2,100,435		-	-
180.	Treasury shares (-)	(9,706)	(7,259)		(2,447)	33.71
190.	Minority interests (+/-)	154,084	133,983	48	20,101	15.00
200.	Profit (Loss) for the period (+/-)	586,223	236,925	(8,725)	349,298	147.43
	Total liabilities and shareholders equity	**134,174,312**	**93,061,783**	**10,945**	**41,112,529**	**44.18**

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E-MARKET SDIR CERTIFIED

Consolidated income statement as at 30 September 2021

(in thousands)

	Captions	30.09.2021	30.09.2020	of which: IAS 40 impact	Change	% Change
10.	Interest and similar income	1,309,831	1,086,160		223,671	20.59
	of which: interest income calculated using the effective interest method	1,303,570	1,079,978		223,592	20.70
20.	Interest and similar expense	(190,412)	(142,417)		(47,995)	33.70
30.	**Net interest income**	**1,119,419**	**943,743**		**175,676**	**18.61**
40.	Commission income	1,322,314	902,370		419,944	46.54
50.	Commission expense	(149,905)	(127,546)		(22,359)	17.53
60.	**Net commission income**	**1,172,409**	**774,824**		**397,585**	**51.31**
70.	Dividends and similar income	14,624	17,393		(2,769)	-15.92
80.	Net income from trading activities	47,078	(15,796)		62,874	-398.04
90.	Net income from hedging activities	(1,795)	(2,522)		727	-28.83
100.	Gains (Losses) on disposal or repurchase of:	87,826	136,059		(48,233)	-35.45
	a) financial assets measured at amortised cost	75,465	127,262		(51,797)	-40.70
	b) financial assets measured at fair value through other comprehensive income	12,817	8,348		4,469	53.53
	c) financial liabilities	(456)	449		(905)	-201.56
110.	Net income on financial assets and liabilities measured at fair value through profit or loss	39,501	(22,152)		61,653	-278.32
	a) financial assets and liabilities designated at fair value	1,298	(4,166)		5,464	-131.16
	b) other financial assets mandatorily measured at fair value	38,203	(17,986)		56,189	-312.40
120.	**Net interest and other banking income**	**2,479,062**	**1,831,549**		**647,513**	**35.35**
130.	Net impairment losses for credit risk relating to:	(713,036)	(405,687)		(307,349)	75.76
	a) financial assets measured at amortised cost	(714,497)	(405,192)		(309,305)	76.34
	b) financial assets measured at fair value through other comprehensive income	1,461	(495)		1,956	-395.15
140.	Gains (Losses) from contractual modifications without derecognition	(2,165)	(624)		(1,541)	246.96
150.	**Net income from financial activities**	**1,763,861**	**1,425,238**		**338,623**	**23.76**
180.	**Net income from financial and insurance activities**	**1,763,861**	**1,425,238**		**338,623**	**23.76**
190.	Administrative expenses:	(1,767,164)	(1,241,033)		(526,131)	42.39
	a) staff costs	(971,024)	(721,302)		(249,722)	34.62
	b) other administrative expenses	(796,140)	(519,731)		(276,409)	53.18
200.	Net provisions for risks and charges	(35,190)	(18,558)		(16,632)	89.62
	a) commitments and guarantees granted	(575)	705		(1,280)	-181.56
	b) other net provisions	(34,615)	(19,263)		(15,352)	79.70
210.	Net adjustments to property, plant and equipment	(101,793)	(78,228)	5,864	(23,565)	30.12
220.	Net adjustments to intangible assets	(58,020)	(43,911)		(14,109)	32.13
230.	Other operating expense/income	163,506	123,995		39,511	31.86
240.	**Operating costs**	**(1,798,661)**	**(1,257,735)**	**5,864**	**(540,926)**	**43.01**
250.	Gains (Losses) of equity investments	1,009	(4,523)		5,532	-122.31
260.	Valuation differences on property, plant and equipment and intangible assets measured at fair value	(27,484)	(5,633)	(5,633)	(21,851)	387.91
270.	Impairment losses on goodwill	(230,366)	-		(230,366)	n.s.
275.	Gain on a bargain purchase	1,127,847	-		1,127,847	n.s.
280.	Gains (Losses) on disposal of investments	926	131	(372)	795	606.87
290.	**Profit (Loss) from current operations before tax**	**837,132**	**157,478**	**(141)**	**679,654**	**431.59**
300.	Income taxes on current operations for the period	(226,049)	60,972	(1,390)	(287,021)	-470.74
310.	**Profit (Loss) from current operations after tax**	**611,083**	**218,450**	**(1,531)**	**392,633**	**179.74**
330.	**Profit (Loss) for the period**	**611,083**	**218,450**	**(1,531)**	**392,633**	**179.74**
340.	Profit (Loss) for the period pertaining to minority interests	(24,860)	(19,352)	10	(5,508)	28.46
350.	**Profit (Loss) for the period pertaining to the Parent Company**	**586,223**	**199,098**	**(1,521)**	**387,125**	**194.44**

