BPER: Banca

# PRESS RELEASE

## Consolidated results for H1 2015 approved

**Total net profit for the period of € 81 million
more or less double what it was in H1 2014 (+90.4%)
and considerably higher than the objectives set at the start of the year**

**Significant increase in net commission income during the period (+4.2%) thanks to a good performance by asset management and bancassurance (+35.6%), bolstered by positive growth in volumes**

**Loan loss provisions reduced considerably (-28.6% y/y) during the first half, confirming the start of a period of gradual normalisation of the cost of risk**

**Transfers to non-performing and unlikely to pay loans quite low with a significant decrease compared with H1 2014
(-38.5% and -40.3% respectively)**

**Coverage ratio on doubtful loans up by 111 bps from the end of 2014 at 41.8% (coverage of non-performing loans +32 bps; coverage of unlikely to pay loans +185 bps)**

**Solid capital position with a Fully Phased CET1 ratio[1] pro-forma[2] of 11.50% (11.51% Phased in) without considering the effect of validating internal models[3]**

**BPER's Fully Phased Basel 3[4] Leverage Ratio of 7% (Phased in 7.4%) is among the best of the system with LCR and NSFR liquidity indices well over 100%[5]**

- Comparison of the main economic aggregates for H1 2015 with H1 2014 (y/y):
    - The profit from current operations before tax amounts to € 115.6 million (+37.3%);
    - Operating profit[6] (€ 1,082.4 million) is down by 6.8%:
        - net interest income down by 5.5% mainly due to a different market environment and level of interest rates;
        - net commission income up by 4.2% thanks to the contribution of asset management and "bancassurance";
        - positive contribution from the net result from financial activities (€ 61.5 million) even if lower than in the first half of last year which had a particularly positive performance;
    - Operating costs[7] declining (-0.5%) with decreases both in payroll costs (-0.4%) and in other administrative expenses (-1.3%);
    - Net loan adjustments down considerably (-28.6%) with a cost of credit for the period of 69 bps (137 bps annualised).

- Comparison of the main economic aggregates for the period with the first quarter of 2015 (quarter on quarter):
    - The profit from current operations before tax amounted to € 36.7 million (€ 78.9 in the first quarter);
    - Operating profit (€ 527.3 million) down by 5%:
        - net interest income down by 1.8%, reflecting a slight decline in the overall spread, mainly influenced by the pressure on the yield of commercial assets, despite an improvement in the cost of funding;
        - net commission income up by 0.8% thanks to the continuing growth trend in asset management and "bancassurance" and stabilisation of the component linked to the traditional activity;
        - net result from financial activities of € 15.5 million (€ 46.1 million in the first quarter) penalised by the adverse and volatile trend in financial markets, especially in the latter part of the quarter;
    - Increase in operating costs (+2.3%) mainly due to the normal seasonality of the second quarter of the year, with payroll costs down (-1.2%) and other administrative expenses up (+10.4%);
    - Net adjustments to loans up by 1.9% on the previous quarter, but 2.6% down for just loans to customers, as the figure for the quarter includes an adjustment of € 6.7 million that refers to a subordinated bank security included in "Loans and Receivables". The cost of credit comes in at 35 bps for the quarter, substantially in line with Q1 2015 (34 bps).

The Board of Directors of Banca popolare dell'Emilia Romagna today reviewed and approved the separate results of the Bank and the consolidated results of the Group at 30 June 2015.

*At the end of the Board meeting, Alessandro Vandelli, CEO of BPER, declared: "I am very pleased with the result achieved in the first half of the year with a net profit of over € 80 million, more or less twice what it in the same period last year and a good deal higher than the objectives set at the start of the year. I think it is important to emphasize that we are beginning to reap the first fruits of the efforts made to recompose the risk profile of our loan portfolio: this has led to a sharp decline in new transfers to doubtful loans, a decrease in net adjustments to loans and an increase in coverage which is now close to 42%, one of the highest levels among our direct competitors. We are also seeing astrong acceleration in new loans to households and businesses, while the growth in asset management is particularly significant. At the same time, the positive trend in net commission income is continuing, together with the reduction in operating costs. The Group's liquidity position and capital profile are both very positive, as confirmed by the LCR and NSFR indices, both well over 100% and by a Fully Phased[8] CET1 ratio of 11.50%, accompanied by a leverage of more than 7%, one of the best in the system, confirming our prudent and balanced approach.*

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## Income statement: key figures

**Net interest income** comes to € 622.5 million and is down by 5.5% compared with the same period last year, primarily because of changed market conditions and interest rates, where the decline in commercial volumes and the pressures on asset yields was unable to offset even a significant decline in funding costs. Comparison with the previous quarter shows a more moderate 1.8% decrease in net interest income, given that loans are more or less stable, and a limited decline in the overall spread compared with the previous quarter (-5 bps).

**Net commission income** of € 359.9 million is showing an increase of 4.2% over the same period last year (0.8% q/q), mainly because of the combined effect of a very positive trend in fees and commissions on indirect deposits, asset management in particular, and bancassurance (+29.9% y/y and +3% q/q) and a decrease in fees and commissions on traditional commercial banking, which is still conditioned by the weak condition of the economy.

