BPER: Banca

PRESS RELEASE

Interim report as at 30 September 2016 approved

Financial solidity at the top of the Italian banking system and among the highest in Europe with a Phased In CET1 ratio of 14.47% (14.13% Fully Phased). Capital buffer over the ECB's minimum requirement (SREP at 9.25%) by more than 500 bps.

Stock of gross bad loans down 2.0% since the end of 2015 thanks to a number of assignments for a total gross amount of around € 500 million[1], without a significant impact on the income statement, carried out as part of a wider NPL management strategy.

Inflows to non-performing loans from performing loans down 8.4% over the last nine months compared with the same period of 2015 and 25.6% down on 2014.

Coverage ratios still high at 43.7% of overall non-performing loans and 57.4% of bad loans (44.2% and 58.2% respectively at the end of 2015), only marginally impacted by the sales of bad loans.

Net loans to customers up 0.1% (+0.6% gross) in the nine months, excluding the sales of bad loans.

Net profit for the period of € 101.2 million[2] (€ 120.8 million excluding contributions to the Single Resolution Fund and the Deposit Guarantee Scheme[3]).

Core revenues[4] down by 3.6% in the period, substantially offset by the reduction in net total adjustments (-10.0% y/y), the lowest level for the last five years.

The Board of Directors of BPER Banca today reviewed and approved the separate results of the Bank and the consolidated results of the Group at 30 September 2016.

At the end of the Board meeting, Alessandro Vandelli, CEO of BPER Banca, declared: "The results for the first nine months of the year confirm the Group's high level of solidity, along with a satisfactory level of profitability. The Fully Phased CET1 ratio is still well over 14%, a top ranking for the system in Italy and in Europe; net profit came to over Euro 100 million, despite the continuation of a particularly difficult environment for the economy in general and interest rates in particular, not to mention the contributions to the Single Resolution Fund and the Deposit Guarantee Scheme due by the Group for the whole of 2016. The ordinary business of lending to customers remained substantially at the same levels as at the beginning of the year and was also affected by the typical slowdown during the summer, especially for the corporate sector. As regards borrowing from customers, their preference for liquidity continued, with the demand component increasing by 3.4%, as well as for forms of investment in the asset management and insurance product segments, which are showing growth of 6.4% and

13.5% respectively for the period. Active management of bad loans, now fully operational for several months and implemented by specific internal organisational structures through a variety of actions and interventions, is reflected in the balance sheet at the end of the period , which shows a decline in the gross stock of more than 2%, incorporating the effects of bad loan assignments for a total gross value of approximately Euro 500 million. At the same time, the level of coverage of total non-performing loans remains high, coming in at 43.7%, from 44.2% at end-2015, remaining one of the highest among our direct competitors. On the corporate front, there is the imminent transformation of the Bank from a cooperative to a joint-stock company, for which the Shareholders have been convened to an Shareholders' Meeting on 26 November, as already announced. This historic change takes place on the eve of the Bank's 150th anniversary and should be an excellent opportunity to make our Bank even more modern, efficient and competitive, able to face the new challenges of the market from a position of absolute strength. The close relationship of trust that binds us to our customers and shareholders is the real wealth of our Group and this will allow us to grow even more, so that we can continue to be a point of reference for the territories that we serve."

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Income statement: key data

Net interest income comes to € 876.1 million, down 5.2% y/y mainly due to the level of short-term interest rates, now structurally negative (average of the 3-mth Euribor in the first nine months of -25 bps, compared with an average of -4 bps in the same period last year), which negatively affected the trend in the overall spread: in this context, the gradual and steady decline in the cost of funding was still unable to offset the decline in asset yields (note that the potential benefit of taking part in the first issue of "TLTRO2" ("Targeted Longer Term Refinancing Operations") for € 4 billion is not included in the income statement at 30 September). Net interest income in the third quarter of the year amounts to € 285.7 million (€ 293.6 million in the second quarter of 2016), down by 2.7% on the previous quarter with a total spread decreasing slightly (-5 bps) and a marginally negative contribution of volumes mainly due to the usual seasonality of the summer period.

Net commission income of € 532.9 million is 0.9% down on the same period last year. In detail, in the nine months, the strong increase in net commission income relating to funds under management and "bancassurance" (+6.2% y/y) was not sufficient to offset the decline in net commission income on loans and guarantees (-2.4% y/y) and on credit cards, collections and payments (-5.6% y/y). In the third quarter of the year, net commission income amounts to € 174.8 million, down 3.4% on the previous quarter, mainly due to the usual seasonality of the summer period that saw, in particular, a decrease in net commission income from funds under management and "bancassurance" of 6.2% q/q.

The **net result from trading activities** (including dividends of € 9.2 million) amounts to € 99.4 million (+3.4% y/y); this result includes extraordinary income of € 32.9 million related to the capital gain on the sale of the Group's investment in Visa Europe[5]; net of these non-recurring items, the net ordinary result from trading activities and dividends amounts to € 66.5 million (€ 96.2 million in the first nine months of 2015 which featured a particularly positive performance on the part of financial markets). This result was helped by net profits realised on securities and derivatives for € 106.2 million, net losses on securities and derivatives for € 5.8 million, and other negative elements for € 10.2 million, including the fair value option on financial liabilities (positive for € 1.4 million).

Operating profit[6] amounted to € 1,554.0 million, down 2.6% from the same period last year (-4.7% excluding the extraordinary income mentioned above) mainly due to a lower contribution from net interest income.

Operating costs[7] amounted to € 939.9 million compared with € 973.2 million in the first nine months of 2015, which included, among payroll costs, extraordinary expenses for redundancy incentives and the Solidarity Fund for € 54.3 million[8]; on an ordinary basis, operating costs recorded an increase of 2.3% y/y. **Payroll costs** amounted to

€ 574.4 million, substantially unchanged at ordinary level compared with the same period last year (€ 574.3 million without taking into account the extraordinary expenses mentioned above). **Other administrative expenses** amount to € 310.0 million (€ 292.7 million in the first nine months of 2015; +5.9% y/y). **Depreciation on tangible and amortisation on intangible assets** amounted to € 55.5 million (€ 51.9 million in the same period of 2015;+6.9% y/y).

