BPER: Banca

PRESS RELEASE

Consolidated interim report on operations as at 31 March 2020

The results of the first quarter of 2020 confirm the strategic value of the extraordinary operations completed during 2019. In fact, even in a context characterised first by a slowdown in the economy and then by the first effects of the health emergency, the BPER Group has shown a good ability to generate revenue (despite a limited contribution from finance, operating income came close to € 600 million), tight cost control, excellent levels of liquidity and capital strength. The bottom line for the period, while still positive for € 6.1 million, has been strongly affected by the additional adjustments made to loans for approximately € 50.0 million, the first significant intervention following the deterioration in the macroeconomic scenario caused by the health emergency. It is also worth remembering that the quarter is burdened with the ordinary contribution to the SRF for the whole of 2020 of € 32.0 million

The Group's high level of capital strength is confirmed by a Fully Loaded CET1 ratio[1] of 12.07%, a Phased In CET1 ratio[2] of 13.60% and a capital buffer of € 1.8 billion compared with the minimum requirement set by the European Central Bank for 2020.[3]
High liquidity position with an LCR index of 167.9%, well above the regulatory threshold of 100%, and a liquidity buffer of over € 11 billion

Asset quality improved during the quarter thanks to a reduced stock of gross and net non-performing loans (1.1% and 2.8% respectively) since the end of last year. Gross NPE ratio remained stable at 11.1% due to the containment of loans. The default rate has improved again and stands at 1.5% on an annualised basis, down from 1.7% in 2019. NPE coverage rose by 85 bps to 51.9%, improving in all categories. The cost of credit in the quarter was 27 bps (110 bps annualised), significantly affected by the additional adjustments to loans

Net loans decreased by 1.9% since the beginning of the year mainly attributable to the corporate segment and financial companies, while the retail sector is substantially stable. Total funding, which includes the Bancassurance segment, stood at € 165.6 billion, down by 5.6% from the end of 2019 mainly due to the market effect on indirect deposits, both managed and administered

Net operating income came to € 185.5 million in the period, being the difference between operating income of € 596.6 million and operating costs of € 411.1 million. Substantial maintenance of traditional revenues (-0.5% compared with the fourth quarter of 2019) with net interest income of € 308.0 million and net commission income of € 267.6 million. Operating costs down by 4.4% compared with the fourth quarter of 2019, net of non-recurring charges[4]

Numerous initiatives have been adopted throughout those parts of Italy where the BPER Group operates to cope with the ongoing health, economic and social emergency, aimed at containing risks, protecting the health of customers and employees, ensuring the operational continuity of company processes and implementing economic support measures for individuals and businesses:

- **business continuity and customer services are guaranteed with the activation of smart working methods for over 50% of the staff, incentives for the use of web services for customers and organisation by appointment at the branch for other services to the public;**
- **rapid adherence to government initiatives such as moratoriums, redundancy pay advances, guaranteed loans;**
- **two lines of credit have been made available directly by the BPER Group: the first for businesses to meet liquidity needs for a total of Euro 1 billion, the other to support private individuals, freelancers, artisans and shopkeepers, with an initial tranche of Euro 100 million;**
- **over 3 million Euro have been made available to the community to cope with the emergency caused by the health crisis. A significant part of these resources come from an internal fund-raising campaign in which all Group staff participated, together with the management and the Board of Directors**

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 31 March 2020.

Alessandro Vandelli, Chief Executive Officer of BPER Banca, commented: *"The first quarter of the year saw us engaged on several fronts to cope as well as possible with the effects of the unprecedented health, economic and social emergency caused by the pandemic. The BPER Group - with the constant commitment of all its resources - immediately fielded numerous initiatives in the areas where we operate with a view to protecting the health of employees and customers, implementing support measures for families, small businesses and companies, ensuring operational continuity in company processes, also with the introduction of innovative work methods. We acted quickly to prepare what was needed to give our customers access to the Government's measures in support of the economy, receiving over 75 thousand requests for a moratorium in a few weeks, providing funds for redundancy pay advances and processing a huge number of requests for state-guaranteed loans for both individuals and businesses. In the meantime, our Group confirms its proximity to the local areas and communities that we serve by making more than € 3 million available to face the consequences of the health emergency in various situations. A significant part of these resources is the result of an internal fund-raising campaign in which all of the Group's staff took part with great sense of solidarity, together with management and the Board of Directors, choosing to donate part of their salary, holiday time or a share of their fees. Moving on to comment on the first quarter results approved today by the Board of Directors, we must first of all note the strategic value of the extraordinary operations completed during 2019. In fact, even in a context characterised first by a slowdown in the economy and then by the first effects of the health emergency, the BPER Group has shown a good ability to generate revenue (despite a limited contribution from finance, operating income came close to € 600 million), tight cost control, excellent levels of liquidity and capital strength. The bottom line for the period, while still positive for € 6.1 million, has been strongly affected by the additional adjustments made to loans for approximately € 50.0 million, the first significant intervention following the deterioration in the macroeconomic scenario caused by the health emergency. It is also worth remembering that the quarter is burdened with the ordinary contribution to the SRF for the whole of 2020 of € 32.0 million. Credit quality remains good with a reduction in the stock of gross and net non-performing loans of 1.1% and 2.8% respectively since the end of 2019, a gross NPE ratio that is stable at 11.1% thanks to the containment of loans and the NPE coverage that is up by 85 bps to 51.9%, with an improvement in all categories. The capital position is still solid with a Fully Loaded CET1 ratio of 12.1% and a Phased In ratio of 13.6% with an overall capital buffer of € 1.8 billion, compared with the minimum requirement set by the European Central Bank for 2020. Liquidity remains high with an LCR index of 167.9%, well above the regulatory threshold of 100% and the available liquidity buffer exceeds € 11 billion."*

