

BPER:

Gruppo

9M16 consolidated results

Alessandro Vandelli - Chief Executive Officer

10th November 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, Cooperative Bank with head office in Modena Via San Carlo, 8/20 - VAT number and Business Register no. 01153230360 -Share capital as at 31/12/2015 € 1,443,925,305.00 - Bank Registration no. 4932 ABI code 5387.6- Tel.059/2021111 – Fax 059/2022033 6 - email: bpergroup@bper.it - PEC: bper@pec.gruppobper.it Member of the Interbank Deposit Guarantee Fund - Parent Company of Banca popolare dell’Emilia Romagna Banking Group - Registered in the Register of Banking group with code 5387.6, bper@pec.gruppobper.it - bper.it - gruppobper.it

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9M16 Results

☒ Executive summary

☐ Balance sheet structure

☐ Profit and loss

☐ Liquidity and capital adequacy

☐ Final remarks

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Executive summary

- **Best in class capital position with low leverage and strong liquidity ratios**
 - CET1 ratio “Phased in” of 14.47% as of 30 Sept. 2016¹ (14.13% Fully Phased), best in class in Italy and one of the highest in Europe
 - Excess capital buffer of 522 bps (or 1.65 €/bn) vs regulatory requirement (*SREP* at 9.25%)
 - B3 Leverage ratio Phased in at 7.1% one of the best vs peers; strong liquidity position with LCR and NSFR well above 100%
- **Bad loans (“sofferenze”) declined for the first time since the beginning of the crisis as a result of NPEs management strategy effectiveness, maintaining high coverage**
 - Gross bad loans down by 2.0% and gross NPEs down by 1.0% since Dec.’15 thanks to bad loans disposals of c. 500 €/mn in 3Q16 confirming BPER’s priority aim to reduce the stock
 - NPEs inflows from performing loans down by 8.4% in 9M16 vs 9M15 (-25.6% vs 9M14)
 - Coverage ratios still high at 43.7% (NPES) and 57.4% (bad loans) only marginally impacted by bad loans disposals
- **Net customer loans slightly up by 0.1% (gross +0.6%) since Dec.’15 excluding bad loans disposals in 3Q16**
- **Positive and resilient profitability in spite of difficult economic and market environment, along with improving operating trends**
 - 9M16 Net profit at 101.2 €/mn (120.8 €/mn excluding contributions to the *Single Resolution Fund* and *Deposit Guarantee Scheme*)²
 - Core revenues declined by 3.6% y/y partially offset by net provisions improvement (-10.0% y/y) which records the lowest level over the last 5 years

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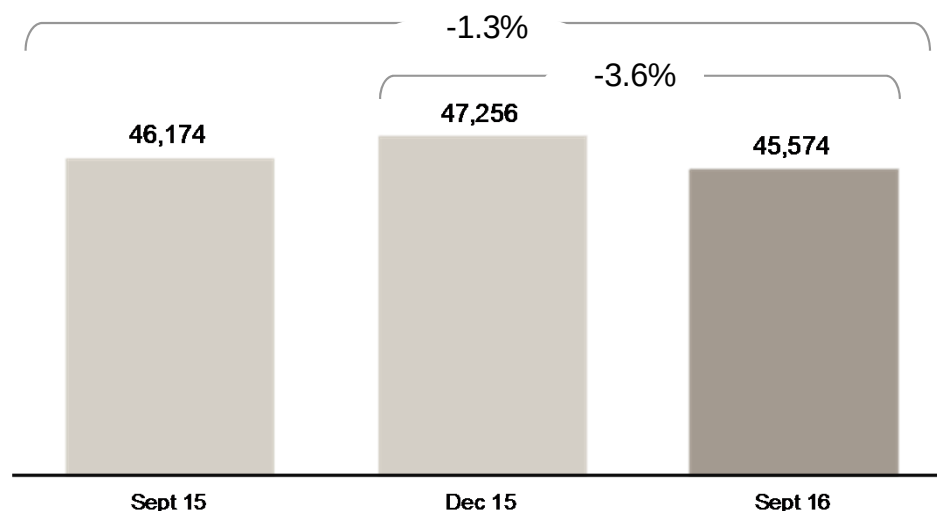
☐ Liquidity and capital adequacy

☐ Final remarks

Annexes

Direct funding

Total Direct Funding (€/mn)

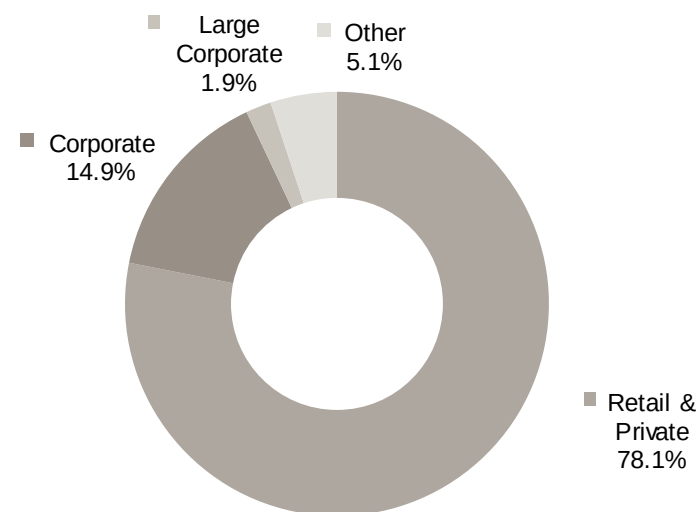


Direct Funding breakdown (%)

€/mn	Sept 16	Dec 15	Chg vs Dec 15 (%)
Current accounts and sight deposits	30,008	29,019	+3.4%
Time deposits	1,909	2,424	-21.2%
Repurchase agreements	1,726	1,863	-7.3%
Other short-term loans	2,676	2,582	+3.6%
Bonds	6,437	7,719	-16.6%
- subscribed by institutional customers	2,722	2,737	-0.6%
- subscribed by ordinary customers	3,715	4,982	-25.4%
Certificates	97	100	-3.2%
Certificates of deposit	2,721	3,549	-23.3%
Direct customer deposits	45,574	47,256	-3.6%

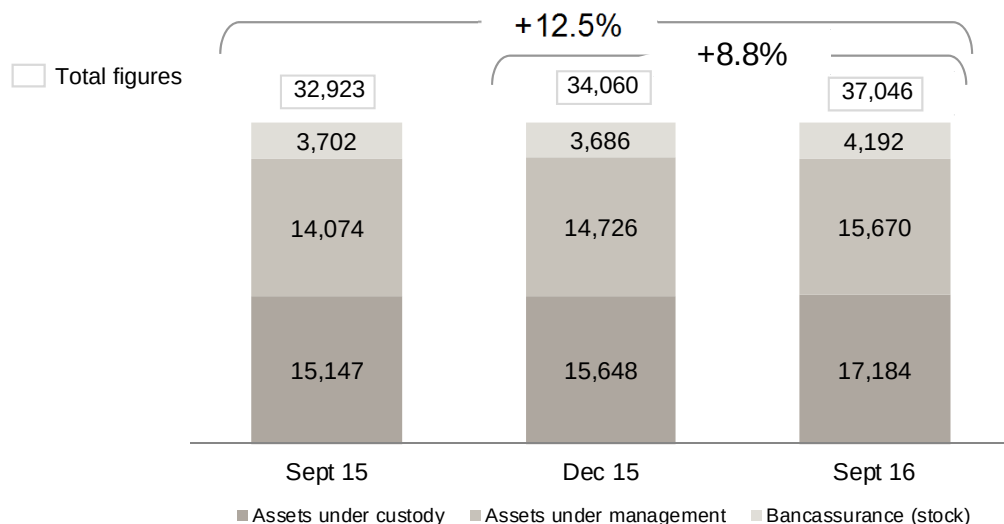
- Direct funding at 45.6 €/bn down by 3.6% since Dec.'15 (-1.7 €/bn) and down by 1.3% y/y (-0.6 €/bn) mainly due to switch in favour of AuM/Bancassurance and retail bonds decline (no replacement of expired bonds)
- Current accounts and sight deposits up by 3.4% (+1.0 €/bn) since Dec.'15
- Decrease of expensive funding from customers both short term (time deposits -21.2% since Dec. '15) and mid-long term (retail bonds and CDs down respectively -25.4% and -23.3% since Dec. '15)
- Total wholesale funding and Covered bonds account for 2.7 €/bn as of 30 Sept.'16 (6.0% 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 (%)



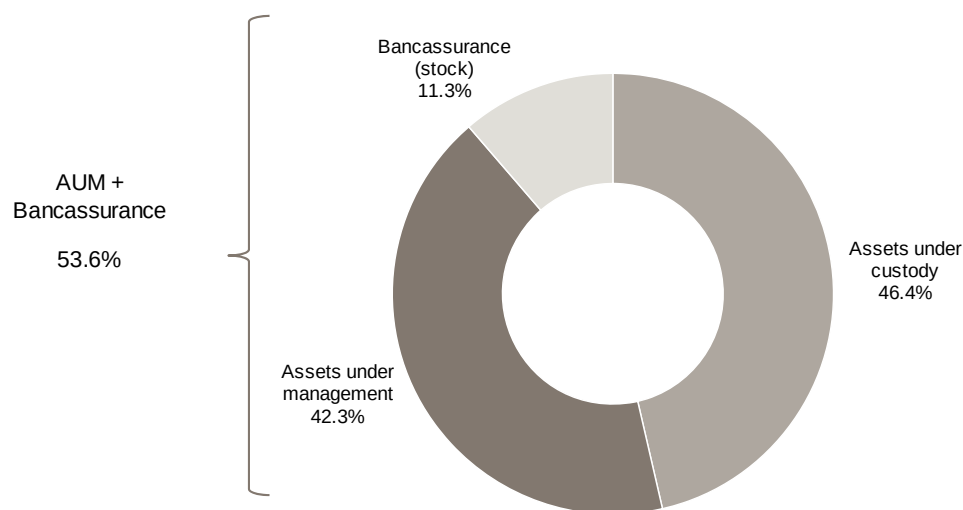
Indirect deposits and “Bancassurance”

Total Indirect Deposits and Bancassurance* (€/mn)

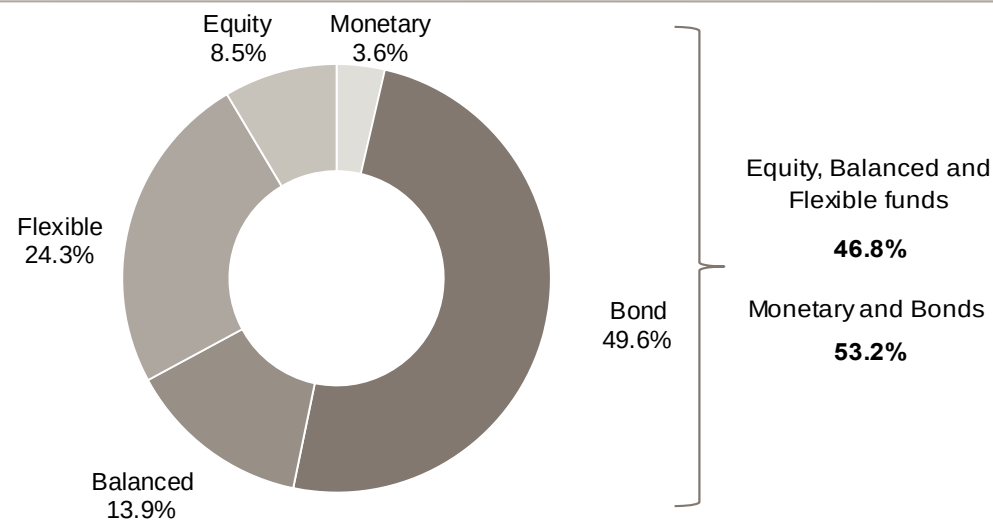


- Indirect deposits and Bancassurance* up by 8.8% since Dec.'15 (3.0 €/bn) and up by 12.5% y/y (+4.1 €/bn):
 - AuM up by 6.4% since Dec.'15; net inflows positive (+0.7 €/bn) in 9M16 in spite of volatile market trends
 - significant growth in Bancassurance* up by 13.7% (+0.5 €/bn) since Dec.'15
 - AuC up by 9.8% (1.5 €/bn) since Dec.'15 mainly due to institutional clients inflows
 - Monetary and Bonds funds weight at 53.2% of total AuM (up from 48.3% in Dec.'15), in consequence of volatile financial markets and flight to quality (Equity, Balanced, Flexible funds at 46.8% down from 51.7% in Dec.'15)

Total Indirect Deposits and Bancassurance composition (%)