Net adjustments to loans and other financial assets amount to € 398.5 million, down on the same period in 2015 (-10.0%). In detail, adjustments to loans amount to € 400.7 million (€ 424.9 million in the same period of 2015; -5.7% y/y). Net adjustments to other assets (writebacks) are positive for € 2.2 million (they were negative for € 17.9 million in the same period last year), and include an extraordinary writeback of € 11.0 million relating to an allocation made to the Interbank Deposit Guarantee Fund ("FITD-SV") for Banca Tercas, already accounted for under caption 130 d) in the first half of the year[9]. The overall cost of credit at 30 September 2016 comes to 92 bps (122 bps annualised compared with 162 bps in 2015).

Net provisions for risks and charges come to € 27.9 million (€ 33.1 million in the same period of 2015), down 15.7% y/y.

In the first nine months of the year, the contribution by the BPER Group to the **Single Resolution Fund ("SRF")** already paid for 2016 and recorded in the first half of the year under Administrative expenses, comes to € 15.1 million, versus an ordinary contribution recognised for the first nine months of 2015 to Provisions for risks and charges for an amount of € 10.6 million. The estimated value of the ordinary contribution to the **Deposit Guarantee Scheme ("DGS")**, recognised under administrative expenses and accounted for in the third quarter of 2016, amounted to about € 17.6 million, versus an ordinary contribution recognised in the third quarter of 2015 to Provisions for risks and charges for an amount of € 8.5 million. The reclassified income statement, under contributions to the SRF and DGS, also reflects the extraordinary repayment to the **Interbank Deposit Guarantee Fund - intervention scheme on a voluntary basis ("FITD-SV")** for Tercas[10], already recognised in the first half of 2016 under administrative expenses, for an amount of € 11.3 million, which was, however, accompanied by an almost complete recovery of the amount, allocated in large part under write-backs on other financial assets (caption 130.d) in the income statement. To summarise, in the first nine months of 2016, the total amount of contributions to the funds mentioned above (SRF, DGS and FITD-SV) and shown on a separate line in the reclassified income statement amounted to € 44.0 million, compared with € 19.1 million in the same period of 2015.

The **profit from current activities before tax** comes to € 145.3 million at 30 September 2016 on a profit of € 125.7 million in the same period last year. **Income taxes for the period** amount to € 40.6 million (€ 36.9 million at 30 September 2015), with an effective tax rate of 28.0%.

Total net profit for the period comes to € 104.7 million (€ 88.7 million in the same period last year), including the net profit pertaining to minority interests of € 3.5 million (€ 6.2 million at 30 September 2015). The **net profit pertaining to the Parent Company** therefore comes to € 101.2 million (€ 82.6 million at 30 September 2015).

Balance sheet: key figures

Direct borrowing from customers (due to customers, debt securities in issue and financial liabilities designated at fair value through profit and loss) amounts to € 45.6 billion, 3.6% down on the end of 2015, in application of a clear Asset & Liabilities Management strategy aimed at reducing the cost of funding while maintaining a balanced duration between assets and liabilities; of the various types of deposits, there has been a 3.4% increase in demand deposits (current accounts and unrestricted deposit accounts) compared with the end of 2015, while there has been a decline in the mainly retail bond component by € 1.3 billion (-16.6% since the end of 2015), time deposits by € 0.5 billion (-21.2% since the end of 2015) and certificates of deposit by € 0.8 billion (-23.3% since the end of

2015). Direct borrowing is made up principally of current accounts, unrestricted and short-term restricted deposits (70.0%) and bonds (14.1%), of which 57.7% are in the hands of retail customers.

Indirect customer deposits, at market price, amount to € 32.9 billion, an increase of 8.2% on the start of the year. In particular, assets under management amount to € 15.7 billion (+6.4% since the end of 2015), with a positive net inflow for the period of around € 0.7 billion. In the nine months, assets under administration of € 17.2 billion posted an increase of 9.8%, mainly due to institutional funding. The **life insurance policy portfolio**, which is not included in indirect borrowing, comes to € 4.2 billion, a substantial increase since the start of the year (+13.7%).

Loans to customers, net of adjustments, amounted to € 43.6 billion (-0.2% compared with the end of 2015) and are influenced by the usual seasonality of the summer period, particularly with regard to corporate business, and by the disposal of bad loans with a gross book value of approximately € 500 million; the pro-forma figure, net of the bad loan disposals mentioned above, shows a slight increase compared with the end of 2015 (+0.1%). Looking at the various types of loans, there has again been a positive performance on the part of residential mortgages, which saw new loans rising by 11.1% on the same period of 2015. **Loans to customers**, gross of adjustments, amount to € 48.7 billion (-0.4% from the end of 2015); the pro-forma figure, net of the bad loan disposals, shows an increase of 0.6% compared with the end of 2015.

Net non-performing loans (bad, "unlikely to pay" and past due loans) amount to € 6.4 billion, essentially stable on the end of 2015 (-0.1%) with a **total coverage ratio of 43.7%** compared with 44.2% at the end of last year, among the highest in the system; and this does not take into consideration the write-offs of bad loans still outstanding (€ 1.1 billion), which take the coverage ratio to 48.6% (49.7% at 31 December 2015), nor the value of secured and unsecured guarantees. In detail, net **bad loans** amount to € 3.0 billion (-0.2% since the end of last year) with coverage of 57.4% (58.2% at 31 December 2015), without considering the value of secured and unsecured guarantees; in addition, taking into account the direct write-offs of bad loans still outstanding, coverage comes to 63.1% (64.4% at the end of 2015). Net **"unlikely to pay"** loans amount to € 3.2 billion, an increase compared with the end of 2015 (+2.0%) with a level of coverage of 22.2% (21.9% at 31 December 2015), while net **past due loans** amount to € 0.2 billion, down 24.7% from the end of last year with coverage of 8.6% (10.0% at 31 December 2015).

Note that these figures include a number of bad loan disposals for a total gross book value of around € 500 million completed in the third quarter of the year, which did not significantly reduce the value of the coverage and with marginal effects on the income statement.

The **net interbank position**, which is negative for € 7.2 billion compared with € 4.4 billion at the end of 2015, is the difference between amounts due from banks of € 1.1 billion and amounts due to banks of € 8.3 billion. The total amount of refinancing with the European Central Bank amounted to € 4.2 billion, including € 4.0 billion from the second issue of TLTRO2 and € 0.2 billion of short-term loans. Financial instruments eligible for use as collateral for refinancing transactions on the market amount to € 13.0 billion, net of the haircut, of which € 5.1 billion is available.