The **net result from trading activities** (including dividends of € 13.8 million) amounts to € 75.4 million, 41.1% down on H1 2014 (-37.3% compared with the previous quarter), influenced in particular by the negative trend and high volatility of financial markets in the latter part of the second quarter due to the Greek crisis. This result was helped by realised net profits of € 48.4 million, largely attributable to trading in Italian government bonds, net capital gains of € 16.6 million and the fair value option on financial liabilities that was positive for € 1.9 million (negative for € 6.6 million at 30 June 2014). The AFS reserve for government securities in portfolio shows gains for an amount (net of taxes) of € 53.4 million (€ 97.9 million at 31 December 2014), though they would have been more had it not been for the strong tensions on financial markets towards the end of the first half, stoked by the Greek crisis; the market recovery in July helped to boost the AFS reserve for government securities significantly and at 31 July 2015 it is estimated at around € 95 million, quite in line with the end of 2014.

**Operating profit**[9] comes to € 1,082.4 million, 6.8% down y/y (-5% q/q) with a decrease in net interest income (-5.5%) and net profit from financial activities (-43, 9%), only partially offset by the positive trend in net commission income (+4.2%).

**Operating costs**[10] are down by 0.5% on the same period last year (+2.3% on the previous quarter, mainly because of the usual seasonal effects, especially as regards other administrative expenses). In detail, **payroll costs** amount to € 396.2 million (-0.4% y/y; -1.2% q/q), **other administrative expenses** to € 197 million (-1.3% y/y; +10.4% q/q) and depreciation/amortisation to € 34.4 million (+4.4% y/y; -1.4% q/q;).

**Net adjustments to loans and other financial assets** amount to € 307.8 million, 27.3% down on the same period in 2014 (+5.2% q/q). The adjustments related to the credit sector amount to € 297.7 million compared with € 416.8 in the first half of 2014 (-28.6%): this figure includes an extraordinary impairment on a subordinated bank bond included in "Loans and Receivables" for an amount of € 6.7 million made in the second quarter; excluding this, net adjustments to loans would have shown an even more pronounced decline year-on-year (-30.1%) and a decrease also on the previous quarter (-2.6%). The overall cost of credit at 30 June 2015 comes to 69 bps (137 bps annualised compared with 185 bps in 2014). Net adjustments to other financial assets amount to € 10 million (€ 6.7 million in the same period last year).

**Net provisions for risks and charges** (Euro 36.8 million) are up by Euro 19.6 million on the first half of 2014: this increase is mainly due to the assessment of the contribution to the Single Resolution Fund (SRF), as required by Directive (EU) 59/2014 (BRRD) in force since 1 January 2015, to be borne by the BPER Group for an amount of € 10.2 million.

The level of **coverage of impaired loans** stands at 41.8%, an increase of 111 bps compared with the 40.7% at end-2014. In detail, coverage of non-performing loans (NPL) is 56.9%, up on 56.6% at end 2014. In addition, taking into account the direct write-offs of NPL still outstanding of € 1.3 billion, total NPL coverage comes to 63.8%. The coverage of unlikely to pay loans[11] is showing significant growth to 20.1% compared with the pro-forma level[12] at the end of 2014 (18.3%). The coverage of overdue loans comes to 8.1% stable compared with 31 December 2014

The **profit from current activities before tax** comes to € 115.6 million at 30 June 2015 (€ 84.2 million in the first half of last year). **Income taxes for the period** amount to € 34.6 million (€ 41.7 million at 30 June 2014), with an effective tax rate of 29.9%.

**Total net profit for the period** amounts to € 81 million, compared with a positive result of € 42.5 million in the same period last year (+90.4%), including the profit for the period pertaining to minority interests of € 7.8 million (€ 6.6 million at 30 June 2014). The **net profit pertaining to the parent company** therefore comes to € 73.2 million (€ 35.9 million at 30 June 2014), more than double what it was in the same period last year.

## 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 € 46.2 billion, stable on the end of 2014, with a rise in current accounts and demand deposits (+€ 0.3 billion; +1.1%), repurchase agreements (+€ 1 billion; +96.1%) and the simultaneous decrease in time deposits (-€ 0.7 billion; -22.3%) and bonds (-5.6%; bonds subscribed by retail customers have fallen by € 1.2 billion, partially substituted by those placed with institutional customers, which are up by € 0.75 billion) Direct borrowing is made up principally of retail & private deposits (79.5%) and 65.2% is in the form of current accounts, demand deposits and short-term restricted deposits.

**Indirect customer deposits**, marked to market, amount to € 29 billion, an increase of 3% since the start of the year. In particular, assets under management are up by 9.4% on the end of 2014, recording a net inflow of € 1.2 billion in the half-year, more than double the same period last year (€ 0.6 billion)[13]; assets under administration in the same period are showing a decrease of 2.6%, due to the lower valuation of customer securities on deposit, combined with a tendency for them to be switched into asset management and insurance policies, The **insurance policy portfolio**, which is not included in indirect borrowing, comes to € 3.7 billion, a substantial increase since the start of the year (+20%), almost entirely for life insurance.