****

Consolidated income statement: key figures

(Bear in mind that the income statement figures in the Group's consolidated results for the first quarter of 2020 are not comparable with those of the first quarter of 2019 due to the change in the scope of consolidation, which from 1 July 2019 includes Unipol Banca and Arca Holding, the latter absorbed by the Parent Company BPER Banca on 25 November 2019; on the other hand, the figures of the first quarter 2020 and the ones of the third and fourth quarter of 2019 are comparable as they are based on the same scope of consolidation).

Net interest income stood at € 308.0 million, an increase of 1.8% compared with € 302.4 million in the fourth quarter of 2019 and substantially stable net of the effects of IFRS 9 and IFRS 16 (€ 299.1 million in the first quarter 2020 compared with € 299.5 million in the last quarter of 2019[5]).

Net commissions amounted to € 267.6 million, down by 3.0% q/q mainly due to the usual positive seasonality of the last quarter of the year, while they are substantially stable compared with the third quarter of 2019. In comparison with the fourth quarter of 2019, there was a good performance in net commissions of the asset management and administration sector (+5.6% q/q), while there were declines in Bancassurance (-29.5% q/q), mainly due to the positive seasonality of the fourth quarter of 2019, the cards, collections and payments sector (-13.4% q/q) and, only to a marginal extent, loans and guarantees (-0.9% q/q).

Dividends in the quarter amounted to € 0.8 million (€ 0.5 million in the fourth quarter of 2019).

Net income from financial activities came to € 5.6 million, down from the fourth quarter 2019 figure of € 36.8 million. It includes realised net gains on disposal of financial assets and loans of € 63.2 million, net losses on securities and derivatives of € 50.4 million and other negative elements of € 7.2 million.

Operating income amounted to € 596.6 million, down from € 631.9 million in the fourth quarter 2019, mainly due to the lower contribution from financial activities.

Operating costs amount to € 411.1 million, down 4.4% compared with fourth quarter 2019, calculated net of the significant extraordinary items that characterised it[6]. In detail, in the first quarter of the year: 1) personnel expenses amounted to € 255.6 million and are stable with respect to the fourth quarter 2019, net of non-recurring charges relating to the personnel retirement plan of € 136.0 million, gross of tax; 2) other administrative expenses amounted to € 114.5 million, down 11.4% on the fourth quarter 2019, the latter calculated net of non-recurring costs relating to extraordinary transactions for € 17.2 million; 3) net adjustments to property, plant and equipment and intangible assets amounted to € 41.0 million, down by 8.0% on the fourth quarter 2019, the latter calculated net of non-recurring charges of € 31.8 million[7].

Net operating income (operating income, net of operating costs) amounts to € 185.5 million for the period.

Net impairment losses for credit risk amount to € 139.6 million, almost entirely referable to net adjustments to financial assets at amortised cost; this caption includes the recognition of additional adjustments to loans of approximately € 50.0 million as the first significant intervention following the deterioration in the macroeconomic scenario caused by the health emergency. In particular, net adjustments to assets at amortised cost for credit risk during the year amounted to € 139.6 million. The **annualised cost of credit** stands at 110 bps (86 bps in 2019) of which 39 bps is for the additional adjustments to loans calculated in the quarter in anticipation of the changes in the crisis scenario.

Net provisions for risks and charges amount to € 2.3 million in the period.

In the first quarter of the year, **BPER Banca Group's ordinary contribution to the Single Resolution Fund (SRF) for 2020** of € 32.0 million (€ 23.2 million in the same period last year) was accounted. 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 amounted to € 0.3 million in the quarter.

The **profit from current operations before tax** is € 16.5 million. **Income taxes for the period** are € 6.1 million.

Profit for the period stands at € 10.4 million and includes a net profit for the period attributable to minority interests of € 4.3 million. The profit pertaining to the Parent Company therefore comes to € 6.1 million.