Financial assets amount in total to € 13.4 billion, an increase of 15.6% on the end of 2015, representing 21.3% of total assets. Debt securities represent 92.6% of the total portfolio and amount to € 12.4 billion: of these, € 6.4 billion relate to government securities (mostly represented by Italian government bonds) and € 4.4 billion to banks and supranational entities.

Against assets available for sale (AFS) of € 10.0 billion, there are positive valuation reserves for a total of € 196.7 million, net of the related tax effect, which is the net result of positive reserves for debt securities, equities and UCITS of € 212.7 million, less negative reserves of € 16.0 million. The "AFS" reserve for government securities is showing gains for an amount (net of taxes) of € 84.1 million (€ 90.2 million at 31 December 2015). Moreover, with regard to the portfolio of financial assets held to maturity (HTM) of € 2.6 billion, the difference between their fair value and book value is positive, net of the related tax effect, resulting in a net implicit reserve of € 153.9 million.

Total equity ("own funds") at 30 September 2016 amounts to € 5.7 billion (+1.2% on the end of 2015), with minority interests of € 0.7 billion. Consolidated shareholders' equity of the Group, including the result for the period, comes to € 5.0 billion, +0.3% since the end of 2015.

The Phased in Basel 3 **Leverage Ratio** of 7.1% (6.9% Fully Phased) is among the best of the system. the **LCR ("Liquidity Coverage Ratio")** and **NSFR ("Net Stable Funding Ratio")** liquidity ratios are well over 100%; In particular, the LCR index at 30 September 2016 stands at 123,4%, whereas the NSFR index is estimated at more than 100% at 30 September 2016 (it was 106.0% at 30 June 2016 and 110.9% at 31 December 2015).

Capital ratios

The **capital ratios**, calculated since last June taking into account the AIRB methodology for the credit risk requirement, thanks to the recent validation of internal models received from that date (with a benefit of around 3 percentage points calculated in June), are calculated with reference to the value of Own Funds including the share of profit that can be allocated to equity realised at 30 September 2016[11], and are as follows:

- Common Equity Tier 1 Ratio (Phased In) of 14.47% (14.49% at 30 June 2016 and 11.54% at 31 December 2015). This ratio calculated on a fully phased basis comes to 14.13%, unchanged compared with June;
- Phased In Tier 1 ratio of 14.56% (14.55% at 30 June 2016 and 11.65% at 31 December 2015);
- "Own Funds ratio (Phased in)" of 15.98% (16.04% at 30 June 2016; 12.80% at 31 December 2015).

Key figures at 30 September 2016

The Group has a presence in eighteen Regions of Italy, with 1,175 branches, 41 fewer compared with 1,216 at the end of 2015, as well as the head office of BPER (Europe) International s.a. in Luxembourg. The significant decrease in branches is mainly due to rationalisation as part of the transfer of Banca di Sassari's branches to Banco di Sardegna, with Banca di Sassari being transformed into the Group's consumer finance company, in line with the objectives and timing laid down in the 2015-2017 Business Plan.

The Group currently has 11,426 employees, a decrease of 21 during the period (11,447 at the end of 2015).

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Significant subsequent events

On 4 October 2016, BPER and Fondazione Cassa di Risparmio di Saluzzo, after having obtained the necessary authorisations from the competent Authorities, implemented the "Share sale and purchase agreement", signed last 13 April, with a view to allowing Cassa di Risparmio di Saluzzo to join the BPER Group. The Bank acquired 48.98% of the share capital of the Bank from the Fondazione, thus increasing its interest from 31.02% to 80%. The transaction is consistent with the BPER Group's strategy of enhancing the investments that it holds in credit institutions operating in the Piedmont Region, strongly rooted in the local areas, in line with the previous one carried out with Cassa di Risparmio di Bra in early 2013.

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On 19 October 2016, Banca popolare dell'Emilia Romagna Soc. Coop. published the notice of calling of the Ordinary and Extraordinary Shareholders' Meetings scheduled for 25 November 2016 at first calling and for Saturday, 26 November 2016 at second calling. In particular, the agenda of the extraordinary part includes the proposed transformation of Banca popolare dell'Emilia Romagna from a cooperative into a joint-stock company and the consequent adoption of new Articles of Association.

For further details on the Shareholders' Meeting, please consult the Bank’s website: www.bper.it – Governance – Corporate Bodies – Shareholders' Meeting.

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Outlook for operations

The trend of loans to customers should improve during the last quarter of the year, albeit gradually, though the uncertainty generated by Italy's referendum result, which could affect the climate of confidence among individuals and businesses, as well as investment decisions, should not be overlooked. For the current year, the pressure on core business revenues should loosen up, considering the benefit of the sweetener from the TLTRO2 programme on net interest income and increased business with customers in terms of assets under management and bancassurance. Payroll costs at ordinary level should be stable over the previous year, while administrative expenses are expected to grow because of the expected costs for the implementation of the 2015-2017 business plan projects.

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With reference to recent regulatory changes in the Consolidated Finance Act (Legislative Decree 25 of 15 February 2016), which followed the European Directive 2013/5/EU (Transparency II), with reference to Consob Resolution 19770 of 26 October 2016, published with a press release on 3 November 2016, please note that BPER Banca has decided to publish the consolidated interim report of the Group at 30 September 2016 on a voluntary basis, in continuity with the past (already done at 31 March 2016). This decision does not represent any commitment for the future to maintain this approach, i.e. to continue publishing quarterly information and quarterly reports. Decisions for the future regarding the contents of quarterly disclosures will be made in line with the coming into force of the new regulations (2 January 2017).

Note that the consolidated interim report of the BPER Group at 30 September 2016 is audited only for the purpose of determining consolidated profit realised for inclusion in the primary capital (CET1) for regulatory purposes. The document will be available at the head office, at Borsa Italiana S.p.a. and on the websites of the Bank and the Group (www.bper.it and www.gruppobper.it) as required by law.

To complete the information provided, we attach the consolidated balance sheet and income statement (split into quarters with comparative figures) at 30 September 2016, as well as a summary of the main indicators.