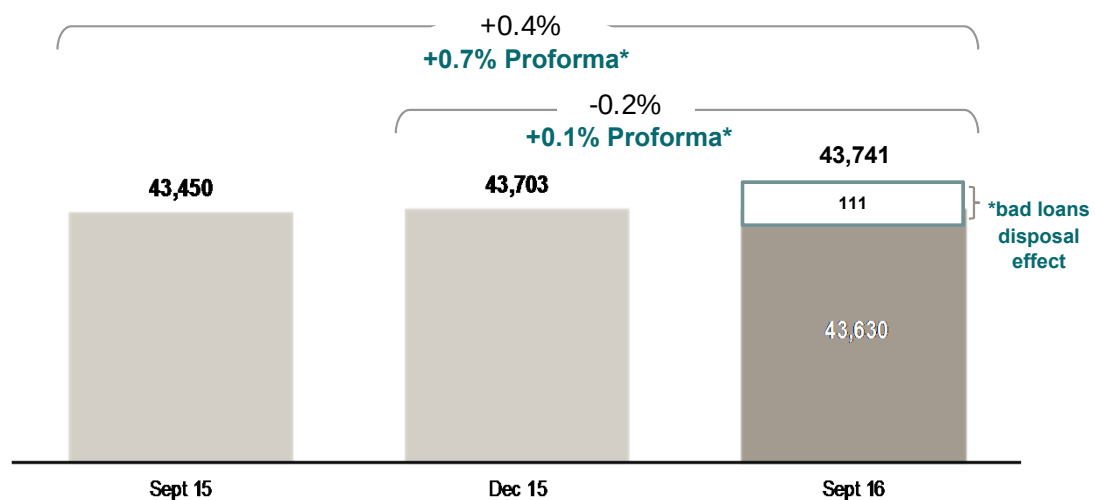


AUM composition¹ (%)



Customer loans

Customer loans (€/mn)

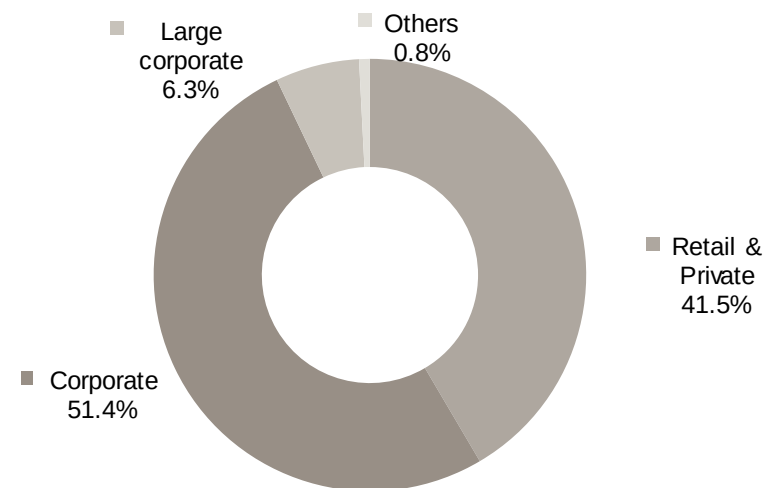


- Net customer loans slightly down by 0.2% since Dec.'15 (gross -0.4% since Dec.'15) and up by 0.4% y/y (gross +0.6% y/y) affected by bad loans disposals for c. 0.5 €/bn in 3Q16
- On a pro-forma basis (net of bad loans disposals): net customer loans up by 0.1% since Dec.'15 (gross +0.6% since Dec.'15) and up by 0.7% y/y (gross +1.6% y/y)
- Retail mortgages new business up by 11.1% y/y confirming the positive trend started in 2015
- Corporate and retail loans account for 92.9% of the total loan book, highlighting Group's focus on commercial business

Customer loans breakdown (net figures; €/mn)

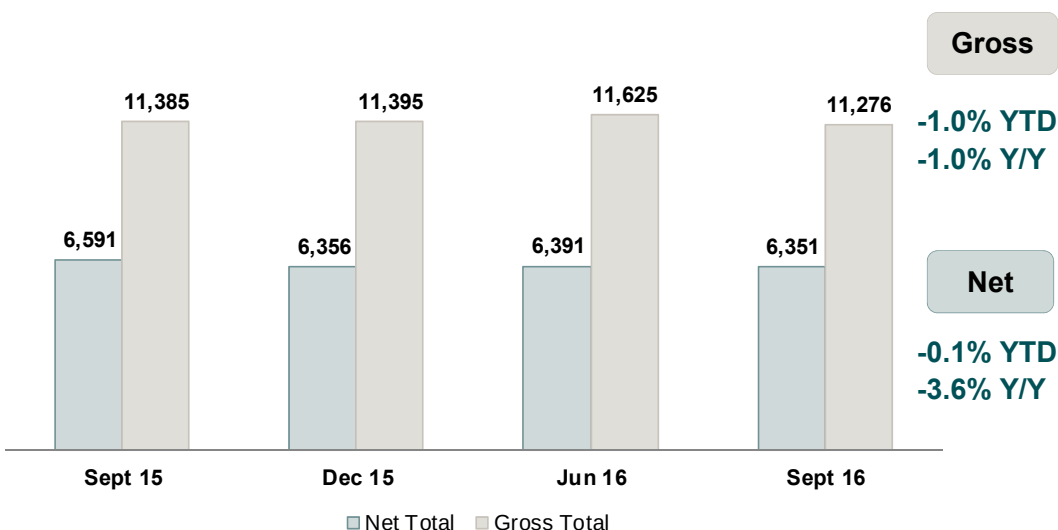
€/mn	Sept 16	Dec 15	Chg vs Dec 15 (%)
Current accounts	5,461	5,880	-7.1%
Medium-Long term loans	25,523	25,082	+1.8%
Other transactions	12,646	12,741	-0.7%
Customer loans	43,630	43,703	-0.2%

Customer loans breakdown by customer segment (%)

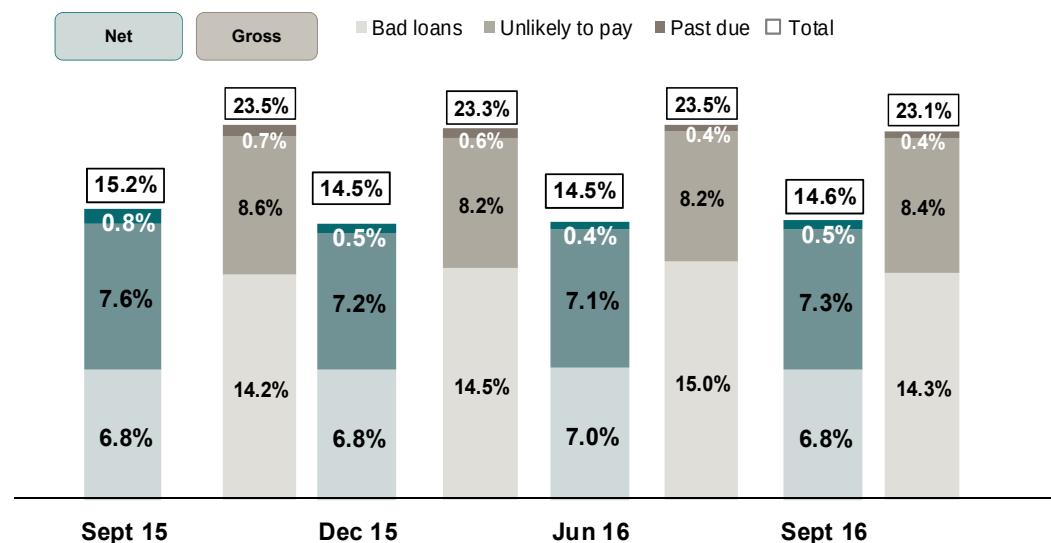


Non-performing exposures (1/2): breakdown and coverage ratios

NPEs breakdown (net and gross figures; €/mn)



NPEs breakdown (% on total net loans; % on total gross loans)



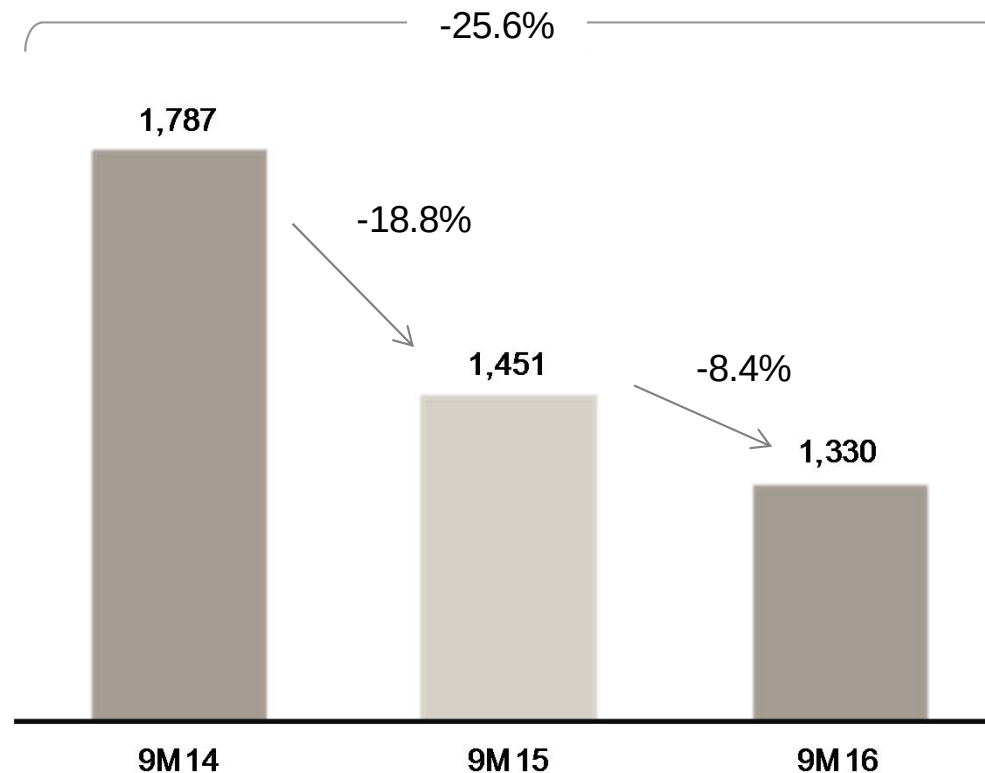
- Gross NPEs down by 348 €/mn q/q (-3.0%) mainly thanks to bad loans disposals in 3Q16 for c. 500 €/mn GBV
- Gross bad loans ("Sofferenze") down by 5.9% q/q (-3.4% net)
- Gross NPEs stock on total loans down to 23.1% from 23.5% in Jun.'16
- Cash coverage ratio on NPEs further strengthening at 43.7% (42.1% in Sept.'15) only marginally affected by bad loans disposals. In detail:
 - bad loans coverage at 57.4% (58.2% in Dec.'15)
 - unlikely to pay coverage nearly stable at 22.2% and past due at 8.6% in 9M16 (respectively 21.9% and 10.0% in Dec.'15)
- 88.0% of total net NPEs are collateralized (77.2% fully collateralized)

Cash coverage trend (%)

	Sept 16	Jun 16	Mar 16	Dec 15	Sept 15
Bad loans ("Sofferenze")	57.4%	58.5%	58.1%	58.2%	56.8%
<i>including write-off</i>	63.1%	64.3%	64.2%	64.4%	63.6%
Unlikely to pay	22.2%	22.1%	22.1%	21.9%	20.7%
Past due	8.6%	8.2%	9.1%	10.0%	7.8%
NPEs	43.7%	45.0%	44.6%	44.2%	42.1%
<i>including write-off</i>	48.6%	50.1%	50.0%	49.7%	48.0%
Performing exposures	0.5%	0.5%	0.5%	0.5%	0.6%
Total loans	10.5%	11.0%	10.8%	10.7%	10.3%

Non-performing exposures (2/2)

Inflows to NPEs from bonis (€/mn; %)



- Inflows to NPEs from performing exposures declined by 8.4% in 9M16 vs 9M15 (-25.6% vs 9M14):
 - inflows to Unlikely to Pay from performing exposures slight decrease by 1.5% in 9M16 vs 9M15 (-27.0% vs 9M14)
 - Inflows to past due from performing exposures down by 37.1% in 9M16 vs 9M15 (-38.7% vs 9M14)

Financial Assets

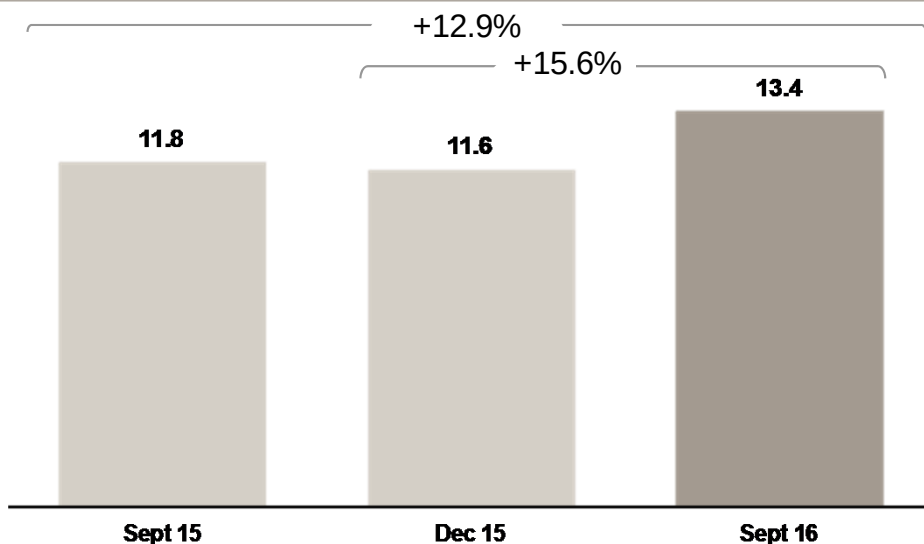
Financial Assets breakdown (€/mn; %)