Consolidated balance sheet: key figures

Direct funding from customers (amounts due to customers, debt securities issued and financial liabilities designated at fair value through profit or loss) amounts to € 57.1 billion, down by 1.6% on the figure at the end of 2019. Ordinary customer deposits amounted to € 53.8 billion (-1.4% on the end of 2019), mainly including current accounts and demand deposits for € 48.0 billion (+0.5% on the end of 2019), time deposits and certificates of deposit for € 1.0 billion (-39.6% on the end of 2019) and bonds for € 1.6 billion (-14.3% on the end of 2019). Institutional funding amounted to € 3.3 billion (-4.0% on the end of 2019), made up entirely of bonds.

Indirect deposits from customers, marked to market, come to Euro 101.6 billion, down by 8.1% on the end of 2019, mainly due to the negative market effect in the period. In particular, **assets under management** amount to € 37.4 billion (-10.3% from the year-end), of which € 15.4 billion relating to Arca Holding, net of the portion of funds placed by the BPER Group network (-9.9% since the year-end). **Assets under custody** amount to € 64.2 billion (-6.9% since the end of 2019) which includes administered deposits of a leading insurance company. The **portfolio of life insurance premiums**, not included in indirect deposits, amounts to € 6.9 billion, recording a rise of 1.0% on the end of 2019.

Gross loans to customers amount to € 54.3 billion. Gross performing loans amount to € 48.2 billion, whereas gross non-performing loans (bad, unlikely-to-pay and past due loans) amount to € 6.1 billion, which is 11.1% of total gross loans. Looking at the various components, gross bad loans amount to € 3.4 billion (-0.4% on the end of 2019); **gross unlikely-to-pay loans** amount to € 2.5 billion, down by 0.7% compared with the end of 2019); **gross past due loans** amount to € 159.4 million (-18.2% on the end of 2019). The quality of performing loans remains high, with a percentage of low-risk ratings at 62.6%.

Net loans to customers amount to € 51.0 billion. Net performing loans amount to € 48.1 billion, whereas net non-performing loans (bad, unlikely-to-pay and past due loans) amount to € 2.9 billion, with a percentage on total net loans of 5.7% and a coverage ratio of 51.9%. Looking at the various components, **net bad loans** amount to € 1.2 billion, with a coverage ratio of 66.3%; **net unlikely-to-pay loans** amount to € 1.6 billion, with a coverage of 34.0%; **net past due loans** amount to € 130.1 million with a coverage of 18.4%.

The **net interbank position** is negative for € 10.2 billion and is the result of the imbalance between amounts due from banks of € 3.9 billion and amounts due to banks of € 14.1 billion. The BPER Group's total amount of refinancing with the European Central Bank (ECB) amounts to € 9.7 billion, entirely attributable to participation in TLTRO 2 with a four-year maturity. Financial instruments, which can be used as collateral for refinancing operations on the market, amount to € 21.2 billion, net of the haircut, of which € 9.0 billion is available, to which € 2.4 billion of deposits available at the ECB must be added.

Financial assets amount to € 19.9 billion, which is 24.8% of total assets. Debt securities amount to € 19.0 billion and represent 95.4% of the total portfolio: of these, € 8.9 billion refer to government securities and other public entities, including € 6.6 billion of Italian government securities.

Total shareholders' equity at 31 March 2020 amounts to € 5.2 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 € 5.1 billion.

The **Liquidity Coverage Ratio** (LCR) and the **Net Stable Funding Ratio** (NSFR) are both over 100%; at 31 March 2020, the LCR index is 167.9%, while the NSFR is estimated to be over 100% (it was 114.0% at 31 December 2019).

Capital ratios

At 31 March 2020, capital ratios, calculated taking into account the AIRB methodology for the credit risk requirements are:

- Common Equity Tier 1 (CET1) ratio Phased In of 13.60% (13.91% at 31 December 2019). The ratio calculated on the full application regime (Fully Loaded) is equal to 12.07% (12.01% at 31 December 2019);
- Tier 1 ratio Phased In of 14.05% (14.35% at 31 December 2019);
- Total capital ratio Phased In of 16.59% (16.82% at 31 December 2019).

Main structure data at 31 March 2020

The Group is present in nineteen regions of Italy with 1,349 bank branches, in addition to the Luxembourg office of BPER Bank Luxembourg S.A..

The Group employs 13,780 people (13,805 at the end of 2019).

