



1H16 consolidated results

Alessandro Vandelli - Chief Executive Officer

4th August 2016

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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 the “Consolidated Financial Services Act” (Legislative Order No. 58/1998), that the accounting information contained in this document corresponds to documentary records, ledgers and accounting entries.

Emilio Annovi

Manager responsible for preparing the Company's financial reports

BPER Banca con sede in Modena, via San Carlo, 8/20 - Codice Fiscale, Partita IVA e iscrizione nel Registro Imprese di Modena n. 01153230360 - Capitale sociale variabile - Codice ABI 5387.6 Iscritta all’Albo delle Banche al n. 4932 e all’Albo delle Cooperative al n. A163859 - Telefono 059.2021111 - Telefax 059.2022033 - email: bpergroup@bper.it - PEC: bper@pec.gruppobper.it Aderente al Fondo Interbancario di Tutela dei Depositi e al Fondo Nazionale di Garanzia - Capogruppo del Gruppo bancario BPER iscritto all’Albo dei Gruppi Bancari al n. 5387.6 - bper@pec.gruppobper.it - bper.it - gruppobper.it

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☐ Final remarks

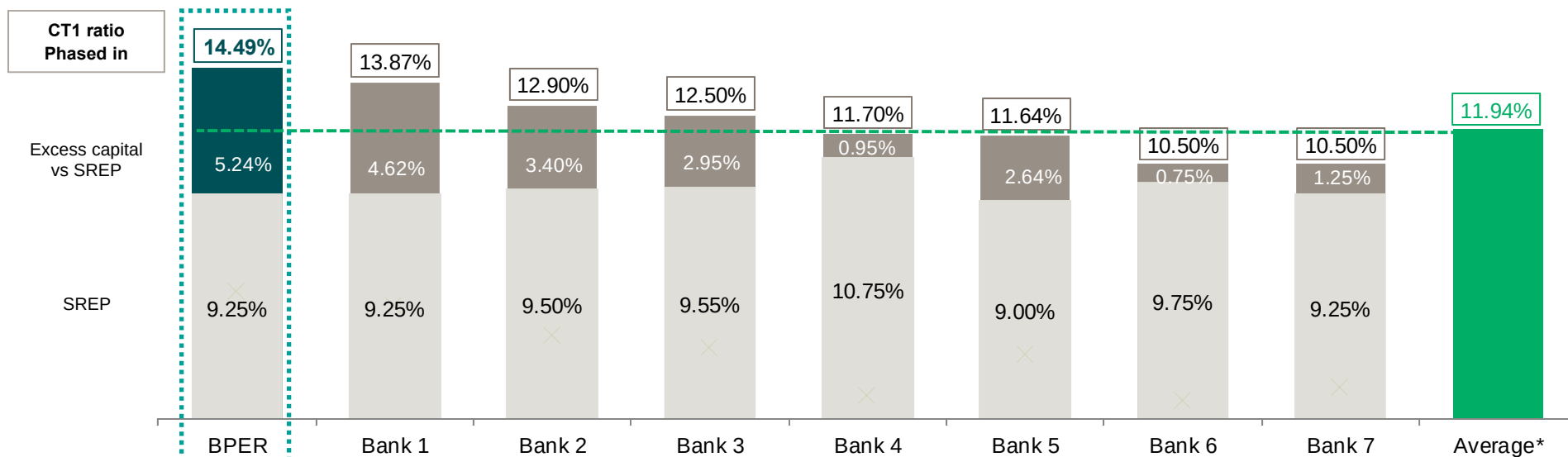
Annexes

Executive summary

- **Best in class capital position after AIRB validation by ECB with low leverage and strong liquidity ratios**
 - 1H16 Financial statement includes, for the first time, the benefit from AIRB authorisation for the measurement of capital requirements for credit risk received from ECB on 24th June 2016, the first validation to be issued in Italy as part of the “Single Supervisory Mechanism” on such a large portion of assets
 - CET1 ratio “Phased in” of 14.49% as of 30 June 2016 (14.13% Fully Phased), best in class in Italy and one of the highest in Europe
 - Excess capital buffer of 524 bps (or 1.65 €/bn) vs regulatory requirement (*SREP* at 9.25%)
 - B3 Leverage ratio Phased in at 7.0% one of the best vs peers; strong liquidity position with LCR and NSFR well above 100%
- **2016 Stress test result carried out by ECB under the “Adverse scenario” in 2018¹:**
 - impact in line with the average of European banks under the EBA Stress test
 - taking into account the benefits from AIRB validation, the CET1 ratio of the Group is one of the highest vs peers in Italy and Europe
- **Bad loans (“sofferenze”) portfolio disposal of c. 450 €/mn (“GBV”)² in July**
 - BPER’s priority aim is to reduce its stock of gross bad loans; in fact, a second important bad loans disposal scheduled for the second half of 2016 (mainly “unsecured”)
- **Positive and resilient profitability in spite of difficult economic and market environment and improving operating trends**
 - 1H16 Net profit at 64.7 €/mn , including non-recurring profits³ and the contribution to the *Single Resolution Fund* (“SRF”)⁴ for the period (1H15 net profit 73.2 €/mn) confirming positive and sustainable profitability trend in a very challenging market environment
 - Operating income limited decreased by 2.6% y/y
 - Net customer loans up by 0.7% since Dec.’15 confirming the improvement started in past quarters
 - Cash coverage ratio of NPEs further strengthening at 45.0 (44.2 in Dec.’15) one of the highest among direct peers; bad loans coverage at 58.5% (58.2% in Dec.’15)

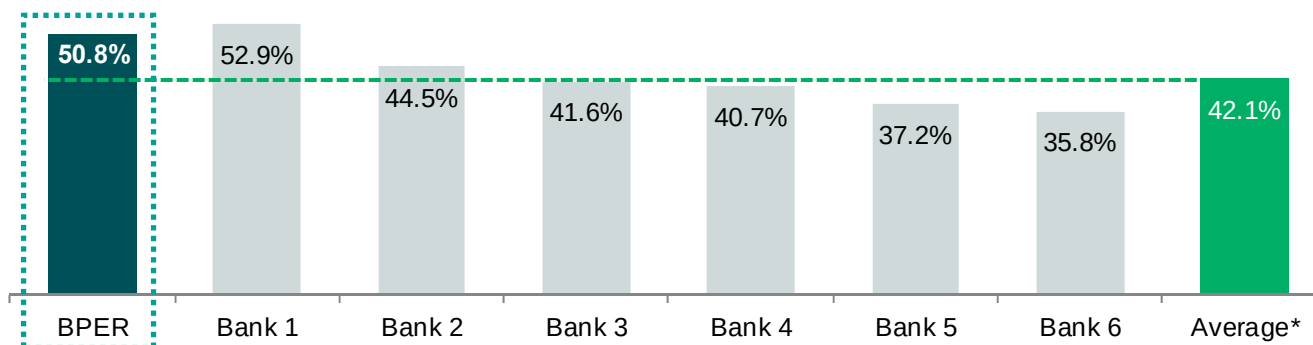
AIRB validation received by ECB, the first bank authorized in Italy under the SSM

CET1 ratio Phased in at 14.49%, best in class in Italy¹ and one of the highest in Europe



(Data as of 31 Mar. '16; BPER's figures at 30 Jun. '16)

RWA density²

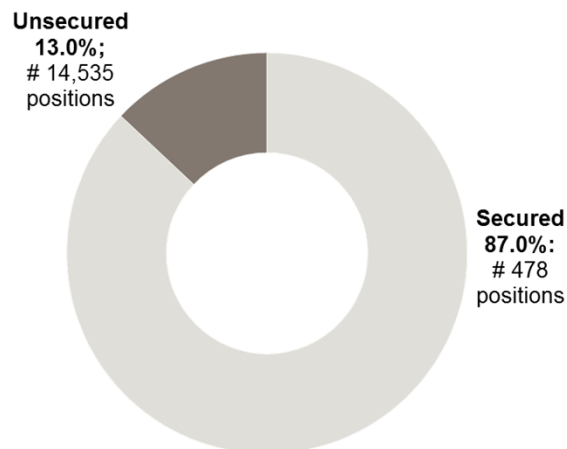


(Data as of 31 Mar. '16; BPER's figures at 30 Jun. '16)

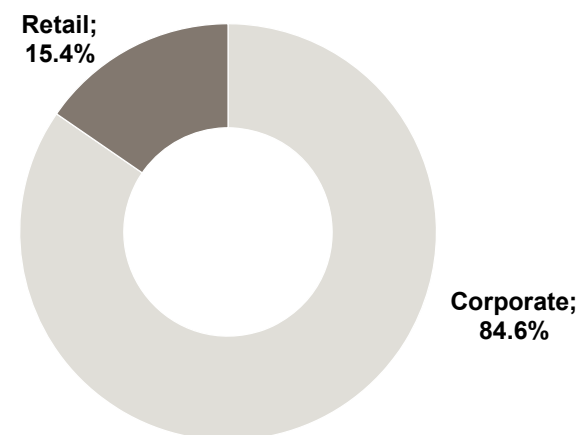
Bad loans portfolio disposal (14 July 2016): c. 450 €/mn “GBV”¹ (# 15,013 positions)

Strong commitment to reduce further the stock of gross bad loans. A second important deal scheduled for the second half of 2016 (mainly “unsecured”)

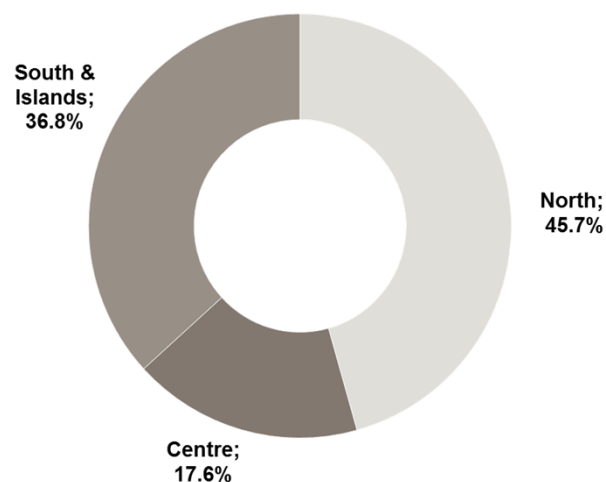
Secured vs unsecured



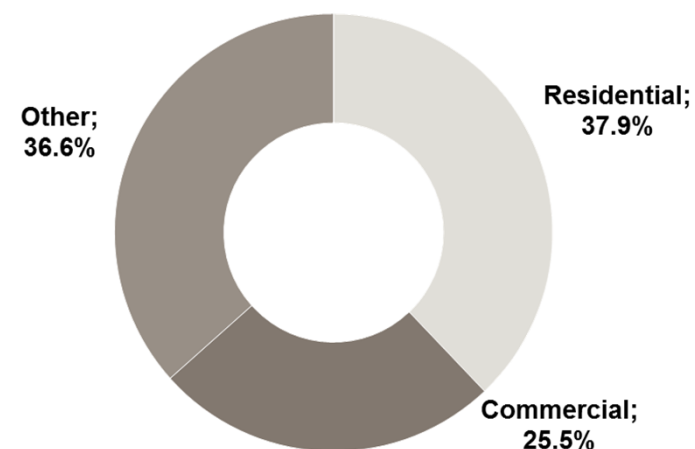
Corporate/Retail (%)



Geographical breakdown : Italy (%)



Portfolio secured: collateral breakdown (%)



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☐ Profit and loss

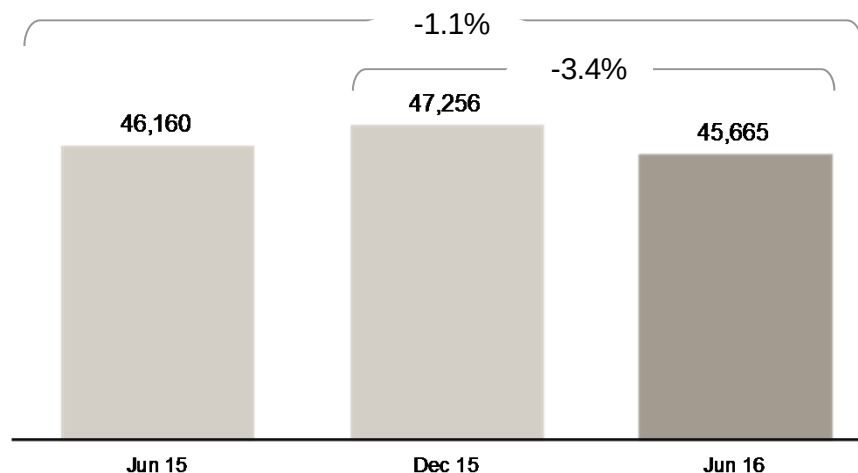
☐ Capital adequacy and liquidity

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Direct funding

Total Direct Funding (€/mn)