€/mn	HFT	CFV	AFS	HTM	Total	% on total
Bonds	348	31	9,449	2,555	12,383	92.6%
Equity	76	0	306		382	2.9%
Funds and Sicav	66	51	254		371	2.8%
Other*	234				234	1.7%
Total	724	82	10,009	2,555	13,370	100.0%
Total as of 31.12.2015	790	87	8,022	2,664	11,563	
Chg YTD (%)	-8.5%	-4.5%	+24.8%	-4.1%	+15.6%	

* Derivatives for hedging purposes

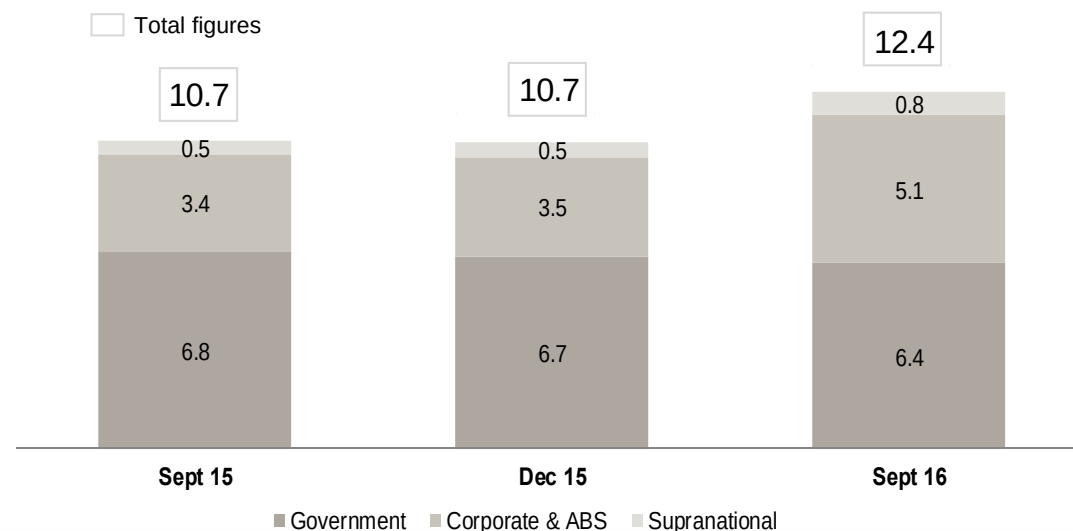
Note: 336.7 €/mn of Loans and Receivables (banks and customers) not included

Financial Assets (€/bn)



- Financial assets portfolio at 13.4 €/bn, up by 1.8 €/bn since Dec.'15
- Bond portfolio at 12.4 €/bn of which 5.9 €/bn of Italian Government bonds (6.3 €/bn in Dec.'15) with a duration of 4.2y (3.8y in Dec.'15)
 - italian govies account for 113.1% of tangible shareholders' equity in 3Q16 significantly down from 122.7% in Dec.'15
- AFS reserves positive at 196.7 €/mn (net of taxes) as of 30 Sept.'16 of which 84.1 €/mn on government bonds
- Implicit positive reserves of 153.9 €/mn as of 30 Sept.'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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9M16 Reclassified consolidated Profit & Loss ⁽¹⁾

Captions	(€/mn)				2016			2015			
		Sept 16	Sept 15	Chg y/y (%)	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15
10+20	Net interest income	876.1	924.5	-5.2%	285.7	293.6	296.8	303.0	302.0	308.4	314.1
40+50	Net commissions	532.9	537.7	-0.9%	174.8	181.0	177.1	189.0	177.9	180.6	179.2
	Core Income	1,409.0	1,462.2	-3.6%	460.5	474.6	473.9	492.0	479.9	489.0	493.3
70	Dividends	9.2	14.3	-35.9%	0.3	8.7	0.1	1.7	0.5	13.6	0.2
80+90+100+110	Trading gains	90.2	81.9	+10.2%	25.5	49.1	15.7	266.0	20.4	15.5	46.1
220*	Other costs / revenues	45.6	37.0	+23.2%	13.6	16.4	15.5	15.5	12.3	9.3	15.4
	Operating Income	1,554.0	1,595.4	-2.6%	500.0	548.8	505.2	775.2	513.0	527.3	555.0
180 a)	Staff expenses	-574.4	-628.6	-8.6%	-176.2	-201.7	-196.6	-196.5	-232.4	-196.9	-199.3
180 b) (*) & (**)	Administrative expenses	-310.0	-292.7	+5.9%	-106.1	-102.8	-101.1	-107.9	-95.7	-103.4	-93.6
200+210	Depreciations & Amortizations	-55.5	-51.9	+6.9%	-17.9	-20.4	-17.1	-28.3	-17.5	-17.1	-17.3
	Operating costs	-939.9	-973.2	-3.4%	-300.2	-324.9	-314.8	-332.7	-345.6	-317.4	-310.3
	Net Operating Income	614.1	622.2	-1.3%	199.8	224.0	190.4	442.5	167.4	210.0	244.8
130 a)	Loan loss provisions	-400.7	-424.9	-5.7%	-124.6	-161.9	-114.2	280.9	-127.2	-150.2	-147.5
130 b)+c)+d)	Other provisions	2.2	-17.9	n.m	-1.9	11.4	-7.3	-14.1	-7.9	-7.5	-2.5
	Total provisions	-398.5	-442.8	-10.0%	-126.4	-150.6	-121.5	-295.0	-135.2	-157.8	-150.0
190	Net Provisions for Risks and Charges	-27.9	-33.1	-15.7%	-5.8	-12.5	-9.6	-14.3	-6.6	-12.4	-14.1
(**) Contribution to Funds (SRF, DGS, FITD-SV)		-44.0	-19.1	n.m	-17.6	-11.4	-15.0	-47.2	-8.9	-10.3	0.0
240+260+270	Net other income	1.6	-1.4	n.m	2.5	-4.1	3.2	1.8	-6.8	7.2	-1.8
280	Profit (loss) before taxes	145.3	125.7	+15.6%	52.4	45.4	47.4	87.9	10.1	36.7	78.9
290	Taxes	-40.6	-36.9	+10.1%	-12.8	-13.7	-14.1	42.6	-2.3	-7.4	-27.2
310	Net profit of assets under disp.	0.0	0.0	+0.0%	0.0	-13.7	0.0		0.0	0.0	0.0
320	Net profit (loss)	104.7	88.7	+17.9%	39.6	31.7	33.3	130.5	7.7	29.3	51.7
330	Minority Interests	-3.5	-6.2	n.m	-3.2	2.0	-2.4	7.6	1.7	-1.3	-6.5
340	Profit (loss) for the period pertaining to the Parent Company	101.2	82.6	+22.5%	36.4	33.8	31.0	138.1	9.4	28.0	45.2
	cost / income	60.5%	61.0%		60.0%	59.2%	62.3%	42.9%	67.4%	60.2%	55.9%
	cost / (net interest income + net commissions)	66.7%	66.6%		65.2%	68.4%	66.4%	67.6%	72.0%	64.9%	62.9%
	cost of credit (bps)	92	98		29	37	26	64	29	35	34
(***) cost of credit on annual basis (bps)		122	130								
	net profit / total income	6.7%	5.6%		7.9%	5.8%	6.6%	16.8%	1.5%	5.6%	9.3%
	tax rate	28.0%	29.4%		24.5%	30.1%	29.7%	48.5%	23.0%	20.1%	34.5%

Includes non-recurring profit for 32.9 €/mn million relative to disposal of the stake in Visa Europe at Group level

Note: n.m.: Not meaningful; Figures in this page may not add exactly due to rounding differences

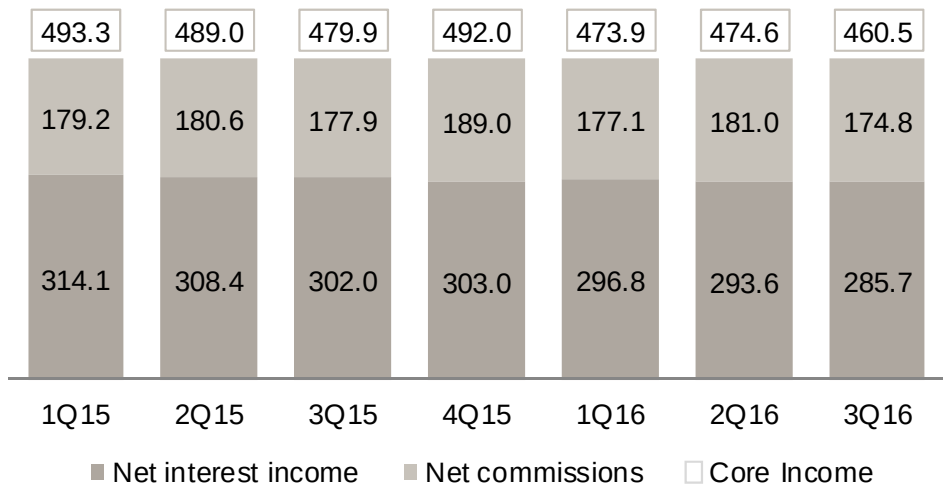
Core income

Core income (€/mn; %)

(€/mn)	Sept 16	Sept 15	Chg y/y	
			Abs	%
Net interest income	876.1	924.5	-48.4	-5.2%
Net commissions	532.9	537.7	-4.8	-0.9%
Core Income	1,409.0	1,462.2	-53.2	-3.6%

- Core income down by 3.6% y/y (-53.2 €/mn) mainly due to seasonal effects; Net Interest Income (NII) decline, still affected by the low/negative interest rates environment
- 3Q16 Core income down vs 2Q16 (-3.0% q/q)
- Progressive re-mix in favour of net commissions (37.8% in Sept.’16 vs 36.8% in Sept.’15)

Core income evolution (€/mn)

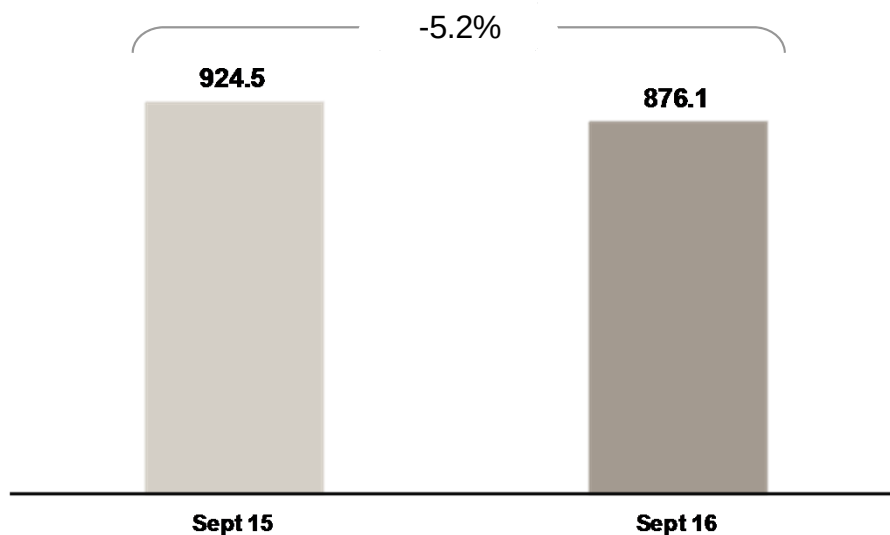


Core income breakdown (%)

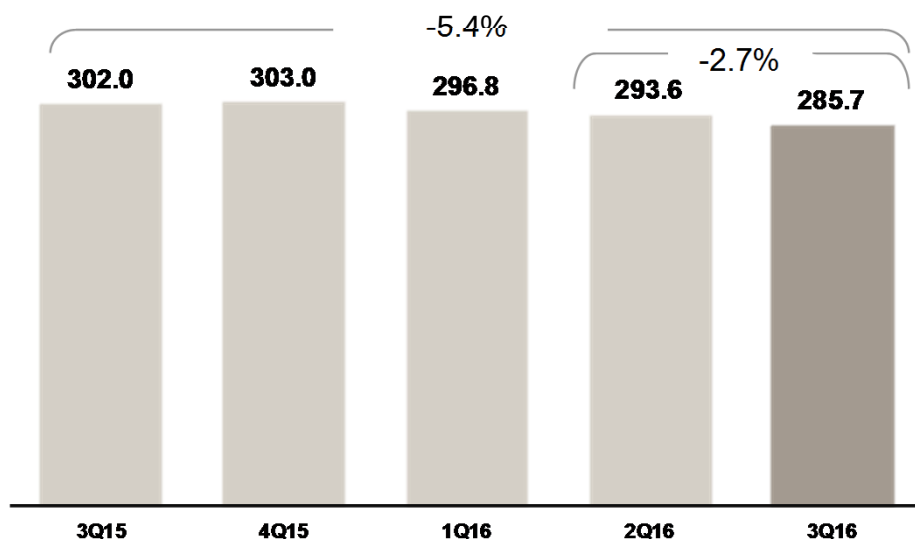
(%)	Sept 16	Sept 15
Net interest income	62.2%	63.2%
Net commissions	37.8%	36.8%
Core Income	100.0%	100.0%