**Loans to customers**, net of adjustments, amount to Euro 43.4 bilion and, although slightly down on the end of 2014 (-1.1%), they are substantially stable in terms of commercial activities with customers. As regards the specific technical forms of loans, it is worth pointing out the continued positive trend in residential mortgages, which posted a 63.7% increase in new loans over the same period last year.

**Net doubtful loans** come to € 6.5 billion, stable compared with the end of 2014 (+0.2%). In detail, NPL amount to € 2.9 billion (+2.9% on year-end) with coverage of 56.9%, net unlikely to pay loans[14] come to € 3.3 billion with a strong decrease of 5.7% on the end of 2014 and a growing coverage of 185 bps, on 20.1% of year-end 2014, and net past due loans of € 0.3 billion (+67.7% on the end of last year) with coverage of 8.1%. As we said previously, all of these items have good coverage levels, highlighting a total coverage ratio of 41.8%, compared with 40.7% at the end of last year.

The **net interbank position**, which is negative for € 4.6 billion compared with € 4.8 billion at the end of 2014, is the difference between amounts due from banks of € 1.5 billion and amounts due to banks of € 6.1 billion. At 30 June 2015, the total amount of refinancing with the European Central Bank amounts to € 3.1 billion, including € 1.1 billion of short-term loans and € 2 billion from the new TLTRO (Targeted Longer Term Refinancing Operations) that matures in September 2018. Financial instruments eligible for use as collateral for refinancing transactions on the market amount to € 11.5 billion, net of the haircut, of which € 4.3 billion is available.

**Financial assets** amount in total to € 11.8 billion, an increase of 14.3% on the end of 2014; they account for 19.3% of total assets. Debt securities represent 90.3% of the total portfolio and amount to € 10.6 billion: of these, € 7.1 billion relate to government securities (mostly represented by Italian government bonds) and € 2.9 billion to banks and supranational entities.

Against assets available for sale (AFS) of € 8.3 billion, there are positive valuation reserves for a total of € 302.1 million, net of the related tax effect, which is the net result of positive reserves for debt securities, equities and UCITS of € 342.7 million, less negative reserves of € 40.6 million. Moreover, with regard to the portfolio of financial assets held to maturity (HTM) of € 2.5 billion, the difference between their fair value and book value, net of tax, is positive, resulting in a net implicit reserve of € 92.3 million.

**Total equity ("own funds")** at 30 June 2015 amounts to € 5.7 billion (+2.7% on 2014), with minority interests of € 0.6 billion. Consolidated shareholders' equity of the Group, including the result for the period, comes to € 5 billion, +3.4% since the end of 2014.

## Capital ratios

The **capital ratios**, still determined using the standardised approach for the requirements to cover credit and market risk[15], have been calculated taking into account the share of profit allocable to equity realised at 30 June 2015 for a total of € 54 million (13 bps) [16], as follows:

- Common Equity Tier 1 ratio ("phased in") of 11.51% (11.26% at 31 December 2014). This figure calculated (pro-forma)[17] on a "fully phased" basis comes to 11.50%;
- Tier 1 ratio ("phased in") of 11.55% (11.29% at 31 December 2014);
- Own Funds ratio ("phased in") come to 12.89% (12.24% at 31 December 2014).

## Key figures at 30 June 2015

The Group has a presence in 18 Regions of Italy with 1,273 branches, as well as the head office of BPER (Europe) International s.a. in Luxembourg.

The Group currently has 11,528 employees, a decrease of 65 (11,593 at the end of 2014).

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## Outlook for operations

During the first half of the year, the prospects of a gradual recovery in the Italian economy have strengthened, accompanied by a slow but steady improvement in the economic situation and expectations of growth in GDP. During the second half of the year, the trend in loans to customers should see a slight recovery to then consolidate the following year thanks to particularly favourable economic and monetary policy factors. The still very low level of market interest rates and increasing competition in the field of traditional lending to customers will continue to exert pressure on margins, though this should be partially offset by a further decline in funding costs. A positive contribution to revenues is expected from fees and commissions that already turned in a very satisfactory performance in the first half. The sharp slowdown in the flows of new problem loans recorded in the first half should continue for the rest of the year. The cost of credit is expected to improve significantly during the current year and the overall prospects for earnings are expected to be considerably better than in 2014.

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*The Half-year Report of the BPER Group at 30 June 2015, together with the audit opinion, 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 and reclassified) at 30 June 2015, as well as a summary of the main indicators.*

Modena, 6 August 2015

**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, 6 August 2015

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

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A conference call has been organised today**, 6 August 2015 at 5.45 p.m. (CET)** to explain the BPER Group's results at 30 June 2015.
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] The Common Equity Tier 1 ratio ("CET1") has been calculated taking into account the profit realised in the first half for the portion that can be taken to capital, namely € 54 million (the equivalent of around 13 bps). 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 has today sent a special communication to the ECB, which includes the documentation required by arts. 4 and 5 of the said Decision, including certification by the Independent Auditors.

[2] The Fully Phased CET1 Ratio, estimated according to the new Basel 3 rules that will be fully applicable from January 2019, has been calculated pro-forma taking into account the sale of a 9.1422% stake in Istituto Centrale delle Banche Popolari Italiane (ICBPI): completion of this transaction, for which the preliminary sale deal was signed on 19 June 2015, is subject to approval by the competent Authorities, which should be received by the end of this year. The percentage has been estimated at around 42 bps.

