

BPER:

Gruppo

1Q18 consolidated results

Alessandro Vandelli - Chief Executive Officer

8 May 2018

Disclaimer

METHODOLOGICAL NOTE The entry into force of the new international financial reporting standard IFRS 9 from 1 January 2018, first-time application of which took place under the transition rules, and the recent update of Bank of Italy Circular 262, which revised, among other things, the separate and consolidated financial statement schedules in order to implement the new standard, have led to inconsistencies in the figures compared with the previous year. It is also worth reiterating that 2017 for the BPER Group featured a change in the scope of consolidation following the acquisition of 100% of Nuova Carife, which was completed on 30 June 2017; this entity was subsequently absorbed by the parent company BPER Banca on 20 November 2017. In this context, in order to allow a comparison of the figures in the income statement as homogeneous as possible with respect to the previous year, the figures are shown on a consolidated basis as at 31 March 2018, estimating their values according to the previous rules, with the best approximation possible. It should also be noted that as a result of the acquisition of Nuova Carife, these figures are comparable with the same scope of consolidation only for the third and fourth quarters of 2017, which already included their effects. On the other hand, the consolidated balance sheet at 31 December 2017 was recalculated as of 1 January 2018 and restated according to the new schedules in line with the new IFRS 9 classification, thereby becoming directly comparable with the balance sheet figures as at 31 March 2018. The figures subject to these interventions are specifically defined, in the context of this document, as pro-forma and/or pro-formatted.

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The Manager responsible for preparing the Company’s financial reports, Marco Bonfatti, declares, in accordance with art. 154-bis, para. 2, of 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.

Marco Bonfatti

Manager responsible for preparing the Company's financial reports

BPER Banca S.p.A., Bank with head office in Modena Via San Carlo, 8/20 - VAT number and Business Register no. 01153230360 - Share capital fully subscribed and paid in, amounts to Euro 1,443,925,305 and is represented by 481,308,435 registered ordinary shares- 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 BPER Banca Group - Registered in the Register of Banking group with code 5387.6, bper@pec.gruppobper.it - bper.it - gruppobper.it

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☐ NPE Strategy 2018-2020: update

☐ Balance sheet structure

☐ Profit and loss

☐ Liquidity and capital adequacy

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Executive summary

1Q18 Net profit of 251.0 €/mn

- ❑ The best quarter in the history of the Group
- ❑ Net operating income at 325.9 €/mn supported by a very positive trend of net commissions and trading income (mainly thanks to realized gains on bonds)
- ❑ Cost of credit strongly down to 22 bps annualized (112 bps in 2017)

CET1 ratio Phase In at 14.6%

- ❑ Sound capital position with a very large buffer vs minimum regulatory requirement (*SREP 2018* at 8.125%)
- ❑ CET1 ratio Fully phased at 11.7% as of 31 Mar.'18

NPE ratio down to 19.3% - coverage at the highest levels in Italy after IFRS9 FTA

- ❑ NPE portfolio of 6.4 €/bn selected for potential disposal according to IFRS9 FTA
 - Additional provisions required for a total amount exceeding 1.1 €/bn to increase coverage
 - NPE coverage at 57.4%; Bad loans coverage at 66.5%; Unlikely to Pay coverage at 39.9%
- ❑ NPE Strategy 2018-2020 more ambitious target: NPE gross ratio at 11.5% in 2020 and below 10.0% in 2021

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NPE Strategy 2018-2020¹: 3 main pillars

1

Additional provisions

> 1.1 €/bn

- ✓ NPE portfolio selected for potential disposal for a gross amount of 6.4 €/bn, representing 2/3 of the total NPE portfolio
- ✓ The net values of this portfolio were aligned with those achievable in a probable disposal scenario, along with IFRS9 introduction from 1 January 2018
- ✓ This action required additional provisions for a total amount exceeding 1.1 €/bn, facilitating the alignment of coverage at the highest levels of the Italian banking system

2

Bad loans disposals

3.5/4.0 €/bn

- ✓ Bad loans disposal expected for c. 3.5/4.0 €/bn in the period 2018-2020, of which bad loans securitization transactions:
 - c.1.0 €/bn - Banco di Sardegna closing expected by 1H18
 - c. 2.0 €/bn - BPER Banca closing expected by the end of 2018

3

Internal NPE workout

c. 1.0 €/bn

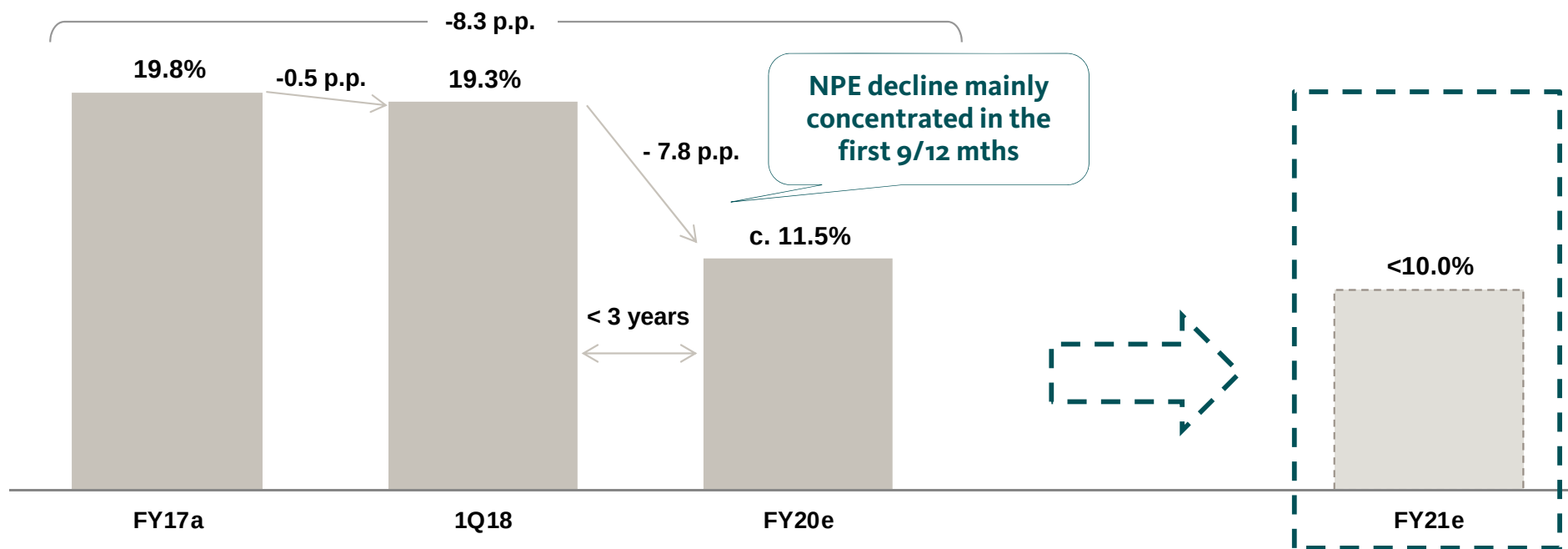
- ✓ Strong improvement in default and cure rates via optimisation of the performing loans quality and the NPE management processes within Group's Credit and Business Areas
- ✓ Further bad loans segmentation and workout strategies related to the closure procedures for the Bad Loan portfolio, while increasing the extrajudicial transactions relative to current levels
- ✓ Increasing write-off activity

Work in Progress

NPE Strategy 2018-2020¹ update: gross NPE ratio target at 11.5% for 2020

Board of Directors has decided to accelerate the NPE reduction already clearly visible from ongoing dynamics

Gross NPE ratio trend and target (%)



Targets 2020 (estimates)

1

CET1 ratio
Fully phased

> 12%

2

NPE reduction
(gross)

c. - 42% vs FY17

3

Gross and Net
NPE ratios

11.5% / 5.4%

4

NPE coverage

c. 57%

5

Cost of risk

< 60 bps

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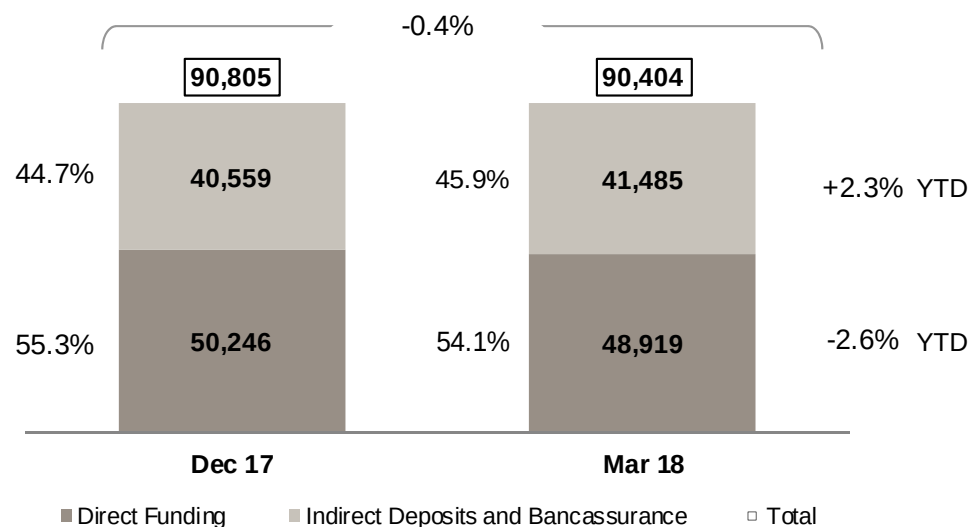
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Switch in favour of AuM and Bancassurance continues

