BPER: Banca

# PRESS RELEASE

## Consolidated interim report at 30 September 2017 Approved

**Fully Phased CET1 ratio of 13.81%, a significant increase of more than 60 bps since last June (13.17%), confirming a capital solidity among the best of the Italian banking system. During the 3rd quarter, having completed various activities requested by the ECB at the time when internal models were being validated, approval was given to eliminate the add-ons to risk-weighted assets.**

**Net profit for the period of € 149.0 million versus € 101.2 million at 30 September 2016. Significant non-recurring items have affected this result[1], including write-downs of the Fondo Atlante quotas and for FITD-SV banking system support for a total of € 82.4 million, and the € 130.7 million of badwill generated by the acquisition of Nuova Carife.**

**Asset quality continues to improve thanks to a significant reduction in transfers to non-performing exposures and a significant increase in coverage:**

- **transfers to non-performing exposures from performing loans down sharply by 56.7% y/y with an annualised default rate of 1.9%, a return to pre-crisis levels;**
- **transfers to bad loans down significantly by 12.7% y/y;**
- **ratio of gross non-performing exposures at 20.8%, down for the fifth quarter running (-270 bps from 23.5% in June 2016);**
- **further increase in the coverage ratio of non-performing exposures (to 47.7% from 44.5% at the end of 2016)**

**Net result from operations after non-recurring items and on a comparable basis up by 2.4% y/y, given a limited decline in operating profit (-1.0% y/y) more than offset by a significant decline in operating costs (-3.1% y/y). The annualised cost of credit for the period comes to 117 bps, with a considerable drop in the third quarter (19 bps or 77 bps on an annual basis).**

**Net lending to customers has grown by € 46.9 billion, of which € 1.3 billion for Nuova Carife, with a particularly positive trend in residential mortgages with an increase of more than 30% over the first nine months of 2016.**

**Overall funding, including the bancassurance sector, amounting to € 89.5 billion, of which € 3.4 billion refers to Nuova Carife, up by 5.3% since the end of 2016, with direct deposits of € 49.3 billion (€ 1.8 billion for Nuova Carife) and indirect deposits and bancassurance of € 40.2 billion (€ 1.6 billion for Nuova Carife). The trend in net assets under management was particularly positive at € 1.6 billion during the period, more than double what it was in the same period last year.**

**The Board of Directors has approved the NPE Strategy 2018-2020 for the management of non-performing exposures, outlining the main steps to be taken in order to achieve a substantial improvement in credit quality. As announced to the market when the half-yearly results were approved, the main steps being planned include an extraordinary increase in provisions to be carried out at the beginning of 2018, for a gross amount of around € 1 billion, with a view to further increasing the coverage of non-performing exposures. In the first instance, this will bring about an immediate reduction in the net NPE ratio, to be followed by a series of securitisations and transfers which will reduce the gross ratio, while at the same time maintaining a solid CET1 ratio.**

The Board of Directors of BPER Banca today examined and approved the individual results of the Bank and the consolidated results of the Group at 30 September 2017; it also approved the lines of strategy for the management of non-performing exposures for the three-year period 2018-2020.

At the end of the Board meeting, Alessandro Vandelli, CEO of BPER Banca, declared: *"The Board of Directors is pleased with the Group's performance in the first nine months of 2017. The net profit has reached 149 million, compared with 101 million in the same period last year, while our capital solidity has increased again to a considerable extent, with a Fully Phased CET1 ratio now close to 14%, among the best of the entire Italian banking system. But the most positive elements have affected credit quality: in fact, the proportion of doubtful loans has decreased for the fifth quarter running, accompanied by a significant decline in the transfers to problem loans, a considerable increase in the number of anomalous loans being reclassified as performing and a very positive performance in debt recovery on the part of BPER Credit Management, our internal company dedicated to managing bad loans. This situation, which is already positive, is complemented by a significant increase in coverage. In light of this positive development, the Board of Directors has decided to accelerate the process of reducing doubtful loans by approving lines of strategy for the action to be taken in this area over the three-year period 2018-2020. As announced to the market when the half-yearly results were approved, these lines of strategy provide for an extraordinary increase in loan loss provisions to be carried out at the beginning of 2018, for a gross amount of around € 1 billion. The purpose of this important intervention is to further increase the coverage of non-performing exposures. In the first instance, this will bring about an immediate reduction in the net NPE ratio, to be followed by a series of securitisations and transfers of bad loans for some € 3.0 billion, which will reduce the gross ratio, while at the same time maintaining a solid CET1 ratio of more than 12%. In confirming the Group's commitment in this direction, Banco di Sardegna has already started an analysis phase for the transfer of most of its bad loans, potentially by means of a State Guaranteed Securitisation (aka GACS - Garanzia sulla Cartolarizzazione delle Sofferenze). I am convinced that the overall NPE strategy approved by the Board today, along with the important day-to-day activities carried out by our internal structures, marks a key turning point for the Group, drawing a precise road map for the definitive solution to the question of credit quality. Lastly, I would like to highlight the fact that we have signed a new bancassurance distribution agreement with the Unipol Group, which is an important element in our strategy for strengthening and developing revenue from services."*

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## Income statement: key figures

**Net interest income** comes to € 850.3 million[2], 2.9% down y/y, mainly due to higher interest expense on the Tier 2 subordinated bond placed at the end of May and to a slight decline in asset returns, particularly on overdraft accounts and corporate loans.

**Net commission income**[3] of € 544.0 million is 2.1% up y/y. In detail, net commission income on managed funds and bancassurance business strongly increased by 15.6% y/y, whereas there has been a decline in net commission income on the commercial side of the business, particularly as a result of the policy of optimising unused credit lines.

The **net result from trading activities** (including dividends of € 11.6 million) amounts to € 82.7 million (€ 99.4 million in the same period of 2016, including dividends of € 9.2 million), down by 16.8% y/y, but up by 41.3% y/y net of the non-recurring items in the two periods[4]. This comprises net profits realised on securities and derivatives for € 37.7 million, net gains on securities and derivatives for € 30.8 million and other positive elements for € 2.6 million.

**Operating profit** comes to € 1,525.2 million, a decrease of 1.9% y/y, but an increase of 1.0% net of extraordinary items relating to the net result from trading activities[5] in the two periods, given a positive performance on the part of net commission income, the net result from financial activities and other revenues, offset by a lower contribution from net interest income.

**Operating costs** total € 947.6 million, slightly up (+0.8% y/y), but strongly affected by costs involved in to the consolidation of CR Saluzzo and Nuova Carife as part of the Banking Group, which was not the case in the same period of 2016; **net of these, operating costs are down by 3.1%[6]**. Payroll costs amount to € 577.3 million, up by 0.5% y/y, but significantly down (-3.3% y/y) on a comparable basis, mainly due to the departure of a large number of employees under the Redundancy Incentive Plan and the Solidarity Fund provided for in the current 2015-17 Business Plan, already fully expensed in 2015. Other administrative expenses amount to € 309.0 million, slightly down on the previous year (-0.3% y/y), but with a strong downturn if considered on a comparable basis (-4.8% y/y). Depreciation and amortisation amount to € 61.3 million (€ 55.5 million in the same period of 2016).

The **net result from operations** (operating profit, net of operating costs) comes to € 577.6 million (€ 614.1 million in the first nine months of 2016); it amounts to € 588.8 million (€ 581.2 million in the same period of 2016), net of extraordinary items in the two periods[7], up 1.3% y/y.