Modena, 10 November 2016

Chief Executive Officer
Alessandro Vandelli

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The Manager responsible for preparing the Company's financial reports, Emilio Annovi, declares in accordance with art. 154-bis, para. 2, of Legislative Decree 58/1998 (Consolidated Finance Act) that the accounting information contained in this press release agrees with the books of account, accounting entries and supporting documentation.

Modena, 10 November 2016

Manager responsible for preparing the
Company's financial reports
Emilio Annovi

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A conference call has been organised for today, **Thursday, 10 November 2016 at 6.15 p.m. (CET)** to explain the BPER Group's results at 30 September 2016.
The conference call, in English, will be chaired by **Alessandro Vandelli, the Chief Executive Officer**.

To join the conference call, key in the following number:

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

A set of slides supporting the presentation will be available the same day before the start of the conference call in the Investor Relations section of the website of the Bank and of the Group

www.bper.it and www.gruppobper.it.

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

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Notes:

[1] The first assignment without recourse of a bad loan portfolio for a gross of € 450 million was announced with a specific press release on 14 July 2016.

[2] **Main extraordinary income and expenses in the first nine months of 2016 and 2015.** Extraordinary income for the first nine months of 2016: at the end of last year the VISA Inc. Group (USA) announced its intention to buy out the rest of its former subsidiary VISA Europe, which included among its shareholders Banca di Sassari and CartaSi, which is under the control of ICBPI, which was transferred simultaneously by the various participating banks, including BPER Banca. The contract for the sale of ICBPI's shareholding, in connection with the VISA transaction, envisaged an earn-out clause that would fall due within five years from execution of the sale, at which point an additional consideration would be potentially be calculated to take account of "VISA net proceeds". At the end of the various changes in company holdings and the expected authorisations from the Supervisory Authorities, in late June VISA paid the agreed consideration for the predominant part in cash, to which was added a portion in shares and an additional cash amount with deferred payment after three years. From this sale Banca di Sassari realised a capital gain of approximately Euro 20.8 million, which was accounted for at 30 June 2016. CartaSì also realised a substantial capital gain, part of which it will have to pay under the contract to BPER by the end of this year as its share of the earn-out; its value, for the portion considered certain in terms of quantity, has already been ascertained as of 30 June 2016 at Euro 9.4 million. At 30 September, pending completion of the ongoing negotiations, payment of the consideration and agreement about the guarantee that the Bank will have to provide led to a prudential earn-out equal to the gross value mentioned above, reduced by the tax value to be borne by the counterparty calculated under the ordinary regime, for an amount of € 12.1 million, with a supplement of € 2.7 million compared with the assessment already made as of 30 June 2016. Overall, the amount of extraordinary income relating to this transaction accounted for at 30 September 2016 in item 100 b) of the income statement amounted to € 32.9 million (before tax estimated at € 7.7 million). Extraordinary expenses for the first nine months of 2015: extraordinary costs for redundancy incentives and the Solidarity Fund at 30 September 2015 of € 54.3 million before taxes, of which € 52.5 million recognised in the third quarter, with reference to the estimate made in accordance with the agreement signed with the Trade Unions on 14 August 2015 and € 1.8 million already recognised in the second quarter. The tax effect of these items is approximately € 18 million.

Non-recurring income and costs at 30 September 2016 (€/million)

Description	Income statement caption	1Q16	2Q16	3Q16	Total nine months 2016
1) Gain on the sale of the interest in VISA by Banca di Sassari	100 b) – Gain on disposal of AFS financial assets		+20.8		+20.8
2) Earn-out for the sale of ICBPI (Cartasì - see above for description of the transaction)	100 b) – Gain on disposal of AFS financial assets		+9.4	+2.7	+12.1
Total					**+32.9**
Total tax effect	290 - Income taxes		-7.5	-0.2	-7.7
Total impact on the income statement			**+22.7**	**+2.5**	**+25.2**

Non-recurring income and expenses at 30 September 2015 (€/million)

Description	Income statement caption	1Q15	2Q15	3Q15	Total nine months 2015
1) Extraordinary costs for redundancy incentives and the Solidarity Fund (2015-17 Business plan)	180 a) - Payroll costs		-1.8	-52.5	-54.3
Total					**-54.3**
Total tax effect	290 - Income taxes		+0.6	+17.4	+18.0
Total impact on the income statement			**-1.2**	**-35.1**	**-36.3**

[3] The 2016 contributions paid by the Group to the Single Resolution Fund (SRF) amounted to Euro 15.1 million, while those established for the Deposit Guarantee Scheme (DGS) came to Euro 17.6 million (estimate of the payment that will be required by the end of year), for a total of Euro 32.7 million which, net of tax, negatively affected the result for the nine months by around € 22 million.

[4] Core revenues are represented by net interest income and net commission income and amount to € 1,409.0 million (€ 1,462.2 million at 30 September 2015)

[5] See note 2.

[6] "Operating profit" as shown in the attached reclassified income statement is represented by the sum of the following income statement captions: Net interest and other banking income and Other operating charges/income net of indirect taxes recharged to customers (€ 88.7 million in the first nine months of 2016 and € 93.4 million in the same period of 2015) of € 1,554.0 million (€ 1,595.4 million at 30 September 2015).

[7] "Operating costs" defined as reported in the attached reclassified income statement and represented by the sum of the following income statement captions: payroll costs, other administrative expenses net of indirect taxes recovered from customers (see note 5), and of contributions to the SFR, DGS and to FITD-SV (€ 44.0 million) and of amortisation and depreciation.

[8] See note 2.

[9] "Net adjustments to other financial assets" include a write-back of € 11.0 million due to the intervention to save Banca Tercas. Following the objections of the European Commission which considered this operation to be "state aid", the FITD arranged to return the amounts paid in 2014 to the banks, which are now members of the Voluntary Scheme set up as part of the same Fund. Member banks in turn paid these amounts to the FITD - Voluntary Scheme, recognising them under administrative expenses. The write-back and related reversal mentioned above were already accounted for in the first half of 2016.

[10] See note 9.