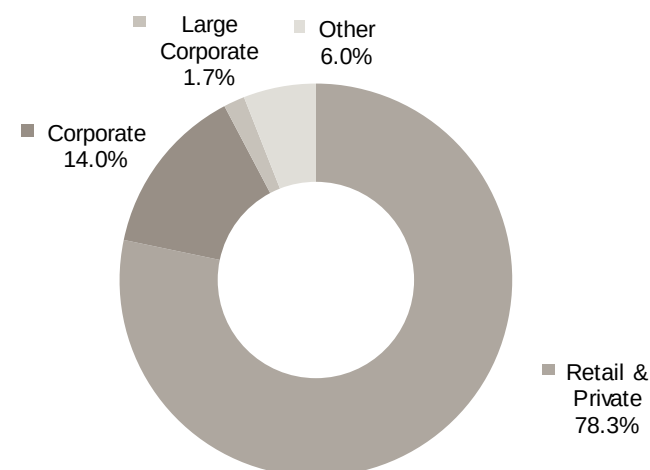


Direct Funding breakdown (%)

€/mn	Jun 16	Dec 15	Chg vs Dec 15 (%)
Current accounts and sight deposits	29,212	29,019	+0.7%
Time deposits	2,077	2,424	-14.3%
Repurchase agreements	2,029	1,863	+8.9%
Other short-term loans	2,637	2,582	+2.1%
Bonds	6,673	7,819	-14.7%
- subscribed by institutional customers	2,714	2,737	-0.8%
- subscribed by ordinary customers	3,959	5,082	-22.1%
Certificates of deposit	3,037	3,549	-14.4%
Direct customer deposits	45,665	47,256	-3.4%

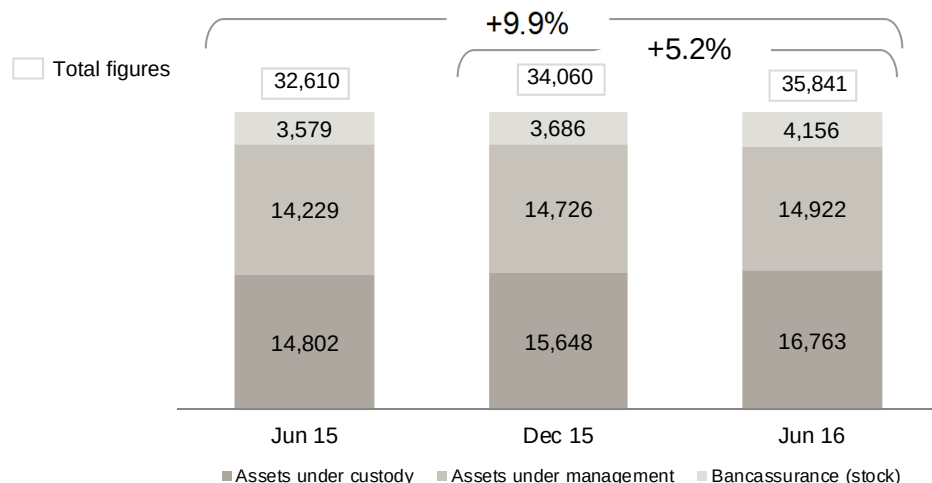
- Direct funding at 45.7 €/bn down by 3.4% since Dec.'15 (-1.6 €/bn) and down by 1.1% y/y (-0.5 €/bn) mainly due to switch in favour of AuM; current accounts and sight deposits up by 0.7% since Dec.'15
- 1H16 key trends:
 - Direct funding remix to reduce the cost of funding while maintaining a well balanced ALM strategy and confirming sound retail funding power
 - Decrease of expensive funding from customers, mainly corporates, both short term (time deposits -14.3% y/y) and mid-long term (retail bonds down -22.1% y/y); increase of less expensive financial repos (+8.9% y/y)
- Total wholesale funding and Covered bonds account for 2.7 €/bn as of 30 Jun.'16 (5.9% of the total direct funding). No wholesale bond maturities in 2016 and only negligible amount in 2017 (about 150 €/mn bonds) providing flexibility to the Group's funding strategy

Direct Funding breakdown by customer segment (%)



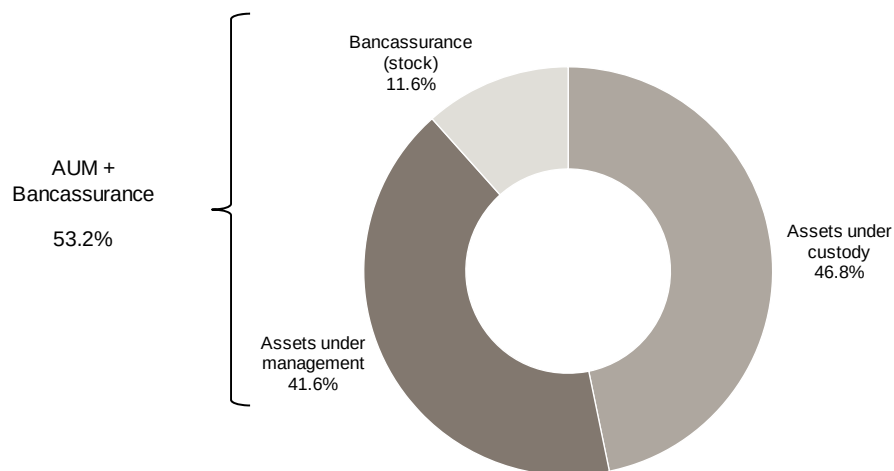
Indirect deposits and “Bancassurance”

Total Indirect Deposits and Bancassurance* (€/mn)

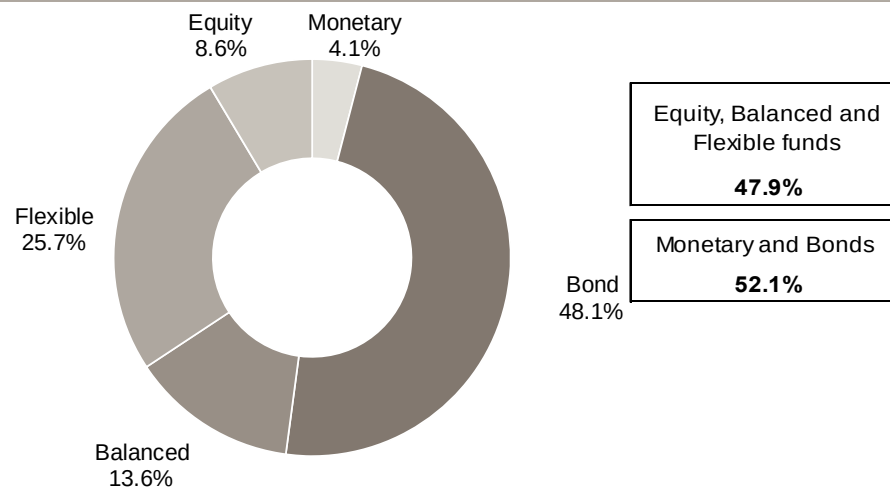


- Indirect deposits and Bancassurance* up by 5.2% since Dec.'15 (1.8 €/bn) and up by 9.9% y/y (+3.2 €/bn):
 - AuM up by 1.3% since Dec.'15; net inflows positive (+270 €/mn) in 1H16 in spite of volatile market trends
 - significant growth in Bancassurance* up by 12.7% (+0.5 €/bn) since Dec.'15
 - AuC up by 7.1% (1.1 €/bn) since Dec.'15 mainly due to institutional clients inflows
 - Monetary and Bonds funds weight at 52.1% up from 48.4% of total AuM, in consequence of volatile financial markets and flight to quality (Equity, Balanced, Flexible funds at 47.9%)

Total Indirect Deposits and Bancassurance composition (%)

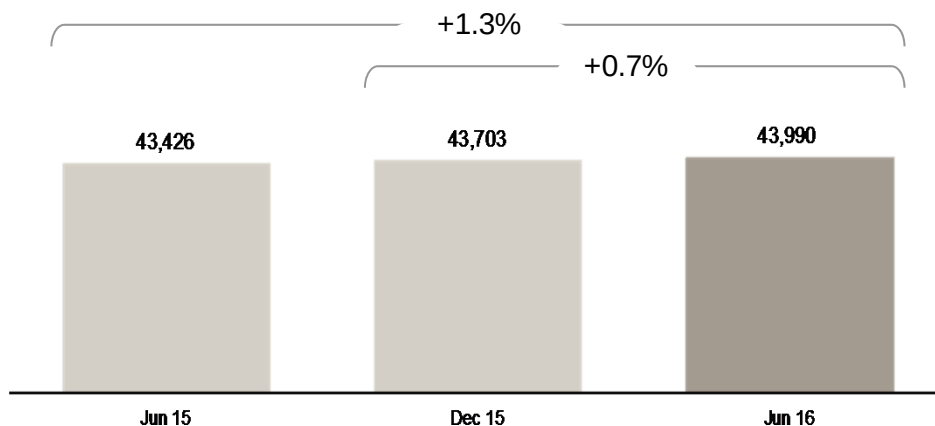


AUM composition¹ (%)



Customer loans

Customer loans (€/mn)

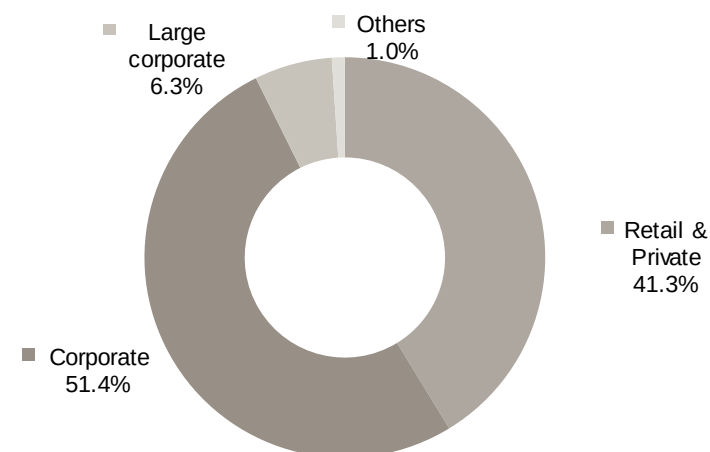


- Net customer loans up by 0.7% since Dec.'15 (gross customer loans +1.0% since Dec.'15) and up by 1.3% y/y (gross customer loans +2.3% y/y), confirming the recovery trend
- Retail mortgages new business up by 23.4% y/y confirming the positive trend started in 2015
- Corporate and retail loans account for 92.7% of the total loan book, highlighting Group's focus on commercial business

Customer loans breakdown (net figures; €/mn)

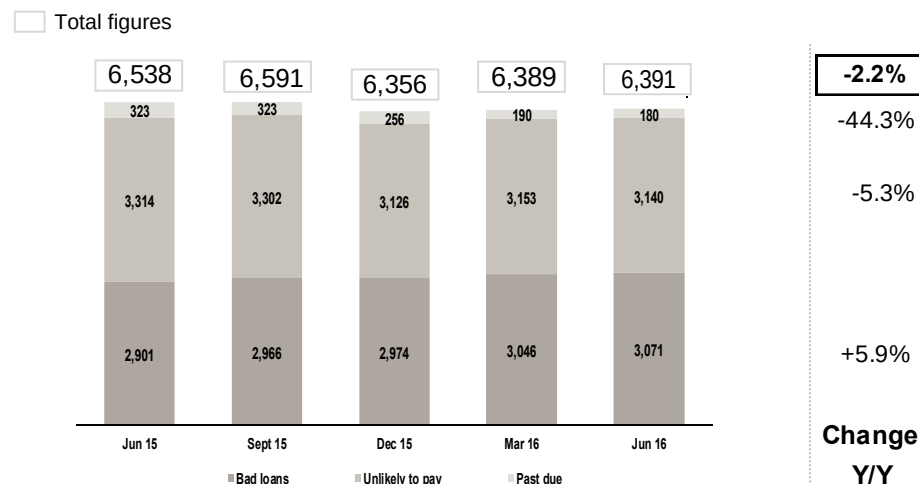
€/mn	Jun 16	Dec 15	Chg vs Dec 15 (%)
Current accounts	5,771	5,880	-1.9%
Medium-Long term loans	25,272	25,082	+0.8%
Other transactions	12,947	12,741	+1.6%
Customer loans	43,990	43,703	+0.7%

Customer loans breakdown by customer segment (%)



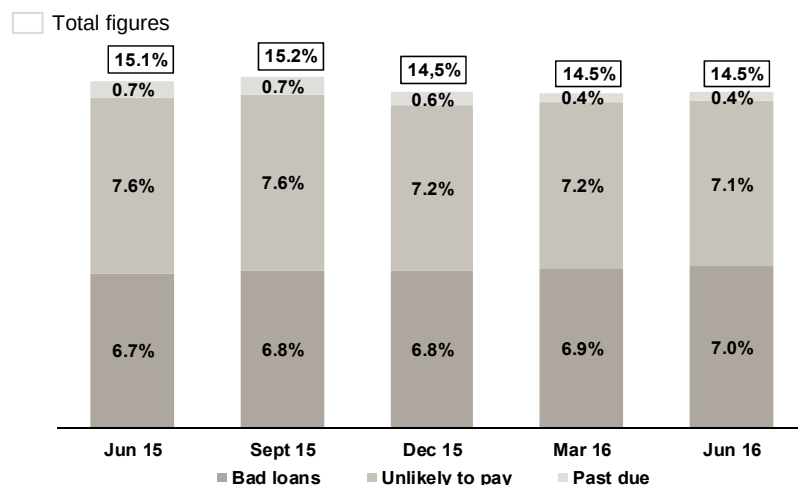
Non-performing exposures (1/2): breakdown and coverage ratios