**Net adjustments to loans and other financial assets** amount to € 501.1 million (€ 409.5 million in the same period last year); this amount includes two non-recurring items, recorded under caption 130 b) and c) "Net impairment adjustments to AFS and HTM financial assets" for a total of € 82.4 million, consisting of 1) the impairment of the entire quota paid to the Fondo Atlante and invested in Banca Popolare di Vicenza and Veneto Banca (€ 52.9 million during the first half, which added to the € 28.3 million writedown already made in fourth quarter 2016, leads to an overall writedown of € 81.2 million, i.e. 92.50% of the quotas paid to date and 2) FITD-SV banking system support for a total of € 29.5 million, of which € 8.6 million already recognised in the first half of the year. In detail, **net adjustments to loans** amount to € 413.0 million (€ 400.7 million in the same period of 2016); Note that the cost of credit for the third quarter of 2017 returned substantially in line with the levels recorded in 2011, demonstrating a significant improvement in credit quality. **Net impairment adjustments to financial assets** amount to € 101.0 million (€ 12.2 million in the same period last year) and include the extraordinary items mentioned above. **Net adjustments to other assets** are positive (i.e. writebacks) for € 12.9 million (they were positive for € 3.3 million in the first nine months of 2016). The **cost of credit** for the period comes to 88 bps (117 bps annualised).

**Net provisions for risks and charges** come to € 20.9 million in the period (€ 27.9 million in the same period of 2016), down 25.2% y/y.

The first half includes **the ordinary contribution of the BPER Group to the Single Resolution Fund ("SRF") for 2017** of € 15.9 million (€ 15.1 million in the same period last year). 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 2017, amounted to about € 20.2 million (€ 17.6 million in the third quarter of 2016). Note that in the reclassified income statement, these contributions are shown on a separate line in the interests of clarity, whereas in the Bank of Italy format they are included in caption 180 b) "Other administrative expenses".

It should be remembered that the first provisional accounting entries were made for the acquisition of Nuova Carife at 30 June 2017, in accordance with IFRS 3 "Business Combinations". The negative difference between the purchase price and the consolidated net equity attributable to the acquired group was € 156.0 million. This amount was provisionally allocated on the basis of the information currently available. The purchase price allocation ("PPA") process led to balance sheet adjustments for a total of € 25.3 million. The overall benefit of the acquisition therefore amounts to € 130.7 million, which has been recorded as income in item 240 of the income statement ("badwill"), which in the first nine months of the year recorded a total of € 142.2 million.

The **profit from current activities before tax** comes to € 161.6 million compared with a profit of € 145.3 million in the same period last year. **Income taxes** amount to € 13.5 million (€ 40.6 million in the same period of 2016).

**Total net profit for the period** comes to € 148.0 million (€ 104.7 million in the first nine months of 2016), including a net loss pertaining to minority interests of € 0.9 million (profit of € 3.5 million at 30 September 2016). The profit pertaining to the Parent Company therefore comes to € 149.0 million (€ 101.2 million at 30 September 2016).

## 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 € 49.3 billion, including € 1.8 billion for the entry of Nuova Carife into the Banking Group, 0.6% down on the end of 2016 on a comparable basis, mostly due to Group policy to transform direct customer deposits into indirect customer deposits. Of the various types of deposits, there has been an increase in demand deposits (current accounts and unrestricted deposit accounts) of € 0.4 billion on a comparable basis (+1.3% compared with the end of 2016), whereas there has been a decrease in the retail bond component of € 0.3 billion on a comparable basis (-4.8% since the end of 2016) and in certificates of deposit of € 0.4 billion on a comparable basis (-15.2% since the end of 2016). Direct borrowing, including Nuova Carife, is made up principally of current accounts, unrestricted and short-term restricted deposits (74.0%) and bonds (12.0%), of which 48.4% are in the hands of retail customers.

**Indirect customer deposits**, marked to market, amount to € 35.5 billion, of which € 1.4 billion related to Nuova Carife, a significant increase of 3.8% on the end of the previous year on a comparable basis. In particular, **assets under management** amount to € 19.2 billion of which € 1.0 bilion related to Nuova Carife, (+11.7% since the end of 2016 on a comparable basis), with a positive net inflow for the period of around € 1.6 billion, more than double than € 0.7 billion in the same period of 2016. **Assets under administration** of € 16.3 billion, including € 0.4 billion for Nuova Carife, posted a decrease of 4.1% from the end of 2016 on a comparable basis, due to the departure of institutional customers' low-margin assets. The **life insurance policy portfolio**, which is not included in indirect borrowing, comes to € 4.7 billion, of which € 0.1 billion related to Nuova Carife, show an increase since the start of the year of 3.7% on a comparable basis.

**Loans to customers**, net of impairment adjustments, amount to € 46.9 billion (of which € 1.3 billion of Nuova Carife), an increase of 0.3% compared with the end of 2016 on a comparable basis with a strong rise in mortgage loans in the period on the same period last year (+30.6%).

**Net non-performing exposures** (bad, unlikely to pay and past due loans) including those related to Nuova Carife[8], amount to € 5.7 billion, significantly down by 8.4% since the end of 2016, with a total coverage ratio of 47.7% (44.5% at the end of 2016) and this does not take into consideration the write-offs of bad loans still outstanding (€ 0.9 billion), which take the coverage ratio to 51.9% (49.4% at the end of 2016). In detail, **net bad loans** amount to € 2.9 billion, a significant decrease on the end of 2016 (-2.9%) with coverage of 59.0% (57.2% at the end of 2016); in addition, taking into account the direct write-offs of bad loans still outstanding, coverage comes to 63.8% (62.9% at the end of 2016). **Net unlikely to pay loans** amount to € 2.6 billion, a significant decrease compared with the end of 2016 (-13.8%), with a level of coverage of 26.7%, an increase of 318 bps since the end of 2016; **net past due loans** amount to € 0.1 billion, down 8.4% from the end of last year with coverage of 11.2% (7.8% at the end of 2016).

The **net interbank position**, which is negative for € 9.7 billion compared with € 8.1 billion at the end of 2016, is the difference between the amounts due from banks of € 3.0 billion and the amounts due to banks of € 12.7 billion. The BPER Group's total amount of refinancing with the European Central Bank amounted to € 9.3 billion, entirely attributable to participation in the second round of longer term refinancing operations called TLTRO2 with a four year maturity (€ 4.1 billion subscribed in June 2016, partially used for the full repayment of the TLTRO1 funding; € 1 billion at the end of December 2016 and € 4.2 billion at the end of March 2017). Financial instruments, which can be used as collateral for refinancing operations on the market, amount to € 15.6 billion net of the haircut, of which € 2.9 billion available, to which approximately € 1.9 billion of deposits available at the Central Bank are to be added.

**Financial assets** come to a total of € 15.5 billion, of which € 0.2 billion for Nuova Carife, an increase of 11.4% on a comparable basis compared with the end of 2016, and amounted to 22.0% of total assets. Debt securities represent 94.2% of the total portfolio and amount to € 14.6 billion: of these, € 6.3 billion relate to government securities, of which € 5.6 billion represented by Italian government bonds.

Against assets available for sale (AFS) of € 12.0 billion, there are positive valuation reserves for a total of € 120.3 million, net of the related tax effect, which is the sum of positive reserves for debt securities, equities and UCITS of € 159.6 million, less negative reserves of € 39.3 million. The "AFS" reserve for government securities is showing gains (net of taxes) of € 21.4 million (€ 37.3 million at 31 December 2016). Moreover, with regard to the portfolio of financial assets held to maturity (HTM) of € 2.7 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 € 109.2 million.

**Total equity** ("own funds") at 30 September 2017 amounts to € 5.7 billion (+2.3% on the end of 2016), with minority interests of € 0.7 billion. Consolidated shareholders' equity of the Group, including the result for the period, comes to € 5.0 billion, +3.0% since the end of 2016.