[11] The ratios have been calculated taking into account the share of profit realised during the quarter that can be allocated to equity of € 17.2 million (equal to around 6 bps), added to the share of profit realised during the first half that can be allocated to equity of € 45.5 million (equal to around 11 bps), whose inclusion in CET1 had already been authorised by the ECB at 30 June 2016. For this purpose, pursuant to art. 3 of Decision (EU) 656/2015 of the European Central Bank of 4 February 2015 and as required by art. 26 para. 2 of Regulation (EU) 575/2013 (CRR), BPER sent a special communication to the ECB (documentation required by arts. 4 and 5 of the said Decision, including certification by the Independent Auditors).

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Consolidated balance sheet as at 30 September 2016

(in thousands of Euro)

Assets	30.09.2016	31.12.2015	Change	% Change
10. Cash and cash equivalents	348,364	390,371	(42,007)	-10.76
20. Financial assets held for trading	723,611	790,403	(66,792)	-8.45
30. Financial assets designated at fair value through profit and loss	82,779	86,639	(3,860)	-4.46
40. Financial assets available for sale	10,009,044	8,022,164	1,986,880	24.77
50. Financial assets held to maturity	2,554,580	2,663,859	(109,279)	-4.10
60. Due from banks	1,123,966	1,087,313	36,653	3.37
70. Loans to customers	43,630,200	43,702,561	(72,361)	-0.17
80. Hedging derivatives	73,120	38,182	34,938	91.50
100. Equity investments	434,824	415,200	19,624	4.73
120. Property, plant and equipment	950,517	941,121	9,396	1.00
130. Intangible assets	505,219	515,164	(9,945)	-1.93
of which: goodwill	377,141	380,395	(3,254)	-0.86
140. Tax assets	1,375,691	1,471,928	(96,237)	-6.54
a) current	142,332	208,238	(65,906)	-31.65
b) deferred	1,233,359	1,263,690	(30,331)	-2.40
b1) of which L. 214/2011	1,035,097	1,072,618	(37,521)	-3.50
160. Other assets	820,876	1,136,326	(315,450)	-27.76
Total assets	**62,632,791**	**61,261,231**	**1,371,560**	**2.24**

(in thousands of Euro)

Liabilities and shareholders' equity	30.09.2016	31.12.2015	Change	% Change
10. Due to banks	8,353,142	5,522,992	2,830,150	51.24
20. Due to customers	36,319,209	35,887,658	431,551	1.20
30. Debt securities in issue	8,845,379	10,494,565	(1,649,186)	-15.71
40. Financial liabilities held for trading	264,613	242,149	22,464	9.28
50. Financial liabilities designated at fair value through profit and loss	409,037	873,558	(464,521)	-53.18
60. Hedging derivatives	48,453	23,715	24,738	104.31
80. Tax liabilities	125,683	109,013	16,670	15.29
a) current	2,285	3,911	(1,626)	-41.58
b) deferred	123,398	105,102	18,296	17.41
100.Other liabilities	1,910,632	1,844,715	65,917	3.57
110. Provision for termination indemnities	210,076	200,669	9,407	4.69
120. Provisions for risks and charges	428,347	410,399	17,948	4.37
a) pensions and similar commitments	146,321	124,500	21,821	17.53
b) other provisions	282,026	285,899	(3,873)	-1.35
140. Valuation reserves	160,714	148,982	11,732	7.87
170. Reserves	2,410,861	2,288,125	122,736	5.36
180. Share premium reserve	930,073	930,073	-	-
190. Share capital	1,443,925	1,443,925	-	-
200. Treasury shares	(7,258)	(7,255)	(3)	0.04
210. Minority interests	678,745	627,287	51,458	8.20
220. Profit (Loss) for the period	101,160	220,661	(119,501)	-54.16
Total liabilities and shareholders' equity	**62,632,791**	**61,261,231**	**1,371,560**	**2.24**

Reclassified consolidated income statement as at 30 September 2016

For the sake of clarity, we provide below a breakdown of the aggregations and reclassifications with respect to the income statement format required by Circular no. 262/2005 of the Bank of Italy:

- "*Net result from financial activities*" includes items 80, 90, 100 and 110 in the standard reporting format;
- Indirect tax recoveries, allocated for accounting purposes to item 220 *"Other operating charges/income"*, have been reclassified as a reduction in the related costs under *"Other administrative expenses"* (Euro 88,689 thousand at 30 September 2016 and Euro 93,431 thousand at 30 September 2015);
- *"Net adjustments to property, plant and equipment and intangible assets"* include captions 200 and 210 in the standard reporting format;
- *"Net impairment adjustments to AFS and HTM financial assets"* includes captions 130 b) and 130 c) in the reporting format;
- *"Gains (losses) on equity investments, disposal of investments and adjustments to goodwill"* include captions 240, 260 and 270 in the reporting format;
- *"Contributions to the DGS, SRF and FITD funds"* has been shown separately from the specific accounting technical forms to give a better and clearer representation, as well as to leave the *"Other administrative costs"* as a better reflection of the trend in the Group's operating costs. In particular, at 30 September 2016, this caption represents the component allocated for accounting purposes to administrative costs in relation to:
    - the 2016 contribution to the SRF (European Single Resolution Fund) of Euro 15,090 thousand;
    - the 2016 contribution to the DGS (Deposit Guarantee Schemes) of Euro 17,621 thousand, representing the amount requested from the Luxembourg subsidiary for the first half of the year (Euro 14 thousand) and an estimate of the amount that will be requested from Italian banks by the end of the year (Euro 17,607 thousand);
    - the contribution to the FITD-SV (Voluntary Scheme) for the intervention on behalf of Banca Tercas for Euro 11,298 thousand.

  At 30 September 2015 the only caption involved was *"Provisions for risks and charges"* for the estimated amount of the 2015 contribution to the SRF of Euro 10,565 thousand and to the DGS of Euro 8,540 thousand.

Please note that the caption *"Contributions to the SRF, DGS and FITD funds"* has been included from 30 June 2016 and that the comparative figures at 30 September 2015 have therefore been restated with respect to those published at the time of the consolidated interim report at 30 September 2015. The table showing the reclassified quarterly figures has also been adjusted to this approach.