Core income (1) : Net Interest Income

Net Interest Income (€/mn)

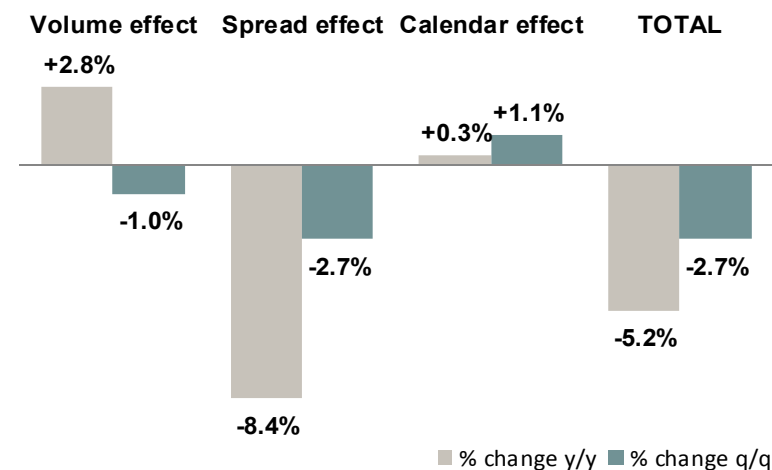


Net Interest Income evolution (€/mn)



- NII down by 5.2% y/y mainly due to the effects of low/negative interest rates environment and down by 2.7% q/q
- Main trends:
 - increasing pressure on asset yield only partially offset by reduction of cost of funding
 - Spread down 5 bps q/q showing mark-up decrease and mark-down fairly stable
 - positive volume effect y/y mainly due to increase of financial assets (negative volume effect q/q due to seasonality)
 - securities portfolio contribution to NII of 50.2 €/mn in 3Q16 (48.8 €/mn in 3Q15) broadly stable in the last 5 quarters (150.4 €/mn in 9M16, flat y/y)
 - 9M16 NII doesn't include any benefit from ECB "sweetener" on 4 €/bn TLTRO2 repos exposure

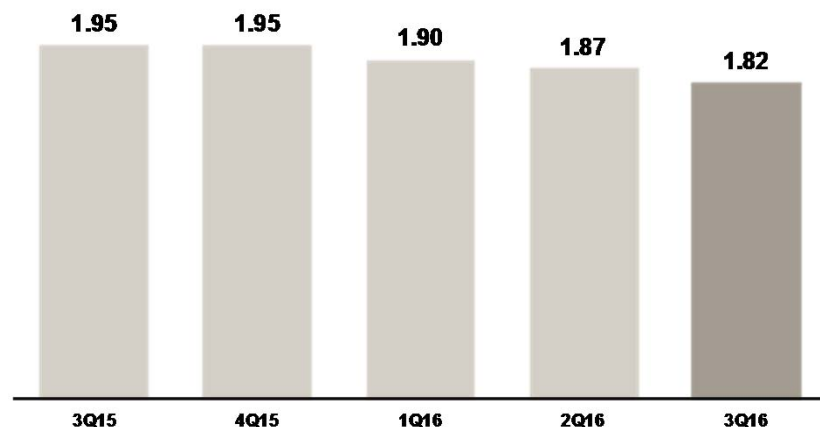
Net Interest Income contribution* (%)



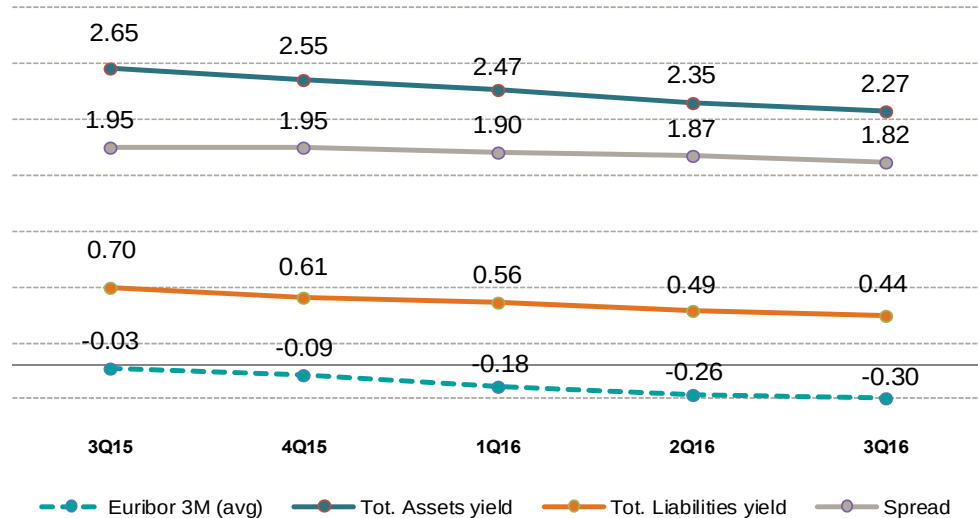
■ % change y/y ■ % change q/q

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

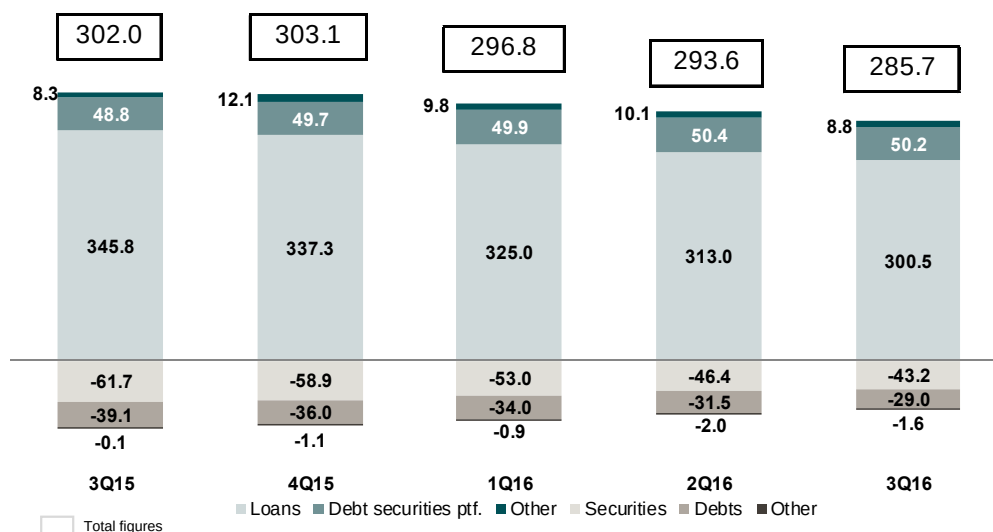
Spread (%)



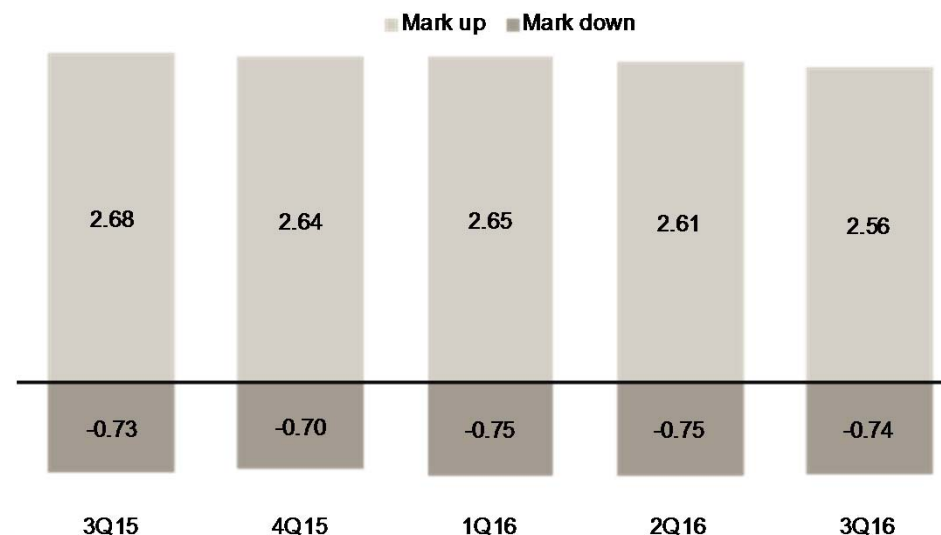
Spread contribution (%)



Net Interest Income contribution¹ (€/mn)

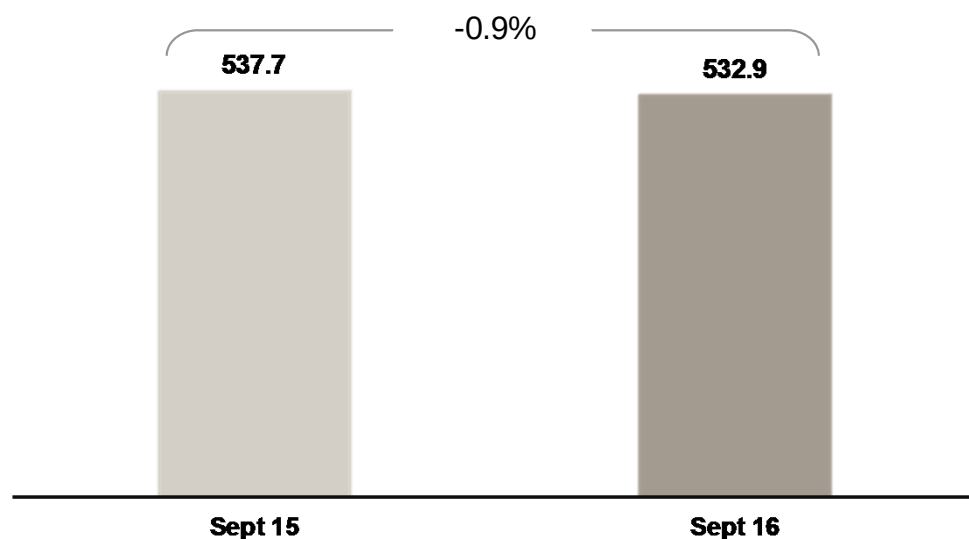


Mark up & mark down (%)



Core income (3): Net Commissions

Net Commissions (€/mn)

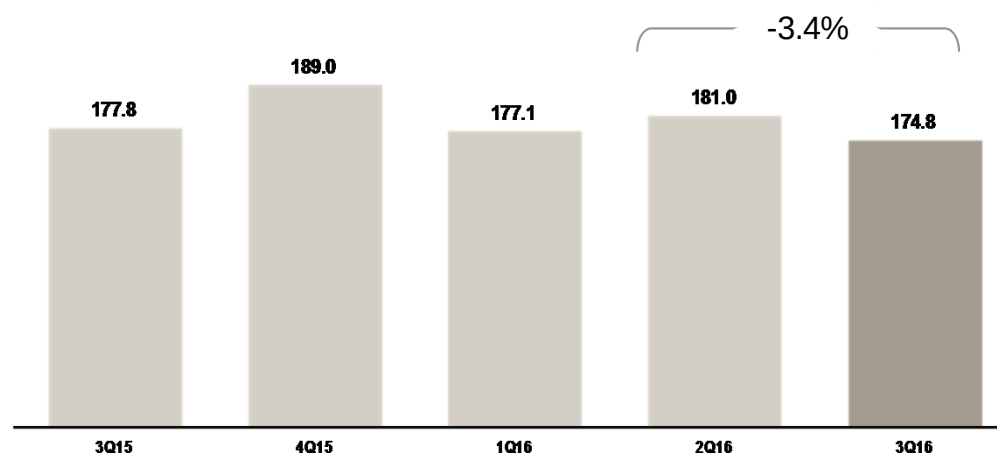


- Net commissions down by 0.9% y/y (-4.8 €/mn y/y) mainly driven by a slight reduction of loans and payments related fees:
 - indirect deposits and Bancassurance up by 3.3% y/y (+4.6 €/mn) o/w:
 - AuM & Bancassurance +6.2% y/y; AuC: -22.0% y/y
 - credit cards, collections and payments down by 5.6% y/y (-6.2 €/mn)
 - loans and guarantees down by 2.4% y/y (-6.1 €/mn)
- Net commissions down by 3.4% q/q mainly due to seasonality
- AuM up-front fees of 19.8 €/mn in 9M16 (5.9 €/mn in 3Q16) weighing 3.7% on net commissions

Net Commissions breakdown (€/mn; %)