The phased in Basel 3 **leverage ratio** of 6.22% (6.13% 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, at 30 September 2017, the LCR ratio was equal to 113.0%, while the NSFR ratio was estimated at over 100% (compared with 106.3% at 30 June 2017 and 104.3% 31 December 2016).

## Capital ratios

The capital ratios at 30 September 2017, calculated taking into account the AIRB methodology for the credit risk requirement, consider the value of Own Funds including the share of profit realised during the period and the dividend expected for the Parent Company BPER Banca:

- Common Equity Tier 1 Ratio (phased in) of 14.03% (13.38% at 30 June 2017 and 13.80% at 31 December 2016). This ratio calculated on a fully phased basis comes to 13.81% (13.17% at 30 June 2017 and 13.27% at 31 December 2016), a significant increase of more than 60 bps since June, thanks in particular to the ECB's approval (received in the third quarter) to eliminate the add-ons to risk-weighted assets which the ECB requested at the time that BPER's internal models were being validated in June 2016, on completion of the preparatory activities;
- Phased In Tier 1 ratio of 14.11% (13.47% at 30 June 2017 and 13.89% at 31 December 2016);
- Own Funds ratio (Phased In) of 16.89% (16.16% at 30 June 2017 and 15.21% at 31 December 2016).

## Key figures at 30 September 2017

The Group has a presence in 18 Regions of Italy with 1,282 branches, of which 98 belong to Nuova Carife; based on the same scope of consolidation, the number of branches comes to 1,184 (down by 16 since the end of 2016), in addition to the Luxembourg headquarters of BPER (Europe) International s.a.

The Group currently has 11,724 employees (12,014 at 30 June 2017), including 566 from the consolidation of Nuova Carife (841 at 30 June 2017), compared with 11,635 on the books at the end of 2016 (-477 based on the same scope of consolidation); This significant decrease is mainly attributable to implementation of the redundancy incentive agreement and the Solidarity Fund signed with the Unions on 14 August 2015 and almost entirely expensed that year in the income statement, as foreseen in the 2015-17 Business Plan.

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## NPE Strategy 2018-2020: main actions and targets

The Board of Directors today approved the NPE Strategy 2018-2020 for the management of non-performing exposures, outlining the main steps to be taken in order to achieve a substantial improvement in the Group's credit quality over the next three years. As announced to the market on 3 August when the half-yearly results were approved, these lines of strategy provide for an extraordinary increase in loan loss provisions, for a gross amount of around €1 billion, to be carried out at the beginning of 2018, when IFRS 9 is due to be introduced; the purpose of this important intervention is to further increase the coverage of non-performing exposures. In the first instance, this will bring about an immediate reduction in the net NPE ratio, also in the gross ratio by means of securitisations and transfers of bad loans. The increase in coverage will involve a portfolio of the Group's NPEs, which are currently being chosen, consisting mainly of bad loans destined for sale without any impact on the income statement. In particular, the lines of strategy provide for the transfer of a portfolio of the Group's bad loans for a gross amount of around € 3.0 billion, which is expected to be completed in the first part of the three-year period: in this regard, the launch of a securitisation of Banco di Sardegna's bad loans involving a large part of its portfolio has been already announced to the market and is expected to be completed in the first half of 2018, which will be followed by other transfers relating to BPER's bad loan portfolio. The combined effect of these transfers, a significant improvement in the scenario and the positive trend in credit quality, already highly visible during the current year, and the expected results from the ordinary management of NPEs carried out by the Group's internal structures, will help reduce the stock of NPEs over the three-year period by about 35% compared with the levels expected at the end of 2017, reaching a gross and net ratio of 13.5% and 6.5% respectively by 2020. In addition, the increase in coverage will permit a significant rise in the Group's profitability starting from 2018, by substantially reducing the estimated cost of credit below 60 bps by 2020, with NPE coverage expected to be around 55% at that date. The Group's current large capital base, its organic generation resulting from the substantial increase in prospective profitability and additional available buffers, including the extension of the AIRB internal models to Nuova Carife's assets and the reserves included in the HTM portfolio, will allow BPER to maintain an adequate level of capitalisation and to foresee a Fully Phased CET1 ratio of more than 12% in 2020. Lastly, the substantial quantity of bad loans with values in line with those prevalent on the market will allow the Bank to make further sales of bad loans if particularly favourable conditions arise or a further reduction in the gross NPE ratio was considered opportune.

The main targets in the NPE Strategy estimated for 2020, while still preliminary and currently undergoing further stages of analysis, can be summarised as follows:

- A reduction in the gross stock of NPEs by around 35% of the expected levels at the end of 2017 through the sale of bad loans, internal management of the credit process and write-offs
- Gross and net NPE ratios of around 13.5% and 6.5% respectively
- Amount of bad loans held for sale in the three-year period, potentially through securitisations, equal to a GBV of around € 3.0 billion
- NPE coverage of around 55%
- CET1 ratio above 12.0%
- Annualised cost of credit lower than 60 bps

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## Significant subsequent events

**Merger resolution for BPER Banca S.p.A. to absorb Nuova Cassa di Risparmio di Ferrara S.p.A.**

On 19 October 2017 the Board of Directors of BPER Banca S.p.A. approved the absorption of Nuova Cassa di Risparmio di Ferrara S.p.A., after the same decision had been taken by the latter's Board of Directors on 13 October 2017.

**Launch of a securitisation of Banco di Sardegna's bad loans**

On 20 October, Banco di Sardegna S.p.A. announced the launch of an analysis with a view to a possible deconsolidation of a large part of its bad loan portfolio by means of a securitisation, issue of securities and possible use of a GACS (State guarantee) for the senior component with investment grade rating. To this end, the Board of Directors appointed Banca IMI as advisor/arranger, the law firms Orrick and RCC for legal advice and Prelios Credit Servicing as due diligence provider and servicer.

**Rating by Moody's**

On 24 October, the international rating agency Moody's confirmed its short and long-term ratings on the deposits of BPER Banca S.p.A. at P-3/Baa3 (the outlook has been revised from "stable" to "negative") and the Baseline Credit Assessment ("BCA") at ba3. At the same time, Moody's revised both the Issuer rating and the long-term rating on the senior unsecured debt of the Bank to "Ba3" from "Ba2", with a "negative" outlook. Moody's said that BPER's institutional funding and liquidity will remain satisfactory. The change in rating is mainly due to the decrease in the amount of "senior unsecured" bonds, particularly "retail" ones, with a consequent reduction of the overall stock of so-called "bail-in-able" debt instruments, i.e. usable to absorb losses in the event of a bank liquidation. This trend, common to many Italian banks, is the result of the strategy adopted over the last few years aimed at transforming part of direct deposits, particularly bonds nearing maturity, into deposits and asset management products.

**Renewal of the bancassurance agreement between the BPER Banca Group and the Unipol Group**

Today, the BPER Banca Group renewed the Bancassurance Agreement with the Unipol Group for the distribution of "Arca Vita", "Arca Assicurazioni" and "Arca Vita International" life and non-life insurance policies. The duration of the new Agreement is five years from 1 January 2018 and provides for early termination of the existing Agreement on 31 December 2017. The agreements reached with the insurance partner pay particular attention to product innovation and will make it possible to expand and strengthen the range of insurance products offered to customers, as well as to maximize the effectiveness of the BPER Banca Group's bancassurance value proposition. Renewal of the Agreement also strengthens the strategic partnership with Gruppo Assicurativo Unipol, accelerating growth in a segment that will contribute significantly to raising commission income with a view to further developing the service component. As part of the deal, the three main shareholders of "Arca Vita" (Unipol with 63.39%, BPER Banca with 19.67% and Banca Popolare di Sondrio with 14.84%) have renewed the shareholders' agreements and rules governing the circulation of the insurance company's shares for the same period as the Agreement.