(in thousands of Euro)

Captions		30.09.2016	30.09.2015	Change	% Change
10+20	Net interest income	876,104	924,501	(48,397)	-5.23
40+50	Net commission income	532,921	537,697	(4,776)	-0.89
70	Dividends	9,156	14,289	(5,133)	-35.92
80+90+100+110	Net trading income	90,244	81,882	8,362	10.21
220 (*)	Other operating charges/income	45,573	36,986	8,587	23.22
	Operating income	**1,553,998**	**1,595,355**	**(41,357)**	**-2.59**
180 a)	Payroll	(574,409)	(628,579)	54,170	-8.62
180 b) (*) (**)	Other administrative costs	(309,981)	(292,710)	(17,271)	5.90
200+210	Net adjustments to property, plant, equipment and intangible assets	(55,470)	(51,912)	(3,558)	6.85
	Operating costs	**(939,860)**	**(973,201)**	**33,341**	**-3.43**
	Net operating income	**614,138**	**622,154**	**(8,016)**	**-1.29**
130 a)	Net impairment adjustments to loan	(400,680)	(424,897)	24,217	-5.70
130 b)+c)	Net impairment adjustments to financial assets available for sale and held to maturity	(12,150)	(16,462)	4,312	-26.19
130 d)	Net impairment adjustments to other financial assets	14,319	(1,466)	15,785	--
	Net impairment adjustments	**(398,511)**	**(442,825)**	**44,314**	**-10.01**
190 (***)	Net provisions for risks and charges	(27,916)	(33,120)	5,204	-15.71
###	Contribution to SRF, DGS, FITD	(44,009)	(19,105)	(24,904)	130.35
240+260+270	Gains (Losses) from equity instruments, on disposal of investments and adjustment to goodwill	1,578	(1,446)	3,024	-209.13
280	**Profit (Loss) from current operations before tax**	**145,280**	**125,658**	**19,622**	**15.62**
290	Income taxes on current operations for the period	(40,631)	(36,914)	(3,717)	10.07
320	**Net profit (loss) for the period**	**104,649**	**88,744**	**15,905**	**17.92**
330	Net profit (loss) pertaining to minority interests	(3,489)	(6,158)	2,669	-43.34
340	**Profit (Loss) for the period pertaining to the Parent Company**	**101,160**	**82,586**	**18,574**	**22.49**

	Caption net of:				
(*)	Recovery of taxes	88,689	93,431	(4,742)	-5.08
(**)	Contribution to SRF, DGS, FITD	(44,009)	-		
(***)	Contribution to SRF, DGS, FITD	-	(19,105)		

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Reclassified consolidated income statement by quarter as at 30 September 2016

(in thousands of Euro)

Captions		1st quarter 2016	2nd quarter 2016	3rd quarter 2016	1st quarter 2015	2nd quarter 2015	3rd quarter 2015	4th quarter 2015
10+20	Net interest income	296,800	293,576	285,728	314,095	308,370	302,036	303,040
40+50	Net commission income	177,083	181,035	174,803	179,203	180,650	177,844	188,996
70	Dividends	86	8,732	338	249	13,583	457	1,664
80+90+ 100+110	Net trading income	15,662	49,064	25,518	46,058	15,463	20,361	266,002
220 (*)	Other operating charges/income	15,538	16,430	13,605	15,443	9,269	12,274	15,516
	Operating income	**505,169**	**548,837**	**499,992**	**555,048**	**527,335**	**512,972**	**775,218**
180 a)	Payroll	(196,586)	(201,655)	(176,168)	(199,322)	(196,883)	(232,374)	(196,474)
180 b) (*) (**)	Other administrative costs	(101,125)	(102,758)	(106,098)	(93,620)	(103,392)	(95,698)	(107,912)
200+210	Net adjustments to property, plant and equipment and intangible assets	(17,084)	(20,443)	(17,943)	(17,330)	(17,087)	(17,495)	(28,337)
	Operating costs	**(314,795)**	**(324,856)**	**(300,209)**	**(310,272)**	**(317,362)**	**(345,567)**	**(332,723)**
	Net operating income	**190,374**	**223,981**	**199,783**	**244,776**	**209,973**	**167,405**	**442,495**
130 a)	Net impairment adjustments to loans	(114,167)	(161,935)	(124,578)	(147,504)	(150,237)	(127,156)	(280,902)
130 b)+c)	Net impairment adjustments to financial assets available for sale and held to maturity	(3,678)	(3,524)	(4,948)	(6,347)	(2,552)	(7,563)	(10,881)
130 d)	Net impairment adjustments to other financial transactions	(3,666)	14,888	3,097	3,879	(4,997)	(348)	(3,192)
	Net impairment adjustments	**(121,511)**	**(150,571)**	**(126,429)**	**(149,972)**	**(157,786)**	**(135,067)**	**(294,975)**
190 (***)	Net provisions for risks and charges	(9,621)	(12,504)	(5,791)	(14,096)	(12,439)	(6,585)	(14,262)
###	Contributions to SRF, DGS, FITD	(15,000)	(11,402)	(17,607)	-	(10,250)	(8,855)	(47,204)
240+260 +270	Gains (Losses) on disposal of investments and adjustments to goodwill	3,193	(4,077)	2,462	(1,773)	7,173	(6,846)	1,802
280	**Profit from current operations before tax**	**47,435**	**45,427**	**52,418**	**78,935**	**36,671**	**10,052**	**87,856**
290	Income taxes on current operations	(14,104)	(13,689)	(12,838)	(27,234)	(7,367)	(2,313)	42,632
320	**Net profit (loss) for the period**	**33,331**	**31,738**	**39,580**	**51,701**	**29,304**	**7,739**	**130,488**
330	Net profit (loss) for the period pertaining to minority interests	(2,356)	2,029	(3,162)	(6,504)	(1,270)	1,616	7,587
340	**Profit (Loss) for the period pertaining to the Parent Company**	**30,975**	**33,767**	**36,418**	**45,197**	**28,034**	**9,355**	**138,075**

	Captions net of:							
(*)	Recovery of taxes	30,405	28,899	29,385	30,864	31,763	30,804	29,871
(**)	Contributions to SRF, DGS, FITD	(15,000)	(11,402)	(17,607)	-	-	-	(61,554)
(***)	Contributions to SRF, DGS, FITD				-	(10,250)	(8,855)	14,350

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Consolidated income statement as at 30 September 2016

(in thousands of Euro)