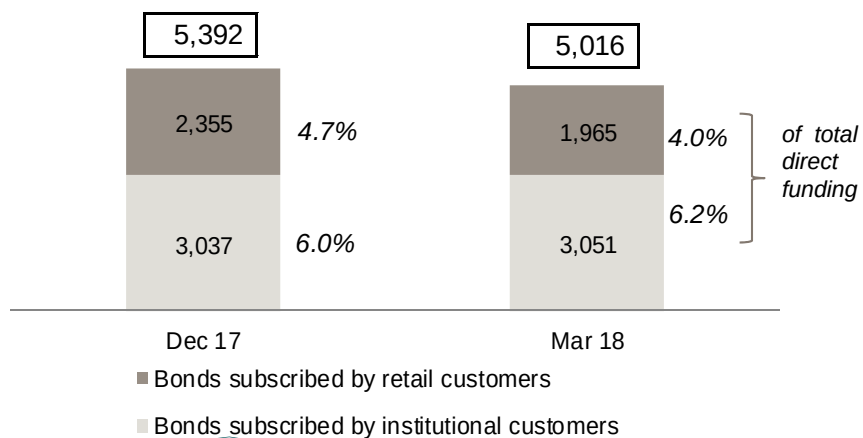
Total Funding (€/mn)



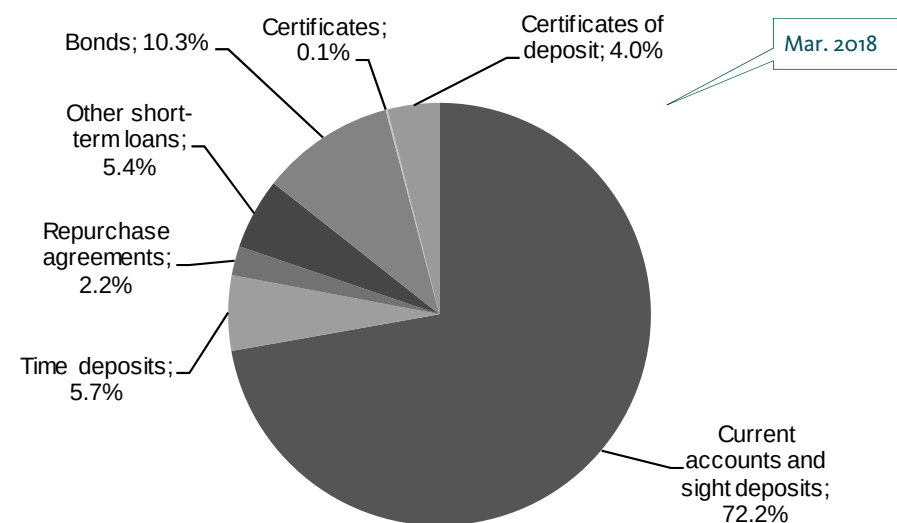
Direct Funding breakdown (%)

€/mn	Dec 17	Mar 18	Chg (%)
Current accounts and sight deposits	35,286	35,328	+0.1%
Time deposits	2,456	2,812	+14.5%
Repurchase agreements	2,149	1,094	-49.1%
Other short-term loans	2,804	2,666	-4.9%
Bonds	5,392	5,016	-7.0%
Certificates	70	66	-6.0%
Certificates of deposit	2,091	1,938	-7.3%
Direct customer deposits	50,246	48,919	-2.6%

Direct funding: bonds

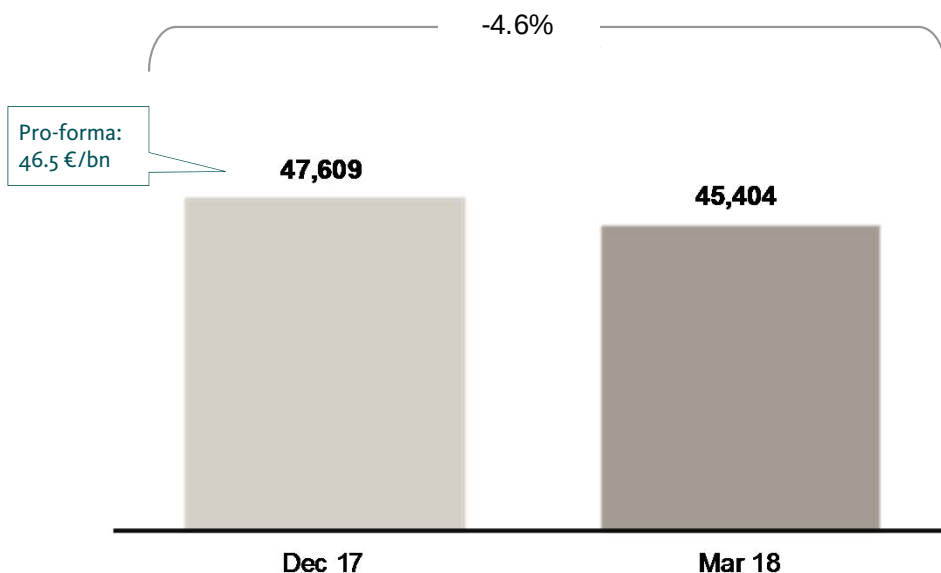


New Tier 2 10NC5 issued in May'17 for a benchmark size of 500 €/mn and a coupon of 5.125%



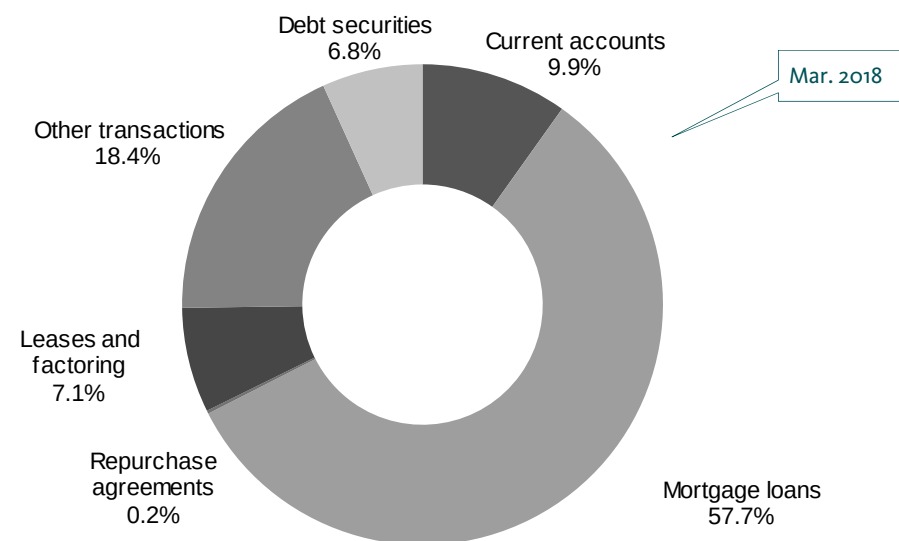
Net customer loans down mainly due to coverage increase and seasonality

Customer loans (€/mn)



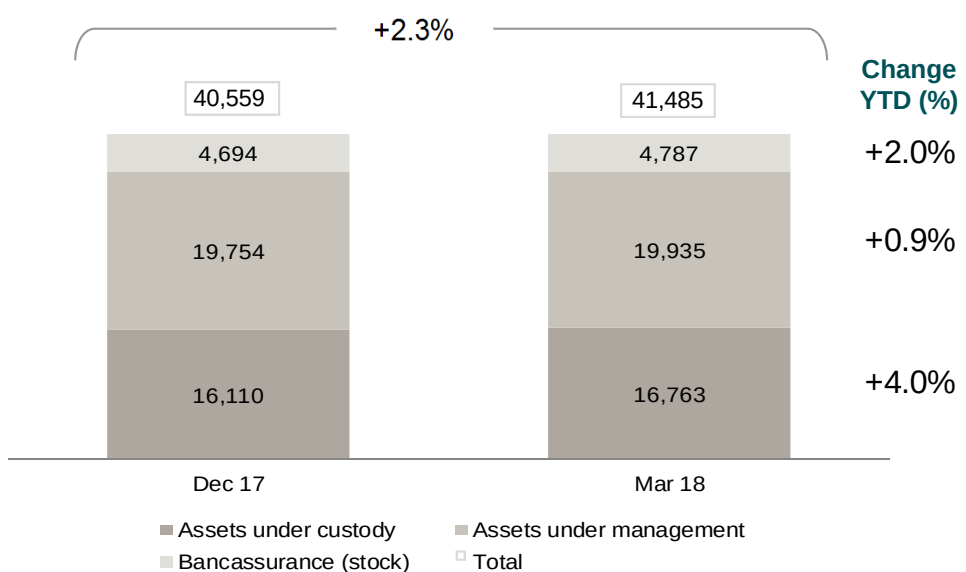
Customer loans breakdown (net figures; €/mn)

	Dec 17	Mar 18	Chg (%)
Current accounts	5,151	4,800	-6.8%
Mortgage loans	28,784	28,081	-2.4%
Repurchase agreements	0	103	n.m.
Leases and factoring	3,623	3,440	-5.0%
Other transactions	10,051	8,980	-10.7%
Net loans to customers	47,609	45,404	-4.6%
Debt securities	747	3,302	342.2%
Net loans to customers (40 b)	48,356	48,705	0.7%