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## Outlook for operations

The still very low level of market interest rates and high level of competition in the traditional lending business continue to put pressure on net interest income, even if the positive seasonality on volumes in the fourth quarter of the year should boost its recovery; at the same time, a positive contribution to revenue is expected to come from fee income, with confirmation of the positive performance already recorded during the first nine months in asset management and bancassurance and stabilisation of the commercial side of the business. Operating costs are expected to decline further, albeit gradually, on an ordinary basis, both as regards personnel costs and for other administrative costs, benefiting from the staff reduction plan and gradual completion of the investments relating to implementation of the various projects in the Business Plan. It is also expected that slower inflows of new problem loans will have a positive impact on the ordinary cost of credit. All of these factors should contribute to bolster the Group's profitability prospects for the current year.

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*It should be noted that, with reference to recent regulatory changes that occurred in the CFA (Legislative Decree 25 of 15 February 2016), which followed the European Directive 2013/5/EU (Transparency II), and the subsequent CONSOB Resolution 19770 of 26 October 2016, BPER Banca has decided on a voluntary basis, in continuity with the past, to publish its consolidated interim report of the BPER Group at 31 March and 30 September. Note that the consolidated interim report of the BPER Group at 30 September 2017 is audited only for the purpose of determining consolidated profit realised for inclusion in the primary capital (CET1) for regulatory purposes.*

*The document will soon be available at the head office, on the websites of the Bank and the Group (www.bper.it and www.gruppobper.it), of Borsa Italiana S.p.A. and of the authorised storage device (www.1info.it).*

*To complete the information provided, we attach the consolidated balance sheet and income statement (split into quarters with comparative figures) at 30 September 2017, as well as a summary of the main indicators.*

Modena, 8 November 2017

**Chief Executive Officer**
**Alessandro Vandelli**

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The Manager responsible for preparing the Company's financial reports, Marco Bonfatti, 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, 8 November 2017

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

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A conference call has been organised for **8 November 2017 at 6.00 p.m. (CET)** to explain the BPER Group's results at 30 September 2017.
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 presentation and 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] **Main non-recurring income and expenses for first nine months of 2017 and first nine months of 2016.**

**First nine months of 2017.**

**1)** The first provisional accounting entries were made for the acquisition of Nuova Carife at 30 June 2017, in accordance with IFRS 3 "Business Combinations". The negative difference between the purchase price and the consolidated net equity attributable to the acquired group was € 156.0 million. This amount was provisionally allocated on the basis of the information currently available. The process of purchase price allocation ("PPA") led to balance sheet adjustments for a total of € 25.3 million. Accounting for these items generated deferred taxation of € 3.1 million. The overall benefit of the acquisition therefore amounted to € 130.7 million, which was recorded as income in item 240 of the income statement ("badwill"), which net of the deferred taxation comes to € 133.8 million.

**2)** On 30 June 2017, BPER Banca transferred to ICBPI its 9.91% shareholding in Bassilichi Spa (234,611 shares) for € 11.2 million, realizing a pre-tax capital gain of € 6.9 million (subject to the participation exemption - or "PEX" - tax regime).

**3)** "Adjustments to AFS securities" (item 130 b of the income statement) include the impairment of the entire quota paid to the Fondo Atlante and invested in Banca Popolare di Vicenza and Veneto Banca (€ 52.9 million during the period, which added to the € 28.3 million writedown already made in fourth quarter 2016, leads to an overall writedown of € 81.2 million, i.e. 92.50% of the quotas paid to date).

**4)** "Adjustments to AFS securities" (item 130 b of the Income statement) also includes the impairment of the residual portion of the contribution paid to the FITD-SV for the intervention in favour of CariCesena (€ 8.6 million, of which € 0.2 million already recorded in first quarter 2017, which gets adds to the writedown of € 2.5 million made in fourth quarter 2016)

**5)** Extraordinary contributions to the FITD-SV Voluntary Scheme (CariCesena, Carim and Carismi) for € 20.9 million

**6)** Losses on transfer of loans (caption 100 a of the income statement) for € 18.2 million

**First nine months of 2016.**

**1) and 2)** 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 € 20.8 million, which was accounted for at 30 June 2016. CartaSì also realised a substantial capital gain from this sale, which gave rise to an obligation to pay BPER for its share of the earn-out under the contract by the end of the year. At 30 September, BPER therefore ascertained the portion that was already considered certain, for an amount of € 12.1 million. 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)

**Non-recurring income and expenses at 30 September 2017 (€/million)**

| Description | Income statement caption | 1Q17 | 2Q17 | 3Q17 | Total 2017 |
|---|---|---|---|---|---|
| 1) Positive differential ("badwill") generated by the Nuova Carife acquisition | 240 - Profit (loss) from equity investments | | +130.7 | | +130.7 |
| 2) Gain on disposal of the investment in Bassilichi Spa | 100 b) - Gain on disposal of AFS financial assets | | +6.9 | | +6.9 |
| 3) Impairment of Fondo Atlante quota | 130 b) Adjustments to AFS financial assets | -17.0 | -35.9 | | -52.9 |
| 4) Total impairment of quota invested by FITD-SV in CariCesena | 130 b) Adjustments to AFS financial assets | -0.2 | -8.4 | | -8.6 |
| 5) Extraordinary contributions to FITD-SV Volunteer Scheme (CariCesena, Carim and Carismi) | 130 b) Adjustments to AFS financial assets | | | -20.9 | -20.9 |
| 6) Losses on transfer of loans | 100 a) Losses on transfer of loans | -0.5 | -12.6 | -5.1 | -18.2 |
| **Total non-recurring income and expenses** | | **-17.7** | **+80.7** | **-26.0** | **+37.0** |
| Total tax effect | 290 - Income taxes | +5.8 | +20.7 | +8.6 | +35.1 |
| **Total impact on the income statement** | | **-11.9** | **+101.4** | **-17.4** | **+72.1** |

With minority interests of € -3.1 million

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

| Description | Income statement caption | 1Q16 | 2Q16 | 3Q16 | Total 2016 |
|---|---|---|---|---|---|
| 1) Gain on disposal 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 disposal of ICBPI (Cartasì – see above for explanation) | 100 b) - Gain on disposal of AFS financial assets | | +9.4 | +2.7 | +12.1 |
| **Total non-recurring income and expenses** | | | **30.2** | **+2.7** | **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** |

With minority interests of € -1.5 million

In addition, the following is a list of the contributions made to the Resolution and Deposit Guarantee Funds for the first nine months of 2017 and the first nine months of 2016:

**First nine months of 2017 (€/million)**

| Description | Income statement caption | 1Q17 | 2Q17 | 3Q17 | Total 2017 |
|---|---|---|---|---|---|
| Ordinary contributions to the Single Resolution Fund ("SRF") | 180 b) - Other administrative expenses | -18.0 | +2.1 | | -15.9 |
| Ordinary contributions to the Deposit Guarantee Scheme ("DGS") | 180 b) - Other administrative expenses | | | -20.2 | -20.2 |
| **Total expenses** | | **-18.0** | **+2.1** | **-20.2** | **-36.1** |
| Total tax effect | 290 - Income taxes | +6.0 | -0.7 | +6.7 | +12.0 |
| **Total impact on the income statement** | | **-12.0** | **+1.4** | **-13.5** | **-24.1** |

With minority interests of € 2.3 million.