Captions	30.09.2016	30.09.2015	Change	% Change
10. Interest and similar income	1,117,592	1,249,343	(131,751)	-10.55
20. Interest and similar expense	(241,488)	(324,842)	83,354	-25.66
30. Net interest income	**876,104**	**924,501**	**(48,397)**	**-5.23**
40. Commission income	557,443	565,041	(7,598)	-1.34
50. Commission expense	(24,522)	(27,344)	2,822	-10.32
60. Net commission income	**532,921**	**537,697**	**(4,776)**	**-0.89**
70. Dividends and similar income	9,156	14,289	(5,133)	-35.92
80. Net trading income	(17,706)	14,995	(32,701)	-218.08
90. Net hedging gains (losses)	(91)	(799)	708	-88.61
100. Gains/losses on disposal or repurchase of:	103,674	67,129	36,545	54.44
a) loans	(3,461)	4,205	(7,666)	-182.31
b) financial assets available for sale	108,280	63,626	44,654	70.18
c) financial assets held to maturity	-	208	(208)	-100.00
d) financial liabilities	(1,145)	(910)	(235)	25.82
110. Net results on financial assets and liabilities designated at fair value	4,367	557	3,810	684.02
120. Net interest and other banking income	**1,508,425**	**1,558,369**	**(49,944)**	**-3.20**
130. Net impairment adjustments to:	(398,511)	(442,825)	44,314	-10.01
a) loans	(400,680)	(424,897)	24,217	-5.70
b) financial assets available for sale	(12,150)	(16,462)	4,312	-26.19
d) other financial assets	14,319	(1,466)	15,785	--
140. Net profit from financial activities	**1,109,914**	**1,115,544**	**(5,630)**	**-0.50**
180. Administrative costs:	(1,017,088)	(1,014,720)	(2,368)	0.23
a) payroll	(574,409)	(628,579)	54,170	-8.62
b) other administrative costs	(442,679)	(386,141)	(56,538)	14.64
190. Net provision for risks and charges	(27,916)	(52,225)	24,309	-46.55
200. Net adjustments to property, plant and equipment	(30,237)	(28,410)	(1,827)	6.43
210. Net adjustments to intangible assets	(25,233)	(23,502)	(1,731)	7.37
220. Other operating charges/income	134,262	130,417	3,845	2.95
230. Operating costs	**(966,212)**	**(988,440)**	**22,228**	**-2.25**
240. Profit (Loss) from equity investments	5,081	(1,459)	6,540	-448.25
260. Adjustments to goodwill	(3,254)	-	(3,254)	--
270. Gains (Losses) on disposal of investments	(249)	13	(262)	--
280. Profit (Loss) from current operations before tax	**145,280**	**125,658**	**19,622**	**15.62**
290. Income taxes on current operations for the period	(40,631)	(36,914)	(3,717)	10.07
300. Profit (Loss) from current operations after tax	**104,649**	**88,744**	**15,905**	**17.92**
320. Net profit (loss) for the period	**104,649**	**88,744**	**15,905**	**17.92**
330. Net profit (loss) for the period pertaining to minority interests	(3,489)	(6,158)	2,669	-43.34
340. Profit (Loss) for the period pertaining to the Parent Company	**101,160**	**82,586**	**18,574**	**22.49**

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Consolidated income statement by quarter as at 30 September 2016

(in thousands of Euro)

Captions	1st quarter 2016	2nd quarter 2016	3rd quarter 2016	1st quarter 2015	2nd quarter 2015	3rd quarter 2015	4th quarter 2015
10. Interest and similar income	384,670	373,463	359,459	431,035	415,453	402,855	399,056
20. Interest and similar expense	(87,870)	(79,887)	(73,731)	(116,940)	(107,083)	(100,819)	(96,016)
30. Net interest income	**296,800**	**293,576**	**285,728**	**314,095**	**308,370**	**302,036**	**303,040**
40. Commission income	185,186	189,189	183,068	188,020	189,373	187,648	197,433
50. Commission expense	(8,103)	(8,154)	(8,265)	(8,817)	(8,723)	(9,804)	(8,437)
60. Net commission income	**177,083**	**181,035**	**174,803**	**179,203**	**180,650**	**177,844**	**188,996**
70. Dividends and similar income	86	8,732	338	249	13,583	457	1,664
80. Net trading income	(25,801)	(3,956)	12,051	20,413	(6,009)	591	17,836
90. Net hedging gains (losses)	120	(82)	(129)	355	(520)	(634)	(90)
100. Gains/losses on disposal or repurchase of:	37,346	55,129	11,199	28,438	15,882	22,809	248,337
a) loans	7	1,027	(4,495)	3,804	601	(200)	(182)
b) financial assets available for sale	38,237	54,210	15,833	25,092	15,486	23,048	249,545
c) financial assets held to maturity	-	-	-	(92)	300	-	13
d) financial liabilities	(898)	(108)	(139)	(366)	(505)	(39)	(1,039)
110. Net results on financial assets and liabilities designated at fair value	3,997	(2,027)	2,397	(3,148)	6,110	(2,405)	(81)
120. Net interest and other banking income	**489,631**	**532,407**	**486,387**	**539,605**	**518,066**	**500,698**	**759,702**
130. Net impairment adjustments to:	(121,511)	(150,571)	(126,429)	(149,972)	(157,786)	(135,067)	(294,975)
a) loans	(114,167)	(161,935)	(124,578)	(147,504)	(150,237)	(127,156)	(280,902)
b) financial assets available for sale	(3,678)	(3,524)	(4,948)	(6,347)	(2,552)	(7,563)	(10,881)
d) other financial assets	(3,666)	14,888	3,097	3,879	(4,997)	(348)	(3,192)
140. Net profit from financial activities	**368,120**	**381,836**	**359,958**	**389,633**	**360,280**	**365,631**	**464,727**
180. Administrative costs:	(343,116)	(344,714)	(329,258)	(323,806)	(332,038)	(358,876)	(395,811)
a) payroll	(196,586)	(201,655)	(176,168)	(199,322)	(196,883)	(232,374)	(196,474)
b) other administrative costs	(146,530)	(143,059)	(153,090)	(124,484)	(135,155)	(126,502)	(199,337)
190. Net provision for risks and charges	(9,621)	(12,504)	(5,791)	(14,096)	(22,689)	(15,440)	88
200. Net adjustments to property, plant and equipment	(8,983)	(12,104)	(9,150)	(9,944)	(9,171)	(9,295)	(19,926)
210. Net adjustments to intangible assets	(8,101)	(8,339)	(8,793)	(7,386)	(7,916)	(8,200)	(8,411)
220. Other operating charges/income	45,943	45,329	42,990	46,307	41,032	43,078	45,387
230. Operating costs	**(323,878)**	**(332,332)**	**(310,002)**	**(308,925)**	**(330,782)**	**(348,733)**	**(378,673)**
240. Profit (Loss) from equity investments	3,143	(406)	2,344	(1,886)	7,270	(6,843)	1,556
260. Adjustments to goodwill	-	(3,254)	-	-	-	-	-
270. Gains (Losses) on disposal of investments	50	(417)	118	113	(97)	(3)	246
280. Profit (Loss) from current operations before tax	**47,435**	**45,427**	**52,418**	**78,935**	**36,671**	**10,052**	**87,856**
290. Income taxes on current operations for the period	(14,104)	(13,689)	(12,838)	(27,234)	(7,367)	(2,313)	42,632
300. Profit (Loss) from current operations after tax	**33,331**	**31,738**	**39,580**	**51,701**	**29,304**	**7,739**	**130,488**
320. Net profit (Loss) for the period	**33,331**	**31,738**	**39,580**	**51,701**	**29,304**	**7,739**	**130,488**
330. Net profit (Loss) for the period pertaining to minority interests	(2,356)	2,029	(3,162)	(6,504)	(1,270)	1,616	7,587
340. Profit (Loss) pertaining for the period to the Parent Company	**30,975**	**33,767**	**36,418**	**45,197**	**28,034**	**9,355**	**138,075**