NPEs breakdown (net figures; €/mn)



- Net NPEs down by 147 €/mn y/y (-2.2% y/y)
- Net NPEs stock on total loans stable at 14.5% vs Dec.'15
- In detail (net figures):
 - Bad loans ("Sofferenze"): +5.9% y/y and +3.3 % since Dec.'15
 - Unlikely to pay: -5.3% y/y and +0.4% since Dec.'15
 - Past-due: -44.3% y/y and -29.7% since Dec.'15
- Cash coverage ratio on NPEs further strengthening at 45.0% (44.2% in Dec.'15) one of the highest among t peers. In detail:
 - Bad loans coverage at 58.5% (58.2% in Dec.'15)
 - Unlikely to pay coverage nearly stable at 22.1% and past due at 8.2% in 1H16 (respectively 21.9% and 10.0% in Dec.'15)
- 88.6% of total net NPEs are collateralized (78.7% fully collateralized)

NPEs breakdown (% on total net loans)

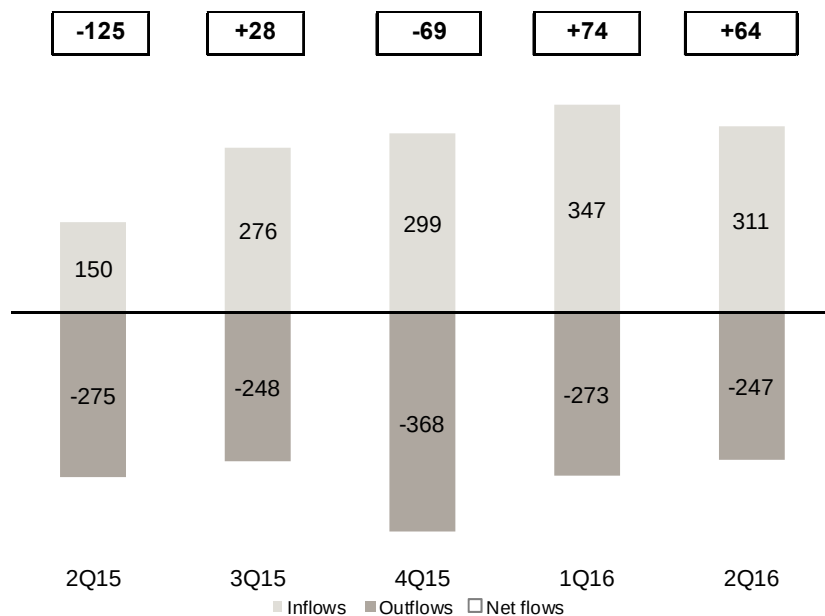


Cash coverage trend (%)

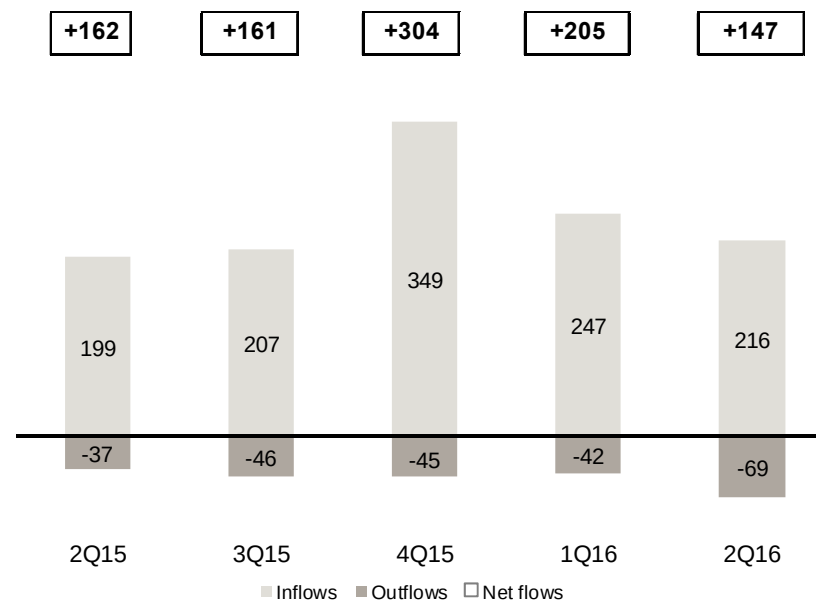
	Jun 16	Mar 16	Dec 15	Sept 15	Jun 15
Bad loans ("Sofferenze")	58.5%	58.1%	58.2%	56.8%	56.9%
including write-off	64.3%	64.2%	64.4%	63.6%	63.8%
Unlikely to pay	22.1%	22.1%	21.9%	20.7%	20.1%
Past due	8.2%	9.1%	10.0%	7.8%	8.1%
NPEs	45.0%	44.6%	44.2%	42.1%	41.8%
including write-off	50.1%	50.0%	49.7%	48.0%	47.8%
Performing exposures	0.5%	0.5%	0.5%	0.6%	0.6%
Total loans	11.0%	10.8%	10.7%	10.3%	10.1%

Non-performing exposures (2/2)

Unlikely to pay inflows/outflows* (gross figures; €/mn)



Bad loans ("Sofferenze") inflows/outflows* (gross fig.; €/mn)



*: Figures from data management system and referred to commercial banks within the Group (CR Bra included since 1 Oct.'15); Data showed in the boxes referred to infows/outflows and don't take into consideration other increases/decrease

Main trends:

- unlikely to pay loans:
 - 2Q16 inflows down by 6.3% q/q
- non performing loans:
 - 2Q16 inflows down by 12.6% q/q

Financial Assets

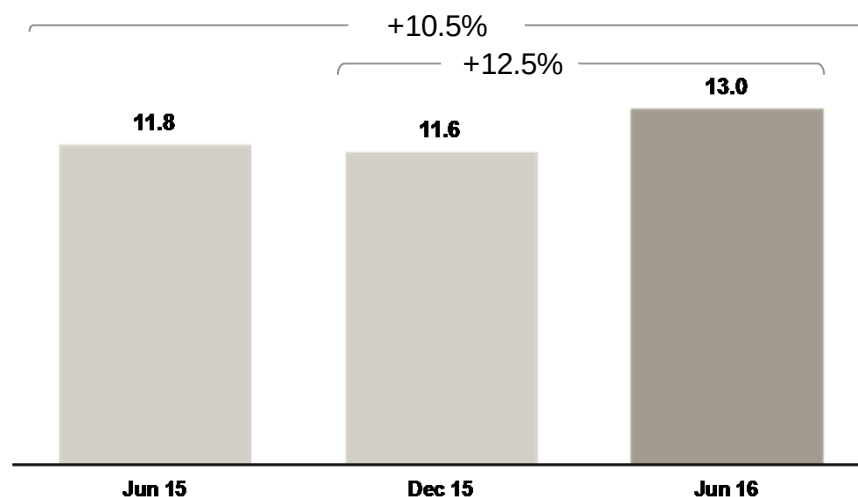
Financial Assets breakdown (€/mn; %)

€/mn	HFT	CFV	AFS	HTM	Total	% on total
Bonds	395	31	8,959	2,650	12,035	92.5%
Equity	69	0	297		366	2.8%
Funds and Sicav	65	52	255		372	2.9%
Other*	241				241	1.8%
Total	770	83	9,511	2,650	13,014	100.0%
Total as of 31.12.2015	790	87	8,022	2,664	11,563	
Chg YTD (%)	-2.7%	-3.6%	+18.6%	-0.5%	+12.5%	

* Derivatives for hedging purposes

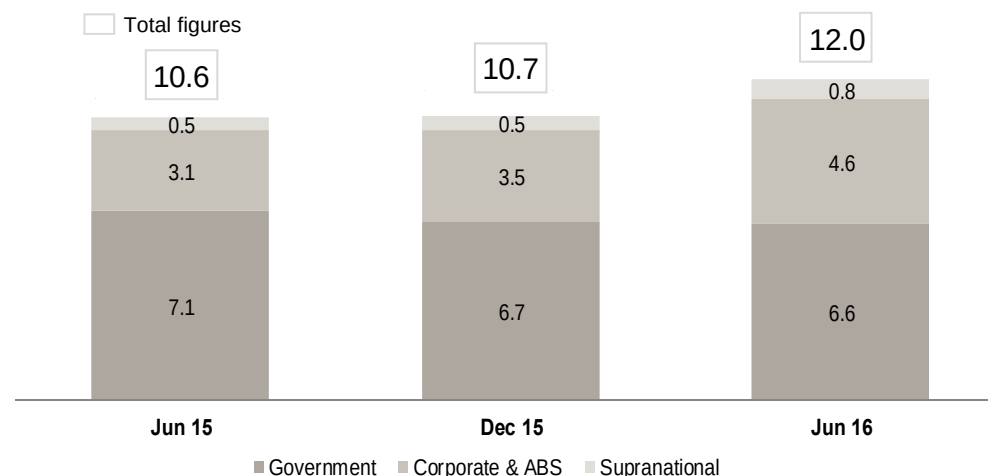
Note: 371.8 €/mn of Loans and Receivables (banks and customers) not included

Financial Assets (€/bn)



- Financial assets portfolio at 13.0 €/bn, up by 1.5 €/bn since Dec.'15
- Bond portfolio at 12.0 €/bn of which 6.1 €/bn of Italian Government bonds (6.3 €/bn in Dec.'15) with a duration of 4y (3.8 in Dec.'15)
 - Italian govies account for 118.4% of tangible shareholders' equity in 1H16 significantly down from 122.7% in Dec.'15 and 132% in Dec.'14
- AFS reserves positive at 178.9 €/mn (net of taxes) as of 30 Jun.'16 of which 80.1 €/mn on government bonds
- Implicit positive reserves of 150.6 €/mn as of 30 Jun.'16 on HTM portfolio (net of taxes) calculated as difference between the fair value and the book value

Bond portfolio by issuer (€/bn)



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1H16 Reclassified consolidated Profit & Loss ⁽¹⁾

Captions	(€/mn)	Jun 16	Jun 15	Chg y/y (%)	2016		2015			
					2Q16	1Q16	4Q15	3Q15	2Q15	1Q15
10+20	Net interest income	590.4	622.5	-5.2%	293.6	296.8	303.0	302.0	308.4	314.1
40+50	Net commissions	358.1	359.8	-0.5%	181.0	177.1	189.0	177.9	180.6	179.2
	Core Income	948.5	982.3	-3.4%	474.6	473.9	492.0	479.9	489.0	493.3
70	Dividends	8.8	13.8	-36.2%	8.7	0.1	1.7	0.5	13.6	0.2
80+90+100+110	Trading gains	64.7	61.5	+5.2%	49.1	15.7	266.0	20.4	15.5	46.1
220*	Other costs / revenues	32.0	24.7	+29.4%	16.4	15.5	15.5	12.3	9.3	15.4
	Operating Income	1,054.0	1,082.4	-2.6%	548.8	505.2	775.2	513.0	527.3	555.0
180 a)	Staff expenses	-398.2	-396.2	+0.5%	-201.7	-196.6	-196.5	-232.4	-196.9	-199.3
180 b)*	Administrative expenses	-203.9	-197.0	+3.5%	-102.8	-101.1	-107.9	-95.7	-103.4	-93.6
200+210	Depreciations & Amortizations	-37.6	-34.4	+9.0%	-20.4	-17.1	-28.3	-17.5	-17.1	-17.3
	Operating costs	-639.7	-627.6	+1.9%	-324.9	-314.8	-332.7	-345.6	-317.4	-310.3
	Net Operating Income	414.4	454.7	-8.9%	224.0	190.4	442.5	167.4	210.0	244.8
130 a)	Loan loss provisions	-276.1	-297.7	-7.3%	-161.9	-114.2	280.9	-127.2	-150.2	-147.5
130 b)+c)+d)	Other provisions	4.0	-10.0	n.m	11.4	-7.3	-14.1	-7.9	-7.5	-2.5
	Total provisions	-272.1	-307.8	-11.6%	-150.6	-121.5	-295.0	-135.2	-157.8	-150.0
190	Net Provisions for Risks and Charges	-22.1	-26.5	-16.6%	-12.5	-9.6	-19.0	-6.6	-12.4	-14.1
**	Contribution to Funds (SRF, DGS, FITD-SV)	-26.4	-10.3	n.m	-11.4	-15.0	-42.4	-8.9	-10.3	0.0
240+260+270	Net other income	-0.9	5.4	n.m	-4.1	3.2	1.8	-6.8	7.2	-1.8
280	Profit (loss) before taxes	92.9	115.6	-19.7%	45.4	47.4	87.9	10.1	36.7	78.9
290	Taxes	-27.8	-34.6	-19.7%	-13.7	-14.1	42.6	-2.3	-7.4	-27.2
320	Net profit (loss)	65.1	81.0	-19.7%	31.7	33.3	130.5	7.7	29.3	51.7
330	Minority Interests	-0.4	-7.8	n.m	2.0	-2.4	7.6	1.7	-1.3	-6.5
340	Profit (loss) for the period pertaining to the Parent Company	64.7	73.2	-11.6%	33.8	31.0	138.1	9.4	28.0	45.2
	cost / income	60.7%	58.0%		59.2%	62.3%	42.9%	67.4%	60.2%	55.9%
	cost / (net interest income + net commissions)	67.4%	63.9%		68.4%	66.4%	67.6%	72.0%	64.9%	62.9%
	cost of credit (bps)	63	69		37	26	64	29	35	34
***	cost of credit on annual basis (bps)	126	137							
	net profit / total income	6.2%	7.5%		5.8%	6.6%	16.8%	1.5%	5.6%	9.3%
	tax rate	29.9%	29.9%		30.1%	29.7%	48.5%	22.8%	20.2%	34.5%