****

Outlook for operations

The effects of the health emergency on the global economy are currently difficult to quantify even if a significant decrease in production and consumption can reasonably be expected due to the prolonged lock-down and restrictions on the mobility of people. Analysts' forecasts indicate a significant decrease in Gross Domestic Product both worldwide and in Europe and the decline expected for Italy is even more marked. Governments and central banks have immediately put in place impressive measures to support the liquidity of businesses and incomes to cope with this very difficult moment for households and businesses. Their impact will only be visible in a few months and will depend mainly on the methods and timing with which the restrictive measures get loosened up and the speed at which economic activity gets back to normal. It is widely believed among analysts that the sharp contraction in economic activity forecast for the current year will be followed by a marked recovery in 2021, also thanks to the support of the measures decided by governments and central authorities in response to the current crisis.
In this difficult and unprecedented situation, it is hard to predict how the main economic and capital aggregates will evolve during the current year. The Group confirms its commitment to promote activities dedicated to customers and communities in the areas served. Based on the possible evolution of the scenario, although not without uncertainties, the BPER Group is confident of being able to express a good margin on traditional revenues during the year, especially with reference to the net interest income which should benefit from both the increase in loans and the reduction in the cost of funding. At the same time, operating costs are expected to gradually decrease as a

consequence, in particular, of the benefits on staff costs of the progressive implementation of the staff efficiency improvement activities included in the Business Plan. These elements, even if there is a prudently revised upward cost of credit, should contribute to sustaining expected profitability. Asset quality should improve further during the year thanks to the actions already planned and other management initiatives. Capital solidity and the liquidity position are expected to gradually improve.

In this situation of considerable uncertainty, the strategic and industrial significance of the project to acquire a business unit from the Intesa Sanpaolo Group is confirmed in full, on the assumption that the voluntary public exchange offer launched by Intesa Sanpaolo for UBI Banca will be completed. Preparatory activities prior to execution of the agreement are going ahead according to plan, both from an authorisation point of view and from an operational point of view. In this regard, it should be noted that on 22 April, the Extraordinary Shareholders' Meeting voted, with the 97.11% of the votes cast, in favour of granting powers to the Board of Directors to carry out an increase in capital of up to € 1 billion to service the deal. This increase in capital, for which the Unipol Group has expressed its willingness to subscribe for its share, is backed by a pre-underwriting agreement with Mediobanca - Banca di Credito Finanziario S.p.A.

****

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 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 websites of the Bank and of the Group (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 31 March 2020, as well as a summary of the key financial indicators.

Modena, 6 May 2020

The Chief Executive Officer
Alessandro Vandelli

****

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

Modena, 6 May 2020

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

****

A conference call will be held today, **6 May 2020 at 6.00 p.m.** (CET), to explain the consolidated results of the BPER Group at 31 March 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.

****

This press release is also available in the 1INFO storage device.
This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.

Contacts:

Investor Relations
Gilberto Borghi
Tel: (+39) 059/202 2194
gilberto.borghi@bper.it

Manager responsible for preparing the company's financial reports
Marco Bonfatti
Tel: (+39) 059/202 2713
marco.bonfatti@bper.it

External Relations
Eugenio Tangerini
Tel: (+39) 059/202 1330
eugenio.tangerini@bper.it

www.bper.it – https://istituzionale.bper.it/

Footnotes

[1] Estimated value 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.

[2] Reg. 2395/2017 "Transitional provisions for mitigating the impact of the introduction of IFRS 9 on own funds" introduced the so-called "phased-in" transitional regime for the impact of IFRS 9 on own funds, giving banks a chance to spread the effect on own funds over a period of 5 years (from March 2018 to December 2022), sterilizing the impact 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.

[3] To support supervised entities in facilitating the financing of the real economy in the extraordinary circumstances related to the spread of coronavirus (COVID-19), the ECB notified BPER Banca on 8 April 2020 and with effect from 12 March 2020, a new method of holding the Pillar 2 additional own funds requirement (of 2%), i.e. in the form of at least 56.25% of CET1 and 75% of T1. At 31 March 2020, the Common Equity Tier 1 Ratio requirement to be met was therefore equal to 8.125% Phased in and Fully Phased.

[4] Operating costs in the fourth quarter of 2019 were € 614.8 million and included total non-recurring charges of € 185.0 million as detailed below: 1) the charges relating to the personnel retirement plan as a result of the trade union agreement signed at the end of October 2019 of € 136.0 million, accounted under caption "Staff costs"; 2) non-recurring charges relating to extraordinary transactions carried out in 2019 for € 17.2 million, accounted under caption “other administrative expenses ”; 3) net adjustments to property, plant and equipment and intangible assets for € 31.8 million. Net operating costs in the fourth quarter of 2019 amount to € 429.8 million, net of non-recurring charges.

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

[6] See Note 4.

[7] See Note 4.

Reclassified financial statement as at 31 March 2020

For greater clarity in the presentation of the results for the period, the accounting schedules envisaged by the 6th update of Bank of Italy Circular no. 262/2005 have been reclassified as follows.

In the balance sheet:

- Debt securities valued at amortised cost (caption 40 *"Financial assets measured at amortised cost"*) have been reclassified under caption *"Financial assets"*;
- *"Other assets"* include captions 110 *"Tax assets"* and 130 "*Other assets*";
- "*Other liabilities"* include captions 60 "*Tax liabilities"*, 80 "*Other liabilities"*, and 90 "*Employee termination indemnities"* and 100 "*Provisions for risks and charges*";
- assets and liabilities classified as held for sale (asset caption 120 *"Non current assets and disposal groups classified as held for sale"* and liability caption 70 *"Liabilities associated with activities classified as held for sale*") are presented in their original portfolios in order to report the aggregates more clearly[1].