**First nine months of 2016 (€/million)**

| Description | Income statement caption | 1Q16 | 2Q16 | 3Q16 | Total 2016 |
|---|---|---|---|---|---|
| Ordinary contributions to the Single Resolution Fund ("SRF") | 180 b) - Other administrative expenses | -15.0 | -0.1 | | -15.1 |
| Ordinary contributions to the Deposit Guarantee Scheme ("DGS") | 180 b) - Other administrative expenses | | | -17.6 | -17.6 |
| Net contribution to FITD-SV for Tercas | Net value calculated as the difference between other income statement captions | | | -0.3 | -0.3 |
| **Total expenses** | | **-15.0** | **-0.1** | **-17.9** | **-33.0** |
| Total tax effect | 290 - Income taxes | +5.0 | -0.03 | +5.9 | +10.9 |
| **Total impact on the income statement** | | **-10.0** | **-0.1** | **-12.0** | **-22.1** |

With minority interests of € 2.2 million.

[2] Net interest income in the first nine months of 2017 includes the benefit of participating in emissions of TLTRO 2 - Targeted Longer Term Refinancing Operations-II for € 23.8 million (€ 9.4 million in Q3 2017, € 9.3 million in Q2 2017 and € 5.1 million in Q1 2017). It should be remembered that net interest income in the fourth quarter of 2016 included the benefit for the whole of 2016 of participating in TLTRO2 put at € 8.3 million; the quota pertaining to the fourth quarter of 2016 only amounted to € 4.2 million (for further details, see the section on the net interbank position on page 5). In addition, net interest income at 30 September 2017 includes a portion relating to the consolidation of CR Saluzzo and Nuova Carife (only in the third quarter of 2017) as part of the Banking Group, which was not the case in the same period of 2016 (for € 9.8 million and € 5.6 million respectively).

[3] Net commission income for the first nine months of 2017 includes a portion relating to the consolidation of CR Saluzzo and Nuova Carife (only in the third quarter of 2017) as part of the Banking Group, which was not the case in the same period of 2016 (for € 5.6 million and € 6.7 million respectively).

[4] See note 1

[5] See note 1

[6] Operating costs for the first nine months of 2017 include a portion relating to the consolidation of CR Saluzzo and Nuova Carife (only in the third quarter of 2017) as part of the Banking Group, which was not the case in the same period of 2016, € 14.9 million (payroll costs of € 9.4 million, administrative expenses of € 5.2 million and depreciation and amortisation of € 0.3 million) and € 21.7 million (payroll costs of € 12.5 million, administrative expenses of € 8.5 million and depreciation and amortisation of € 0.7 million) respectively.

[7] See note 1

[8] At 30 September 2017, net loans to customers (Caption 70 of the consolidated balance sheet of the BPER Banca Group) related to Nuova Carife amount to € 1.3 billion (€ 1.4 billion gross) made up of net performing exposures net of € 1.2 billion (gross € 1.2 billion) and net non-performing exposures of € 58.7 million (gross € 164.9 million, coverage 64.4%) of which: net bad loans € 6.6 million (gross € 33.6 million, coverage ratio 80.4%); net unlikely to pay loans € 16.2 million (gross € 90.1 million, coverage ratio 82.1%); net past due loans € 36.0 million (gross € 41.2 million, coverage ratio 12.7%).

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# Consolidated balance sheet as at 30 September 2017

(in thousands of Euro)

| Assets | 30.09.2017 | 31.12.2016 | Change | % Change |
|---|---|---|---|---|
| 10. Cash and cash equivalents | 356,774 | 364,879 | (8,105) | -2.22 |
| 20. Financial assets held for trading | 712,093 | 676,844 | 35,249 | 5.21 |
| 30. Financial assets designated at fair value through profit and loss | 80,762 | 84,307 | (3,545) | -4.20 |
| 40. Financial assets available for sale | 12,003,211 | 10,433,222 | 1,569,989 | 15.05 |
| 50. Financial assets held to maturity | 2,657,986 | 2,515,993 | 141,993 | 5.64 |
| 60. Due from banks | 3,038,392 | 1,331,811 | 1,706,581 | 128.14 |
| 70. Loans to customers | 46,907,214 | 45,494,179 | 1,413,035 | 3.11 |
| 80. Hedging derivatives | 73,817 | 62,365 | 11,452 | 18.36 |
| 100. Equity investments | 444,409 | 413,923 | 30,486 | 7.37 |
| 120. Property, plant and equipment | 1,060,591 | 969,470 | 91,121 | 9.40 |
| 130. Intangible assets (*) | 514,829 | 520,829 | (6,000) | -1.15 |
| of which: goodwill (*) | 355,441 | 355,441 | - | - |
| 140. Tax assets | 1,773,988 | 1,518,027 | 255,961 | 16.86 |
| a) current | 492,027 | 221,395 | 270,632 | 122.24 |
| b) deferred | 1,281,961 | 1,296,632 | (14,671) | -1.13 |
| b1) of which L. 214/2011 | 1,064,624 | 1,073,172 | (8,548) | -0.80 |
| 160. Other assets | 672,707 | 574,175 | 98,532 | 17.16 |
| **Total assets** | **70,296,773** | **64,960,024** | **5,336,749** | **8.22** |

(in thousands of Euro)

| Liabilities and shareholders' equity | 30.09.2017 | 31.12.2016 | Change | % Change |
|---|---|---|---|---|
| 10. Due to banks | 12,754,775 | 9,462,678 | 3,292,097 | 34.79 |
| 20. Due to customers | 41,092,910 | 38,912,714 | 2,180,196 | 5.60 |
| 30. Debt securities in issue | 8,147,877 | 8,587,243 | (439,366) | -5.12 |
| 40. Financial liabilities held for trading | 242,156 | 226,837 | 15,319 | 6.75 |
| 50. Financial liabilities designated at fair value through profit and loss | 70,515 | 247,933 | (177,418) | -71.56 |
| 60. Hedging derivatives | 24,445 | 40,697 | (16,252) | -39.93 |
| 80. Tax liabilities | 106,289 | 100,992 | 5,297 | 5.24 |
| a) current | 2,563 | 1,715 | 848 | 49.45 |
| b) deferred (*) | 103,726 | 99,277 | 4,449 | 4.48 |
| 100.Other liabilities | 1,493,556 | 1,197,062 | 296,494 | 24.77 |
| 110. Provision for termination indemnities | 192,081 | 205,364 | (13,283) | -6.47 |
| 120. Provisions for risks and charges | 487,807 | 422,791 | 65,016 | 15.38 |
| a) pensions and similar commitments | 132,636 | 136,409 | (3,773) | -2.77 |
| b) other provisions | 355,171 | 286,382 | 68,789 | 24.02 |
| 140. Valuation reserves | 106,658 | 89,951 | 16,707 | 18.57 |
| 170. Reserves | 2,404,802 | 2,410,357 | (5,555) | -0.23 |
| 180. Share premium reserve | 930,073 | 930,073 | - | - |
| 190. Share capital | 1,443,925 | 1,443,925 | - | - |
| 200. Treasury shares | (7,258) | (7,258) | - | - |
| 210. Minority interests | 657,204 | 674,366 | (17,162) | -2.54 |
| 220. Profit (Loss) for the period | 148,958 | 14,299 | 134,659 | 941.74 |
| **Total liabilities and shareholders' equity** | **70,296,773** | **64,960,024** | **5,336,749** | **8.22** |

*(*) The Purchase Price Allocation (PPA) process of Cassa di Risparmio di Saluzzo was completed at 30 June 2017. Control over it was acquired in the fourth quarter of 2016 and the purchase price was allocated on a provisional basis at 31 December 2016; in accordance with paragraph 45 of IFRS 3, the conclusion of the process resulted in an adjustment of the figures at 31 December 2016 compared with those previously published, following the identification of intangible assets with a finite useful life for a total of Euro 9,061 thousand, recognition at the same time of deferred tax liabilities of Euro 2,996 thousand and therefore a reduction in the provisionally recorded goodwill of Euro 6,065 thousand.*

# Reclassified consolidated income statement as at 30 September 2017

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 92,364 thousand at 30 September 2017 and Euro 88,869 thousand at 30 September 2016);
- *"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 2017, this caption represents the component allocated for accounting purposes to administrative costs in relation to:
  - the 2017 contribution to the SRF (European Single Resolution Fund) of Euro 15,870 thousand;
  - equalisation of the 2015 contribution to the SRF (European Single Resolution Fund) of Euro 61 thousand;
  - the 2017 contribution to the DGS (Deposit Guarantee Schemes) of Euro 20,221 thousand, representing the amount requested from the Luxembourg subsidiary for the first half of the year (Euro 16 thousand) and an estimate of the amount that will be requested from Italian banks by the end of the year (Euro 20,205 thousand);

Note that the comparative figures at 30 September 2016 have been restated compared with those included in the consolidated interim report at 30 September 2016, including the repayment received from FITD-SV for redefinition of the intervention in Banca Tercas (Euro 10,970 thousand), previously recorded under the caption "Net impairment adjustments for other financial transactions".