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Performance ratios [2]

Financial ratios	30.09.2021	2020 (*)
Structural ratios		
Net loans to customers/total assets	57.00%	56.96%
Net loans to customers/direct deposits from customers	78.11%	83.95%
Financial assets/total assets	20.45%	26.50%
Gross non-performing loans/gross loans to customers	5.52%	7.84%
Net non-performing loans/net loans to customers	2.56%	4.02%
Texas ratio [3]	49.28%	55.37%
Profitability ratios		
ROE [4]	11.18%	4.41%
ROTE [5]	12.38%	5.06%
ROA [6]	0.53%	0.28%
Cost to income ratio [7]	65.41%	64.13%
Cost of credit risk [8]	0.93%	0.76%
Prudential supervision ratios	**30.09.2021**	**2020 (*)**
Own Funds (Phased in) [9] (in thousands of Euro)		
Common Equity Tier 1 (CET1)	6,656,567	5,931,675
Own Funds	7,864,573	7,097,554
Risk-weighted assets (RWA)	45,314,318	33,487,963
Capital and liquidity ratios		
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in pro-forma [10]	14.69%	17.71%
Tier 1 Ratio (T1 Ratio) - Phased in pro-forma [11]	15.02%	18.16%
Total Capital Ratio (TC Ratio) - Phased in pro-forma [12]	17.36%	21.19%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Phased pro-forma [13]	13.68%	15.81%
Liquidity Coverage Ratio (LCR)	207.5%	200.1%
Net Stable Funding Ratio (NSFR)	n.a.	123.7%

(*) The comparative balance sheet ratios, including ROE, ROTE and ROA, and the income statement ratios have been calculated respectively on figures at 31 December 2020 and 30 September 2020 which take into account the effects of the retrospective application of the change in the measurement method of property, plant and equipment held for investment.

[2] To construct ratios, reference was made to the balance sheet and income statement captions of the reclassified statements providing an operational management view as per the present Press Release.
[3] The texas ratio is calculated as total gross non-performing loans on net tangible equity plus impairment provisions for non-performing loans.
[4] ROE has been calculated as net profit for the period (annualised for its Euro 279.6 million ordinary component only) on the Group's average shareholders' equity not including net profit.
[5] ROTE has been calculated as net profit for the period (annualised for its Euro 279.6 million ordinary component only) on the Group's average shareholders' equity of Group not including net profit and intangible assets.
[6] ROA has been calculated as net profit for the period including net profit pertaining to minority interests (annualised for its Euro 304.5 million ordinary component only) 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 72.55% (68.67% at 30 September 2020 taking into account the effects of the retrospective application of the change in the measurement method of property, plant and equipment held for investment).
[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) 2395/2017, which amends the Regulation (EU) 575/2013 (CRR) relating to "Transitional provisions to mitigate the impact of IFRS 9 on Own Funds". Regulation introduced the transitional arrangement (or so-called "Phased In") giving banks a chance to spread the effect on Own Funds over a period of 5 years (from March 2018 to December 2022), sterilizing the impact on CET1 by applying decreasing percentages over time. The BPER Banca Group chose to adopt the so-called "static approach" to be applied to the impact from comparing the IAS 39 adjustments at 31 December 2017 and the IFRS 9 adjustments at 1 January 2018.
[10] The pro-forma capital ratios have been calculated including the result for the period, net of the pro-quota dividends, thus simulating, in advance, the effects of the authorisation issued by the ECB for the inclusion of these profits in Own Funds pursuant to art. 26, para. 2 of the CRR.
[11] See previous note.
[12] See previous note.
[13] See previous note.