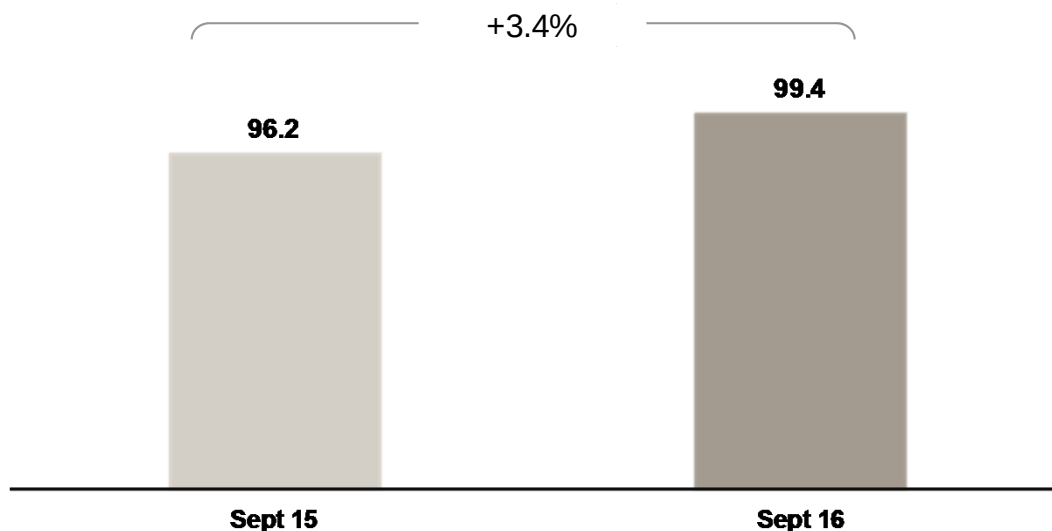
	Sept 16	(%)	Sept 15	(%)	Chg y/y (%)
Indirect deposits and bancassurance	144.9	27.2%	140.3	26.1%	+3.3%
Assets under custody (AuC)	11.2		14.3		-22.0%
Assets under management (AuM)	107.9		106.6		+1.3%
Bancassurance	25.8		19.4		+33.1%
					+6.2% y/y
Credit cards, collections and payments	105.6	19.8%	111.8	20.8%	-5.6%
Loans and guarantees	248.0	46.5%	254.1	47.3%	-2.4%
Other commissions	34.4	6.5%	31.5	5.8%	+9.3%
Total	532.9	100.0%	537.7	100.0%	-0.9%

Net Commissions evolution (€/mn)



Dividends and Trading income

Dividends and Trading income (€/mn)



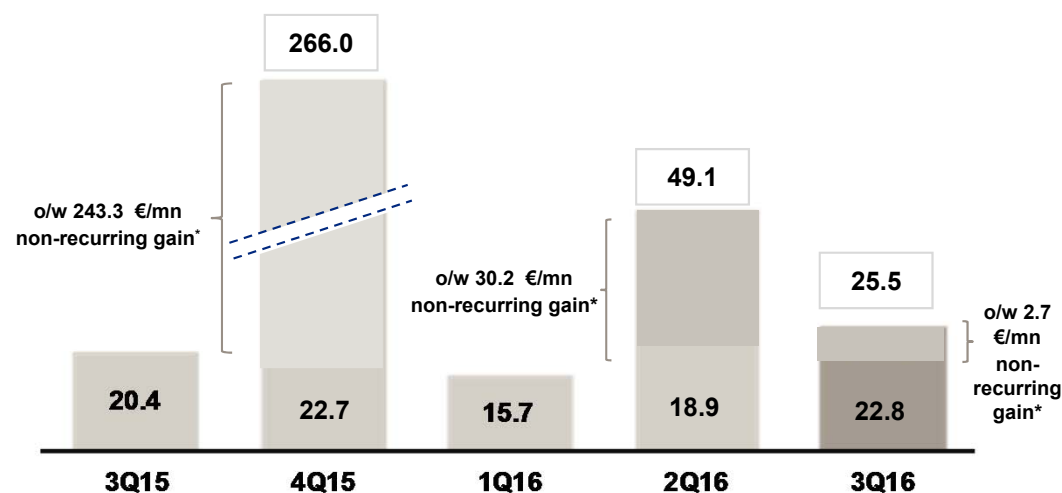
- Dividends and trading income at 99.4 €/mn up by 3.4% y/y
- Trading income at 90.2 €/mn includes non-recurring profits for 32.9 €/mn relative to the disposal of the stake in Visa Europe at Group level in the 2Q16 (of which 2.7 €/mn in 3Q16)*
- Dividends: 9.2 €/mn in the 9M16 (14.3 €/mn in 9M15)

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

	Sept 16	Sept 15	Chg y/y (%)
Dividends	9.2	14.3	-35.9%
Trading (net)*	84.3	75.0	+12.4%
Plus	11.5	12.2	-5.7%
Minus	-11.6	-10.7	+9.2%
FVO	1.4	0.4	n.m.
Others	4.6	4.9	-6.5%
Total	99.4	96.2	+3.4%

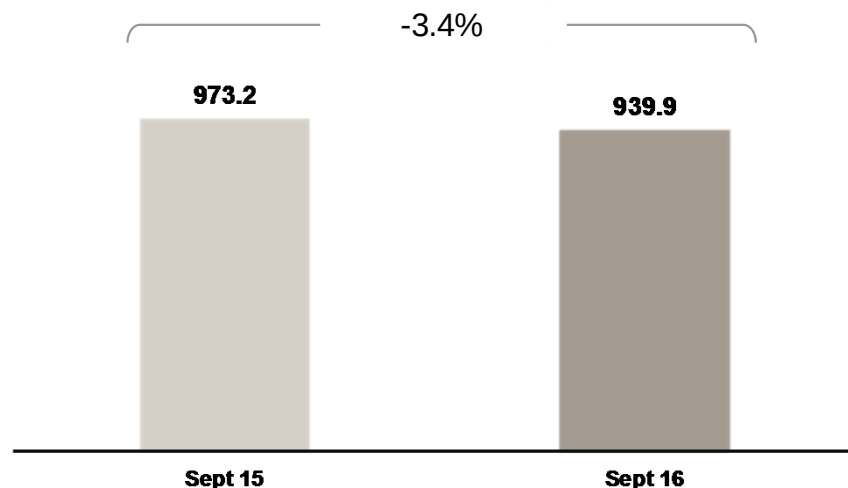
n.m.: Not meaningful

Trading gains excluding dividends (€/mn)



Operating costs

Operating Costs (€/mn)



- Operating costs down by 3.4% y/y. On ordinary basis, operating costs up by 1.8% y/y net of non-recurring items (54.3 €/mn of redundancy plan in 3Q15; 4.7 €/mn admin. expenses¹)
- Staff costs down by 8.6% y/y, but by broadly unchanged on a like-for-like basis
- Admin. expenses up by 5.9% y/y (+4.3% y/y net of non-recurring items)
 - running costs +2.7% y/y (+1.0% y/y net of non-recurring items)
 - Business Plan projects expenses up 58.8% y/y mainly due to higher advertising and advisory costs
- D&A up by 6.9% y/y (+3.6 €/mn) mainly due to investment expenses related to Business Plan projects

Operating costs breakdown (€/mn; %)

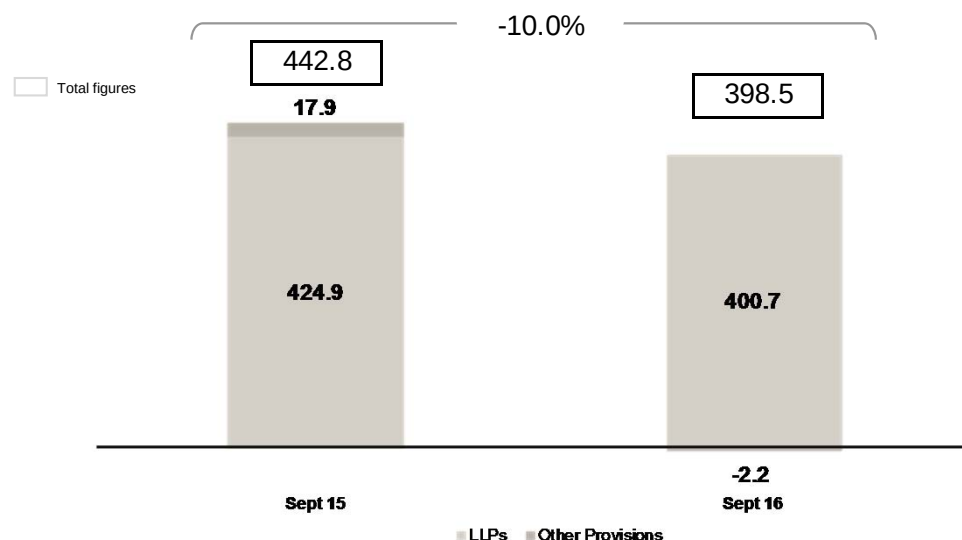
	Sept 16	Sept 15	Chg y/y (%)
Staff expenses	574.4	628.6	-8.6%
o/w redundancy plan		54.3	n.m.
Other administrative expenses	310.0	292.7	+5.9%
o/w non-recurring items	4.7		n.m.
D&A	55.5	51.9	+6.9%
Operating costs	939.9	973.2	-3.4%
Operating costs (net of redundancy plan and non-recurring items)	935.2	918.9	+1.8%

Other administrative expenses (€/mn; %)

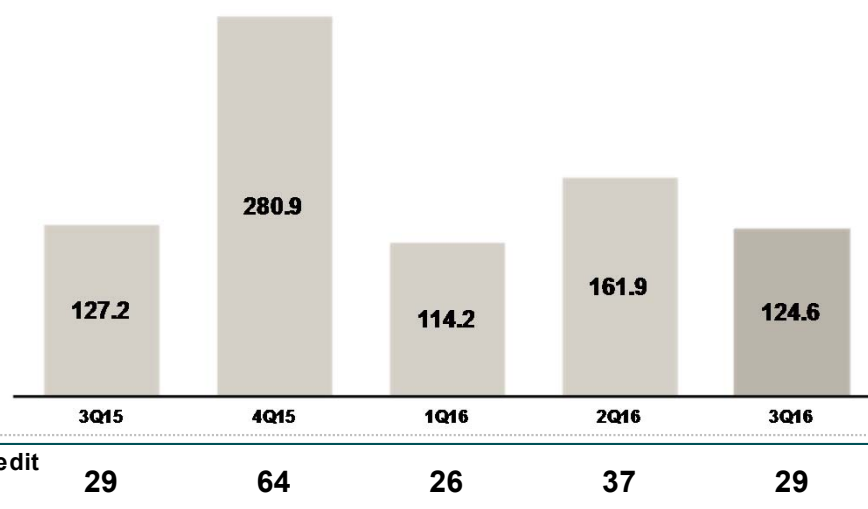
	Sept 16	Sept 15	Chg y/y (%)
Other Administrative expenses ("Running costs")	283.7	276.1	+2.7%
Business plan projects expenses	26.3	16.6	+58.8%
Other administrative expenses	310.0	292.7	+5.9%
Other admin. net of non-recurring items	305.3	292.7	+4.3%

Provisions, Net Provisions for Risks and Charges and Contribution to Funds

Provisions breakdown (€/mn)



Loan Loss Provisions evolution (€/mn)



- Total provisions down by 10.0% y/y (-44.3 €/mn y/y):
 - Loan Loss Provisions down by 5.7% y/y
- Cost of credit at 29 bps in 3Q16 and 122 bps annualised (130 bps annualised in 3Q15)
- Other provisions include a non-recurring write-back of 11.0 €/mn related to Interbank Deposit Guarantee Fund ("FITD-SV") for Banca Tercas accounted in 2Q16 (a new contribution to FITD-SV for a broadly equivalent amount was accounted in 2Q16¹)

Net Provisions for Risks and Charges (€/mn)

	Sept 16	Sept 15	Chg y/y (%)
Net Provisions for Risks and Charges ²	27.9	33.1	-15.7%

- Net provisions for Risks and Charges at 27.9 €/mn in 9M16 down by 15.7% y/y (-5.2 €/mn y/y)

Contribution to Funds (€/mn)

	Sept 16	Sept 15	Chg y/y (%)
Contribution to Funds ³	44.0	19.1	+130.3%
o/w SRF	15.1	10.6	+42.5%
o/w DGS	17.6	8.5	+107.1%
o/w FITD-SV for the rescue of Banca Tercas	11.3	n.m.	