[3] Pre-validation of the AIRB models with the European Central Bank and the Bank of Italy, officially commenced at the end of January, is continuing.

[4] Determined in accordance with changes to the law in force since 2015, introduced by the 575/2013 Directive (CRR).

[5] The LCR index at 30 June 2015 stands at 113%, whereas the NSFR index is estimated at well over 100% (at 31 March 2014 it was 117%).

[6] "Operating profit" as shown in the attached reclassified income statement and represented by the sum of the following income statement captions: Net interest and other banking income and Other operating charges/income (caption 220) net of indirect taxes recharged to customers (€ 62.6 million at 30 June 2015, € 62.2 million at 30 June 2014)

[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 (caption 180-a), other administrative expenses (caption 180-b) net of indirect taxes recovered from customers (see previous note), depreciation and amortisation (captions 200 and 210)

[8] See note 2

[9] See note 7

[10] See note 7

[11] With reference to the new supervisory rules that took effect on 1 January 2015, and in particular the 7th update of Bank of Italy Circular 272/2008, which redefined the categories of impaired financial assets known as "non-performing exposures", with the creation of a new category of probable defaults known as "unlikely to pay" and the elimination of watchlist and restructured loans. This approach was already applied when preparing the quarterly report at 31 March 2015,

[12] With reference to what is mentioned in note 11, the comparative figure of unlikely to pay loans at 31 December 2014 has been calculated by adding together the two categories (watchlist and restructured loans) that this new item has combined.

[13] Net borrowing defined as inflows of new subscriptions during the period net of redemptions and calculated on the basis of management figures.

[14] See note 12

[15] See note 3

[16] See note 1

[17] See note 2

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# Consolidated balance sheet as at 30 June 2015

(in thousands of Euro)

| Assets | 30.06.2015 | 31.12.2014 | Change | %change |
|---|---|---|---|---|
| 10. Cash and cash equivalents | 364,869 | 450,766 | (85,897) | -19.06 |
| 20. Financial assets held for trading | 915,238 | 1,033,286 | (118,048) | -11.42 |
| 30. Financial assets designated at fair value through profit and loss | 106,446 | 110,249 | (3,803) | -3.45 |
| 40. Financial assets available for sale | 8,296,471 | 6,944,927 | 1,351,544 | 19.46 |
| 50. Financial assets held to maturity | 2,459,678 | 2,213,497 | 246,181 | 11.12 |
| 60. Due from banks | 1,476,213 | 1,709,298 | (233,085) | -13.64 |
| 70. Loans to customers | 43,426,478 | 43,919,681 | (493,203) | -1.12 |
| 80. Hedging derivatives | 41,836 | 36,744 | 5,092 | 13.86 |
| 100. Equity investments | 264,493 | 257,660 | 6,833 | 2.65 |
| 120. Property, plant and equipment | 953,158 | 1,028,931 | (75,773) | -7.36 |
| 130. Intangible assets | 491,761 | 498,009 | (6,248) | -1.25 |
| of which: goodwill | 380,395 | 380,416 | (21) | -0.01 |
| 140. Tax assets | 1,357,683 | 1,361,322 | (3,639) | -0.27 |
| a) current | 138,951 | 181,989 | (43,038) | -23.65 |
| b) deferred | 1,218,732 | 1,179,333 | 39,399 | 3.34 |
| b1) of which L. 214/2011 | 1,041,460 | 1,018,156 | 23,304 | 2.29 |
| 150. Non-current assets and disposal groups held for sale | 2,817 | 2,817 | - | - |
| 160. Other assets | 767,777 | 1,085,733 | (317,956) | -29.28 |
| **Total assets** | **60,924,918** | **60,652,920** | **271,998** | **0.45** |

(in thousands of Euro)

| Liabilities and shareholders' equity | 30.06.2015 | 31.12.2014 | Change | %change |
|---|---|---|---|---|
| 10. Due to banks | 6,091,707 | 6,479,558 | (387,851) | -5.99 |
| 20. Due to customers | 34,661,323 | 33,964,259 | 697,064 | 2.05 |
| 30. Debt securities in issue | 10,515,755 | 10,518,262 | (2,507) | -0.02 |
| 40. Financial liabilities held for trading | 252,835 | 243,210 | 9,625 | 3.96 |
| 50. Financial liabilities designated at fair value through profit and loss | 982,518 | 1,700,614 | (718,096) | -42.23 |
| 60. Hedging derivatives | 32,451 | 12,986 | 19,465 | 149.89 |
| 80. Tax liabilities | 113,299 | 118,794 | (5,495) | -4.63 |
| a) current | 2,641 | 5,263 | (2,622) | -49.82 |
| b) deferred | 110,658 | 113,531 | (2,873) | -2.53 |
| 100.Other liabilities | 2,061,161 | 1,527,412 | 533,749 | 34.94 |
| 110. Provision for termination indemnities | 206,592 | 221,919 | (15,327) | -6.91 |
| 120. Provisions for risks and charges | 349,948 | 355,775 | (5,827) | -1.64 |
| a) pensions and similar commitments | 127,258 | 145,078 | (17,820) | -12.28 |
| b) other provisions | 222,690 | 210,697 | 11,993 | 5.69 |
| 140. Valuation reserves | 304,482 | 186,840 | 117,642 | 62.96 |
| 170. Reserves | 2,290,678 | 2,301,760 | (11,082) | -0.48 |
| 180. Share premium reserve | 930,073 | 930,077 | (4) | - |
| 190. Share capital | 1,443,925 | 1,443,925 | - | - |
| 200. Treasury shares | (7,255) | (7,259) | 4 | -0.06 |
| 210. Minority interests | 622,195 | 639,991 | (17,796) | -2.78 |
| 220. Profit (loss) for the period | 73,231 | 14,797 | 58,434 | 394.90 |
| **Total liabilities and shareholders' equity** | **60,924,918** | **60,652,920** | **271,998** | **0.45** |