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Performance ratios as at 30 September 2016

Financial ratios	30.09.2016	2015 (*)
Structural ratios (%)		
net loans to customers/total assets	69.66%	71.34%
net loans and advances to customers/direct deposits from customers	95.74%	92.48%
financial assets/total assets	21.35%	18.88%
fixed assets/total assets	2.21%	2.21%
goodwill/total assets	0.60%	0.62%
direct deposits/total assets	86.10%	86.15%
deposits under management/indirect deposits	47.70%	48.48%
financial assets/tangible equity[1]	2.56	2.25
total tangible assets[2]/tangible equity	11.92	11.83
net interbank lending/borrowing (in thousands of Euro)	(7,229,176)	(4,435,679)
number of employees	11,426	11,447
number of national bank branches	1,175	1,216
Profitability ratios (%)		
ROE	2.77%	4.57%
ROTE	3.10%	5.10%
ROA (net profit/total assets)	0.17%	0.15%
Cost/income ratio[3]	60.48%	61.00%
Net adjustments to loans/net loans to customers	0.92%	0.98%
Basic EPS	0.210	0.172
Diluted EPS	0.210	0.172
Risk ratios (%)		
non-performing exposures/net loans to customers	14.56%	14.54%
net bad loans/net loans to customers	6.80%	6.81%
net unlikely to pay loans/net loans to customers	7.31%	7.15%
net past due loans/net loans to customers	0.44%	0.58%
adjustments to non-performing exposures/gross non-performing exposures	43.68%	44.22%
adjustments to bad loans/gross bad loans	57.37%	58.16%
adjustments to unlikely to pay loans/gross unlikely to pay loans	22.24%	21.88%
adjustments to past due loans/gross past due loans	8.62%	10.02%
adjustments to performing exposures/gross performing exposures	0.48%	0.54%
texas ratio[4]	111.23%	111.98%

(*) The comparative figures for the income statement are as at 30 September 2015, except for the ROE and the ROTE which are calculated on a yearly basis.

[1] *Tangible equity = total shareholders' equity net of intangible assets.*
[2] *Total tangible assets = total assets net of intangible assets.*
[3] *The cost/income ratio has been calculated on the basis of the layout of the reclassified income statement (operating expenses/operating income); when calculated on the basis of the layouts provided by Circular no. 262 of the Bank of Italy the cost/income ratio is at 64.05% (63.43%as at 30 September 2015).*
[4] *The texas ratio is calculated as the relationship between total gross non-performing loans and net tangible equity, including minority interests, increased by total provisions for non-performing loans*

Financial ratios	30.09.2016	2015 (*)
Own Funds (Phased in)[5]		
Common Equity Tier 1 (CET1)	4,583,057	4,629,088
Own Funds	5,060,931	5,133,802
Risk-weighted assets (RWA)	31,674,948	40,101,688
Capital and liquidity ratios[6]		
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in	14.47%	11.54%
Tier 1 Ratio (T1 Ratio) - Phased in	14.56%	11.65%
Total Capital Ratio (TC Ratio) - Phased in	15.98%	12.80%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Phased	14.13%	11.21%
Leverage Ratio - Phased in[7]	7.1%	7.1%
Leverage Ratio - Fully Phased[8]	6.9%	6.9%
Liquidity Coverage Ratio (LCR)	123.4%	136.1%
Net Stable Funding Ratio (NSFR)[9]	n.a.	110.9%

Non-financial ratios	30.09.2016	2015 (*)
Productivity ratios (in thousands of Euro)		
direct deposits per employee	3,988.59	4,128.22
loans and advances to customers per employee	3,818.50	3,817.82
assets managed per employee	1,371.46	1,286.45
assets administered per employee	1,503.90	1,366.99
core revenues[10] per employee	123.32	127.89
net interest and other banking income per employee	132.02	136.30
operating costs per employee	84.56	86.45

(*) The comparative figures for the income statement are as at 30 September 2015, except for the ROE and the ROTE which are calculated on a yearly basis.

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[5] The comparative ratios at 31 December 2015 are presented in the pro-forma version, taking into account the share of profit realized in the second half of 2015 that is allocable to equity (€ 118.6 milion, equal to around 30 bps). having already included for regulatory purposes (as authorised by the ECB) the portion of net profit realised in the first half of the year that could be allocated to equity.

[6] See previous note.

[7] The ratio is calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by the Commission Delegated Regulation (EU) 2015/62.

[8] See previous note

[9] The NSFR, not yet available, it is in any case estimated to exceed 100% (106% as at 30 June 2016 and 110.9% as at 31 December 2015).

[10] Core revenues = net interest income + net commission income.