Agenda

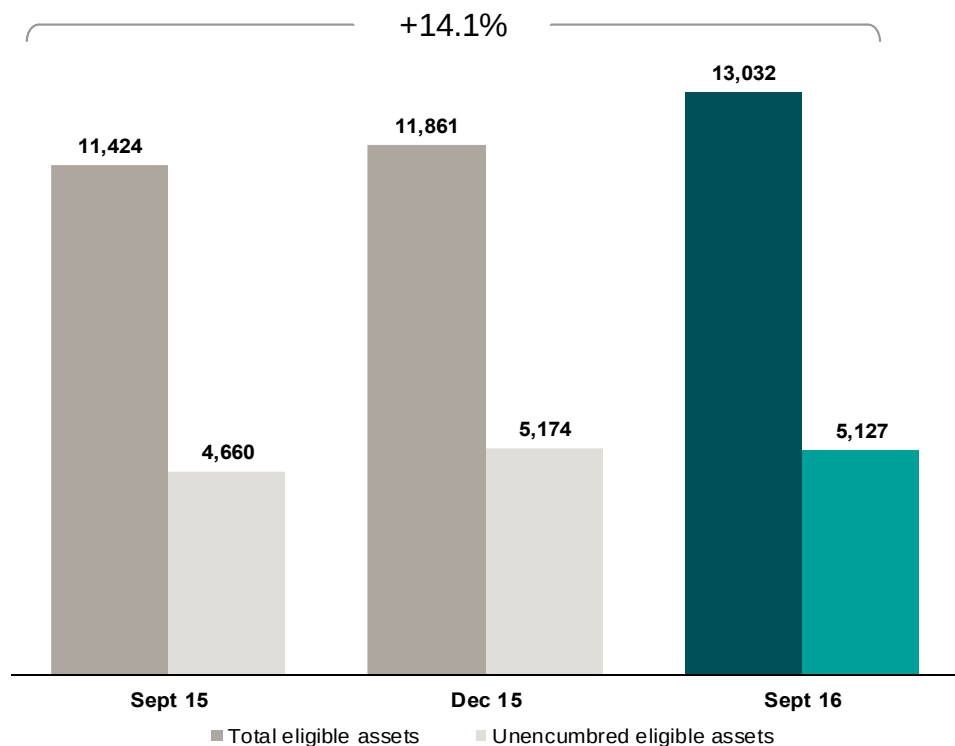
9M16 Results

- ☐ Executive summary
- ☐ Balance sheet structure
- ☐ Profit and loss
- ☒ Liquidity and capital adequacy
- ☐ Final remarks

Annexes

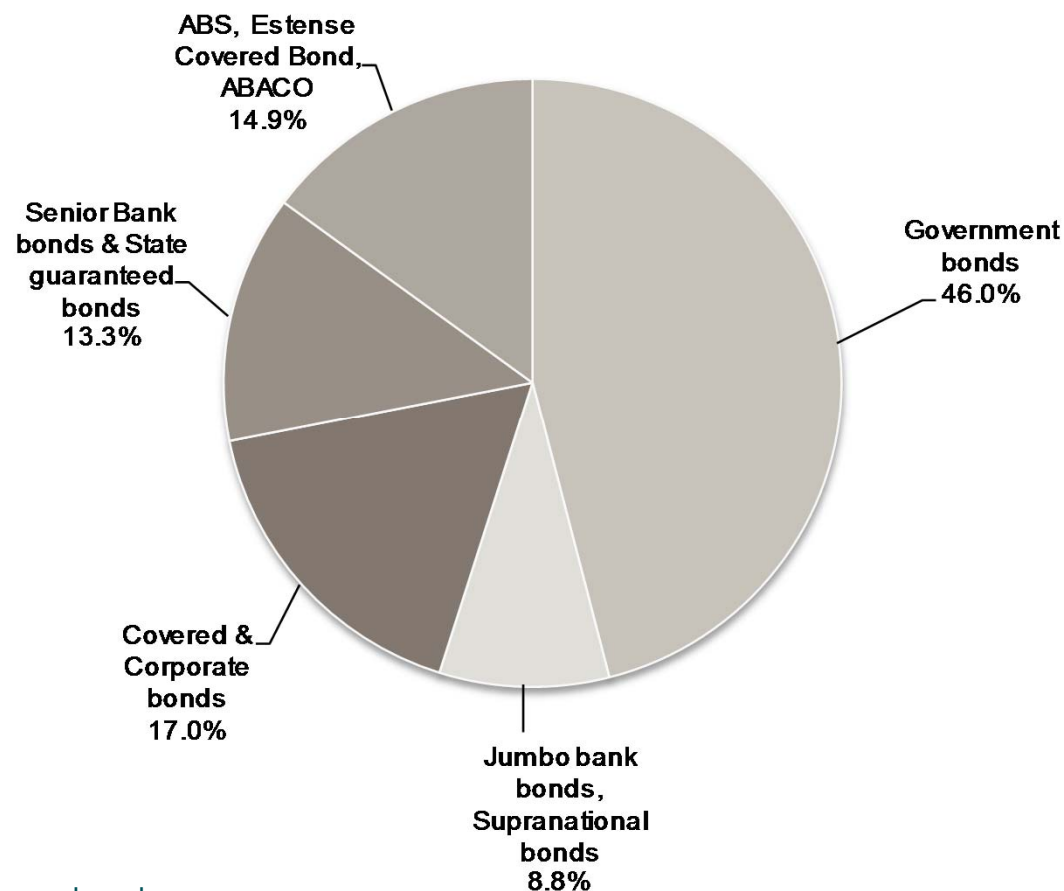
Eligible assets and counterbalancing capacity

Total eligible Assets evolution* (€/mn)



* Net of ECB haircuts

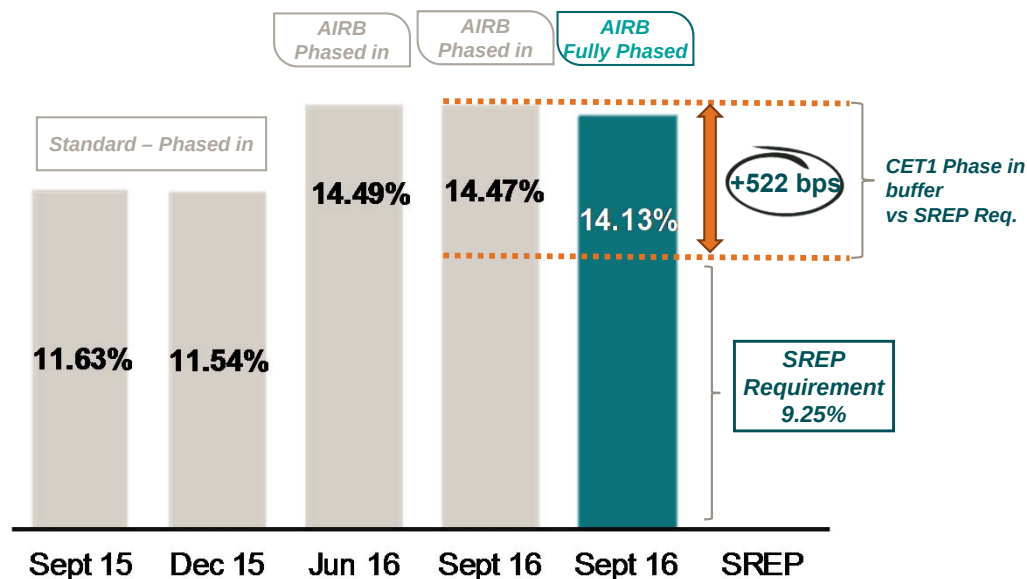
Eligible Assets Pool Composition (%)



- Counterbalancing capacity (“CBC”) as of Sept.’16 at 13 €/bn of which 5.1 €/bn unencumbered
- ECB exposure as of Sept.’16: 4.2 €/bn of which 4.0 €/bn TLTRO2 and 0.2 €/bn short-term repos
- New TLTRO2 announced by ECB on 10 March 2016 (new quarterly operations from June 2016 to March 2017): max amount to borrow of 9 €/bn

Basel 3 Phased in regulatory capital (AIRB)

B3 Common Equity Tier 1 Ratios (%) *



Regulatory capital & ratios

€/mn	B3 Phased in			
	Sept 16	Jun 16	Dec 15	Sept 15
	AIRB	AIRB	Standard	Standard
Common Equity TIER 1	4,583	4,563	4,629	4,718
TIER 1	4,611	4,581	4,671	4,756
Own Funds	5,061	5,049	5,134	5,318
Total RWA	31,675	31,488	40,102	40,613
Common Equity TIER 1 Ratio	14.5%	14.5%	11.5%	11.6%
TIER 1 Ratio	14.6%	14.6%	11.7%	11.7%
Total Capital Ratio	16.0%	16.0%	12.8%	13.1%

- Capital ratios as of 30 Sept.'16 under AIRB models:
 - CET1 ratios:
 - Phased in at 14.47% (14.49% in Jun.'16 under AIRB models and 11.54% in Dec.'15 under Standard models)
 - Fully Phased at 14.13% (14.13% in Jun.'16 and 11.21% in Dec.'15 under Standard models)
- Total Capital Ratio at 15.98% (16.04% in Jun.'16 and 12.80% in Dec.'15 under Standard models)
- Total RWA broadly flat vs Jun.'16 at 31.7 €/bn
- CET1 ratio includes the gM16 profit allocatable to equity of 62.7 €/mn (45.5 €/mn in Jun.'16; +17.2 €/mn or +6 bps q/q)
- Net regulatory AFS reserves at +180.9 €/mn in Sept.16 (+164.0 €/mn in Jun.'16)

Capital requirements

Requirements as of Sept. 16	€/mn	%
Credit risk	2,090.1	82.5%
Credit Valuation Adjustment (CVA)	29.8	1.2%
Market risk	58.5	2.3%
Operating risks	280.1	11.1%
Other regulatory requirements	75.5	3.0%
Total	2,534.0	100.0%

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9M16 Results

- ☐ Executive summary
- ☐ Balance sheet structure
- ☐ Profit and loss
- ☐ Liquidity and capital adequacy

☒ Final remarks

Annexes

Final remarks

- Strong solidity, large capital extra-buffer and low leverage:
 - **14.47%:** CET1 Phase in (14.13% Fully Phased¹⁾), best in class vs peers in Italy and one of the top in Europe
 - **522 bps (1.65 €/bn)** of excess capital above SREP (9.25%)
 - **7.1%:** B3 leverage ratio Phased in (6.9% Fully Phased), one of the best vs peers
- NPEs management strategy effectiveness and first good results: strong commitment to reduce bad loans stock further and improve recoveries, while maintaining high coverage
 - decline of gross bad loans by 2.0% and gross NPEs by 1.0% since Dec.'15, the first decrease since the beginning of the crisis thanks to *c. 500 €/mn "GBV"* disposals finalized in 3Q16
 - NPEs inflows from performing loans down by 8.4% since Dec.'15 and down by 25.6% since Dec.'14
 - Coverage ratios still high at 43.7% (NPES) and 57.4% (bad loans) only marginally impacted by bad loans disposals
- Positive and resilient profitability in spite of difficult economic and market environment with a net profit over 100 €/mn in 9M16
- EGM for the transformation into joint-stock company called on 26th November

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9M16 Results

- ☐ Executive summary
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- ☐ Final remarks

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Profit & Loss: main non-recurring and other items

	Item	Caption	€/mn	Description
2016	Non-recurring items			
	2Q16	Trading (Caption 100-b)	+30.2	Total capital gain from VISA Europe disposal
	3Q16	Trading (Caption 100-b)	+2.7	Capital gain from VISA Europe disposal
		Total Plus	+32.9	
	Other items			
	1Q16	Administrative expense (Caption 180-b)	-15.1	Ordinary contribution to the Single Resolution Fund ("SRF")
	2Q16	Administrative expense (Caption 180-b)	-11.3	Contribution to Interbank Deposit Guarantee Fund Voluntary Scheme ("FITD-SV") for the rescue of Banca Tercas
		Net adjustments to loans (Caption 130-d)	+11.0	Write-back from Interbank Deposit Guarantee Fund Voluntary Scheme ("FITD-SV") for the rescue of Banca Tercas
	3Q16	Administrative expense (Caption 180-b)	-17.6	Ordinary contribution to the Deposits Guarantee Schemes ("DGS")
		Total Plus	+11.0	
			Total Minus	-44.1
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 gain 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
		Administrative 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	
	Other 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)*

€/mn	Sept 16	Jun 16	Mar 16	Dec 15	Sept 15	Chg vs Dec '15 (%)
Customer Loans	43,630	43,990	44,048	43,703	43,450	-0.2%
Securities Portfolio	13,370	13,014	12,158	11,563	11,838	+15.6%
<i>of which AFS</i>	10,009	9,511	8,657	8,022	8,346	+24.8%
Equity Investments, Properties & Intangibles	1,891	1,866	1,883	1,871	1,696	+1.0%
Other current assets	2,618	2,535	2,352	3,037	2,386	-13.8%
Total Assets	61,509	61,405	60,441	60,174	59,370	+2.2%

* Total Assets shown as net of loans to banks

Liabilities & Shareholders' equity (€/mn)*

€/mn	Sept 16	Jun 16	Mar 16	Dec 15	Sept 15	Chg vs Dec '15 (%)
Customer Deposits	45,574	45,665	46,424	47,256	46,174	-3.6%
Net Interbank Position	7,229	7,041	5,531	4,436	4,439	+63.0%
Other Funds & Liabilities	2,988	3,037	2,782	2,830	3,040	+5.6%
Shareholders' equity	5,718	5,662	5,704	5,652	5,717	+1.2%
Total Liabilities	61,509	61,405	60,441	60,174	59,370	+2.2%