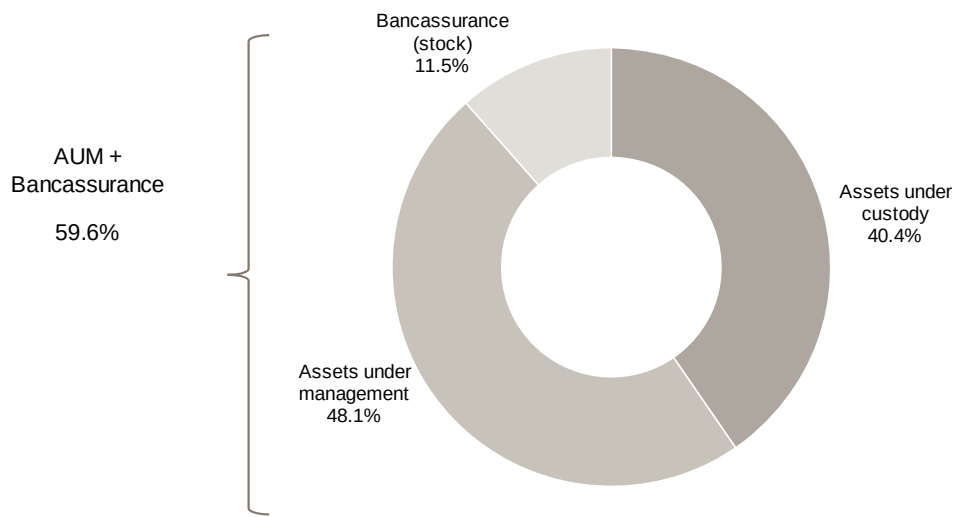


AuM and Bancassurance¹ stocks up and AuM net inflows still sound in 1Q18

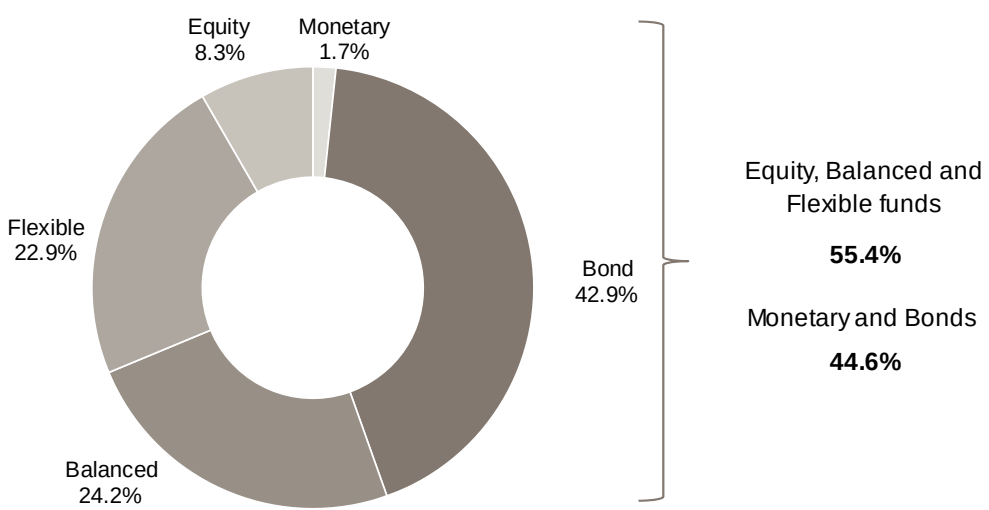
Indirect Deposits and Bancassurance¹ (€/mn)



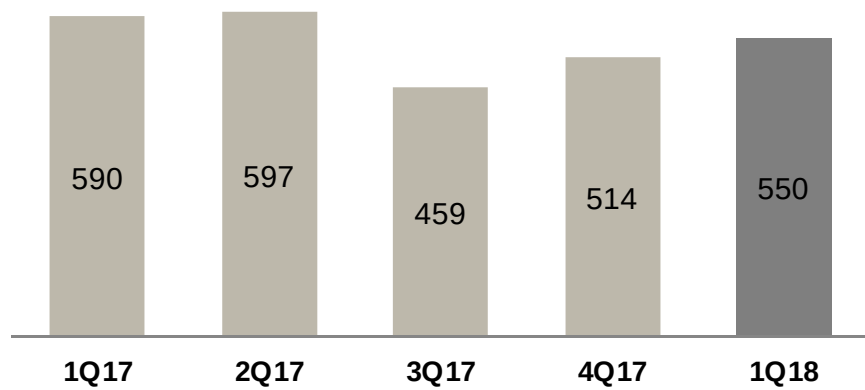
Indirect Deposits and Bancassurance¹ composition (%)



AuM composition² (%)

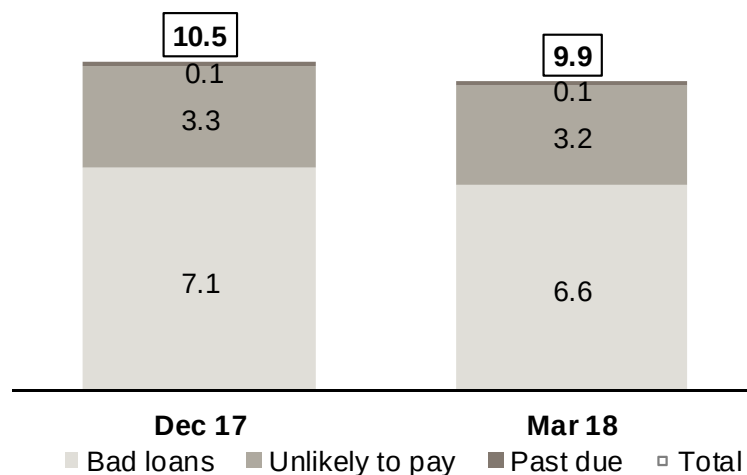


AuM net inflows² (€/mn)

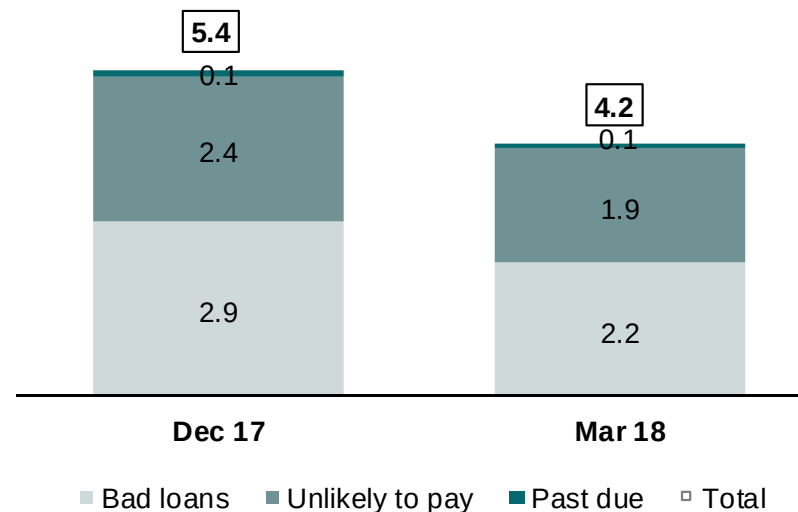


Gross NPE ratio further decline and coverage at the highest levels in Italy

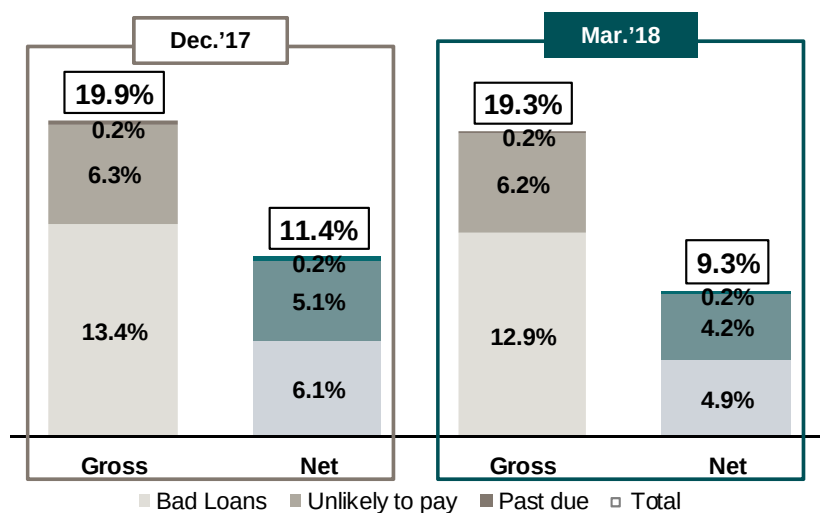
Gross NPE (€/mn)



Net NPE (€/mn)



Gross and Net NPE (% on total loans)

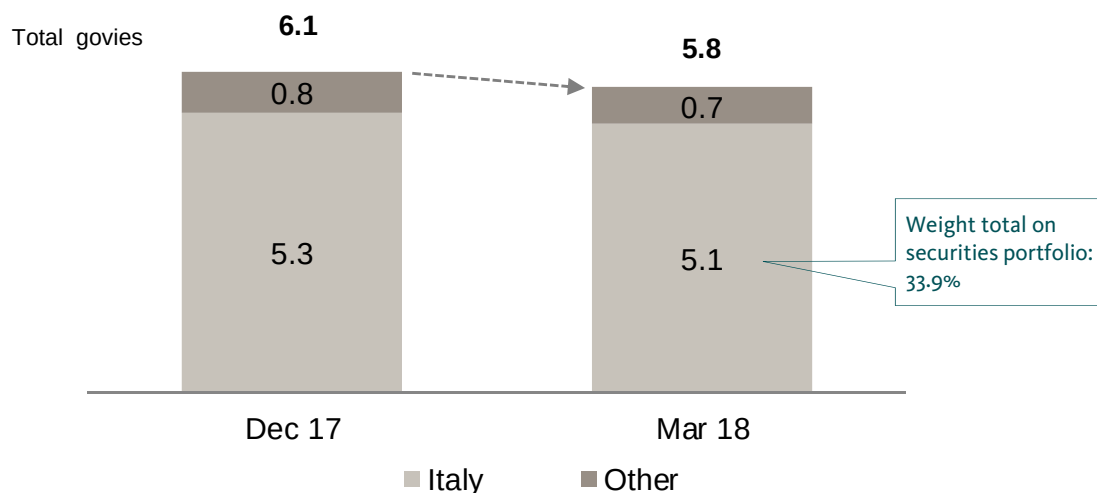


Cash coverage ratios (%)

	Dec 17	Mar 18
Bad loans ("Sofferenze")	59.3%	66.5%
including write-off	63.7%	70.3%
Unlikely to pay	27.2%	39.9%
Past due	10.6%	13.3%
NPE	48.7%	57.4%
including write-off	52.6%	60.7%
Performing exposures	0.5%	0.5%
Total crediti	10.1%	11.4%

Financial Assets portfolio re-mix with the reduction of Italian govies weight

Government bond portfolio (€/bn)



Financial Assets breakdown (€/mn; %)

	€/mn	FV (P&L)	FVOCI	AC	Total	% on total
Bonds		628	9,570	4,038	14,236	94.0%
Equity		145	291		436	2.9%
Funds and Sicav		351			351	2.3%
Other*		122			122	0.8%
Total		1,246	9,861	4,038	15,145	100.0%
Total as of						
31.12.2017		1,327	13,395	940	15,662	
Chg YTD (%)		-6.1%	-26.4%	+329.6%	-3.3%	

Bond PTF duration⁽¹⁾: 2.8y in Mar.'18 (2.2y in Dec.'17)