Includes non-recurring profit for 30,2 €/mn million relative to disposal of the stake in Visa Europe at Group level in the 2Q16

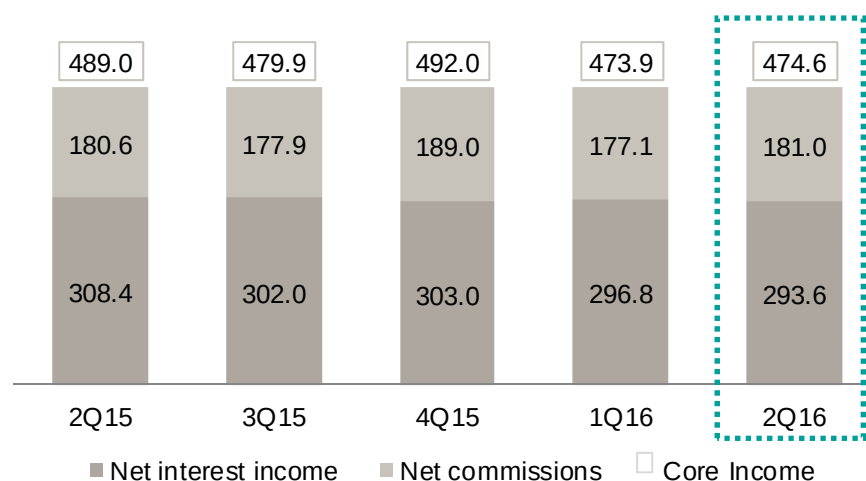
Core income

Core income (€/mn; %)

(€/mn)	Jun 16	Jun 15	Chg y/y	
			Abs	%
Net interest income	590.4	622.5	-32.1	-5.2%
Net commissions	358.1	359.8	-1.7	-0.5%
Core Income	948.5	982.3	-33.8	-3.4%

- Core income down by 3.4% y/y (-33.8 €/mn) mainly due to Net Interest Income (NII) decline, affected by the low/negative interest rates environment
- 2Q16 Core income slightly up vs 1Q16 (+0.2% q/q)
- Progressive re-mix in favour of net commissions (37.8% in Jun.'16 vs 36.6% in Jun.'15)

Core income evolution (€/mn)

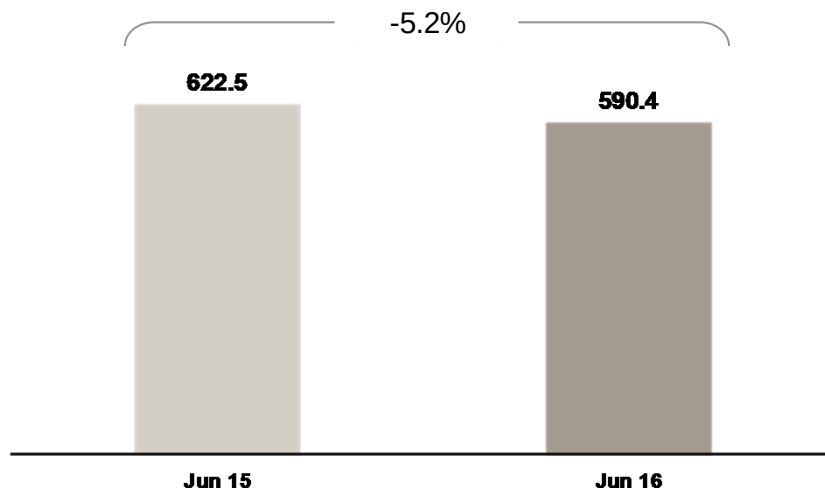


Core income breakdown (%)

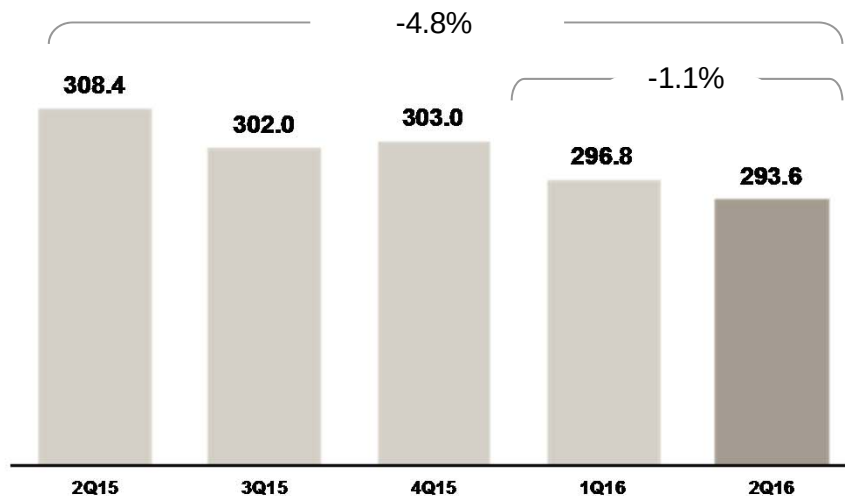
(%)	Jun 16	Jun 15	Chg y/y bps
Net interest income	62.2%	63.4%	-113
Net commissions	37.8%	36.6%	+113
Core Income	100.0%	100.0%	

Core income (1) : Net Interest Income

Net Interest Income (€/mn)

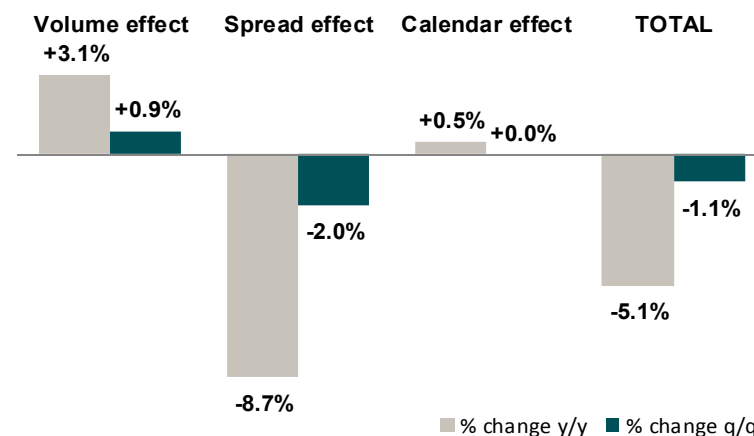


Net Interest Income evolution (€/mn)



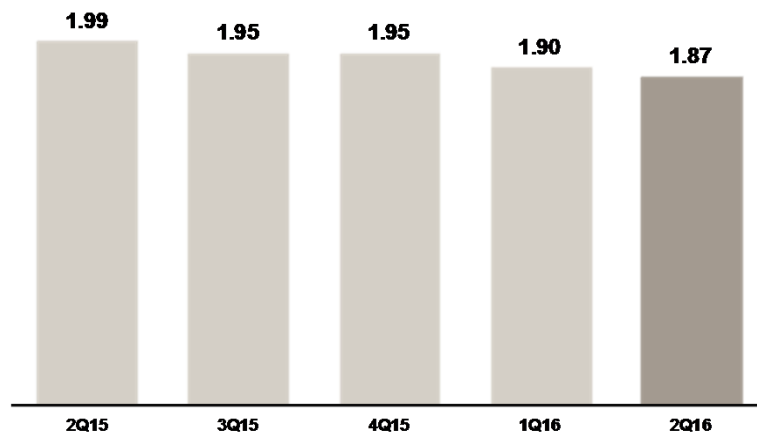
- NII down by 5.2% y/y mainly due to the effects of low/negative interest rates environment and slightly down by 1.1% q/q
- Main trends:
 - increasing pressure on asset yield only partially offset by reduction of cost of funding
 - strong repricing actions on sight deposits, time deposits and repos/CD; further actions expected in next quarters
 - partial substitution of retail funding with wholesale funding taking advantage of market conditions
 - positive volume effect mainly due to increase of customer loans and financial assets
 - securities portfolio contribution to NII of 50.4 €/mn in 2Q16 (50.6 €/mn in 2Q15) substantially stable in the last 5 quarters

Net Interest Income contribution* (%; y/y)

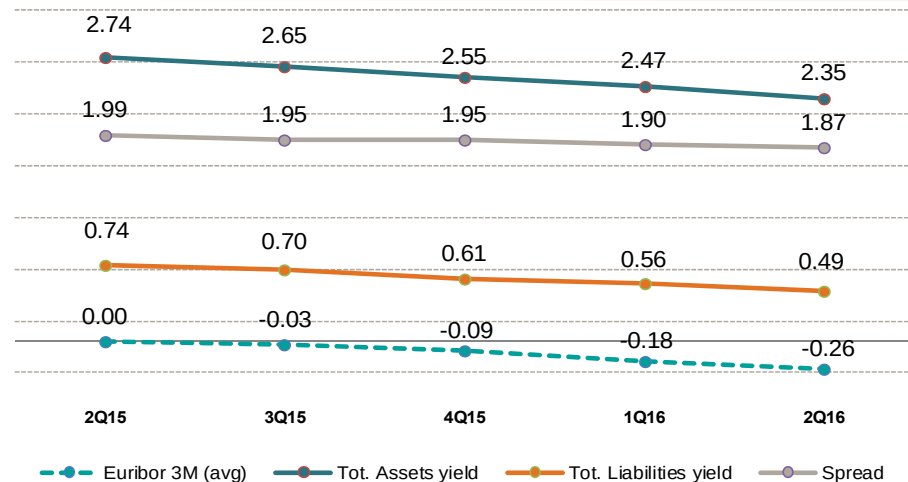


Core income (2): Net Interest Income - Spread evolution

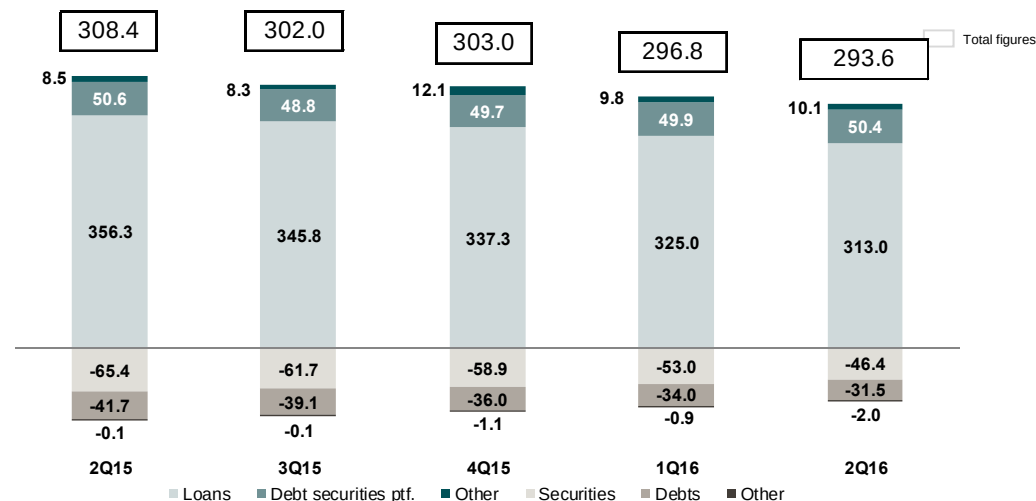
Spread (%)



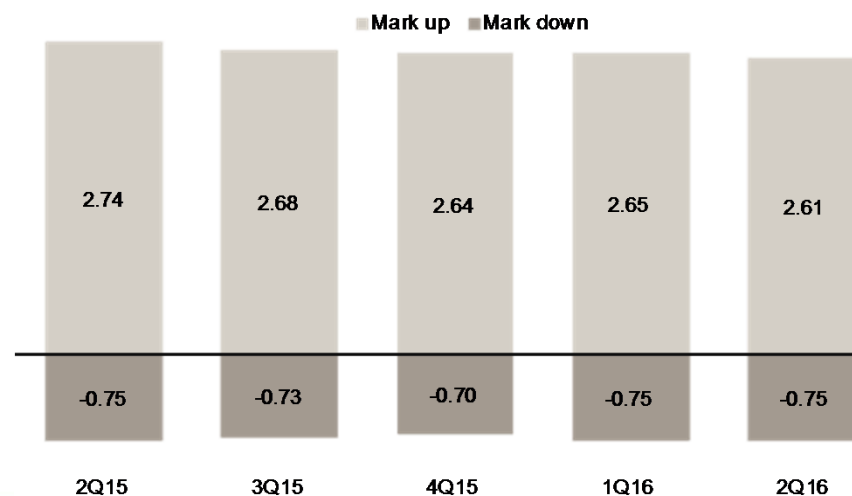
Spread contribution (%)