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

Customer loans: portfolio composition

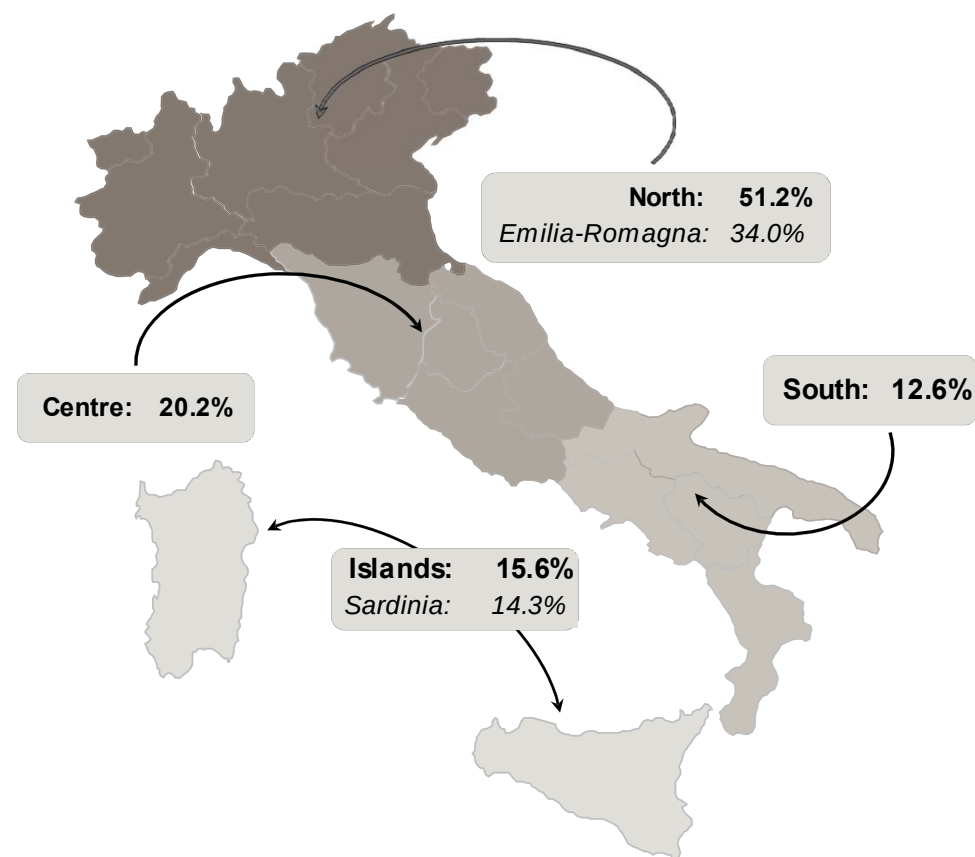
Customer loans breakdown by sectors (€/mn ; %)

Business sector	Sept 16	% on Total	Δ % vs Dec 15
Manufacturing	6,540	15.0%	-5.2%
Wholesale and retail services, recoveries and repairs	4,983	11.4%	-1.7%
Constructions	4,018	9.2%	-9.5%
Real Estate	3,370	7.7%	+2.5%
HORECA*	1,501	3.4%	-6.3%
Agriculture, forestry and fishing	1,248	2.9%	-1.6%
Other	5,521	12.7%	+8.2%
Total loans to resident non-financial businesses	27,180	62.3%	-1.8%
Non-resident, non-financial companies	116	0.3%	-14.2%
Total loans to non-financial businesses	27,296	62.6%	-1.8%
Households	11,256	25.8%	+2.8%
Total loans to financial businesses	5,079	11.6%	+2.5%
Total Customers Loans	43,630	100.0%	-0.2%

Figures as per ATECO business sector definitions (ISTAT)

* Hotel, Restaurant & Caf   (HORECA)

Customer loans breakdown by geographical distribution* (%)



Figures from data management system

*Commercial banks + Sarda Leasing

Asset quality breakdown

Gross exposures (€/mn)	Sept 16		Jun 16		Mar 16		Dec 15		Sept 15		Chg 30/9 - 31/12
	A	%	B	%	C	%	D	%	E	%	Abs. Chg (%)
Non Performing Exposures (NPEs)	11,277	23.1%	11,625	23.5%	11,532	23.4%	11,395	23.3%	11,385	23.5%	-118 -1.0%
<i>Bad loans</i>	6,963	14.3%	7,398	15.0%	7,277	14.7%	7,109	14.5%	6,870	14.2%	-146 -2.0%
<i>Unlikely to pay loans</i>	4,103	8.4%	4,031	8.2%	4,046	8.2%	4,002	8.2%	4,165	8.6%	101 +2.5%
<i>Past due loans</i>	211	0.4%	196	0.4%	209	0.4%	284	0.6%	350	0.7%	-73 -25.9%
Gross performing loans	37,459	76.9%	37,797	76.5%	37,855	76.6%	37,548	76.7%	37,063	76.5%	-89 -0.2%
Total gross exposures	48,736	100.0%	49,422	100.0%	49,387	100.0%	48,943	100.0%	48,448	100.0%	-207 -0.4%
Adjustments to loans (€/mn)	Sept 16		Jun 16		Mar 16		Dec 15		Sept 15		Chg 30/9 - 31/12
	A	coverage (%)	B	coverage (%)	C	coverage (%)	D	coverage (%)	E	coverage (%)	Abs. Chg (%)
Adjustments to NPEs	4,926	43.7%	5,234	45.0%	5,143	44.6%	5,039	44.2%	4,794	42.1%	-113 -2.3%
<i>Bad loans</i>	3,996	57.4%	4,327	58.5%	4,231	58.1%	4,135	58.2%	3,903	56.8%	-139 -3.4%
<i>Unlikely to pay loans</i>	912	22.2%	891	22.1%	893	22.1%	876	21.9%	864	20.7%	36 +4.2%
<i>Past due loans</i>	18	8.6%	16	8.2%	19	9.1%	28	10.0%	27	7.8%	-10 -36.2%
Adjustments to performing loans	180	0.5%	198	0.5%	196	0.5%	201	0.5%	204	0.6%	-21 -10.4%
Total adjustments	5,106	10.5%	5,432	11.0%	5,339	10.8%	5,240	10.7%	4,998	10.3%	-134 -2.6%
Net exposures (€/mn)	Sept 16		Jun 16		Mar 16		Dec 15		Sept 15		Chg 30/9 - 31/12
	A	%	B	%	C	%	D	%	E	%	Abs. Chg (%)
Non Performing Exposures (NPEs)	6,351	14.6%	6,391	14.5%	6,389	14.5%	6,356	14.5%	6,591	15.2%	-5 -0.1%
<i>Bad loans</i>	2,967	6.8%	3,071	7.0%	3,046	6.9%	2,974	6.8%	2,967	6.8%	-7 -0.2%
<i>Unlikely to pay loans</i>	3,191	7.3%	3,140	7.1%	3,153	7.2%	3,126	7.2%	3,301	7.6%	65 +2.0%
<i>Past due loans</i>	193	0.4%	180	0.4%	190	0.4%	256	0.6%	323	0.7%	-63 -24.7%
Net performing loans	37,279	85.4%	37,599	85.5%	37,659	85.5%	37,347	85.5%	36,859	84.8%	-68 -0.2%
Total net exposures	43,630	100.0%	43,990	100.0%	44,048	100.0%	43,703	100.0%	43,450	100.0%	-73 -0.2%

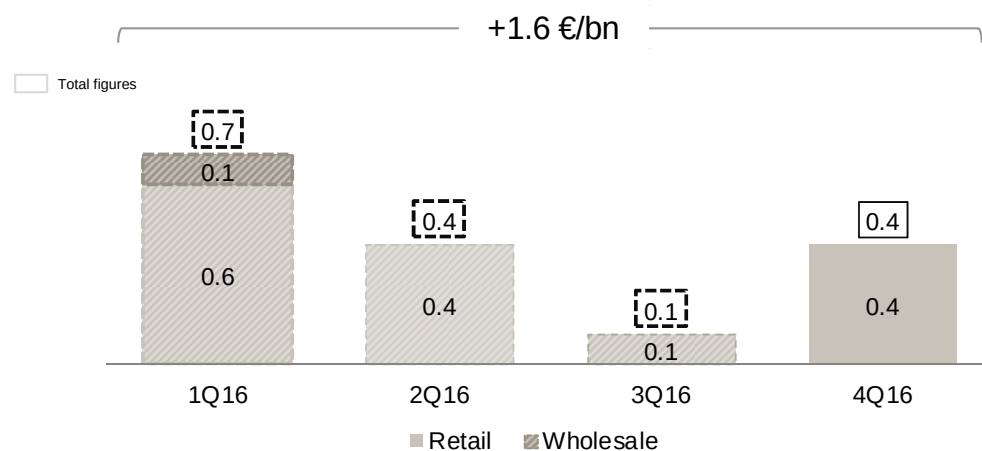
3Q16: bad loans disposal for c. 500 €/mn GBV

Bonds maturities and issues details

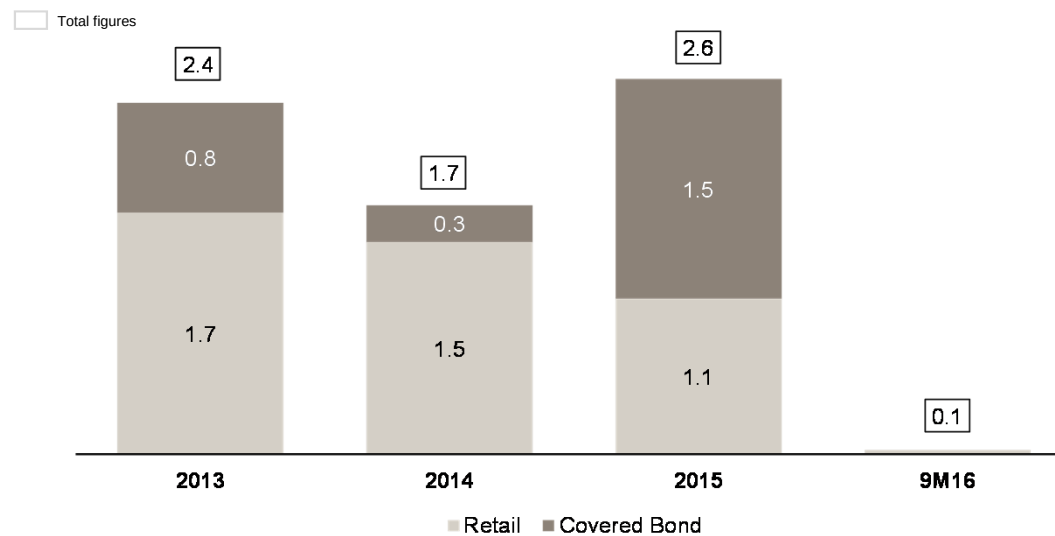
Bonds stock (€/bn)

	Sept 16	Dec 15	Sept 15	Chg q/q (%)	Chg y/y (%)
Wholesale bonds	2.7	2.7	2.7	+0.0%	+0.0%
<i>o/w covered bonds</i>	2.5	2.5	2.5	+0.0%	+0.0%
<i>o/w subordinated bonds</i>	0.2	0.2	0.2	+0.0%	+0.0%
Retail bonds	3.7	5.0	5.4	-26.0%	-31.5%
<i>o/w subordinated bonds</i>	0.5	0.6	0.7	-16.7%	-28.6%
Total bonds	6.4	7.7	8.1	-16.9%	-21.0%

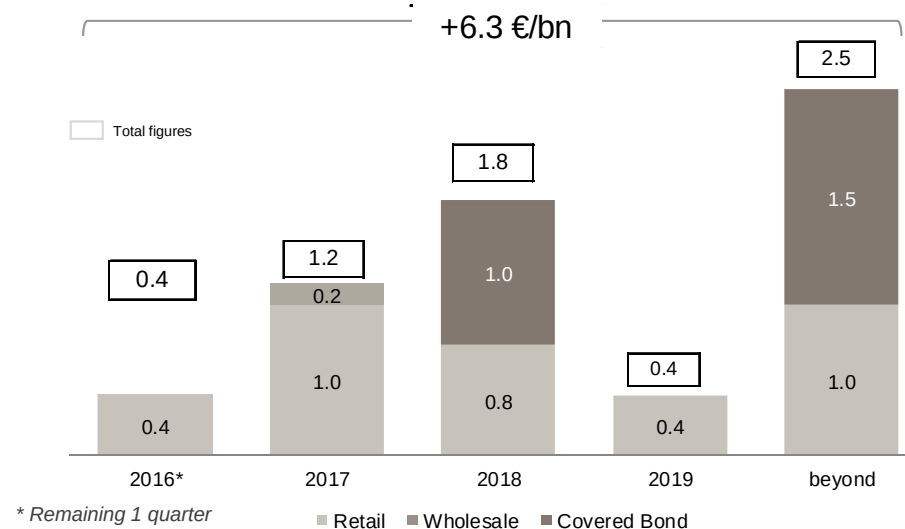
2016 Bonds maturities (€/bn)



Bonds issues (€/bn)



Bonds maturities breakdown (€/bn)