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# Consolidated income statement as at 30 June 2015

(in thousands of Euro)

| Captions | 30.06.2015 | 30.06.2014 | Change | %change |
|---|---|---|---|---|
| 10. Interest and similar income | 846,488 | 984,333 | (137,845) | -14.00 |
| 20. Interest and similar expense | (224,023) | (325,874) | 101,851 | -31.25 |
| **30. Net interest income** | **622,465** | **658,459** | **(35,994)** | **-5.47** |
| 40. Commission income | 377,393 | 370,233 | 7,160 | 1.93 |
| 50. Commission expense | (17,540) | (24,755) | 7,215 | -29.15 |
| **60. Net commission income** | **359,853** | **345,478** | **14,375** | **4.16** |
| 70. Dividends and similar income | 13,832 | 18,191 | (4,359) | -23.96 |
| 80. Net trading income | 14,404 | 9,936 | 4,468 | 44.97 |
| 90. Net hedging gains (losses) | (165) | 322 | (487) | -151.24 |
| 100. Gains/losses on disposal or repurchase of: | 44,320 | 100,421 | (56,101) | -55.87 |
| a) loans | 4,405 | 166 | 4,239 | -- |
| b) financial assets available for sale | 40,578 | 100,214 | (59,636) | -59.51 |
| c) financial assets held to maturity | 208 | - | 208 | n.s. |
| d) financial liabilities | (871) | 41 | (912) | -- |
| 110. Net results on financial assets and liabilities designated at fair value | 2,962 | (990) | 3,952 | -399.19 |
| **120. Net interest and other banking income** | **1,057,671** | **1,131,817** | **(74,146)** | **-6.55** |
| 130. Net impairment adjustments to: | (307,758) | (423,485) | 115,727 | -27.33 |
| a) loans | (297,741) | (416,792) | 119,051 | -28.56 |
| b) financial assets available for sale | (8,899) | (3,655) | (5,244) | 143.47 |
| d) other financial assets | (1,118) | (3,038) | 1,920 | -63.20 |
| **140. Net profit from financial activities** | **749,913** | **708,332** | **41,581** | **5.87** |
| 180. Administrative costs: | (655,844) | (659,736) | 3,892 | -0.59 |
| a) payroll | (396,205) | (397,895) | 1,690 | -0.42 |
| b) other administrative costs | (259,639) | (261,841) | 2,202 | -0.84 |
| 190. Net provision for risks and charges | (36,785) | (19,634) | (17,151) | 87.35 |
| 200. Net adjustments to property, plant and equipment | (19,115) | (20,655) | 1,540 | -7.46 |
| 210. Net adjustments to intangible assets | (15,302) | (12,315) | (2,987) | 24.25 |
| 220. Other operating charges/income | 87,339 | 91,980 | (4,641) | -5.05 |
| **230. Operating costs** | **(639,707)** | **(620,360)** | **(19,347)** | **3.12** |
| 240. Profit (loss) from equity investments | 5,384 | (3,765) | 9,149 | -243.00 |
| 270. Gains (losses) on disposal of investments | 16 | 23 | (7) | -30.43 |
| **280. Profit (loss) from current operations before tax** | **115,606** | **84,230** | **31,376** | **37.25** |
| 290. Income taxes on current operations for the period | (34,601) | (41,682) | 7,081 | -16.99 |
| **300. Profit (loss) from current operations after tax** | **81,005** | **42,548** | **38,457** | **90.38** |
| **320. Net profit (loss) for the period** | **81,005** | **42,548** | **38,457** | **90.38** |
| 330. Net profit (loss) for the period pertaining to minority interests | (7,774) | (6,648) | (1,126) | 16.94 |
| **340. Profit (loss) for the period pertaining to the Parent Company** | **73,231** | **35,900** | **37,331** | **103.99** |