In the income statement:

- "*Net income from financial activities"* includes captions 80, 90, 100 and 110 in the standard reporting format;
- Indirect tax recoveries, allocated for accounting purposes to caption 230 *"Other operating expense/income"*, have been reclassified as a reduction in the related costs under *"Other administrative expenses"* (Euro 34,037 thousand at 31 March 2020 and Euro 31,746 thousand at 31 March 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 SRF, DGS and IDPF-VS funds"* has been shown separately from the specific accounting technical forms to give a better and clearer representation, as well as to leave the *"Other administrative expenses"* as a better reflection of the trend in the Group's operating costs. In particular, at 31 March 2020, this caption represents the component allocated to administrative expenses related to the 2020 ordinary contribution to the SRF (European Single Resolution Fund) for Euro 31,978 thousand;
- 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 31 March 2020

(in thousands)

Assets	31.03.2020	31.12.2019	Change	% Change
Cash and cash equivalents	402,042	566,930	(164,888)	-29.08
Financial assets	19,878,531	18,956,906	921,625	4.86
a) Financial assets held for trading	244,181	270,374	(26,193)	-9.69
b) Financial assets designated at fair value	127,032	130,955	(3,923)	-3.00
c) Other financial assets mandatorily measured at fair value	672,547	692,995	(20,448)	-2.95
d) Financial assets measured at fair value through other comprehensive income	6,509,863	6,556,202	(46,339)	-0.71
e) Debt securities measured at amortised cost	12,324,908	11,306,380	1,018,528	9.01
- banks	3,237,826	2,744,570	493,256	17.97
- customers	9,087,082	8,561,810	525,272	6.14
Loans	54,953,846	54,353,634	600,212	1.10
a) Loans to banks	3,893,926	2,321,809	1,572,117	67.71
b) Loans to customers	51,034,124	52,006,038	(971,914)	-1.87
c) Financial assets measured at fair value	25,796	25,787	9	0.03
Hedging derivatives	53,100	82,185	(29,085)	-35.39
Equity investments	225,358	225,869	(511)	-0.23
Property, plant and equipment	1,367,636	1,369,724	(2,088)	-0.15
Intangible assets	660,791	669,847	(9,056)	-1.35
- of which: goodwill	434,758	434,758	-	-
Other assets	2,558,012	2,808,403	(250,391)	-8.92
Total assets	**80,099,316**	**79,033,498**	**1,065,818**	**1.35**

(in thousands)

Liabilities and shareholders' equity	31.03.2020	31.12.2019	Change	% Change
Due to banks	14,092,713	12,213,133	1,879,580	15.39
Direct deposits	57,136,313	58,055,608	(919,295)	-1.58
a) Due to customers	51,700,785	52,220,719	(519,934)	-1.00
b) Debt securities issued	5,435,528	5,834,889	(399,361)	-6.84
Financial liabilities held for trading	164,498	165,970	(1,472)	-0.89
Hedging derivatives	396,146	294,114	102,032	34.69
Other liabilities	3,125,839	3,013,126	112,713	3.74
Minority interests	135,791	131,662	4,129	3.14
Shareholders' equity pertaining to the Parent Company	5,048,016	5,159,885	(111,869)	-2.17
a) Valuation reserves	(71,110)	37,750	(108,860)	-288.37
b) Reserves	2,405,697	2,035,205	370,492	18.20
c) Equity instruments	150,000	150,000	-	-
d) Share premium reserve	1,002,722	1,002,722	-	-
e) Share capital	1,561,884	1,561,884	-	-
f) Treasury shares	(7,259)	(7,259)	-	-
g) Profit (Loss) for the period	6,082	379,583	(373,501)	-98.40
Total liabilities and shareholders' equity	**80,099,316**	**79,033,498**	**1,065,818**	**1.35**

BPER: Gruppo

Reclassified consolidated income statement as at 31 March 2020

(in thousands)