(in thousands of Euro)

| Captions | | 30.09.2017 | 30.09.2016 | Change | % Change |
|---|---|---|---|---|---|
| 10+20 | Net interest income | 850,337 | 876,104 | (25,767) | -2.94 |
| 40+50 | Net commission income | 544,026 | 532,921 | 11,105 | 2.08 |
| 70 | Dividends | 11,631 | 9,156 | 2,475 | 27.03 |
| 80+90+100+110 | Net trading income | 71,022 | 90,244 | (19,222) | -21.30 |
| 220 (*) | Other operating charges/income | 48,173 | 45,573 | 2,600 | 5.71 |
| | **Operating income** | **1,525,189** | **1,553,998** | **(28,809)** | **-1.85** |
| 180 a) | Payroll | (577,332) | (574,409) | (2,923) | 0.51 |
| 180 b) (*) (**) | Other administrative costs | (308,957) | (309,981) | 1,024 | -0.33 |
| 200+210 | Net adjustments to property, plant, equipment and intangible assets | (61,350) | (55,470) | (5,880) | 10.60 |
| | **Operating costs** | **(947,639)** | **(939,860)** | **(7,779)** | **0.83** |
| | **Net operating income** | **577,550** | **614,138** | **(36,588)** | **-5.96** |
| 130 a) | Net impairment adjustments to loan | (412,954) | (400,680) | (12,274) | 3.06 |
| 130 b)+c) | Net impairment adjustments to financial assets available for sale and held to maturity | (101,000) | (12,150) | (88,850) | 731.28 |
| 130 d) (***) | Net impairment adjustments to other financial assets | 12,880 | 3,349 | 9,531 | 284.59 |
| | **Net impairment adjustments** | **(501,074)** | **(409,481)** | **(91,593)** | **22.37** |
| 190 | Net provisions for risks and charges | (20,870) | (27,916) | 7,046 | -25.24 |
| ### | Contribution to SRF, DGS, FITD-SV | (36,152) | (33,039) | (3,113) | 9.42 |
| 240+260+270 | Gains (Losses) from equity instruments, on disposal of investments and adjustment to goodwill | 142,155 | 1,578 | 140,577 | -- |
| **280** | **Profit (Loss) from current operations before tax** | **161,609** | **145,280** | **16,329** | **11.24** |
| 290 | Income taxes on current operations for the period | (13,513) | (40,631) | 27,118 | -66.74 |
| **320** | **Profit (loss) for the period** | **148,096** | **104,649** | **43,447** | **41.52** |
| 330 | Profit (loss) for the period pertaining to minority interests | 862 | (3,489) | 4,351 | -124.71 |
| **340** | **Profit (loss) for the period pertaing to the Parent Company** | **148,958** | **101,160** | **47,798** | **47.25** |
| | Captions net of: | | | | |
| (*) | Recovery of indirect taxes | 92,364 | 88,689 | 3,675 | 4.14 |
| (**) | Contribution to SRF, DGS, FITD-SV | (36,152) | (44,009) | 7,857 | -17.85 |
| (***) | Repayment received from FITD-SV for redefinition of the intervention in Banca Tercas | - | 10,970 | (10,970) | -100.00 |

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# Reclassified consolidated income statement by quarter as at 30 September 2017

(in thousands of Euro)

| Voci | | 1st quarter 2017 | 2nd quarter 2017 | 3rd quarter 2017 | 1st quarter 2016 | 2nd quarter 2016 | 3rd quarter 2016 | 4th quarter 2016 |
|---|---|---|---|---|---|---|---|---|
| 10+20 | Net interest income | 288,114 | 282,005 | 280,218 | 296,800 | 293,576 | 285,728 | 294,343 |
| 40+50 | Net commission income | 177,373 | 181,851 | 184,802 | 177,083 | 181,035 | 174,803 | 179,801 |
| 70 | Dividends | 312 | 10,812 | 507 | 86 | 8,732 | 338 | 716 |
| 80+90+ 100+110 | Net trading income | 24,664 | 25,869 | 20,489 | 15,662 | 49,064 | 25,518 | 29,755 |
| 220(*) (**) | Other operating charges/income | 10,310 | 14,298 | 23,565 | 15,538 | 16,430 | 13,605 | 8,665 |
| | **Operating income** | **500,773** | **514,835** | **509,581** | **505,169** | **548,837** | **499,992** | **513,280** |
| 180 a) | Payroll | (194,125) | (191,551) | (191,656) | (196,586) | (201,655) | (176,168) | (194,740) |
| 180 b) (*) (***) | Other administrative costs | (96,628) | (104,864) | (107,465) | (101,125) | (102,758) | (106,098) | (107,236) |
| 200+210 | Net adjustments to property, plant and equipment and intangible assets | (18,685) | (22,012) | (20,653) | (17,084) | (20,443) | (17,943) | (25,125) |
| | **Operating costs** | **(309,438)** | **(318,427)** | **(319,774)** | **(314,795)** | **(324,856)** | **(300,209)** | **(327,101)** |
| | **Net operating income** | **191,335** | **196,408** | **189,807** | **190,374** | **223,981** | **199,783** | **186,179** |
| 130 a) | Net impairment adjustments to loans | (133,573) | (189,659) | (89,722) | (114,167) | (161,935) | (124,578) | (219,070) |
| 130 b)+c) | Net impairment adjustments to financial assets available for sale and held to maturity | (17,381) | (54,236) | (29,383) | (3,678) | (3,524) | (4,948) | (39,661) |
| 130 d) (*****) | Net impairment adjustments to other financial assets | 4,647 | 1,787 | 6,446 | (3,666) | 3,918 | 3,097 | (1,822) |
| | **Net impairment adjustments** | **(146,307)** | **(242,108)** | **(112,659)** | **(121,511)** | **(161,541)** | **(126,429)** | **(260,553)** |
| 190 (****) | Net provisions for risks and charges | (5,661) | (5,941) | (9,268) | (9,621) | (12,504) | (5,791) | (4,732) |
| ### | Contributions to SRF, DGS, FITD - SV | (18,061) | 2,114 | (20,205) | (15,000) | (432) | (17,607) | (29,469) |
| 240+260 +270 | Gains (Losses) on disposal of investments and adjustments to goodwill | 3,705 | 133,565 | 4,885 | 3,193 | (4,077) | 2,462 | (26,161) |
| **280** | **Profit from current operations before tax** | **25,011** | **84,038** | **52,560** | **47,435** | **45,427** | **52,418** | **(134,736)** |
| 290 | Income taxes on current operations | (7,743) | 17,926 | (23,696) | (14,104) | (13,689) | (12,838) | 45,901 |
| **320** | **Profit (loss) for the period** | **17,268** | **101,964** | **28,864** | **33,331** | **31,738** | **39,580** | **(88,835)** |
| 330 | Profit (loss) for the period pertaining to minority interests | (2,710) | 2,540 | 1,032 | (2,356) | 2,029 | (3,162) | 1,974 |
| **340** | **Profit (Loss) for the period pertaining to the Parent Company** | **14,558** | **104,504** | **29,896** | **30,975** | **33,767** | **36,418** | **(86,861)** |