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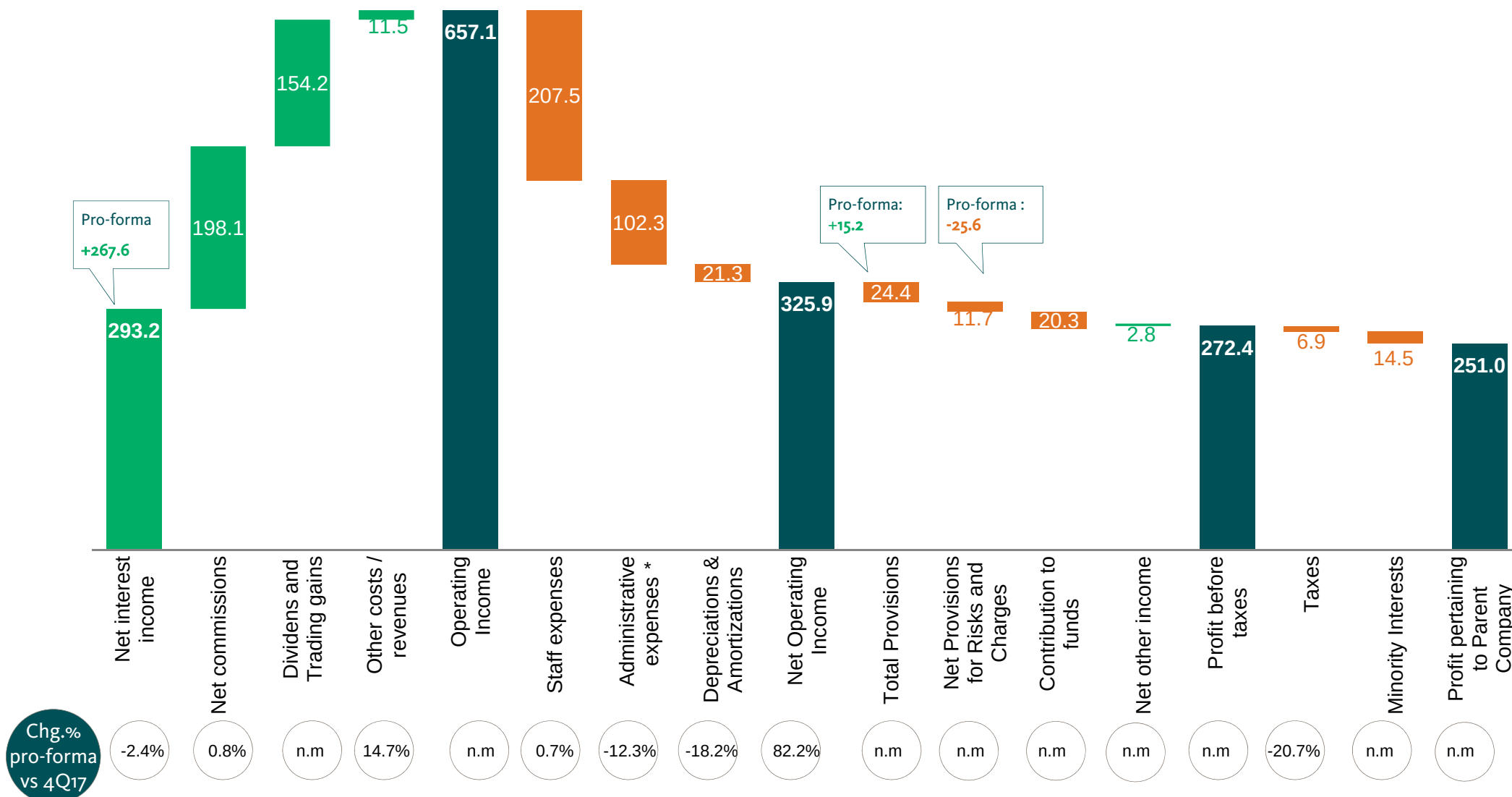
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1Q18 Net profit of 251.0 €/mn, the best quarter in the history of the Group

1Q18 Reclassified consolidated Profit & Loss (€/mn) IFRS9



See methodological note in the disclaimer and annexes for pro-forma description

Following application of the 5th update of Bank of Italy Circular 262/2005, the value of this item at 31 March 2018 includes € 29.1 million relating to interest on the time value of money on non-performing loans, which in the comparative period were included under "Impairment adjustments to loans". Furthermore, the application of the same Circular envisages not to include in this caption a portion of the interest on exposures classified as non-performing relating to loans to customers which for the period amounted to € 3.5 million. See methodological note in the disclaimer for pro-forma description.

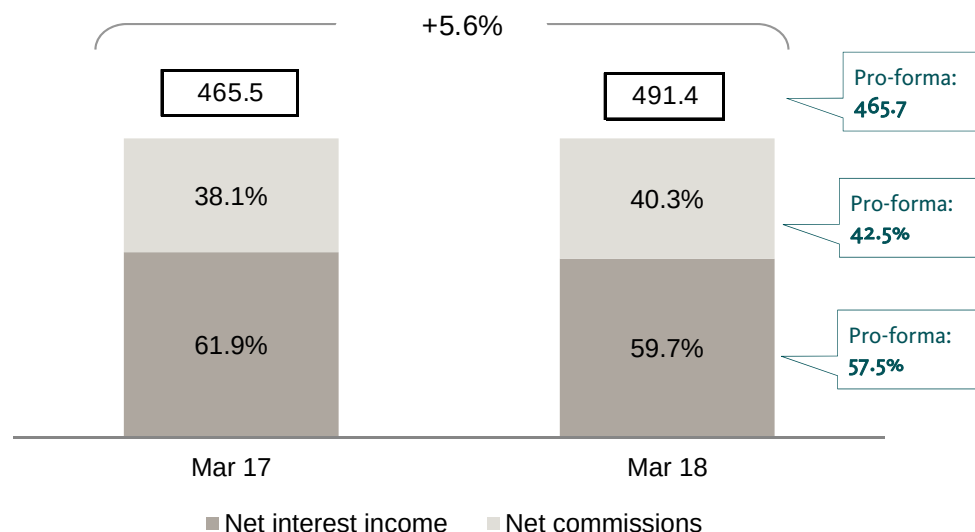
(*) Caption exposed net of "Recovery of taxes" reallocated, for better representation, at caption 180 b) "Other administrative expenses", where relative tax costs are accounted (31.8 €/mn in 1Q18 and 30.4 €/mn in 1Q17) Nuova Carife has been included in Consolidated P&L respectively from 3Q17. For non-recurring and other items 2017/18 and other explanations on reclassified consolidated Profit & Loss see annexes.

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

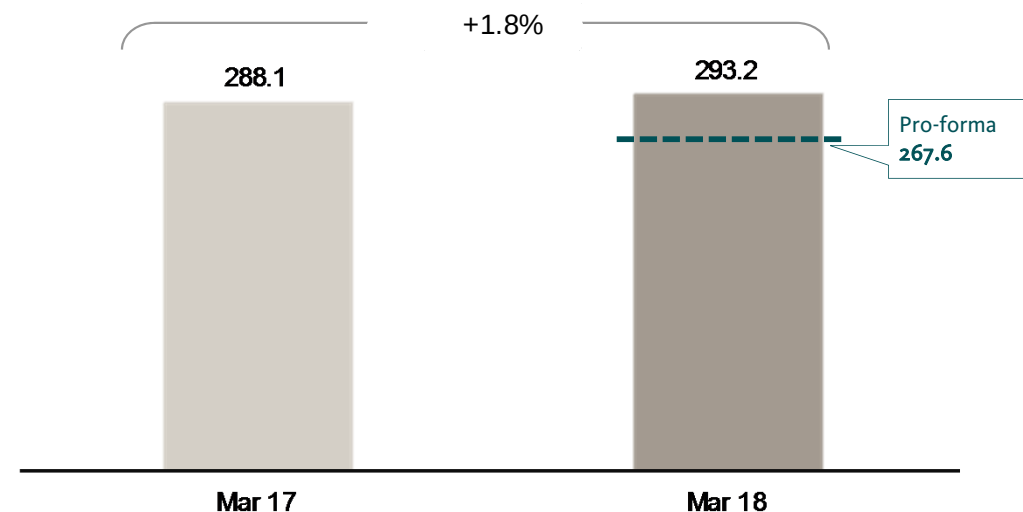
Resilient Core income.

NII substantially stable vs 4Q18 on pro-forma basis and considering the calendar effect

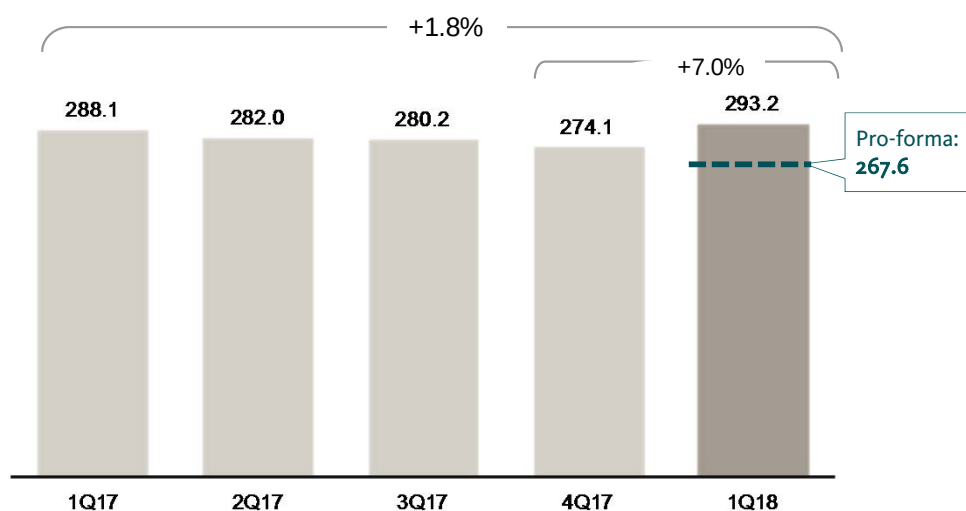
Core Income (€/mn)