Net Interest Income contribution⁽¹⁾ (%; y/y; q/q)

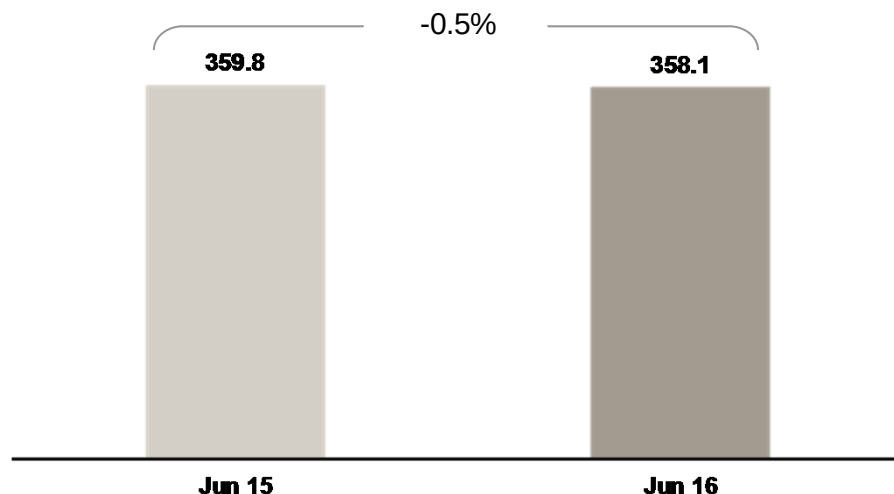


Mark up & mark down (%)



Core income (3): Net Commissions

Net Commissions (€/mn)

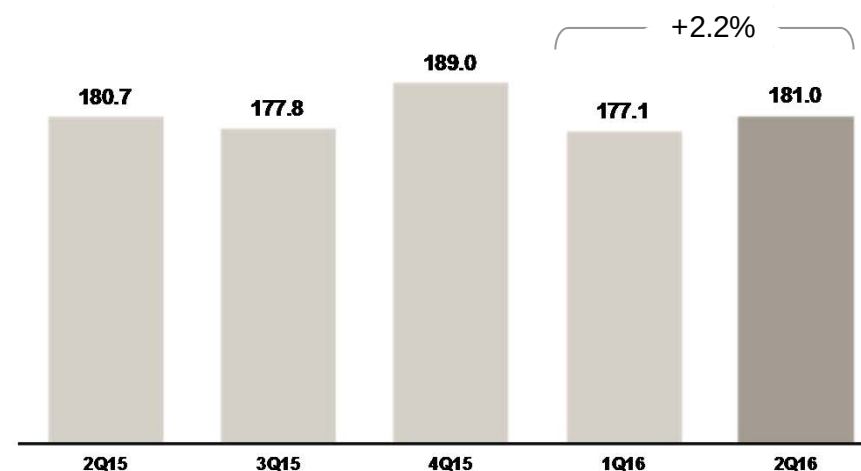


Net Commissions breakdown (€/mn; %)

	Jun 16	(%)	Jun 15	(%)	Chg y/y (%)
Indirect deposits and bancassurance	97.9	27.3%	94.3	26.2%	+3.8%
Credit cards, collections and payments	69.4	19.4%	74.1	20.6%	-6.3%
Loans and guarantees	167.1	46.7%	170.8	47.5%	-2.2%
Other commissions	23.7	6.6%	20.6	5.7%	+15.1%
Total	358.1	100.0%	359.8	100.0%	-0.5%

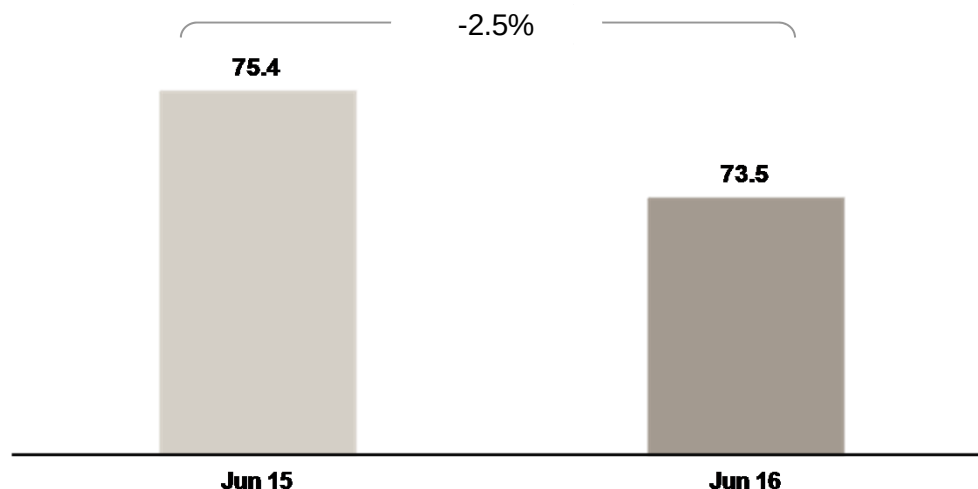
- Net commissions slightly down by 0.5% y/y (-1.7 €/mn y/y) mainly driven by a slight reduction of loans and payments related fees:
 - indirect deposits and Bancassurance up by 3.8% y/y (+3.6 €/mn) o/w:
 - AuC: -24.2% y/y; AuM & Bancassurance +7.3% y/y
 - credit cards, collections and payments down by 6.3% y/y (-4.7 €/mn)
 - loans and guarantees down by 2.2% y/y (-3.7 €/mn)
- Net commissions up by 2.2% q/q o/w: indirect deposits and Bancassurance up by 7.0% q/q (AuC: -12.9% q/q; AuM and Bancassurance +9.0% q/q)
- Up-front fees of 13.8 €/mn in 1H16 (7.3 €/mn in 2Q16) weighing 3.8% on net commissions

Net Commissions evolution (€/mn)



Dividends and Trading income

Dividends and Trading income (€/mn)



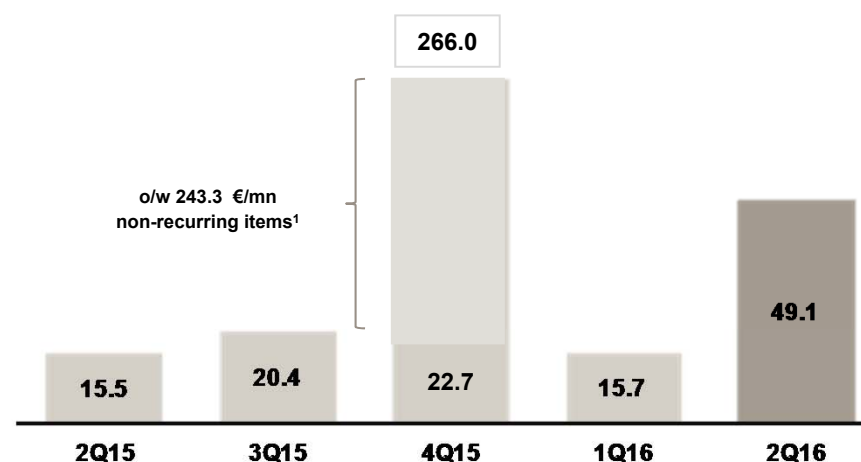
- Dividends and trading income at 73.53 €/mn down by 2.4% y/y
- Trading income at 64.7 €/mn includes non-recurring profits for 30,2 €/mn relative to the disposal of the stake in Visa Europe at Group level in the 2Q16
- Dividends: 8.8 €/mn in 1H16

Dividends and Trading income breakdown (€/mn; %)

	Jun 16	Jun 15	Chg y/y (%)
Dividends	8.8	13.8	-36.2%
Trading (net)	78.9	46.5	+69.6%
Plus	8.1	16.6	-51.1%
Minus	-25.8	-7.2	n.m
FVO	0.5	1.9	-71.1%
Others	3.0	3.7	-20.3%
Total	73.5	75.4	-2.5%

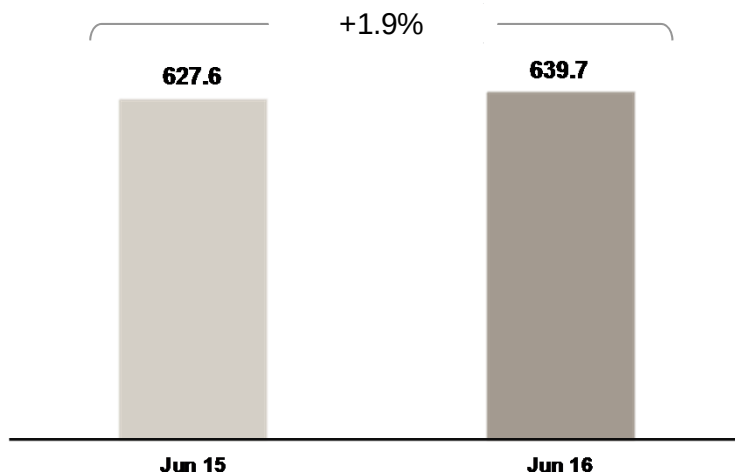
n.m.: Not meaningful

Trading gains excluding dividends (€/mn)



Operating costs

Operating Costs (€/mn)



- Operating costs up by 1.9% y/y mainly affected by costs not directly related to the ordinary cost base (**net of which, operating costs up by 0.8% y/y**):
 - Staff costs: 3.4 €/mn of variable part of the compensation not present in 1H15
 - Admin expenses: 3.8 €/mn one-off items¹
- Staff costs up by 0.5% y/y, but **down by 0.3% y/y on a like-for-like basis**
- Admin. expenses up by 3.5% y/y, **up by 1.6% y/y net of one-off items**: running costs -0.7 €/mn (-0.5% y/y) net of one-off items and Business Plan projects expenses up 4.1 €/mn (+36.5% y/y)
- D&A up by 9.0% y/y (+3.1 €/mn) mainly due to investment expenses related to Business Plan projects

Operating costs breakdown (€/mn; %)

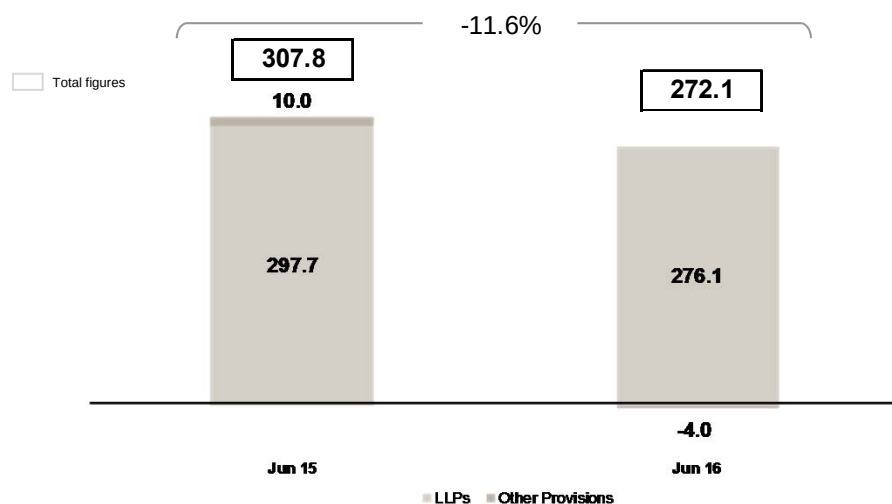
	Jun 16	Jun 15	Chg y/y (%)
Staff expenses	398.2	396.2	+0.5%
Other administrative expenses	203.9	197.0	+3.5%
D&A	37.6	34.4	+9.0%
Operating costs	639.7	627.6	+1.9%
Contribution to Funds*	26.4	10.3	n.m.