| | Captions net of: | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (*) | Recovery of taxes | 29,981 | 31,001 | 31,382 | 30,405 | 28,899 | 29,385 | 30,015 |
| (**) | Accounting recovery of the guarantee expired as part of the Banca Tercas transaction | - | - | - | - | - | - | 775 |
| (***) | Contributions to SRF, DGS, FITD - SV | (18,061) | 2,114 | (20,205) | (15,000) | (11,402) | (17,607) | (34,224) |
| (****) | Contributions to SRF, DGS, FITD - SV | - | - | - | - | - | - | 3,980 |
| (*****) | Repayment received from FITD-SV for redefinition of the intervention in Banca Tercas | - | - | - | - | 10,970 | - | - |

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# Consolidated income statement as at 30 September 2017

(in thousands of Euro)

| Captions | 30.09.2017 | 30.09.2016 | Change | % Change |
|---|---|---|---|---|
| 10. Interest and similar income | 1,065,138 | 1,117,592 | (52,454) | -4.69 |
| 20. Interest and similar expense | (214,801) | (241,488) | 26,687 | -11.05 |
| **30. Net interest income** | **850,337** | **876,104** | **(25,767)** | **-2.94** |
| 40. Commission income | 570,930 | 557,443 | 13,487 | 2.42 |
| 50. Commission expense | (26,904) | (24,522) | (2,382) | 9.71 |
| **60. Net commission income** | **544,026** | **532,921** | **11,105** | **2.08** |
| 70. Dividends and similar income | 11,631 | 9,156 | 2,475 | 27.03 |
| 80. Net trading income | 33,275 | (17,706) | 50,981 | -287.93 |
| 90. Net hedging gains (losses) | (228) | (91) | (137) | 150.55 |
| 100. Gains/losses on disposal or repurchase of: | 37,372 | 103,674 | (66,302) | -63.95 |
| a) loans | (13,022) | (3,461) | (9,561) | 276.25 |
| b) financial assets available for sale | 49,871 | 108,280 | (58,409) | -53.94 |
| c) financial assets held to maturity | 316 | - | 316 | n.s. |
| d) financial liabilities | 207 | (1,145) | 1,352 | -118.08 |
| 110. Net results on financial assets and liabilities designated at fair value | 603 | 4,367 | (3,764) | -86.19 |
| **120. Net interest and other banking income** | **1,477,016** | **1,508,425** | **(31,409)** | **-2.08** |
| 130. Net impairment adjustments to: | (501,074) | (398,511) | (102,563) | 25.74 |
| a) loans | (412,954) | (400,680) | (12,274) | 3.06 |
| b) financial assets available for sale | (101,000) | (12,150) | (88,850) | 731.28 |
| d) other financial assets | 12,880 | 14,319 | (1,439) | -10.05 |
| **140. Net profit from financial activities** | **975,942** | **1,109,914** | **(133,972)** | **-12.07** |
| 180. Administrative costs: | (1,014,805) | (1,017,088) | 2,283 | -0.22 |
| a) payroll | (577,332) | (574,409) | (2,923) | 0.51 |
| b) other administrative costs | (437,473) | (442,679) | 5,206 | -1.18 |
| 190. Net provision for risks and charges | (20,870) | (27,916) | 7,046 | -25.24 |
| 200. Net adjustments to property, plant and equipment | (30,895) | (30,237) | (658) | 2.18 |
| 210. Net adjustments to intangible assets | (30,455) | (25,233) | (5,222) | 20.70 |
| 220. Other operating charges/income | 140,537 | 134,262 | 6,275 | 4.67 |
| **230. Operating costs** | **(956,488)** | **(966,212)** | **9,724** | **-1.01** |
| 240. Profit (Loss) from equity investments | 142,126 | 5,081 | 137,045 | -- |
| 260. Adjustments to goodwill | - | (3,254) | 3,254 | -100.00 |
| 270. Gains (Losses) on disposal of investments | 29 | (249) | 278 | -111.65 |
| **280. Profit (Loss) from current operations before tax** | **161,609** | **145,280** | **16,329** | **11.24** |
| 290. Income taxes on current operations for the period | (13,513) | (40,631) | 27,118 | -66.74 |
| **300. Profit (Loss) from current operations after tax** | **148,096** | **104,649** | **43,447** | **41.52** |
| **320. Profit (Loss) for the period** | **148,096** | **104,649** | **43,447** | **41.52** |
| 330. Profit (Loss) for the period pertaining to minority interests | 862 | (3,489) | 4,351 | -124.71 |
| **340. Profit (Loss) for the period pertaining to the Parent Company** | **148,958** | **101,160** | **47,798** | **47.25** |

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# Consolidated income statement by quarter as at 30 September 2017

(in thousands of Euro)