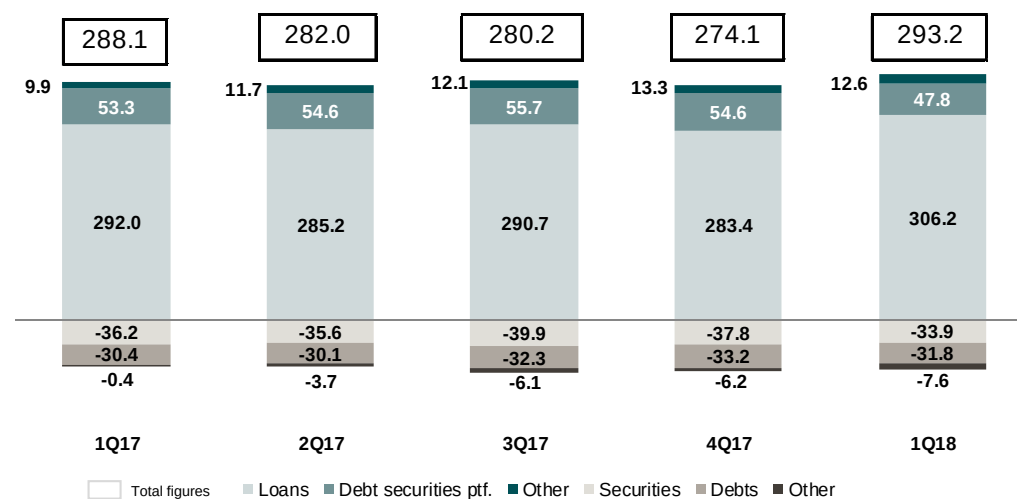
Net Interest Income (€/mn)



Net Interest Income evolution (€/mn)

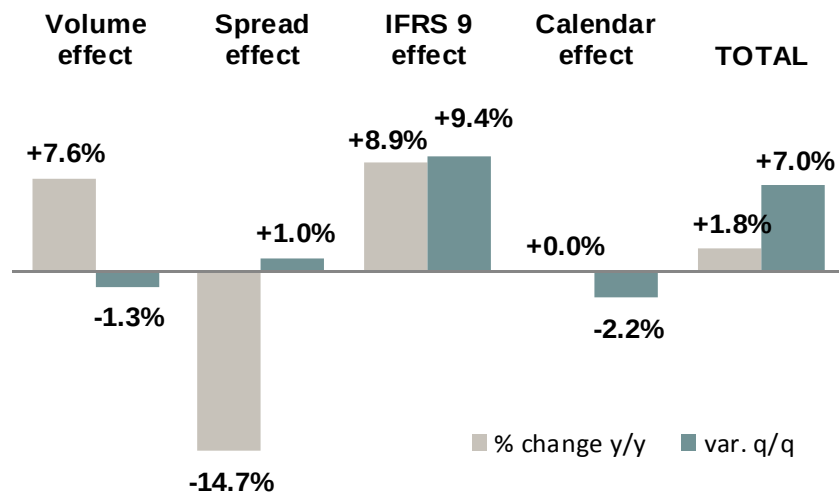


Net Interest Income contribution* (€/mn)

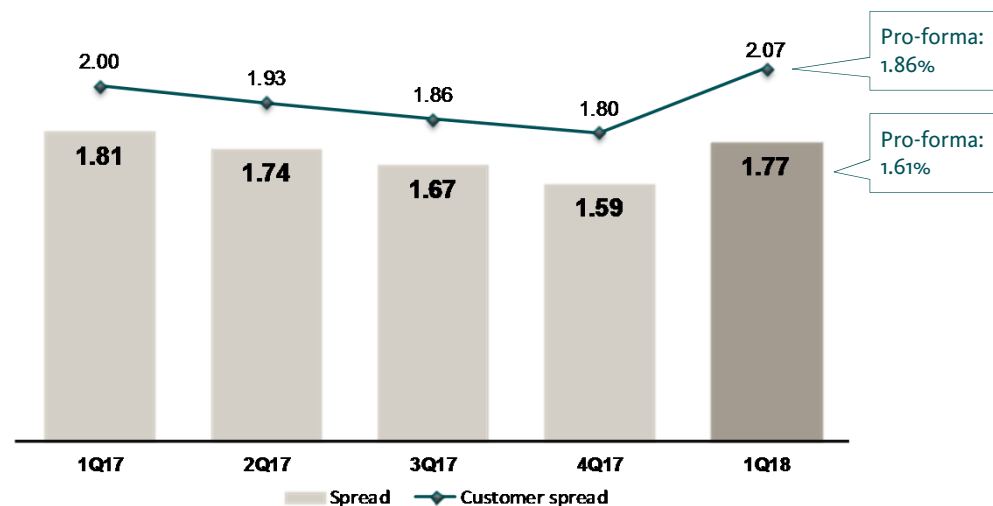


First signals of stabilization of spread

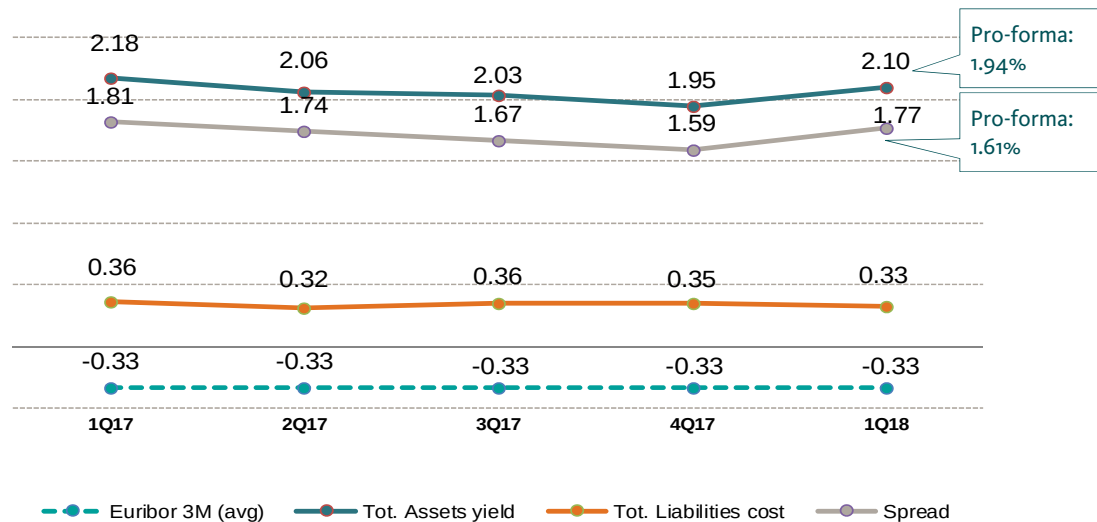
Net Interest Income contribution (%)



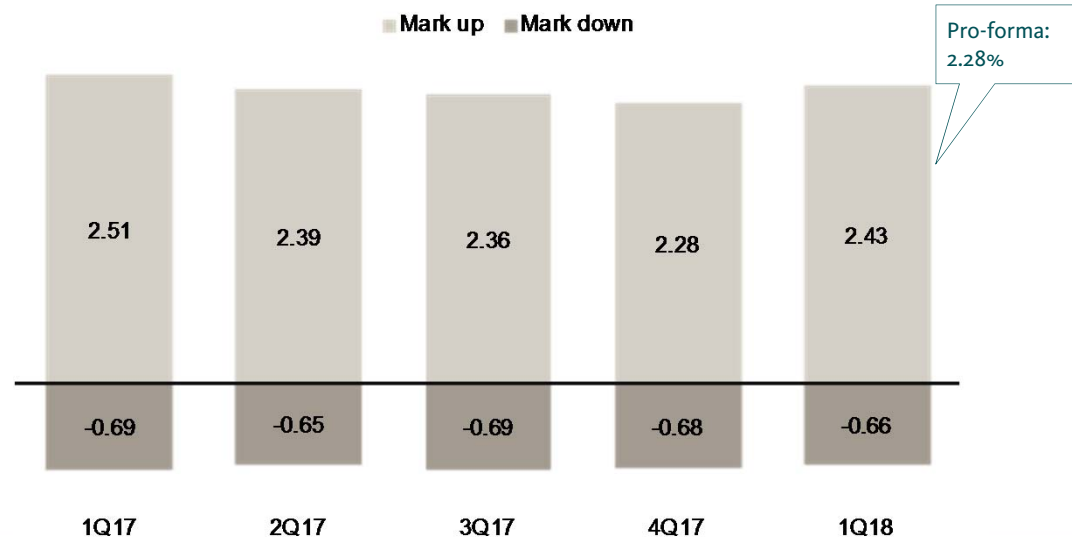
Spread¹ (%)



Spread¹ contribution (%)

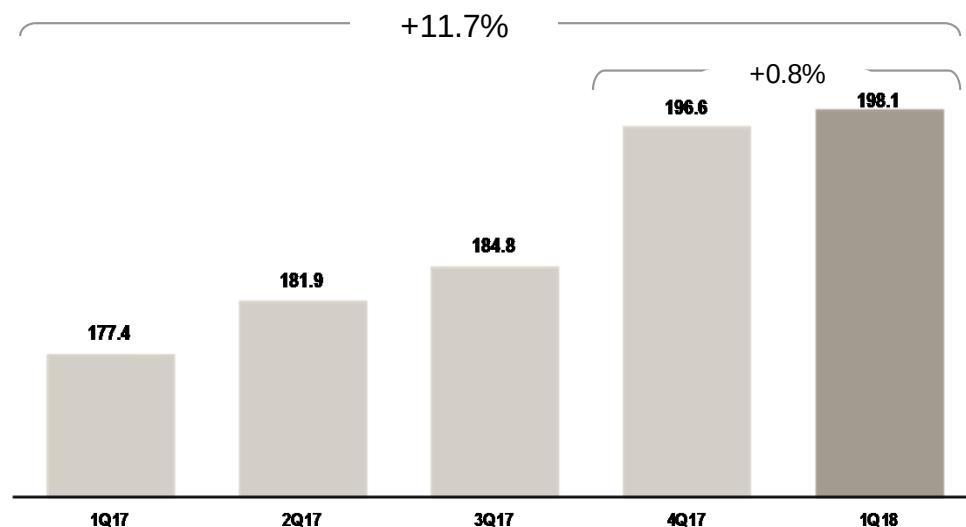


Mark up & mark down (%)