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# Consolidated income statement by quarter as at 30 June 2015

| Captions | 1st quarter 2015 | 2nd quarter 2015 | 1st quarter 2014 | 2nd quarter 2014 | 3rd quarter 2014 | 4th quarter 2014 |
|---|---|---|---|---|---|---|
| 10. Interest and similar income | 431,035 | 415,453 | 494,548 | 489,785 | 470,618 | 453,337 |
| 20. Interest and similar expense | (116,940) | (107,083) | (164,728) | (161,146) | (150,578) | (140,027) |
| **30. Net interest income** | **314,095** | **308,370** | **329,820** | **328,639** | **320,040** | **313,310** |
| 40. Commission income | 188,020 | 189,373 | 184,023 | 186,210 | 182,429 | 186,457 |
| 50. Commission expense | (8,817) | (8,723) | (12,573) | (12,182) | (13,417) | (10,283) |
| **60. Net commission income** | **179,203** | **180,650** | **171,450** | **174,028** | **169,012** | **176,174** |
| 70. Dividends and similar income | 249 | 13,583 | 574 | 17,617 | 115 | 1,086 |
| 80. Net trading income | 20,413 | (6,009) | 4,290 | 5,646 | 4,406 | 2,191 |
| 90. Net hedging gains (losses) | 355 | (520) | 231 | 91 | 513 | 239 |
| 100. Gains/losses on disposal or repurchase of: | 28,438 | 15,882 | 67,761 | 32,660 | 25,636 | 38,242 |
| a) loans | 3,804 | 601 | 107 | 59 | (29,716) | (409) |
| b) financial assets available for sale | 25,092 | 15,486 | 67,430 | 32,784 | 55,393 | 38,939 |
| c) financial assets held to maturity | (92) | 300 | - | - | - | - |
| d) financial liabilities | (366) | (505) | 224 | (183) | (41) | (288) |
| 110. Net results on financial assets and liabilities designated at fair value | (3,148) | 6,110 | (8,982) | 7,992 | (10,232) | (3,019) |
| **120. Net interest and other banking income** | **539,605** | **518,066** | **565,144** | **566,673** | **509,490** | **528,223** |
| 130. Net impairment adjustments to: | (149,972) | (157,786) | (214,710) | (208,775) | (167,091) | (267,643) |
| a) loans | (147,504) | (150,237) | (211,820) | (204,972) | (163,296) | (232,646) |
| b) financial assets available for sale | (6,347) | (2,552) | (466) | (3,189) | (680) | (36,012) |
| d) other financial assets | 3,879 | (4,997) | (2,424) | (614) | (3,115) | 1,015 |
| **140. Net profit from financial activities** | **389,633** | **360,280** | **350,434** | **357,898** | **342,399** | **260,580** |
| 180. Administrative costs: | (323,806) | (332,038) | (322,923) | (336,813) | (309,651) | (347,089) |
| a) payroll | (199,322) | (196,883) | (196,796) | (201,099) | (180,006) | (208,786) |
| b) other administrative costs | (124,484) | (135,155) | (126,127) | (135,714) | (129,645) | (138,303) |
| 190. Net provision for risks and charges | (14,096) | (22,689) | (6,658) | (12,976) | (8,036) | (11,112) |
| 200. Net adjustments to property, plant and equipment | (9,944) | (9,171) | (10,402) | (10,253) | (10,192) | (12,918) |
| 210. Net adjustments to intangible assets | (7,386) | (7,916) | (5,955) | (6,360) | (6,823) | (7,483) |
| 220. Other operating charges/income | 46,307 | 41,032 | 48,455 | 43,525 | 37,556 | 43,732 |
| **230. Operating costs** | **(308,925)** | **(330,782)** | **(297,483)** | **(322,877)** | **(297,146)** | **(334,870)** |
| 240. Profit (loss) from equity investments | (1,886) | 7,270 | (973) | (2,792) | 2,270 | 658 |
| 270. Gains (losses) on disposal of investments | 113 | (97) | 1 | 22 | 3 | 41 |
| **280. Profit (loss) from current operations before tax** | **78,935** | **36,671** | **51,979** | **32,251** | **47,526** | **(73,591)** |
| 290. Income taxes on current operations for the period | (27,234) | (7,367) | (20,760) | (20,922) | (14,258) | 27,556 |
| **300. Profit (loss) from current operations after tax** | **51,701** | **29,304** | **31,219** | **11,329** | **33,268** | **(46,035)** |
| **320. Net profit (loss) for the period** | **51,701** | **29,304** | **31,219** | **11,329** | **33,268** | **(46,035)** |
| 330. Net profit (loss) for the period pertaining to minority interests | (6,504) | (1,270) | (2,947) | (3,701) | (8,067) | (269) |
| **340. Profit (loss) for the period pertaining to the Parent Company** | **45,197** | **28,034** | **28,272** | **7,628** | **25,201** | **(46,304)** |

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# Reclassified consolidated income statement as at 30 June 2015