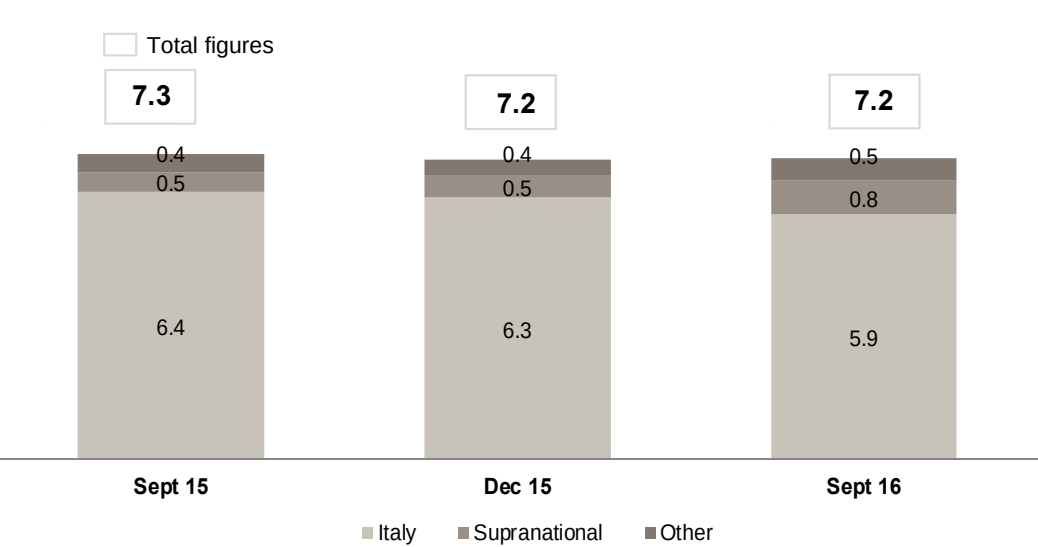


* Remaining 1 quarter

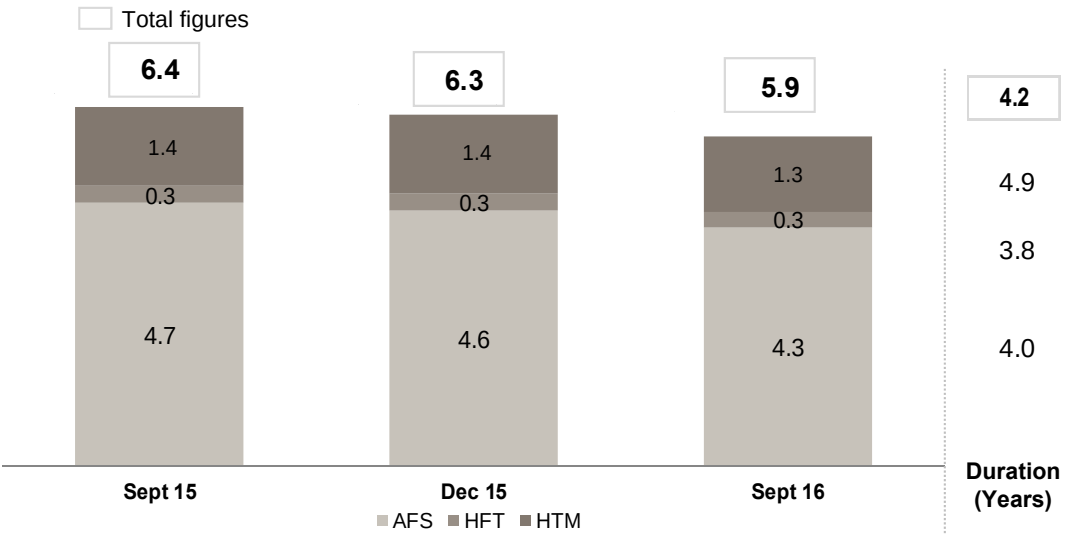
■ Retail ■ Wholesale ■ Covered Bond

Financial Assets details

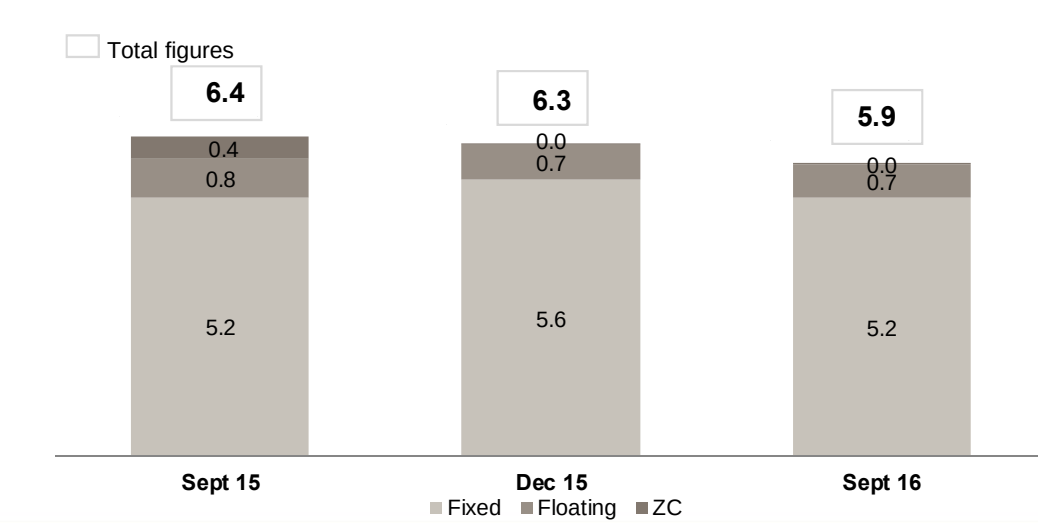
Govies & Supranational PTF by issuing country (€/bn)



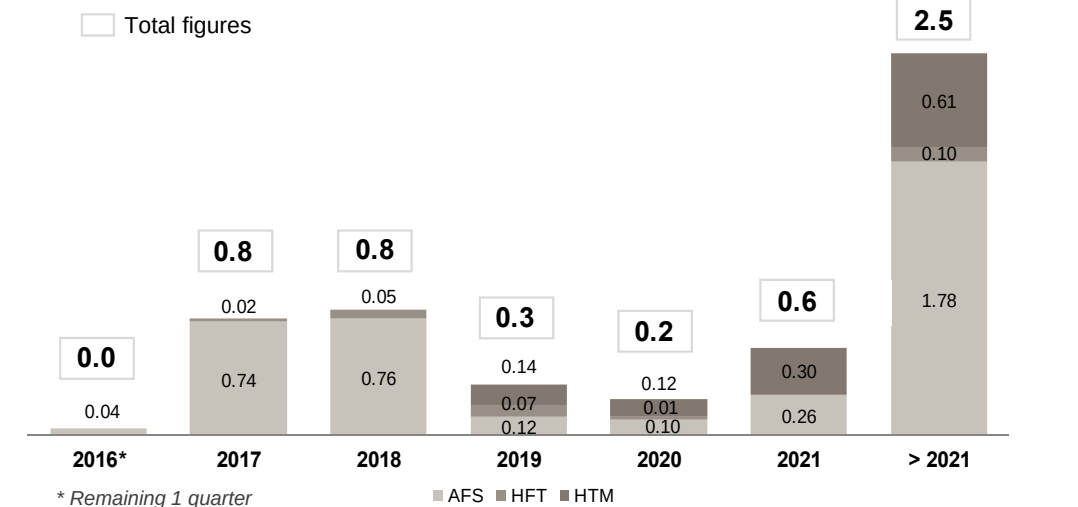
Italian Govies PTF by accounting valuation (€/bn)



Italian Govies PTF by coupon (€/bn)



Italian Govies PTF Maturities¹ (€/bn)



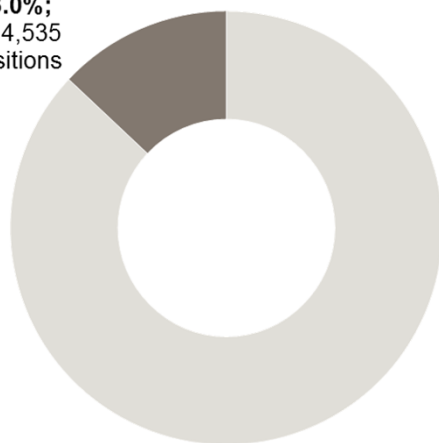
(1) figures are shown as per nominal values

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

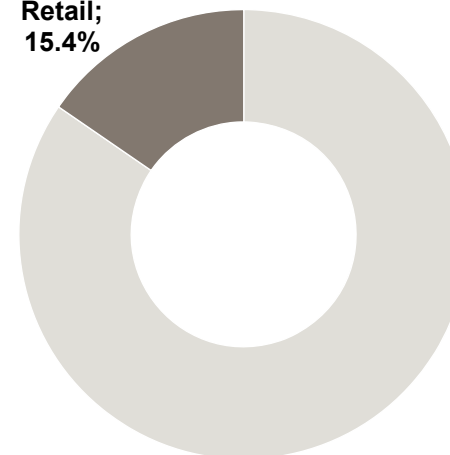
Unsecured
13.0%;
14,535
positions



Secured
87.0%;
478
positions

Corporate/Retail (%)

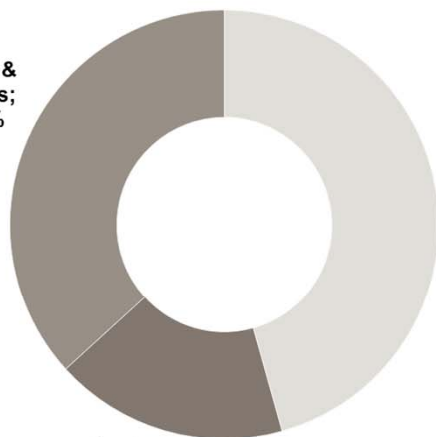
Retail;
15.4%



Corporate;
84.6%

Geographical breakdown : Italy (%)

South &
Islands;
36.8%

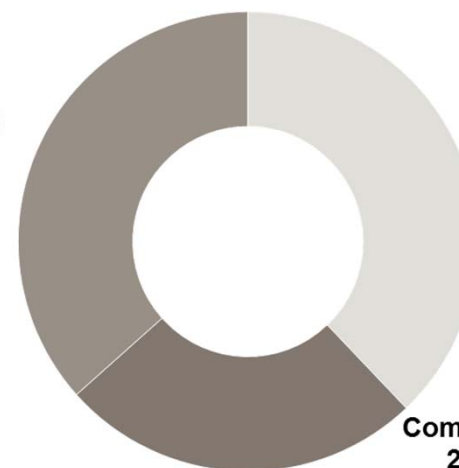


North;
45.7%

Centre;
17.6%

Portfolio secured: collateral breakdown (%)

Other;
36.6%



Residential;
37.9%

Commercial;
25.5%

Performance ratios

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

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

<i>Financial ratios</i>	30.09.2016	2015 (*)
Own Funds (Phased in)		
Common Equity Tier 1 (CET1)	4,583,057	4,629,088 ⁽⁵⁾
Own Funds	5,060,931	5,133,802
Risk-weighted assets (RWA)	31,674,948	40,101,688
Capital and liquidity ratios		
Common Equity Ratio (CET1 Ratio) - Phased in	14.47%	11.54% ⁽⁶⁾
Tier 1 Ratio (T1 Ratio) - Phased in	14.56%	11.65%
Total Capital Ratio (TC Ratio) - Phased in	15.98%	12.80%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Phased	14.13%	11.21%
Leverage Ratio - Phased in	7.1%	7.1% ⁽⁷⁾
Leverage Ratio - Fully Phased	6.9%	6.9% ⁽⁸⁾
Liquidity Coverage Ratio (LCR)	123.4%	136.1%
Net Stable Funding Ratio (NSFR)	n.a.	110.9% ⁽⁹⁾
Non-financial ratios		
Productivity ratios (in thousands of Euro)		
direct deposits per employee	3,988.59	4,128.22
loans and advances to customers per employee	3,818.50	3,817.82
assets managed per employee	1,371.46	1,286.45
assets administered per employee	1,503.90	1,366.99
core revenues per employee	123.32	127.89 ⁽¹⁰⁾
net interest and other banking income per employee	132.02	136.30
operating costs per employee	84.56	86.45

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

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

(3) The cost/income Ratio has been calculated on the basis of the layout of the reclassified income statement (operating expenses/operating income); when calculated on the basis of the layouts provided by Circular no. 262 of the Bank of Italy the cost/income ratio is at 64.05% (63.43% as at 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), having already included for regulatory purposes (as authorised by the ECB) the portion of net profit realised in the first half of the year that could be allocated to equity.

(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%, (106 % as at 30 June 2016 and 110.9% as at 31 December 2015)

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

Annex – 3Q16 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 88,689 thousand at 30 September 2016 and Euro 93,431 thousand at 30 September 2015);
- "Net adjustments to property, plant and equipment and intangible assets" include captions 200 and 210 in the standard reporting format;
- "Net impairment adjustments to AFS and HTM financial assets" includes captions 130 b) and 130 c) in the reporting format;
- "Gains (losses) on equity investments, disposal of investments and adjustments to goodwill" include captions 240, 260 and 270 in the reporting format;
- "Contributions to the DGS, SRF and FITD funds" has been shown separately from the specific accounting technical forms to give a better and clearer representation, as well as to leave the "Other administrative costs" as a better reflection of the trend in the Group's operating costs. In particular, at 30 September 2016, this caption represents the component allocated for accounting purposes to administrative costs in relation to:
 - o the 2016 contribution to the SRF (European Single Resolution Fund) of Euro 15,090 thousand;
 - o the 2016 contribution to the DGS (Deposit Guarantee Schemes) of Euro 17,621 thousand, representing the amount requested from the Luxembourg subsidiary for the first half of the year (Euro 14 thousand) and an estimate of the amount that will be requested from Italian banks by the end of the year (Euro 17,607 thousand);
 - o the contribution to the FITD-SV (Voluntary Scheme) for the intervention on behalf of Banca Tercas for Euro 11,298 thousand.

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

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

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