Strong performance of net commissions (thanks to AuM and Bancassurance) and Trading income (thanks to realized gains on bonds)

Net Commissions evolution (€/mn)

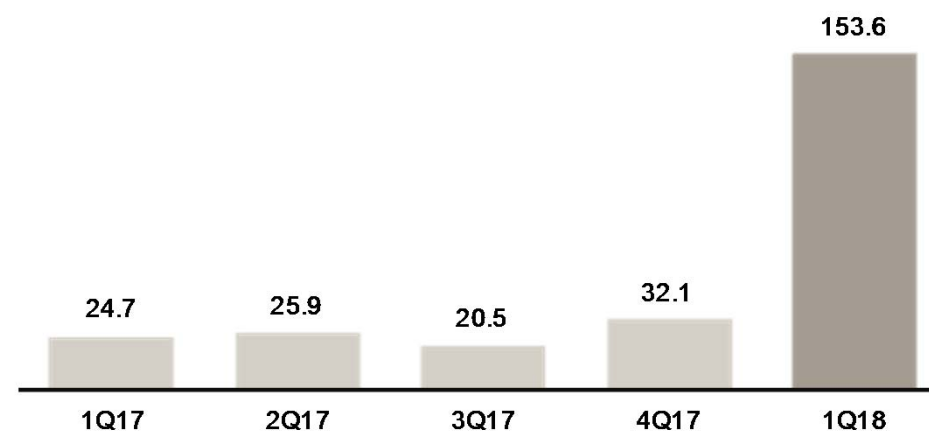


Net Commissions breakdown (€/mn; %)

	Mar 17	(%) on total	Mar 18	(%) on total	Chg y/y (%)
Indirect deposits and bancassurance	52.1	29.3%	68.4	34.5%	+31.4%
Assets under custody (AuC)	4.1		4.1		+0.2%
Assets under management (AuM)	38.9		52.0		+33.5%
Bancassurance	9.0		12.3		+36.3%
Credit cards, collections and payments	34.0	19.2%	35.5	17.9%	+4.4%
Loans and guarantees	81.0	45.7%	82.2	41.5%	+1.5%
Other commissions	10.3	5.8%	12.0	6.1%	+16.7%
Total	177.4	100.0%	198.1	100.0%	+11.7%

AuM up-front fees of 8.1 €/mn in 1Q18 (5.0 €/mn in 1Q17), weighing 4.1% on total net commissions

Trading income evolution (€/mn)

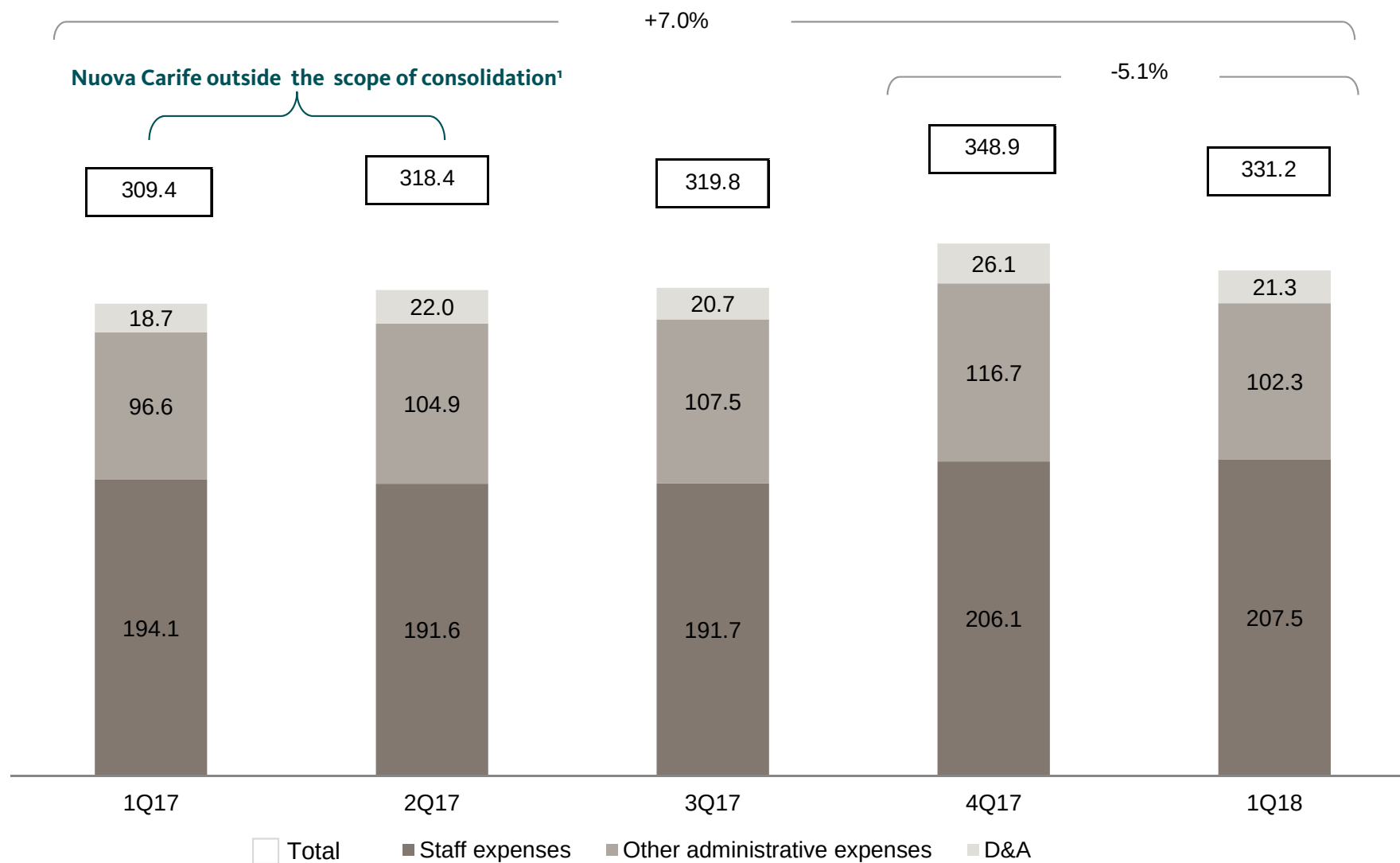


Dividends and Trading income breakdown (€/mn; %)

	Mar 17	Mar 18
Dividends	0.3	0.6
Trading income	24.7	153.6
Realized gain/loss	11.7	156.4
Plus	20.4	18.4
Minus	-7.4	-24.1
Others	-0.1	3.0
Total	25.0	154.2

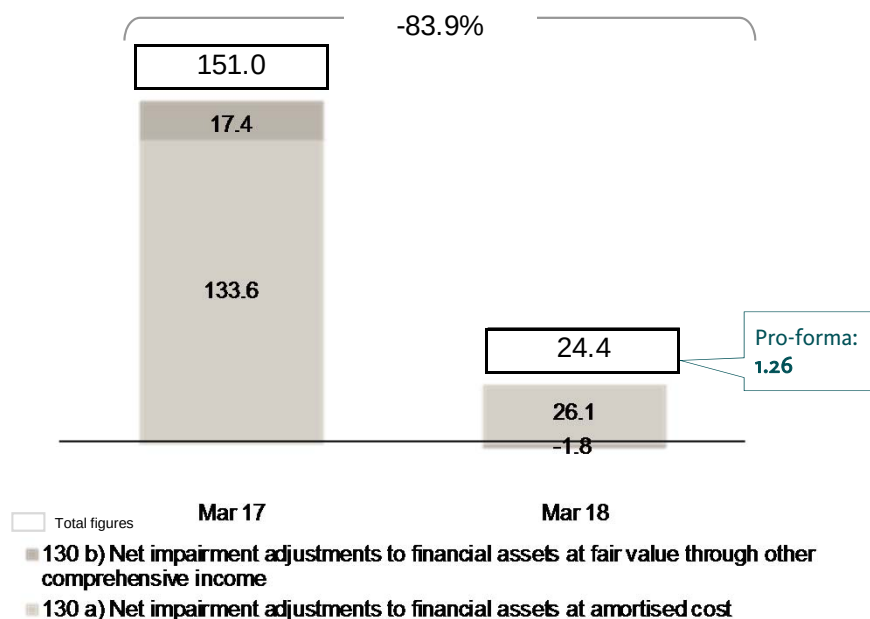
Operating costs down by 5.1% vs 4Q17

Operating costs breakdown (€/mn; %)

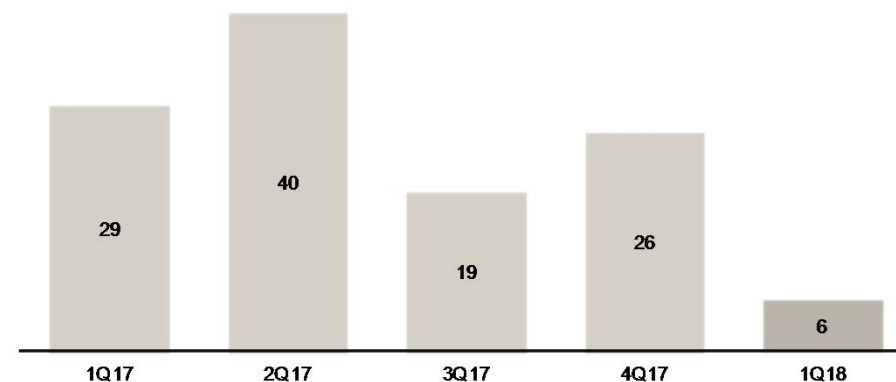


Cost of credit strong decline to 22 bps annualized vs 112 bps in 2017

Provisions breakdown (€/mn)