Captions		31.03.2020	31.03.2019	Change	% Change
10+20	Net interest income	307,971	273,896	34,075	12.44
	*of which IFRS 9 components**	*9,414*	*13,352*	*(3,938)*	*-29.49*
40+50	Net commission income	267,595	192,544	75,051	38.98
70	Dividends	809	539	270	50.09
80+90+100+110	Net income from financial activities	5,642	22,062	(16,420)	-74.43
230	Other operating expense/income	14,607	6,337	8,270	130.50
	Operating income	**596,624**	**495,378**	**101,246**	**20.44**
190 a)	Staff costs	(255,576)	(213,631)	(41,945)	19.63
190 b)	Other administrative expenses	(114,546)	(90,930)	(23,616)	25.97
210+220	Net adjustments to property, plant and equipment and intangible assets	(40,957)	(33,172)	(7,785)	23.47
	Operating costs	**(411,079)**	**(337,733)**	**(73,346)**	**21.72**
	Net operating income	**185,545**	**157,645**	27,900	17.70
130 a)	Net impairment losses to financial assets at amortised cost	(139,553)	(72,485)	(67,068)	92.53
130 b)	Net impairment losses to financial assets at fair value	105	421	(316)	-75.06
140	Gains (Losses) from contractual modifications without derecognition	(195)	(891)	696	-78.11
	Net impairment losses for credit risk	**(139,643)**	**(72,955)**	**(66,688)**	**91.41**
200	Net provisions for risks and charges	2,276	(1,995)	4,271	-214.09
###	Contributions to SRF, DGS, IDPF - VS	(31,978)	(23,184)	(8,794)	37.93
250+270 +280	Gains (Losses) on equity investments, disposal investments and impairment losses on goodwill	321	3,809	(3,488)	-91.57
290	**Profit (Loss) from current operations before tax**	**16,521**	**63,320**	**(46,799)**	**-73.91**
300	Income taxes on current operations for the period	(6,119)	(12,266)	6,147	-50.11
330	**Profit (Loss) for the period**	**10,402**	**51,054**	**(40,652)**	**-79.63**
340	Profit (Loss) for the period pertaining to minority interests	(4,320)	(3,083)	(1,237)	40.12
350	**Profit (Loss) for the period pertaining to the Parent Company**	**6,082**	**47,971**	**(41,889)**	**-87.32**

** 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 31 March 2020

(in thousands)

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

BPER:
Gruppo

Consolidated balance sheet as at 31 March 2020

(in thousands)

	Assets	31.03.2020	31.12.2019	Change	% Change
10.	Cash and cash equivalents	402,042	566,924	(164,882)	-29.08
20.	Financial assets measured at fair value through profit or loss	1,069,556	1,120,111	(50,555)	-4.51
	a) financial assets held for trading	244,181	270,374	(26,193)	-9.69
	b) financial assets designated at fair value	127,032	130,955	(3,923)	-3.00
	c) other financial assets mandatorily measured at fair value	698,343	718,782	(20,439)	-2.84
30.	Financial assets measured at fair value through other comprehensive income	6,509,863	6,556,202	(46,339)	-0.71
40.	Financial assets measured at amortised cost	67,162,227	65,541,246	1,620,981	2.47
	a) loans to banks	7,131,752	5,066,379	2,065,373	40.77
	b) loans to customers	60,030,475	60,474,867	(444,392)	-0.73
50.	Hedging derivatives	53,100	82,185	(29,085)	-35.39
70.	Equity investments	225,358	225,869	(511)	-0.23
90.	Property, plant and equipment	1,366,608	1,368,696	(2,088)	-0.15
100.	Intangible assets	660,791	669,847	(9,056)	-1.35
	of which:				
	- goodwill	434,758	434,758	-	-
110.	Tax assets	1,965,794	2,024,579	(58,785)	-2.90
	a) current	361,964	466,312	(104,348)	-22.38
	b) deferred	1,603,830	1,558,267	45,563	2.92
120.	Non current assets and disposal groups classified as held for sale	94,149	97,142	(2,993)	-3.08
130.	Other assets	589,828	780,697	(190,869)	-24.45
	Total assets	**80,099,316**	**79,033,498**	**1,065,818**	**1.35**

(in thousands)

	Liabilities and shareholders' equity	31.03.2020	31.12.2019	Change	% Change
10.	Financial liabilities measured at amortised cost	71,100,285	70,135,262	965,023	1.38
	a) due to banks	14,092,713	12,213,133	1,879,580	15.39
	b) due to customers	51,572,044	52,087,240	(515,196)	-0.99
	c) debt securities issued	5,435,528	5,834,889	(399,361)	-6.84
20.	Financial liabilities held for trading	164,498	165,970	(1,472)	-0.89
40.	Hedging derivatives	396,146	294,114	102,032	34.69
60.	Tax liabilities	73,586	75,737	(2,151)	-2.84
	a) current	14,359	5,405	8,954	165.66
	b) deferred	59,227	70,332	(11,105)	-15.79
70.	Liabilities associated with activities classified as held for sale	129,457	134,077	(4,620)	-3.45
80.	Other liabilities	2,217,257	2,069,511	147,746	7.14
90.	Employee termination indemnities	181,299	191,120	(9,821)	-5.14
100.	Provisions for risks and charges	652,981	676,160	(23,179)	-3.43
	a) commitments and guarantees granted	54,768	55,995	(1,227)	-2.19
	b) pension and similar obligations	150,493	161,619	(11,126)	-6.88
	c) other provisions for risks and charges	447,720	458,546	(10,826)	-2.36
120.	Valuation reserves	(71,110)	37,750	(108,860)	-288.37
140.	Equity instruments	150,000	150,000	-	-
150.	Reserves	2,405,697	2,035,205	370,492	18.20
160.	Share premium reserve	1,002,722	1,002,722	-	-
170.	Share capital	1,561,884	1,561,884	-	-
180.	Treasury shares (-)	(7,259)	(7,259)	-	-
190.	Minority interests (+/-)	135,791	131,662	4,129	3.14
200.	Profit (Loss) for the period pertaining to the Parent Company (+/-)	6,082	379,583	(373,501)	-98.40
	Total liabilities and shareholders' equity	**80,099,316**	**79,033,498**	**1,065,818**	**1.35**