| Captions | 1st quarter 2017 | 2nd quarter 2017 | 3rd quarter 2017 | 1st quarter 2016 | 2nd quarter 2016 | 3rd quarter 2016 | 4th quarter 2016 |
|---|---|---|---|---|---|---|---|
| 10. Interest and similar income | 355,137 | 351,464 | 358,537 | 384,670 | 373,463 | 359,459 | 365,459 |
| 20. Interest and similar expense | (67,023) | (69,459) | (78,319) | (87,870) | (79,887) | (73,731) | (71,116) |
| **30. Net interest income** | **288,114** | **282,005** | **280,218** | **296,800** | **293,576** | **285,728** | **294,343** |
| 40. Commission income | 185,947 | 190,680 | 194,303 | 185,186 | 189,189 | 183,068 | 188,516 |
| 50. Commission expense | (8,574) | (8,829) | (9,501) | (8,103) | (8,154) | (8,265) | (8,715) |
| **60. Net commission income** | **177,373** | **181,851** | **184,802** | **177,083** | **181,035** | **174,803** | **179,801** |
| 70. Dividends and similar income | 312 | 10,812 | 507 | 86 | 8,732 | 338 | 716 |
| 80. Net trading income | 10,920 | 9,069 | 13,286 | (25,801) | (3,956) | 12,051 | 25,650 |
| 90. Net hedging gains (losses) | (300) | 41 | 31 | 120 | (82) | (129) | (244) |
| 100. Gains/losses on disposal or repurchase of: | 13,630 | 16,756 | 6,986 | 37,346 | 55,129 | 11,199 | 3,988 |
| a) loans | 1,253 | (9,105) | (5,170) | 7 | 1,027 | (4,495) | (6,287) |
| b) financial assets available for sale | 12,378 | 25,466 | 12,027 | 38,237 | 54,210 | 15,833 | 10,347 |
| c) financial assets held to maturity | - | 316 | - | - | - | - | - |
| d) financial liabilities | (1) | 79 | 129 | (898) | (108) | (139) | (72) |
| 110. Net results on financial assets and liabilities designated at fair value | 414 | 3 | 186 | 3,997 | (2,027) | 2,397 | 361 |
| **120. Net interest and other banking income** | **490,463** | **500,537** | **486,016** | **489,631** | **532,407** | **486,387** | **504,615** |
| 130. Net impairment adjustments to: | (146,307) | (242,108) | (112,659) | (121,511) | (150,571) | (126,429) | (260,553) |
| a) loans | (133,573) | (189,659) | (89,722) | (114,167) | (161,935) | (124,578) | (219,070) |
| b) financial assets available for sale | (17,381) | (54,236) | (29,383) | (3,678) | (3,524) | (4,948) | (39,661) |
| d) other financial assets | 4,647 | 1,787 | 6,446 | (3,666) | 14,888 | 3,097 | (1,822) |
| **140. Net profit from financial activities** | **344,156** | **258,429** | **373,357** | **368,120** | **381,836** | **359,958** | **244,062** |
| 180. Administrative costs: | (338,795) | (325,302) | (350,708) | (343,116) | (344,714) | (329,258) | (366,215) |
| a) payroll | (194,125) | (191,551) | (191,656) | (196,586) | (201,655) | (176,168) | (194,740) |
| b) other administrative costs | (144,670) | (133,751) | (159,052) | (146,530) | (143,059) | (153,090) | (171,475) |
| 190. Net provision for risks and charges | (5,661) | (5,941) | (9,268) | (9,621) | (12,504) | (5,791) | (752) |
| 200. Net adjustments to property, plant and equipment | (9,076) | (12,048) | (9,771) | (8,983) | (12,104) | (9,150) | (15,472) |
| 210. Net adjustments to intangible assets | (9,609) | (9,964) | (10,882) | (8,101) | (8,339) | (8,793) | (9,653) |
| 220. Other operating charges/income | 40,291 | 45,299 | 54,947 | 45,943 | 45,329 | 42,990 | 39,455 |
| **230. Operating costs** | **(322,850)** | **(307,956)** | **(325,682)** | **(323,878)** | **(332,332)** | **(310,002)** | **(352,637)** |
| 240. Profit (Loss) from equity investments | 3,675 | 133,579 | 4,872 | 3,143 | (406) | 2,344 | 3,410 |
| 260. Adjustments to goodwill | - | - | - | - | (3,254) | - | (29,600) |
| 270. Gains (Losses) on disposal of investments | 30 | (14) | 13 | 50 | (417) | 118 | 29 |
| **280. Profit (Loss) from current operations before tax** | **25,011** | **84,038** | **52,560** | **47,435** | **45,427** | **52,418** | **(134,736)** |
| 290. Income taxes on current operations for the period | (7,743) | 17,926 | (23,696) | (14,104) | (13,689) | (12,838) | 45,901 |
| **300. Profit (Loss) from current operations after tax** | **17,268** | **101,964** | **28,864** | **33,331** | **31,738** | **39,580** | **(88,835)** |
| **320. Net profit (Loss) for the period** | **17,268** | **101,964** | **28,864** | **33,331** | **31,738** | **39,580** | **(88,835)** |
| 330. Net profit (Loss) for the period pertaining to minority interests | (2,710) | 2,540 | 1,032 | (2,356) | 2,029 | (3,162) | 1,974 |
| **340. Profit (Loss) pertaining for the period to the Parent Company** | **14,558** | **104,504** | **29,896** | **30,975** | **33,767** | **36,418** | **(86,861)** |

# Performance ratios as at 30 September 2017

| Financial ratios | 30.09.2017 | 2016 (*) |
|---|---|---|
| ***Structural ratios*** | | |
| net loans to customers/total assets | 66.73% | 70.03% |
| net loans to customers/direct deposits from customers | 95.12% | 95.28% |
| financial assets/total assets | 21.98% | 21.11% |
| fixed assets/total assets | 2.14% | 2.13% |
| goodwill/total assets | 0.51% | 0.55% |
| direct deposits/total assets | 88.29% | 88.07% |
| deposits under management/indirect deposits | 54.02% | 49.55% |
| financial assets/tangible equity[1] | 2.99 | 2.72 |
| total tangible assets[2]/tangible equity | 13.50 | 12.80 |
| net interbank lending/borrowing (in thousands of Euro) | (9,716,383) | (8,130,867) |
| number of employees | 11,724 | 11,635 |
| number of national bank branches | 1,282 | 1,200 |
| ***Profitability ratios*** | | |
| ROE | 4.09% | 0.30% |
| ROTE | 4.57% | 0.33% |
| ROA (net profit/total assets) | 0.21% | 0.17% |
| *Cost/income ratio*[3] | 62.13% | 60.48% |
| Net adjustments to loans/net loans to customers | 0.88% | 0.92% |
| Basic EPS | 0.310 | 0.210 |
| Diluted EPS | 0.310 | 0.210 |
| ***Risk ratios*** | | |
| net non-performing exposures/net loans to customers | 12.10% | 13.62% |
| net bad loans/net loans to customers | 6.23% | 6.61% |
| net unlikely to pay loans/net loans to customers | 5.59% | 6.69% |
| net past due loans/net loans to customers | 0.28% | 0.32% |
| adjustments to non-performing exposures/gross non-performing exposures | 47.69% | 44.54% |
| adjustments to bad loans/gross bad loans | 59.01% | 57.25% |
| adjustments to unlikely to pay loans/gross unlikely to pay loans | 26.67% | 23.49% |
| adjustments to past due loans/gross past due loans | 11.19% | 7.80% |
| adjustments to performing exposures/gross performing exposures | 0.46% | 0.47% |
| texas ratio[4] | 104.90% | 111.61% |

*(*) Following the completion of the Purchase Price Allocation process consequent to the acquisition of Cassa di Risparmio di Saluzzo, certain balance sheet figures have been modified pursuant to par.45 of IFRS 3 and, as a consequence, some performance indicator as at 31 December 2016 have been recalculated. The comparative figures for the income statement are as at 30 September 2016, 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] [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 64.76% (64.05% as at 30 September 2016).*

[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.*

(cont.)

| Financial ratios | 30.09.2017 | 2016 (*) |
|---|---|---|
| *Own Funds (Phased in)* | | |
| Common Equity Tier 1 (CET1) | 4,517,994 | 4,497,645 |
| Own Funds | 5,440,861 | 4,958,045 |
| Risk-weighted assets (RWA) | 32,213,222 | 32,593,235 |
| *Capital and liquidity ratios* | | |
| *Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in* | 14.03% | 13.80% |
| *Tier 1 Ratio (T1 Ratio) - Phased in* | 14.11% | 13.89% |
| *Total Capital Ratio (TC Ratio) - Phased in* | 16.89% | 15.21% |
| Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Phased | 13.81% | 13.27% |
| Leverage Ratio - Phased in[5] | 6.2% | 6.7% |
| Leverage Ratio - Fully Phased[6] | 6.1% | 6.5% |
| Liquidity Coverage Ratio (LCR) | 113.0% | 102.0% |
| Net Stable Funding Ratio (NSFR[7]) | n.a. | 104.3% |

| Non-financial ratios | 30.09.2017 | 2016 (*) |
|---|---|---|
| ***Productivity ratios** (in thousands of Euro)* | | |
| direct deposits per employee | 4,206.01 | 4,103.82 |
| loans to customers per employee | 4,000.96 | 3,910.11 |
| assets managed per employee | 1,636.86 | 1,399.75 |
| assets administered per employee | 1,393.51 | 1,425.44 |
| core revenues[8] per employee | 118.93 | 123.32 |
| net interest and other banking income per employee | 125.98 | 132.02 |
| operating costs per employee | 81.58 | 84.56 |

*(*) The comparative figures for the income statement are as at 30 September 2016, except for the ROE and the ROTE which are calculated on a yearly basis.*

[5] *The ratio is calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by the Commission Delegated Regulation (EU) 2015/62.*
[6] *See previous note*
[7] *The NSFR, not yet available, is in any case estimated to exceed 100% (106.3% as at 30 June 2017 and 104.3% as at 31 December 2016).*
[8] *Core revenues = net interest income + net commission income.*