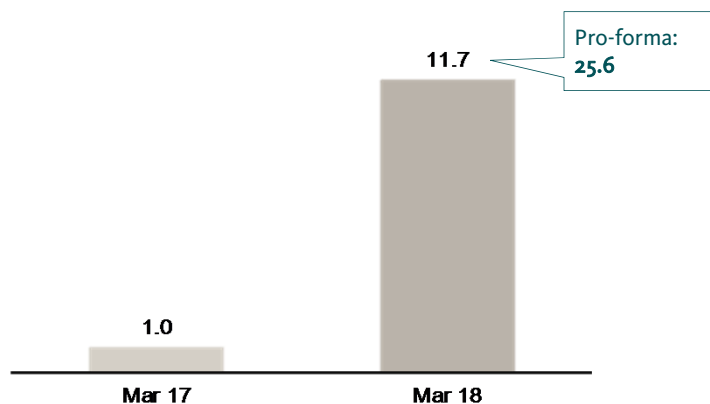


Cost of credit¹ (bps)

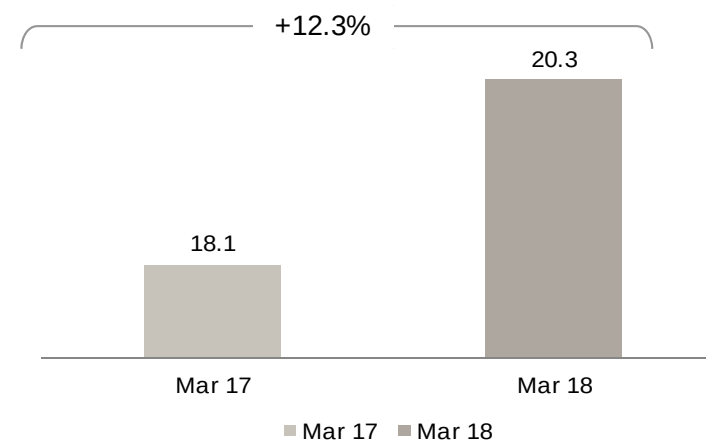


Annualized cost of credit (bps) 112 (2017) 22

Net Provisions for Risks and Charges (€/mn)



Contribution to Funds² (€/mn)



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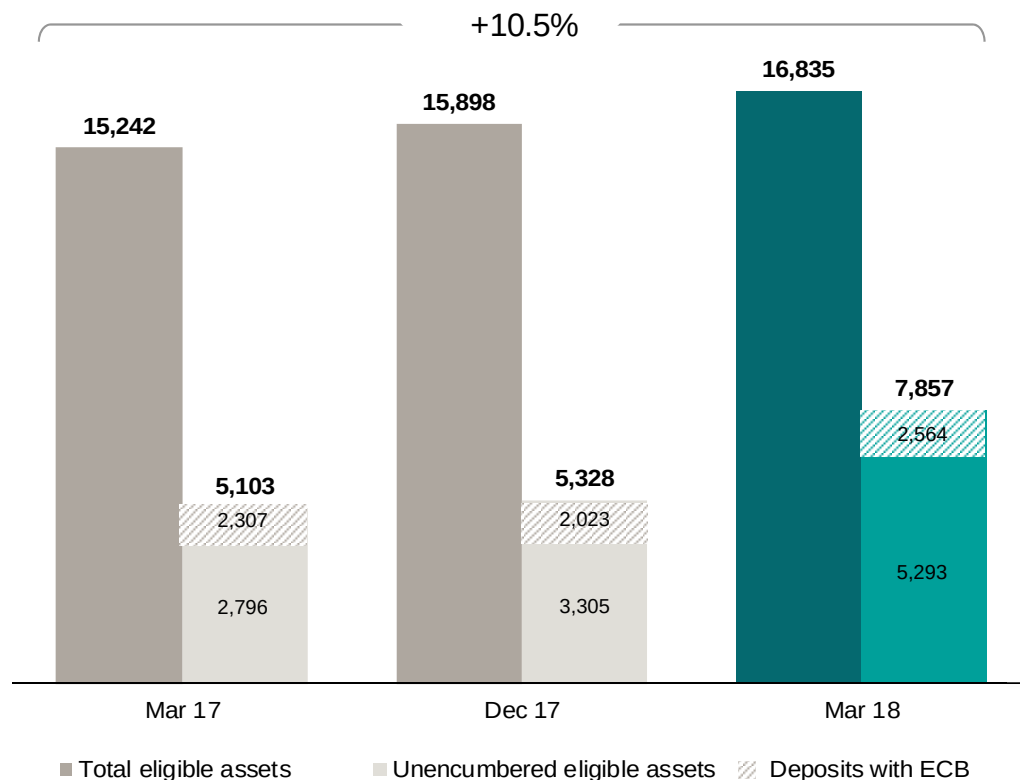
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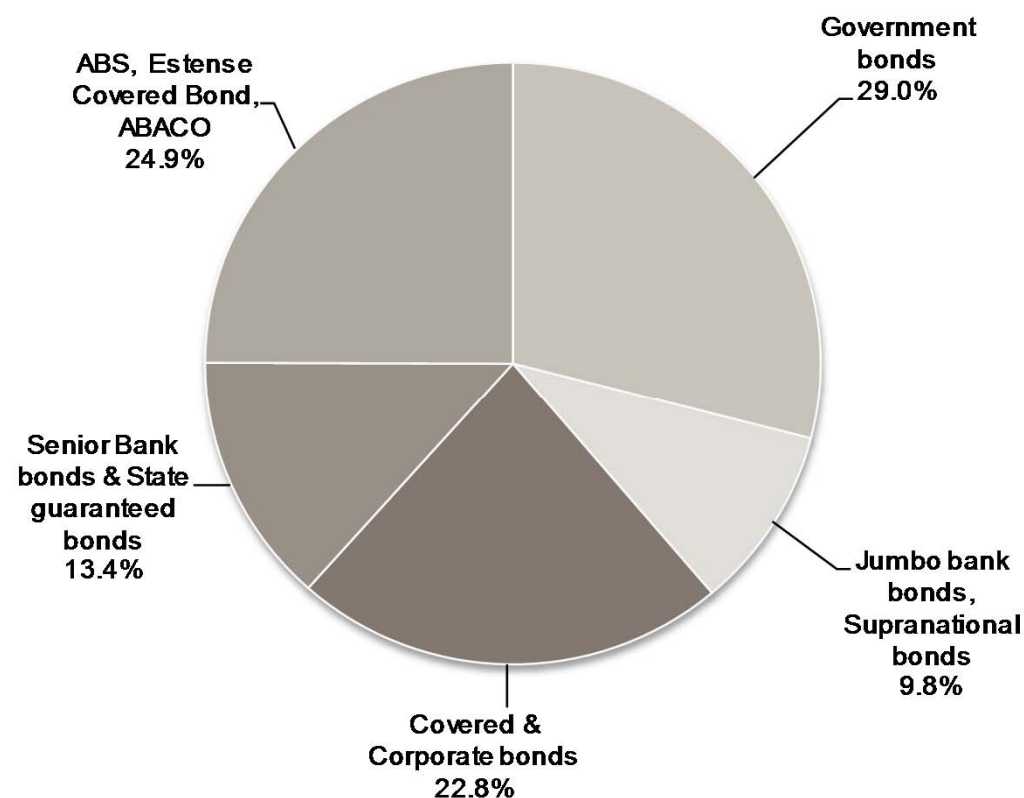
Good liquidity position and high level of unencumbered eligible assets

Total eligible Assets evolution* (€/mn)



* Net of ECB haircuts

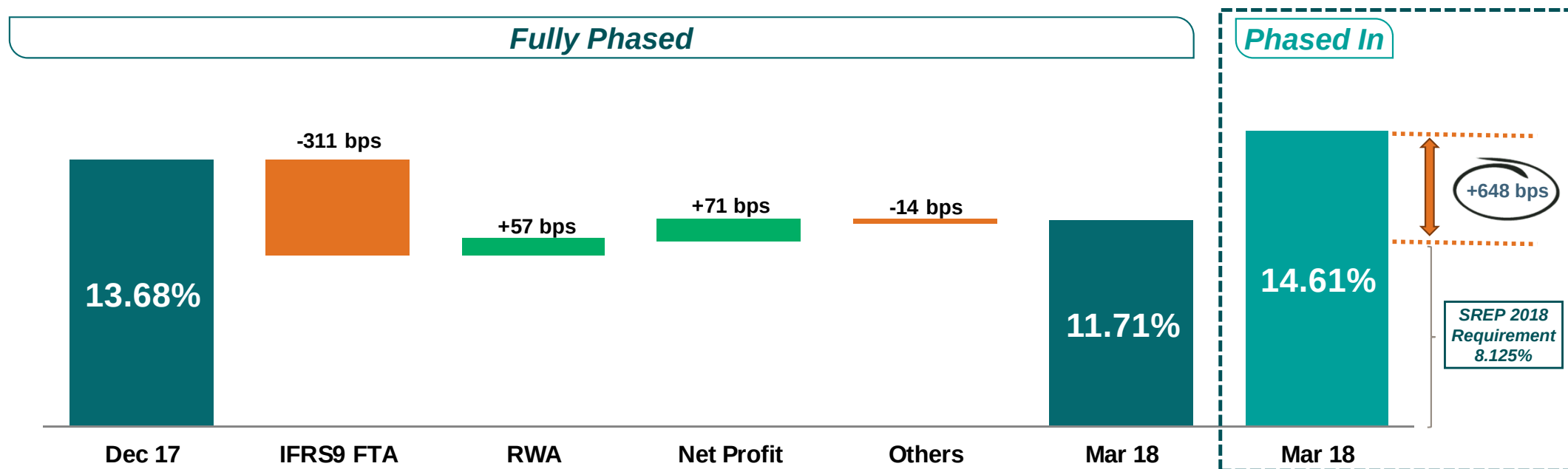
Eligible Assets Pool Composition (%)



- ECB exposure of 9.3 €/bn in Mar.'18 fully composed of TLTRO2 operations (4.1 €/bn TLTRO2 in Jun.'16 and 1 €/bn TLTRO2 in Dec.'16 and 4.2 €/bn in Mar.'17)
- LCR and NSFR above 100%

Strong capital positions even after IFRS9 FTA and provisioning action

B3 Common Equity Tier 1 Ratios (%)*



Regulatory capital & ratios

€/mn	B3 Fully Phased		
	Mar 17	Dec 17	Mar 18
Common Equity TIER 1	4,310	4,456	3,658
TIER 1	4,345	4,488	3,687
Own Funds	4,740	5,366	4,564
Total RWA	32,883	32,573	31,234

€/mn	B3 Fully Phased		
	Mar 17	Dec 17	Mar 18
Common Equity TIER 1 Ratio	13.1%	13.7%	11.7%
TIER 1 Ratio	13.2%	13.8%	11.8%
Own Funds Ratio	14.4%	16.5%	14.6%

(*) The Fully Phased Common Equity Tier 1 ("CET1") ratio, estimated in January 2019 in accordance with the new Basel 3 regulations and the Phased In CET1 ratio have been calculated taking into account the profit for the period allocable to equity.