BPER:
Gruppo

Consolidated income statement as at 31 March 2020

(in thousands)

	Captions	31.03.2020	31.03.2019	Change	% Change
10.	Interest and similar income	359,864	330,874	28,990	8.76
	of which: interest income calculated using the effective interest method	357,791	330,435	27,356	8.28
20.	Interest and similar expense	(51,893)	(56,978)	5,085	-8.92
30.	**Net interest income**	**307,971**	**273,896**	**34,075**	**12.44**
40.	Commission income	309,431	201,473	107,958	53.58
50.	Commission expense	(41,836)	(8,929)	(32,907)	368.54
60.	**Net commission income**	**267,595**	**192,544**	**75,051**	**38.98**
70.	Dividends and similar income	809	539	270	50.09
80.	Net income from trading activities	(21,287)	3,752	(25,039)	-667.35
90.	Net income from hedging activities	(8,567)	(1,446)	(7,121)	492.46
100.	Gains (Losses) on disposal or repurchase of:	69,327	19,115	50,212	262.68
	a) financial assets measured at amortised cost	68,468	12,380	56,088	453.05
	b) financial assets measured at fair value through other comprehensive income	715	6,522	(5,807)	-89.04
	c) financial liabilities	144	213	(69)	-32.39
110.	Net income on financial assets and liabilities measured at fair value through profit or loss	(33,831)	641	(34,472)	--
	a) financial assets and liabilities designated at fair value	(4,673)	573	(5,246)	-915.53
	b) other financial assets mandatorily measured at fair value	(29,158)	68	(29,226)	--
120.	**Net interest and other banking income**	**582,017**	**489,041**	**92,976**	**19.01**
130.	Net impairment losses for credit risk relating to:	(139,448)	(72,064)	(67,384)	93.51
	a) financial assets measured at amortised cost	(139,553)	(72,485)	(67,068)	92.53
	b) financial assets measured at fair value through other comprehensive income	105	421	(316)	-75.06
140.	Gains (Losses) from contractual modifications without derecognition	(195)	(891)	696	-78.11
150.	**Net income from financial activities**	**442,374**	**416,086**	**26,288**	**6.32**
180.	**Net income from financial and insurance activities**	**442,374**	**416,086**	**26,288**	**6.32**
190.	Administrative expenses:	(436,137)	(359,491)	(76,646)	21.32
	a) staff costs	(255,576)	(213,631)	(41,945)	19.63
	b) other administrative expenses	(180,561)	(145,860)	(34,701)	23.79
200.	Net provisions for risks and charges	2,276	(1,995)	4,271	-214.09
	a) commitments and guarantees granted	1,017	1,117	(100)	-8.95
	b) other net provisions	1,259	(3,112)	4,371	-140.46
210.	Net adjustments to property, plant and equipment	(27,052)	(20,614)	(6,438)	31.23
220.	Net adjustments to intangible assets	(13,905)	(12,558)	(1,347)	10.73
230.	Other operating expense/income	48,644	38,083	10,561	27.73
240.	**Operating costs**	**(426,174)**	**(356,575)**	**(69,599)**	**19.52**
250.	Gains (Losses) of equity investments	34	3,764	(3,730)	-99.10
280.	Gains (Losses) on disposal investments	287	45	242	537.78
290.	**Profit (Loss) from current operations before tax**	**16,521**	**63,320**	**(46,799)**	**-73.91**
300.	Income taxes on current operations for the period	(6,119)	(12,266)	6,147	-50.11
310.	**Profit (Loss) from current operations after tax**	**10,402**	**51,054**	**(40,652)**	**-79.63**
330.	**Profit (Loss) for the period**	**10,402**	**51,054**	**(40,652)**	**-79.63**
340.	Profit (Loss) for the period pertaining to minority interests	(4,320)	(3,083)	(1,237)	40.12
350.	**Profit (Loss) for the period pertaining to the Parent Company**	**6,082**	**47,971**	**(41,889)**	**-87.32**

BPER:
Gruppo

Performance ratios[2]