Other administrative expenses (€/mn; %)

	Jun 16	Jun 15	Chg y/y (%)
Other Administrative expenses ("Running costs")	188.6	185.8	+1.5%
Business plan projects expenses	15.3	11.2	+36.5%
Other administrative expenses	203.9	197.0	+3.5%

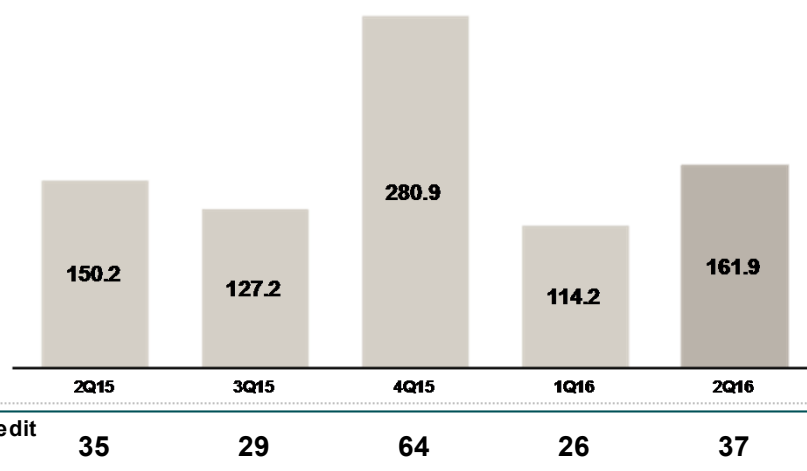
Provisions

Provisions breakdown (€/mn)

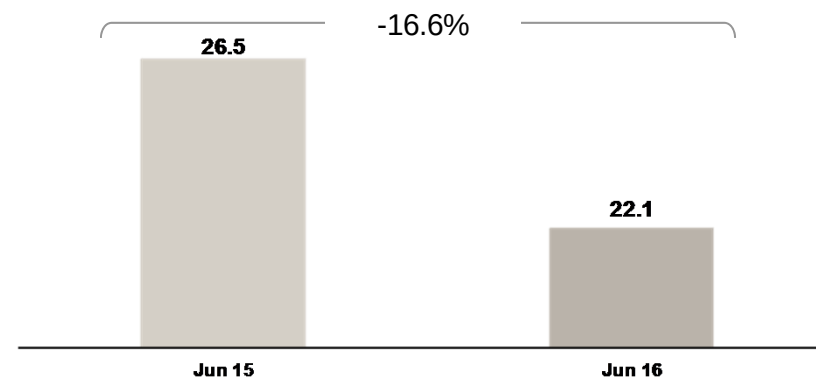


- Total provisions down by 11.6% y/y (-35.7 €/mn y/y):
 - Loan Loss Provisions down by 7.3% y/y
- Cost of credit at 37 bps in 2Q16 and 126 bps annualised (162 bps in 2015)
- Other provisions include a non-recurring write-back of 11.0 €/mn related to Interbank Deposit Guarantee Fund ("FITD-SV")

Loan Loss Provisions evolution (€/mn)



Net Provisions for Risks and Charges* (€/mn)



- Net provisions for Risks and Charges at 22.1 €/mn in 1H16 down by 16.6% y/y (-4.4 €/mn y/y)

Agenda

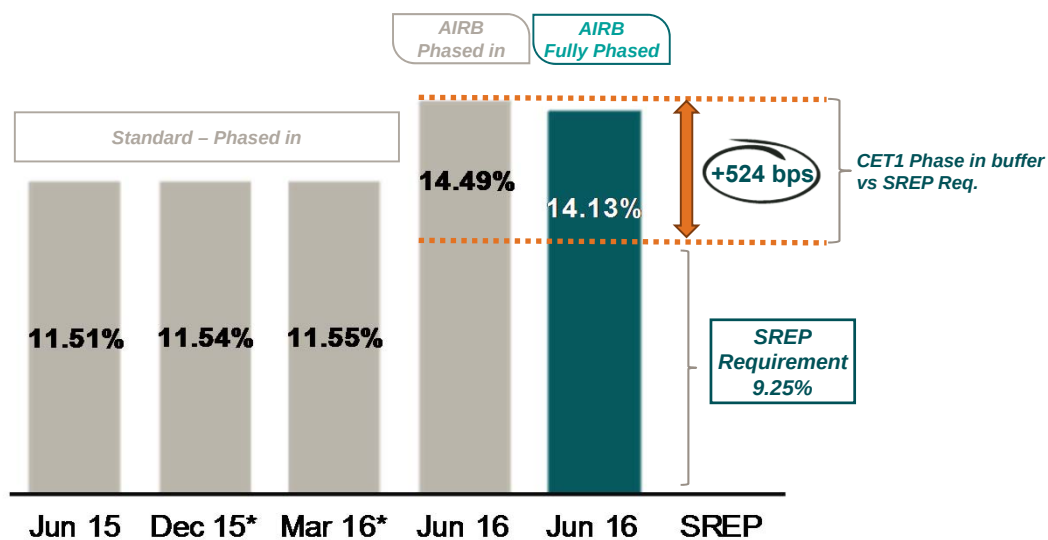
1H16 Results

- ☐ Executive summary
- ☐ Balance sheet structure
- ☐ Profit and loss
- ☒ Capital adequacy and liquidity
- ☐ Final remarks

Annexes

Basel 3 Phased in regulatory capital (AIRB)

B3 Common Equity Tier 1 Ratios (%)



- Capital ratios as of 30 Jun.'16 under AIRB models:
 - CET1 ratios*:
 - Phased in at 14.49% (11.54% in Dec.'15 under Standard models)
 - Fully Phased at 14.13% (11.21% in Dec.'15 under Standard models)
- Total Capital Ratio at 16.04% (12.80% in Dec.'15 under Standard models)
- CET1 ratios taking into account the 1H16 profit allocatable to equity of 45.5 €/mn (22 €/mn in Mar.'16*)
- 1H16 net regulatory AFS reserves at +164.0 €/mn of which 67.5 €/mn related to government bonds

Regulatory capital & ratios

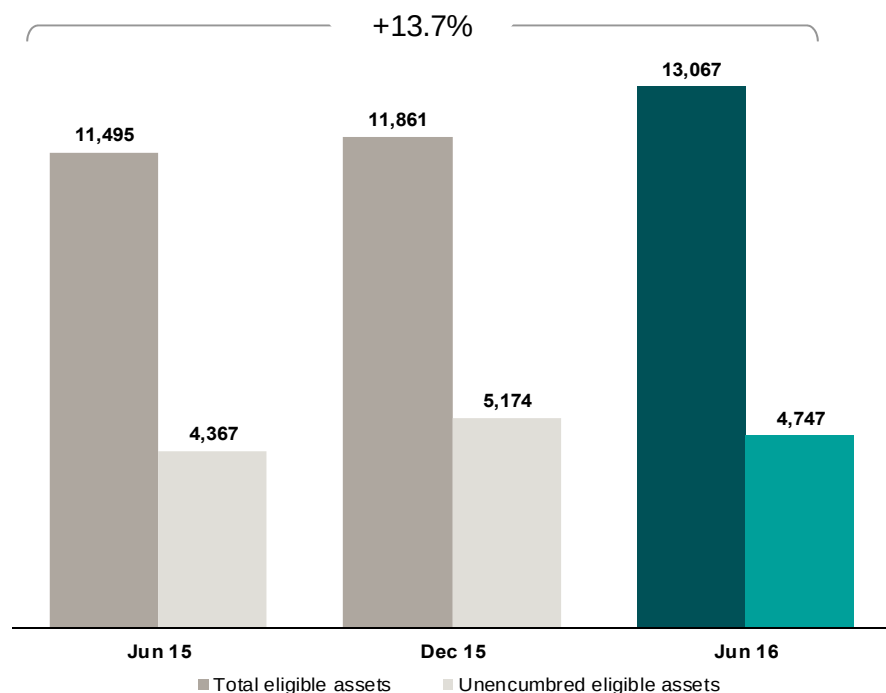
Capital requirements

€/mn	B3 Phased in			
	Jun 16	Mar 16*	Dec 15*	Jun 15
	AIRB	Standard	Standard	Standard
Common Equity TIER 1	4,563	4,613	4,629	4,690
TIER 1	4,581	4,655	4,671	4,706
Own Funds	5,049	5,084	5,134	5,251
Total RWA	31,488	39,949	40,102	40,729
Common Equity TIER 1 Ratio	14.5%	11.6%	11.5%	11.5%
TIER 1 Ratio	14.6%	11.7%	11.7%	11.6%

Requirements as of Jun 16	€/mn	%
Credit risk	2,083.3	82.7%
Credit Valuation Adjustment (CVA)	31.1	1.3%
Market risk	51.1	2.0%
Other regulatory requirements	73.4	2.9%
Operating risks	280.1	11.1%
Total	2,519.0	100.0%

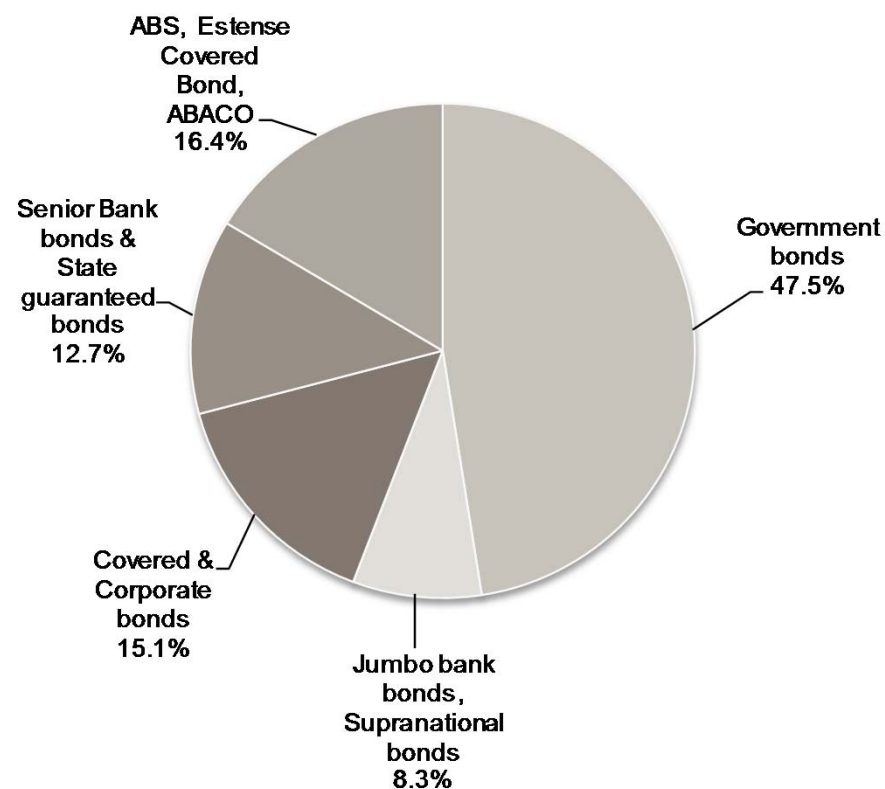
Eligible assets and counterbalancing capacity

Total eligible Assets evolution* (€/mn)



* Net of ECB haircuts

Eligible Assets Pool Composition (%)



- Counterbalancing capacity (“CBC”) as of Jun’16 at 13.1 €/bn of which 4.7 €/bn unencumbered
- ECB exposure as of Jun.’16: 4€/bn of TLTRO II which fully replaced the previous ECB funding of 3.3 €/bn as of Mar.’16 (o/w 2.0 €/bn of TLTRO I)
- New TLTRO II announced by ECB on 10 March 2016 (new quarterly operations from June 2016 to March 2017): max amount to borrow of 9 €/bn

Agenda

1H16 Results

- ☐ Executive summary
- ☐ Balance sheet structure
- ☐ Profit and loss
- ☐ Capital adequacy and liquidity

☒ Final remarks

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Final remarks

- 3 key numbers to keep in mind:
 - **14.49%:** CET1 Phase in (14.13% Fully Phased¹), best in class vs peers in Italy and one of the top in Europe
 - **524 bps (1.65 €/bn):** excess capital above SREP (9,25%)
 - **7.0%:** B3 leverage ratio Phased in (6.9% Fully Phased), one of the best vs peers
- Bad loan management strategy: strong commitment to reduce the stock of gross bad loans (“sofferenze”) and improve recoveries
 - **c. 450 €/mn “GBV”²** disposal already finalized in July
 - a second important transaction scheduled by the end of 2016
 - Bad loans management strategy also includes:
 - “BPER Credit Management”, a Group company that has been operating since 1 January this year with over 180 specialist members of staff;
 - outsourcing of “small-mid tickets” to external specialized servicers
- Positive and resilient profitability in spite of difficult economic and market environment
- Business Plan 2015-17 on target: only one commercial bank in Sardinia (Banco di Sardegna)
 - transfer to Banco di Sardegna of Banca di Sassari's branches, with the latter transformed into the Group's “Consumer finance” company
 - distribution network concentration and rationalization: -41 branches since Dec.’15 and -98 since the end of 2014

Agenda

1H16 Results

- ☐ Executive summary
- ☐ Balance sheet structure
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- ☐ Capital adequacy and liquidity
- ☐ Final remarks

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Profit & Loss: main non-recurring and other items

Item	Caption	€/mn	Description
2016	Non-recurring items		
	2Q16	Aministrative expense (Caption 180-b)	-11.3 Contribution to Interbank Deposit Guarantee Fund ("FITD-SV")
		Net adjustments to loans (Caption 130-d)	+11.0 Write-back from Interbank Deposit Guarantee Fund ("FITD-SV")
		Trading (Caption 100-b)	+30.2 Total capital gain from VISA Europe disposal
		Total Plus	+41.2
		Total Minus	-11.3
	Oter items	1Q16	Aministrative expense (Caption 180-b)