(in thousands)

| Captions | | 30.06.2015 | 30.06.2014 | Change | %change |
|---|---|---|---|---|---|
| 10+20 | Net interest income | 622,465 | 658,459 | (35,994) | -5.47 |
| 40+50 | Net commission income | 359,853 | 345,478 | 14,375 | 4.16 |
| 70 | Dividends | 13,832 | 18,191 | (4,359) | -23.96 |
| 80+90+100+110 | Net trading income | 61,521 | 109,689 | (48,168) | -43.91 |
| 220 (*) | Other operating charges/income | 24,712 | 29,799 | (5,087) | -17.07 |
| | **Operating income** | **1,082,383** | **1,161,616** | **(79,233)** | **-6.82** |
| 180 a) | Payroll | (396,205) | (397,895) | 1,690 | -0.42 |
| 180 b) (*) | Other administrative costs | (197,012) | (199,660) | 2,648 | -1.33 |
| 200+210 | Net adjustments to property, plant, equipment and intangible assets | (34,417) | (32,970) | (1,447) | 4.39 |
| | **Operating costs** | **(627,634)** | **(630,525)** | **2,891** | **-0.46** |
| | **Net operating income** | **454,749** | **531,091** | **(76,342)** | **-14.37** |
| 130 a) | Net impairment adjustments to loan | (297,741) | (416,792) | 119,051 | -28.56 |
| 130 b)+c) | Net impairment adjustments to financial assets available for sale and held to maturity | (8,899) | (3,655) | (5,244) | 143.47 |
| 130 d) | Net impairment adjustments to other financial assets | (1,118) | (3,038) | 1,920 | -63.20 |
| | **Net impairment adjustments** | **(307,758)** | **(423,485)** | **115,727** | **-27.33** |
| 190 | Net provisions for risks and charges | (36,785) | (19,634) | (17,151) | 87.35 |
| 240+260+270 | Gains (Losses) from equity instruments, on disposal of investments and adjustment to goodwill | 5,400 | (3,742) | 9,142 | -244.31 |
| **280** | **Profit (Loss) from current operations before tax** | **115,606** | **84,230** | **31,376** | **37.25** |
| 290 | Income taxes on current operations for the period | (34,601) | (41,682) | 7,081 | -16.99 |
| **320** | **Profit (loss) for the period** | **81,005** | **42,548** | **38,457** | **90.38** |
| 330 | Net profit (loss) pertaining to minority interests | (7,774) | (6,648) | (1,126) | 16.94 |
| **340** | **Profit (loss) for the period pertaining to the Parent Company** | **73,231** | **35,900** | **37,331** | **103.99** |

| | | | | | |
|---|---|---|---|---|---|
| (*) | Caption net of recovery of taxes | 62,627 | 62,181 | 446 | 0.72 |

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# Reclassified consolidated income statement by quarter as at al 30 June 2015

| Captions | | 1st quarter 2015 | 2nd quarter 2015 | 1st quarter 2014 | 2nd quarter 2014 | 3rd quarter 2014 | 4th quarter 2014 |
|---|---|---|---|---|---|---|---|
| 10+20 | Net interest income | 314,095 | 308,370 | 329,820 | 328,639 | 320,040 | 313,310 |
| 40+50 | Net commission income | 179,203 | 180,650 | 171,450 | 174,028 | 169,012 | 176,174 |
| 70 | Dividends | 249 | 13,583 | 574 | 17,617 | 115 | 1,086 |
| 80+90+100+110 | Net trading income | 46,058 | 15,463 | 63,300 | 46,389 | 20,323 | 37,653 |
| 220 (*) | Other operating charges/income | 15,443 | 9,269 | 18,666 | 11,133 | 5,851 | 12,215 |
| | **Operating income** | **555,048** | **527,335** | **583,810** | **577,806** | **515,341** | **540,438** |
| 180 a) | Payroll | (199,322) | (196,883) | (196,796) | (201,099) | (180,006) | (208,786) |
| 180 b) (*) | Other administrative costs | (93,620) | (103,392) | (96,338) | (103,322) | (97,940) | (106,786) |
| 210 + 220 | Net adjustments to property, plant and equipment and intangible assets | (17,330) | (17,087) | (16,357) | (16,613) | (17,015) | (20,401) |
| | **Operating costs** | **(310,272)** | **(317,362)** | **(309,491)** | **(321,034)** | **(294,961)** | **(335,973)** |
| | **Net operating income** | **244,776** | **209,973** | **274,319** | **256,772** | **220,380** | **204,465** |
| 130 a) | Net impairment adjustments to loans | (147,504) | (150,237) | (211,820) | (204,972) | (163,296) | (232,646) |
| 130 b)+c) | Net impairment adjustments to financial assets available for sale and held to maturity | (6,347) | (2,552) | (466) | (3,189) | (680) | (36,012) |
| 130 d) | Net impairment adjustments to other financial transactions | 3,879 | (4,997) | (2,424) | (614) | (3,115) | 1,015 |
| | **Net impairment adjustments** | **(149,972)** | **(157,786)** | **(214,710)** | **(208,775)** | **(167,091)** | **(267,643)** |
| 190 | Net provisions for risks and charges | (14,096) | (22,689) | (6,658) | (12,976) | (8,036) | (11,112) |
| 240+260+270 | Gains (Losses) on disposal of investments and adjustments to goodwill | (1,773) | 7,173 | (972) | (2,770) | 2,273 | 699 |
| **280** | **Profit (loss) from current operations before income tax** | **78,935** | **36,671** | **51,979** | **32,251** | **47,526** | **(73,591)** |
| 290 | Income taxes on current operations for the period | (27,234) | (7,367) | (20,760) | (20,922) | (14,258) | 27,556 |
| **320** | **Net profit (loss) for the period** | **51,701** | **29,304** | **31,219** | **11,329** | **33,268** | **(46,035)** |
| 330 | Net profit (loss)pertaining to minority interests | (6,504) | (1,270) | (2,947) | (3,701) | (8,067) | (269) |
| **340** | **Profit (loss) for the period pertaining to the Parent Company** | **45,197** | **28,034** | **28,272** | **7,628** | **25,201** | **(46,304)** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| (*) | Caption net of recovery of taxes | 30,864 | 31,763 | 29,789 | 32,392 | 31,705 | 31,517 |