Financial ratios	31.03.2020	2019 (*)
Structural ratios		
Net loans to customers/total assets	63.71%	65.80%
Net loans to customers/direct deposits from customers	89.32%	89.58%
Financial assets/total assets	24.82%	23.99%
Fixed assets[3]/total assets	1.99%	2.02%
Goodwill/total assets	0.54%	0.55%
Direct deposits/total assets	88.93%	88.91%
Indirect deposits under management/indirect deposits	36.84%	37.71%
Financial assets/tangible equity[4]	4.39	4.10
Total tangible assets[5]/tangible equity	17.56	16.96
Net interbank position (in thousands of Euro)	(10,198,787)	(9,891,324)
Number of employees[6]	13,780	13,805
Number of national bank branches	1,349	1,349
Profitability ratios		
ROE[7]	0.50%	8.66%
ROTE[8]	0.58%	9.92%
ROA[9]	0.05%	0.50%
Cost to income ratio[10]	68.90%	68.18%
Net impairment losses on loans to customers/net loans to customers	0.27%	0.15%
Basic EPS[11]	0.012	0.100
Diluted EPS[12]	0.011	0.100

(*) The comparative patrimonial ratios, together with ROE, ROTE e ROA, have been calculated on figures at 31 December 2019 as per the Consolidated financial statements as at 31 December 2019, while economical ratios have been calculated on figures at 31 March 2019 as per the Consolidated interim report on operations as at 31 March 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] *Fixed assets include both Equity investments and Property, plant and equipment. The ratio would be at 1.61% (1.64% at 31 December 2019) without considering the application of IFRS 16.*
[4] *Tangible equity: total shareholders' equity, including minority interests, net of intangible assets.*
[5] *Total tangible assets = total assets net of intangible assets.*
[6] *The number of employees (point figure) does not include the expectations.*
[7] *ROE has been calculated as annualized net profit for the period on average shareholders' equity of Group not included net profit.*
[8] *ROTE has been calculated as annualized net profit for the period on average shareholders' equity of Group not included net profit and intangible assets.*
[9] *ROA has been calculated as annualized net profit for the period (including net profit for the period pertaining to minority interests) on total assets.*
[10] *The cost/income ratio has been calculated on the basis of the layout of the reclassified income statement (operating costs/operating income); when calculated on the basis of the layout provided by the 6th update of Bank of Italy Circular no. 262 the cost/income ratio is at 73.22% (72.91% at 31 March 2019 as per the Consolidated interim report on operations as at 31 March 2019).*
[11] *EPS has been calculated net of treasury shares in portfolio.*
[12] *See previous note.*

(cont.)

Financial ratios	31.03.2020	2019 (*)
Risk ratios		
Net non-performing loans/net loans to customers	5.71%	5.77%
Net bad loans/net loans to customers	2.27%	2.25%
Net unlikely to pay loans/net loans to customers	3.19%	3.19%
Net past due loans/net loans to customers	0.26%	0.32%
Impairment provisions for non-performing loans/gross non-performing loans	51.88%	51.03%
Impairment provisions for bad loans/gross bad loans	66.30%	66.04%
Impairment provisions for unlikely to pay loans/gross unlikely to pay loans	33.95%	33.01%
Impairment provisions for past due loans/gross past due loans	18.36%	14.57%
Impairment provisions for performing loans/gross performing loans	0.30%	0.33%
Texas ratio[13]	79.01%	79.04%
Own Funds (Phased in) (in thousands of Euro)[14]		
Common Equity Tier 1 (CET1)	4,576,534	4,828,807
Own Funds	5,583,787	5,839,914
Risk-weighted assets (RWA)	33,655,116	34,721,277
Capital and liquidity ratios		
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in	13.60%	13.91%
Tier 1 Ratio (T1 Ratio) - Phased in	14.05%	14.35%
Total Capital Ratio (TC Ratio) - Phased in	16.59%	16.82%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Loaded[15]	12.07%	12.01%
Liquidity Coverage Ratio (LCR)	167.9%	158.9%
Net Stable Funding Ratio (NSFR)[16]	n.a.	114.0%

Non-financial ratios	31.03.2020	2019 (*)
Productivity ratios (in thousands of Euro)		
Direct deposits per employee	4,146.32	4,205.40
Loans to customers per employee	3,703.49	3,767.19
Assets managed per employee	2,716.46	3,021.68
Assets administered per employee	4,658.09	4,991.60
Core revenues[17] per employee	41.77	40.17
Net interest and other banking income per employee	42.24	42.11
Operating costs per employee	30.93	30.70

(*) The comparative patrimonial ratios have been calculated on figures at 31 December 2019 as per the Consolidated financial statements as at 31 December 2019, while economical ratios have been calculated on figures at 31 March 2019 as per the Consolidated interim report as at 31 March 2019.

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

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

[15] *The Fully Loaded Common Equity Tier 1 ratio 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.*

[16] *The NSFR, not yet available, is in any case estimated to exceed 100%.*

[17] *Core revenues = net interest income + net commission income.*