2015	Non-recurring items		
	2Q15	Staff expenses (Caption 180-a)	-1.8 Redundancy incentives and contributions to the Solidarity Fund
	3Q15	Staff expenses (Caption 180-a)	-52.5 Redundancy incentives and contributions to the Solidarity Fund
	4Q15	Trading (Caption 100)	+174.3 ICBPI disposal capital gain
		Trading (Caption 100)	+69.0 Capital gaing due to the transfer of the Arca Sgr stake (after the purchase of a stake of 12.332% which increase BPER's interest in Arca from 19.998% to 32.752%) in the Equity investments portfolio from AFS portfolio with a positive impact on profit&loss and the equivalent capital reserve write-off ARCA Sgr
		Net adjustments to loans (Caption 130-a)	-10.0 Total writedown related to a bank subordinated bond (o.w. 2Q15 -6.6 €/mn, 3Q15 -1.2 €/mn, 4Q15 -2.2 €/mn)
		Staff expenses (Caption 180-a)	-4.3 Redundancy incentives and contributions to the Solidarity Fund
		Aministrative expense (Caption 180-b)	-40.0 Extraordinary contribution to the Single Resolution Fund ("SRF")
		Depreciations (Caption 220)	-10.5 Impairment on properties owned by the Group
		Other costs / revenues (Caption 220)	-3.0 Impairment on properties owned by the Group
		Net provisions for Risks and Charges (Caption 190)	-4.8 Extraordinary contribution to the Deposits Guarantee Schemes ("DGS")
		Total Plus	+243.3
		Total Minus	-126.9
	Oter items	Administrative expense (Caption 180-b)	-21.5 Ordinary contribution to the Single Resolution Fund ("SRF") and to the Deposits Guarantee Schemes ("DGS")

Assets & Liabilities: reclassified balance sheet

Assets*

€/mn	Jun 16	Mar 16	Dec 15	Sept 15	Jun 15	Chg vs Dec '15 (%)
Customer Loans	43,990	44,048	43,703	43,450	43,426	+0.7%
Securities Portfolio	13,014	12,158	11,563	11,838	11,778	+12.5%
<i>of which AFS</i>	9,511	8,657	8,022	8,346	8,296	+18.6%
Equity Investments, Properties & Intangibles	1,866	1,883	1,871	1,696	1,709	-0.3%
Other current assets	2,535	2,352	3,037	2,386	2,535	-16.5%
Total Assets	61,405	60,441	60,174	59,370	59,448	+2.0%

* Total Assets shown as net of loans to banks

Liabilities & Shareholders' equity*

€/mn	Jun 16	Mar 16	Dec 15	Sept 15	Jun 15	Chg vs Dec '15 (%)
Customer Deposits	45,665	46,424	47,256	46,174	46,160	-3.4%
Net Interbank Position	7,041	5,531	4,436	4,439	4,615	+58.7%
Other Funds & Liabilities	3,037	2,782	2,830	3,040	3,016	+7.3%
Shareholders' equity	5,662	5,704	5,652	5,717	5,657	+0.2%
Total Liabilities	61,405	60,441	60,174	59,370	59,448	+2.0%

*Total Liabilities inclusive of "Net Interbank Position" (Due to banks - Loans to banks)

Customer loans: portfolio composition

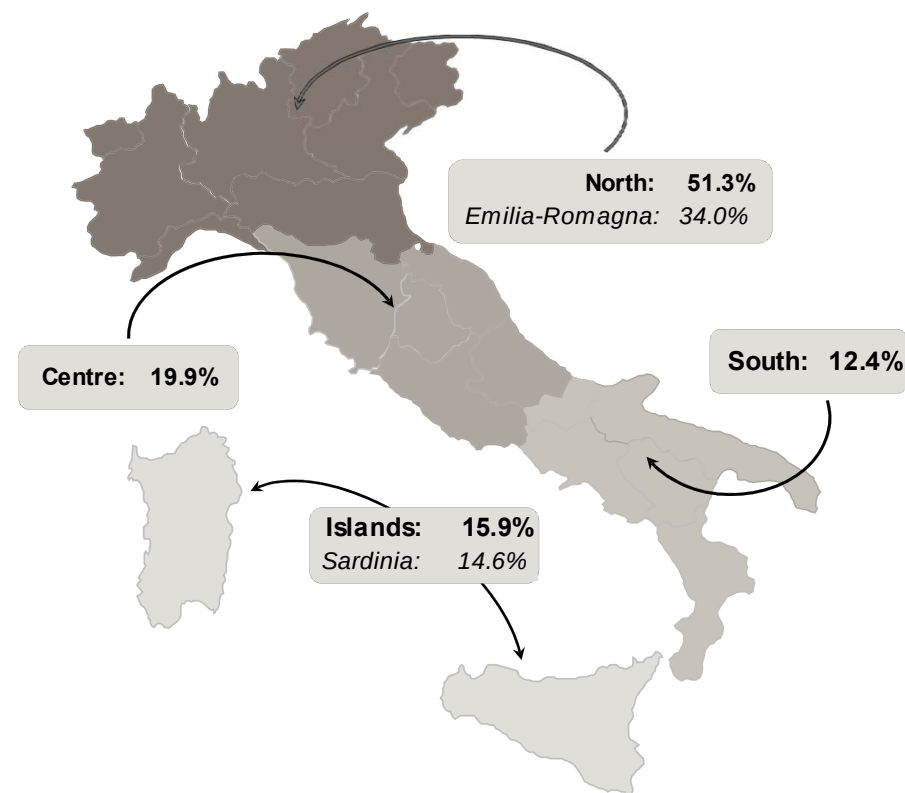
Customer loans breakdown by sectors (%)

Business sector	Jun 16	% on Total	Δ % vs Dec 15
Manufacturing	6,651	15.1%	-3.5%
Wholesale and retail services, recoveries and repairs	4,982	11.3%	-1.7%
Constructions	4,209	9.6%	-5.2%
Real Estate	3,350	7.6%	+1.9%
HORECA*	1,541	3.5%	-3.8%
Agriculture, forestry and fishing	1,221	2.8%	-3.7%
Others	5,610	12.7%	+9.9%
Total loans to resident non-financial businesses	27,564	62.6%	-0.4%
Non-resident, non-financial companies	115	0.3%	-14.7%
Total loans to non-financial businesses	27,679	62.9%	-0.4%
Households	11,175	25.4%	+2.1%
Total loans to financial businesses	5,136	11.7%	+3.6%
Total Customers Loans	43,990	100.0%	+0.7%

Figures as per ATECO business sector definitions (ISTAT)

* Hotel, Restaurant & Cafè (HORECA)

Customer loans breakdown by geographical distribution* (%)



Figures from data management system

*Commercial banks + Sarda Leasing

Asset quality breakdown

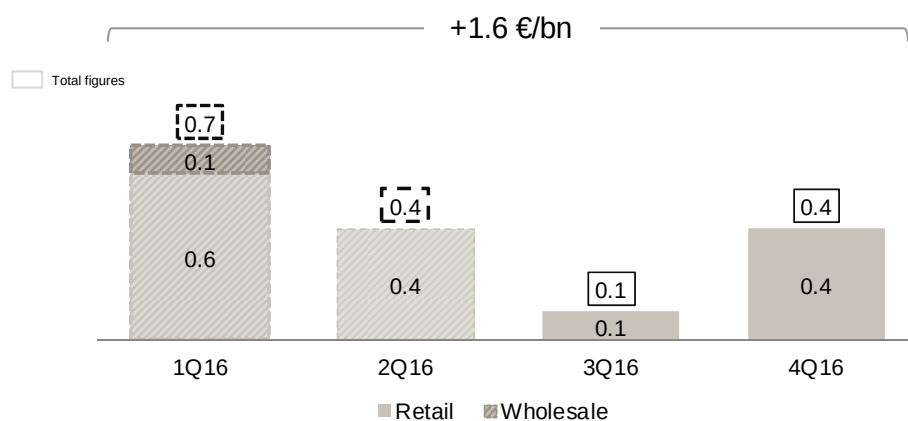
Gross exposures (€/mn)	Jun 16		Mar 16		Dec 15		Jun 15		Chg 30/6 - 31/12		Chg 30/6 - 30/6 (A-D)	
	A	%	B	%	C	%	D	%	Abs. Chg (%)		Abs. Chg (%)	
Non Performing Exposures (NPEs)	11,625	23.5%	11,532	23.4%	11,395	23.3%	11,228	23.2%	230	+2.0%	397	+3.5%
<i>Bad loans</i>	7,398	15.0%	7,277	14.7%	7,109	14.5%	6,727	13.9%	289	+4.1%	671	+10.0%
<i>Unlikely to pay loans</i>	4,031	8.2%	4,046	8.2%	4,002	8.2%	4,150	8.6%	29	+0.7%	-119	-2.9%
<i>Past due loans</i>	196	0.4%	209	0.4%	284	0.6%	351	0.7%	-88	-31.0%	-155	-44.2%
Gross performing loans	37,797	76.5%	37,855	76.6%	37,548	76.7%	37,096	76.8%	249	+0.7%	701	+1.9%
Total gross exposures	49,422	100.0%	49,387	100.0%	48,943	100.0%	48,324	100.0%	479	+1.0%	1,098	+2.3%
Adjustments to loans (€/mn)	Jun 16		Mar 16		Dec 15		Jun 15		Chg 30/6 - 31/12		Chg 30/6 - 30/6 (A-D)	
	A	coverage (%)	B	coverage (%)	C	coverage (%)	D	coverage (%)	Abs. Chg (%)		Abs. Chg (%)	
Adjustments to NPEs	5,234	45.0%	5,143	44.6%	5,039	44.2%	4,689	41.8%	195	+3.9%	545	+11.6%
<i>Bad loans</i>	4,327	58.5%	4,231	58.1%	4,135	58.2%	3,826	56.9%	192	+4.6%	501	+13.1%
<i>Unlikely to pay loans</i>	891	22.1%	893	22.1%	876	21.9%	835	20.1%	15	+1.7%	56	+6.7%
<i>Past due loans</i>	16	8.2%	19	9.1%	28	10.0%	28	8.1%	-12	-42.9%	-12	-42.9%
Adjustments to performing loans	198	0.5%	196	0.5%	201	0.5%	208	0.6%	-3	-1.5%	-10	-4.8%
Total adjustments	5,432	11.0%	5,339	10.8%	5,240	10.7%	4,897	10.1%	192	+3.7%	535	+10.9%
Net exposures (€/mn)	Jun 16		Mar 16		Dec 15		Jun 15		Chg 30/6 - 31/12		Chg 30/6 - 30/6 (A-D)	
	A	%	B	%	C	%	D	%	Abs. Chg (%)		Abs. Chg (%)	
Non Performing Exposures (NPEs)	6,391	14.5%	6,389	14.5%	6,356	14.5%	6,538	15.1%	35	+0.6%	-147	-2.2%
<i>Bad loans</i>	3,071	7.0%	3,046	6.9%	2,974	6.8%	2,901	6.7%	97	+3.3%	170	+5.9%
<i>Unlikely to pay loans</i>	3,140	7.1%	3,153	7.2%	3,126	7.2%	3,314	7.6%	14	+0.4%	-174	-5.3%
<i>Past due loans</i>	180	0.4%	190	0.4%	256	0.6%	323	0.7%	-76	-29.7%	-143	-44.3%
Net performing loans	37,599	85.5%	37,659	85.5%	37,347	85.5%	36,888	84.9%	252	+0.7%	711	+1.9%
Total net exposures	43,990	100.0%	44,048	100.0%	43,703	100.0%	43,426	100.0%	287	+0.7%	564	+1.3%

Bonds maturities and issues details

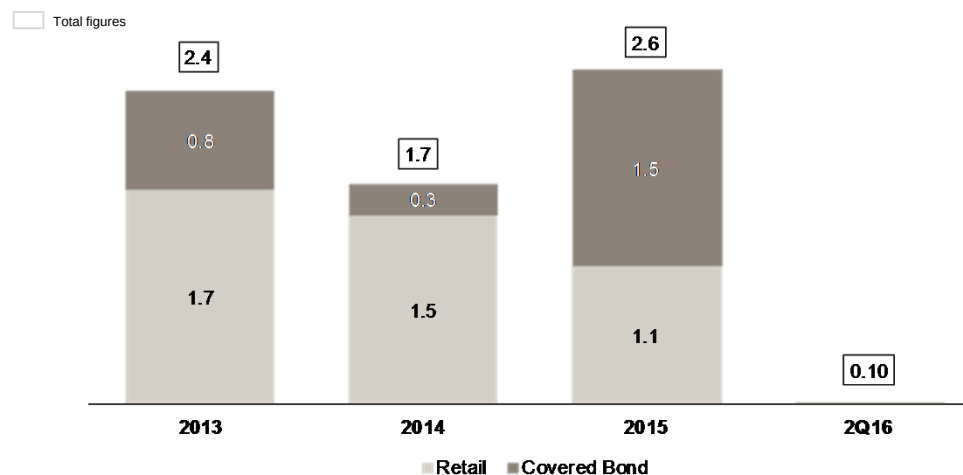
Bonds stock (€/bn)

	Jun 16	Dec 15	Jun 15	Chg q/q (%)	Chg y/y (%)
Wholesale bonds	2.7	2.7	2.0	+0.0%	+35.0%
<i>o/w covered bonds</i>	2.5	2.5	1.8	+0.0%	+38.9%
<i>o/w subordinated bonds</i>	0.2	0.2	0.2	+0.0%	+0.0%
Retail bonds	3.9	5.0	5.7	-22.0%	-31.6%
<i>o/w subordinated bonds</i>	0.5	0.8	0.7	-37.5%	-28.6%
Total bonds	6.6	7.7	7.7	-14.3%	-14.3%