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# Performance ratios as at 30 June 2015

| | 30.06.2015 | 2014 (*) |
|---|---|---|
| *Financial ratios* | | |
| ***Structural ratios (%)*** | | |
| net loans to customers/total assets | 71.28% | 72.41% |
| net loans and advances to customers/direct deposits from customers | 94.08% | 95.10% |
| financial assets/total assets | 19.33% | 16.99% |
| fixed assets/total assets | 2.00% | 2.12% |
| goodwill/total assets | 0.62% | 0.63% |
| direct deposits/total assets | 85.76% | 86.83% |
| deposits under management/indirect deposits | 49.01% | 46.12% |
| financial assets/tangible equity[1] | 2.28 | 2.06 |
| Total tangible assets[2]/tangible equity | 11.70 | 12.00 |
| net interbank lending/borrowing (in thousands of Euro) | (4,615,494) | (4,770,260) |
| number of employees | 11,528 | 11,593 |
| number of national bank branches | 1,273 | 1,273 |
| ***Profitability ratios (%)*** | | |
| *ROE* | 3.01% | 0.33% |
| *ROTE* | 3.35% | 0.37% |
| *ROA (net profit/total assets)* | 0.13% | 0.07% |
| *Cost/income ratio*[3] | 57.99% | 54.28% |
| Net adjustments to loans /net loans to customers | 0.69% | 0.92% |
| *Basic EPS* | 0.168 | 0.106 |
| *Diluted EPS* | 0.168 | 0.106 |
| ***Risk ratios (%)*** | | |
| net doubtful loans/net loans to customers | 15.06% | 14.86% |
| net non-performing loans/net loans to customers | 6.68% | 6.42% |
| net unlikely to pay loans/net loans to customers | 7.63% | 8.00% |
| net past due loans/net loans to customers | 0.74% | 0.44% |
| adjustments to doubtful loans/gross doubtful loans | 41.77% | 40.66% |
| adjustments to non-performing loans/gross non-performing loans | 56.87% | 56.55% |
| adjustments to unlikely to pay loans/gross unlikely to pay loans | 20.13% | 18.28% |
| adjustments to past due loans/gross past due loans | 8.06% | 8.07% |
| adjustments to performing loans/gross performing loans | 0.56% | 0.56% |

*(*) The comparative figures for the income statement are as at 30 June 2014, 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 60.48% (54.81% at June 30, 2014).*

| | 30.06.2015 | 2014 (*) |
|---|---|---|
| *Own Funds (Phased in)* | | |
| Common Equity Tier 1 (CET1) | 4,689,914 | 4,581,261 |
| Own Funds | 5,250,945 | 4,982,079 |
| Risk-weighted assets | 40,729,021 | 40,691,550 |
| *Capital and liquidity ratios* | | |
| Common Equity ratio (CET1 ratio) - Phased in | 11.51% | 11.26% |
| Tier 1 ratio (T1 ratio) - Phased in | 11.55% | 11.29% |
| Total Capital ratio (TC ratio) - Phased in | 12.89% | 12.24% |
| Common Equity ratio (CET1 ratio) - Fully Phased pro-forma[4] | 11.50% | 10.91% |
| Leverage ratio - Phased in | 7.4% | 7.2% |
| Leverage ratio - Fully Phased | 7.0% | 6.9% |
| Liquidity coverage ratio (LCR) | 113% | 125% |
| Net stable funding ratio (NSFR)[5] | n.d. | 115% |
| *Non financial ratios* | | |
| *Productivity ratios (in thousands of Euro)* | | |
| direct deposits per employee | 4,004.13 | 3,983.71 |
| loans and advances to customers per employee | 3,767.04 | 3,788.47 |
| assets managed per employee | 1,234.31 | 1,121.71 |
| assets administered per employee | 1,284.03 | 1,310.60 |
| core revenues per employee[6] | 85.21 | 86.38 |
| net interest and other banking income per employee | 91.75 | 97.38 |
| operating costs per employee | 55.49 | 53.37 |

*(*) The comparative figures for the income statement are as at 30 June 2014, except for the ROE and the ROTE which are calculated on a yearly basis.*

[4] *The Fully Phased CET1 Ratio, estimated according to the new Basel 3 rules that will be fully applicable from January 2019, has been calculated pro-forma taking into account the sale of a 9.1422% stake in Istituto Centrale delle Banche Popolari Italiane (ICBPI): completion of this transaction, for which the preliminary sale deal was signed on 19 June 2015, is subject to approval by the competent Authorities, which should be received by the end of this year. The percentage has been estimated at around 42 bps.*

[5] *The NSFR, not yet available, it is in any case estimated to exceed 100% (117% at March 31, 2015)*

[6] *Core revenues = net interest income + net commission income*