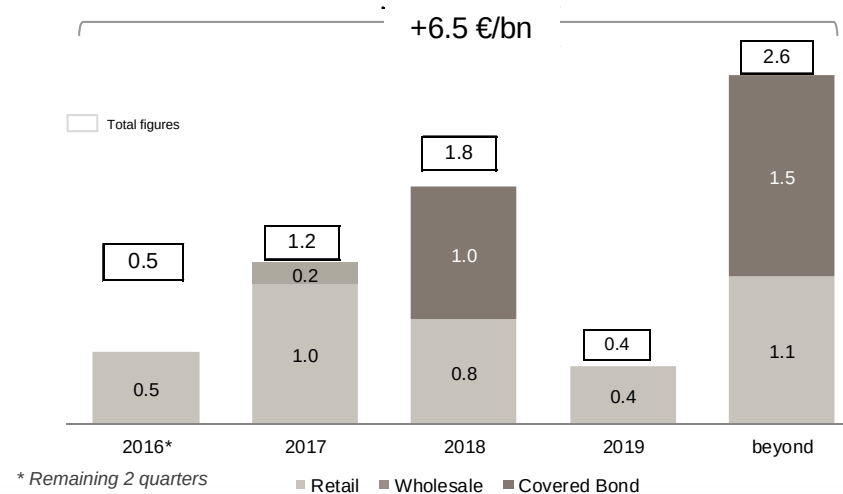
2016 Bonds maturities (€/bn)



Bonds issues (€/bn)



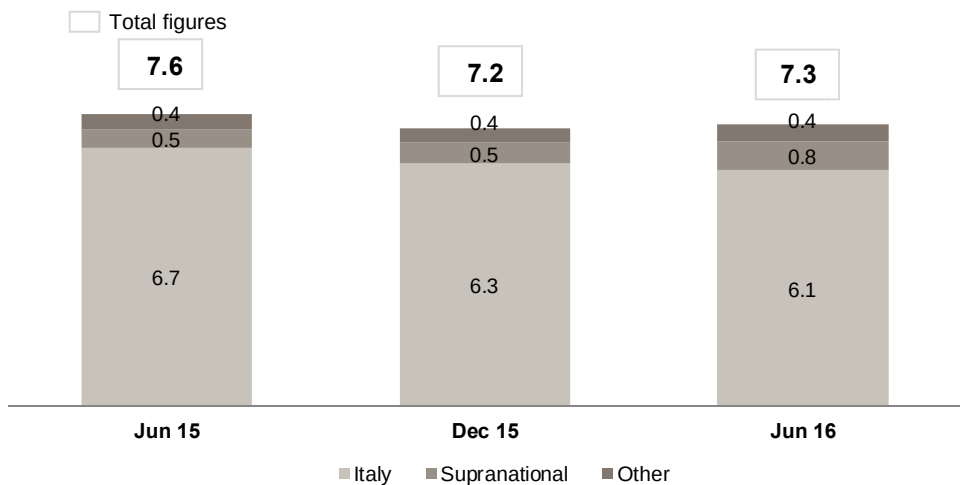
Bonds maturities breakdown (€/bn)



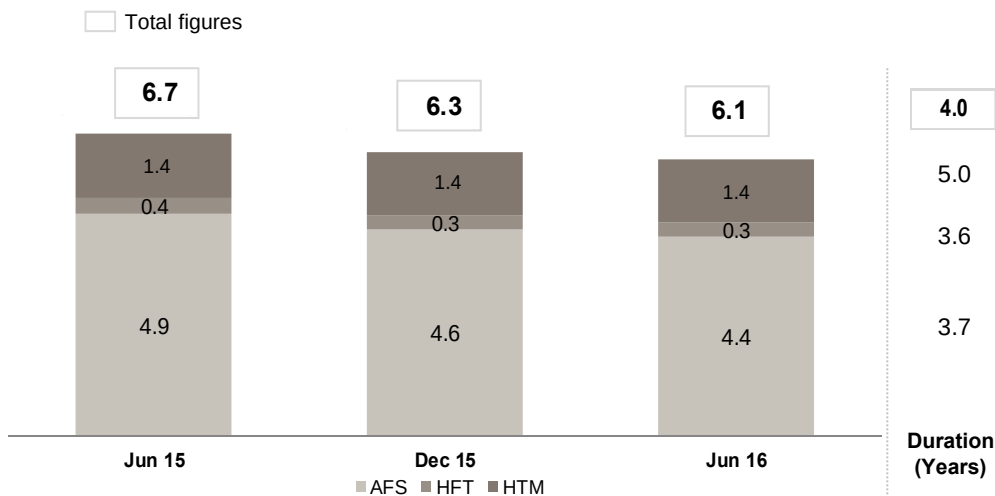
* Remaining 2 quarters

Financial Assets details

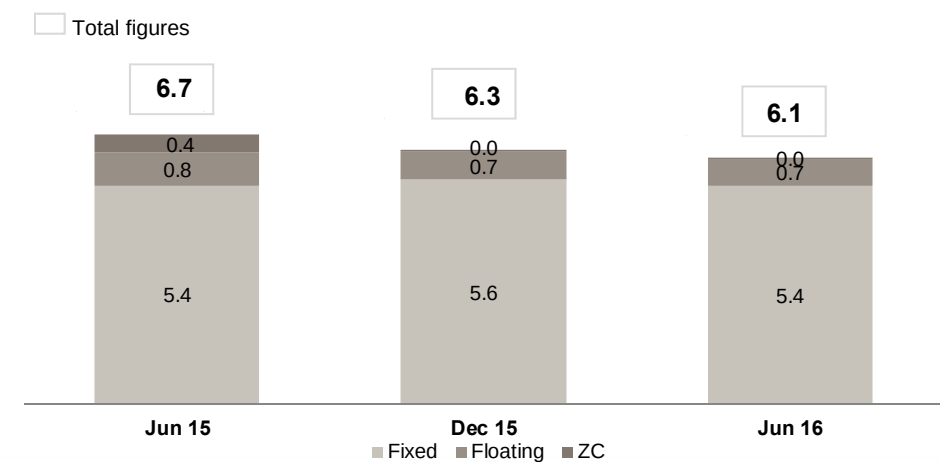
Govies & Supranational PTF by issuing country (€/bn)



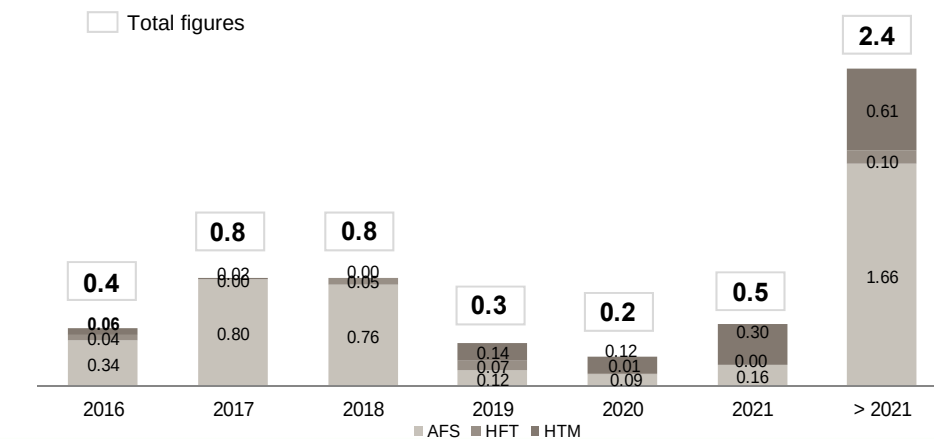
Italian Govies PTF by accounting valuation (€/bn)



Italian Govies PTF by coupon (€/bn)



Italian Govies PTF Maturities* (€/bn)



*: figures are shown as per nominal values

Performance ratios

<i>Financial ratios</i>	30.06.2016	2015 (*)
Structural ratios (%)		
net loans to customers/total assets	70.44%	71.34%
net loans and advances to customers/direct deposits from customers	96.33%	92.48%
financial assets/total assets	20.84%	18.88%
fixed assets/total assets	2.18%	2.21%
goodwill/total assets	0.60%	0.62%
direct deposits/total assets	86.07%	86.15%
deposits under management/indirect deposits	47.10%	48.48%
financial assets/tangible equity	2.52	2.25 (1)
total tangible assets/tangible equity	12.01	11.83 (2)
net interbank lending/borrowing (in thousands of Euro)	(7,040,693)	(4,435,679)
number of employees	11,451	11,447
number of national bank branches	1,175	1,216
Profitability ratios (%)		
ROE	2.68%	4.57%
ROTE	2.99%	5.10%
ROA (net profit/total assets)	0.10%	0.13%
Cost/income ratio	60.69%	57.99% (3)
Net adjustments to loans/net loans to customers	0.63%	0.69%
Basic EPS	0.135	0.152
Diluted EPS	0.135	0.152
Risk ratios (%)		
non-performing exposures/net loans to customers	14.53%	14.54%
net bad loans/net loans to customers	6.98%	6.81%
net unlikely to pay loans/net loans to customers	7.14%	7.15%
net past due loans/net loans to customers	0.41%	0.58%
adjustments to non-performing exposures/gross non-performing exposures	45.02%	44.22%
adjustments to bad loans/gross bad loans	58.48%	58.16%
adjustments to unlikely to pay loans/gross unlikely to pay loans	22.10%	21.88%
adjustments to past due loans/gross past due loans	8.24%	10.02%
adjustments to performing exposures/gross performing exposures	0.52%	0.54%
texas ratio	111.86%	111.98% (4)

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

<i>Financial ratios</i>	30.06.2016	2015 (*)
Own Funds (Phased in)		
Common Equity Tier 1 (CET1)	4,562,873	4,629,088 (5)
Own Funds	5,049,443	5,133,802
Risk-weighted assets (RWA)	31,487,601	40,101,688
Capital and liquidity ratios		
Common Equity Ratio (CET1 Ratio) - Phased in	14.49%	11.54% (6)
Tier 1 Ratio (T1 Ratio) - Phased in	14.55%	11.65%
Total Capital Ratio (TC Ratio) - Phased in	16.04%	12.80%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Phased	14.13%	11.21%
Leverage Ratio - Phased in	7.0%	7.1% (7)
Leverage Ratio - Fully Phased	6.9%	6.9% (8)
Liquidity Coverage Ratio (LCR)	112.2%	136.1%
Net Stable Funding Ratio (NSFR)	n.d.	110.9% (9)
Non-financial ratios		
Productivity ratios (in thousands of Euro)		
direct deposits per employee	3,987.83	4,128.22
loans and advances to customers per employee	3,841.56	3,817.82
assets managed per employee	1,303.12	1,286.45
assets administered per employee	1,463.88	1,366.99
core revenues per employee	82.83	85.21 (10)
net interest and other banking income per employee	89.25	91.75
operating costs per employee	57.31	55.49

(1) Tangible equity = total shareholders' equity net of intangible assets

(2) Total tangible assets = total assets net of intangible assets

(3) The cost/income Ratio has been calculated on the basis of the layout of the reclassified income statement (operating expenses/operating income); when calculated on the basis of the layouts provided by Circular no. 262 of the Bank of Italy the cost/income ratio is at 64.21% (60.48% as at June 30, 2015).

(4) The Texas ratio is calculated as the relationship between total gross non-performing loans and net tangible equity, including minority interests, increased by total provisions for non-performing loans.

(5) (6) The comparative ratios at 31 December 2015 are presented in the pro-forma version, taking into account the share of profit realised in the second half of 2015 that is allocable to equity (€ 118.6 million, equal to around 30 bps).

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

(9) The NSFR, not yet available, it is in any case estimated to exceed 100%, (107.5 % as at 31 March 2016)

(10) Core revenues = net interest income + net commission income.

Annex – 1H16 Reclassified consolidated Profit & Loss

Summary schedules

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 59,304 thousand at 30 June 2016 and Euro 62,627 thousand at 30 June 2015);
- "*Net adjustments to property, plant and equipment and intangible assets*" include captions 200 and 210 in the standard reporting format;
- "*Net impairment adjustments to AFS and HTM financial assets*" includes captions 130 b) and 130 c) in the reporting format;
- "*Gains (losses) on equity investments, disposal of investments and adjustments to goodwill*" include captions 240, 260 and 270 in the reporting format.
- "*Contributions to the DGS, SRF and FITD funds*" has been shown separately from the specific accounting technical forms to give a better and clearer representation, as well as to leave the "*Administrative costs*" as a better reflection of the trend in the Group's operating costs. In particular, at 30 June 2016, this caption represents the component allocated for accounting purposes to administrative costs in relation to:
 - o the 2016 contribution to the SRF (European Single Resolution Fund) for Euro 15,090 thousand;
 - o the 2016 contribution to the DGS (Deposit Guarantee Schemes) for Euro 14 thousand, representing only the amount required of the Luxembourg subsidiary for the half-year;
 - o the contribution to the FITD-SV (Voluntary Scheme) for the intervention on behalf of Banca Tercas.
- At 30 June 2015 the only caption involved was "*Provisions for risks and charges*" for the estimated amount of the 2015 contribution to the recently created SRF for Euro 10,250 thousand.
- Please note that this last caption shown was established on this occasion and that the comparative figures at 30 June 2015 have therefore been restated compared with those published at the time of the consolidated financial report at 30 June 2015. The table showing the reclassified quarterly figures has also been adjusted to this approach.

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