(1): see details on pag. 42

Note: Reg. 2395/2017 "Transitional provisions to mitigate the impact of introducing IFRS 9 on Own Funds" introduced the "phased-in" relating to the impacts on Own Funds of the new standard IFRS 9, which offers banks the possibility to mitigate the impact on Own Funds in a transitional period of 5 years (from March 2018 to December 2022) by sterilizing the effect in CET1 with the application of decreasing percentages over time. The BPER Banca Group has chosen to adopt the so-called "static approach", to be applied to the impact resulting from comparison between the IAS 39 adjustments at 31/12/2017 and the IFRS 9 adjustments at 1/1/2018.

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☒ **Final remarks**

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Final remarks: delivering on asset quality while maintaining a solid capital base

High confidence about the evolution of the Group's asset quality after IFRS9 FTA

- ✓ Large NPE portfolio selected for potential disposal: 6.4 €/bn (2/3 of the total NPE)
- ✓ Coverage at the highest levels of the Italian banking system
- ✓ The portfolio net values aligned with those achievable in a probable disposal scenario
- ✓ NPE Strategy 2018-2020 more ambitious target:
 - NPE gross ratio target at 11.5% in 2020 and below 10.0% in 2021

Sound capital position and improvement of recurring capital generation

- ✓ CET1 ratio Phased in at 14.6% with a very large buffer vs SREP 2018
- ✓ CET1 ratio Fully phased target at 11.7%

Better profitability expectations

- ✓ Reduction of cost of risk on a recurring basis going forward
- ✓ Improving revenues with a particular focus on commissions
- ✓ Low taxation for an extended period of time

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Reclassified consolidated Profit & Loss

Captions	(€/mn)	Mar 17	Mar 18	2017				2018	Chg q/q (%)
				1Q17	2Q17	3Q17	4Q17	1Q18 Proforma	
10+20	Net interest income	288.1	293.2	288.1	282.0	280.2	274.1	267.6	-2.4%
40+50	Net commissions	177.4	198.1	177.4	181.9	184.8	196.6	198.1	+0.8%
	Core Income	465.5	491.4	465.5	463.9	465.0	470.7	465.7	-1.1%
70	Dividends	0.3	0.6	0.3	10.8	0.5	0.8	0.6	-25.6%
80+90+100+110	Trading gains	24.7	153.6	24.7	25.9	20.5	32.1	153.6	n.m
230	Other costs / revenues	10.3	11.5	10.3	14.3	23.6	10.0	11.5	+14.7%
	Operating Income	500.8	657.1	500.8	514.8	509.6	513.7	631.4	+22.9%
190 a)	Staff expenses	-194.1	-207.5	-194.1	-191.6	-191.7	-206.1	-207.5	+0.7%
190 b)	Administrative expenses*	-96.6	-102.3	-96.6	-104.9	-107.5	-116.7	-102.3	-12.3%
210+220	Depreciations & Amortizations	-18.7	-21.3	-18.7	-22.0	-20.7	-26.1	-21.3	-18.2%
	Operating costs	-309.4	-331.2	-309.4	-318.4	-319.8	-348.9	-331.2	-5.1%
	Net Operating Income	191.3	325.9	191.3	196.4	189.8	164.8	300.3	+82.2%
130 a)	Net impairment adjustments to financial assets at amortised cost	-133.6	-26.1	-133.6	-189.7	-89.7	-123.0	-0.5	n.m
130 b)	Net impairment adjustments to financial assets at fair value through other comprehensive income	-17.4	1.8	-12.7	-52.4	-22.9	-31.8	1.8	n.m
130	Net impairment adjustments	-151.0	-24.4	-146.3	-242.1	-112.7	-154.8	15.2	n.m
200	Net Provisions for Risks and Charges	-1.0	-11.7	-5.7	-5.9	-9.3	-9.7	-25.6	n.m
	Contribution to Funds (SRF, DGS, FITD-SV)	-18.1	-20.3	-18.1	2.1	-20.2	-1.6	-20.3	n.m
250+270+280	Net other income	3.7	2.8	3.7	133.6	4.9	-21.3	2.8	n.m
290	Profit (loss) before taxes	25.0	272.4	25.0	84.0	52.6	37.5	272.4	n.m
300	Taxes	-7.7	-6.9	-7.7	17.9	-23.7	-8.7	-6.9	-20.7%
330	Net profit (loss)	17.3	265.5	17.3	102.0	28.9	28.8	265.5	n.m
340	Minority Interests	-2.7	-14.5	-2.7	2.5	1.0	-1.3	-14.5	n.m
350	Profit (loss) for the period pertaining to the Parent Company	14.6	251.0	14.6	104.5	29.9	27.5	251.0	n.m
	cost / income	61.8%	50.4%	61.8%	61.9%	62.8%	67.9%		
	cost / (net interest income + net commissions)	66.5%	67.4%	66.5%	68.6%	68.8%	74.1%		
	cost of credit (bps)	29	6	29	40	19	26		
	net profit / total income	3.4%	40.4%	3.4%	19.8%	5.7%	5.6%		
	tax rate	31.0%	2.5%	31.0%	21.3%	45.1%	23.3%		

See methodological note in the disclaimer for pro-forma description

Note: n.m.: Not meaningful; Figures in this page may not add exactly due to rounding differences. For non-recurring and other items 2017/18 and other explanations on reclassified consolidated Profit & Loss see annexes. Following application of the 5th update of Bank of Italy Circular 262/2005, the value of this item at 31 March 2018 includes € 29.1 million relating to interest on the time value of money on non-performing loans, which in the comparative period were included under "Impairment adjustments to loans". Furthermore, the application of the same Circular envisages not to include in this caption a portion of the interest on exposures classified as non-performing relating to loans to customers which for the period amounted to € 3.5 million. See methodological note in the disclaimer for pro-forma description.
 (*) Caption exposed net of "Recovery of taxes" reallocated, for better representation, at caption 180 b) "Other administrative expenses", where relative tax costs are accounted (31.8 €/mn in 1Q18 and 30.4 €/mn in 1Q17)
 Nuova Carife has been included in Consolidated P&L respectively from 3Q17

Main non-recurring and other items P&L 2018 and 2017

No extraordinary items are present in 1Q18. In other items there are ordinary contribution to the SRF for 20.3 €/mn.

List of all non-recurring and other items in 2017:

	Item	Caption (Bank of Italy Format; Circular n. 262/2005)	€/mn	Description	
2017	Non-recurring items				
	1Q17				
		Goodwill and equity investments	Net impairment adjust. to AFS (Cap. 130-b)	-17.2	Impairment (Atlante Funds, FITD-SV)
	2Q17				
		Goodwill and equity investments	Negative goodwill recognised in profit or loss (Cap. 265)	+130.7	Badwill on Nuova Carife
		Goodwill and equity investments	Gain on disposal of financial assets AFS (Cap. 100-b)	+6.9	Capital gain from Bassilichi Spa
		Goodwill and equity investments	Net impairment adjust. to AFS (Cap. 130-b)	-50.8	Impairment (Atlante Fund, FITD-SV, others)
		Property, plant and equip	Net adjust. to property, plant and equip. (Cap. 200)	-3.4	Net adjust. to property, plant and equip.
		Other	Net impairment adjust. to loans (Cap. 100-a)	-13.1	Loss on disposal of loans
	3Q17				
		Goodwill and equity investments	Net impairment adjust. to AFS (Cap. 130-b)	-20.9	Straordinary contribution FITD-SV and Atlante Fund
		Goodwill and equity investments	Net impairment adjust. to AFS (Cap. 130-b)	-5.3	Net impairment adjust. to AFS
		Goodwill and equity investments	Gain on disposal of financial assets AFS (Cap. 100-b)	+2.8	Disposals of financial assets AFS
		Other	Net impairment adjust. to loans (Cap. 100-a)	-5.0	Loss on disposal of loans
	4Q17				
		Goodwill and equity investments	Negative goodwill recognised in profit or loss (Cap. 265)	+60.2	Badwill on Nuova Carife
		Goodwill and equity investments	Gain on disposal of financial assets AFS (Cap. 100-b)	+2.3	Disposals of financial assets AFS
		Goodwill and equity investments	Adjustments to goodwill (Cap. 260)	-30.0	Adjustments to goodwill
		Goodwill and equity investments	Net impairment adjust. to AFS (Cap. 130-b)	+0.5	Net impairment adjust. to AFS
		Goodwill and equity investments	Net impairment adj. to other finan. assets (Cap. 130-d)	-17.4	Net impairment adjustments to other financial assets
		Other	Net impairment adjust. to loans (Cap. 100-a)	-2.7	Loss on disposal of loans
		Property, plant and equip	Net adjust. to property, plant and equip. (Cap. 200)	-4.6	Net adjust. to property, plant and equip.
		Total		+33.0	
Other items					
	1Q17	Administrative expense (Caption 180-b)	-18.0	Ordinary contribution to the Single Resolution Fund ("SRF")	
	2Q17	Administrative expense (Caption 180-b)	+2.1	Write-back from Single Resolution Fund ("SRF")	
	3Q17	Administrative expense (Caption 180-b)	-20.2	Ordinary contribution to the Deposits Guarantee Schemes ("DGS")	
	4Q17	Administrative expense (Caption 180-b)	-1.6	Ordinary contribution to the Deposits Guarantee Schemes ("DGS")	
	Total		-37.7		

NUOVA CARIFE DEAL. BPER Banca completed the acquisition of 100% of the share capital of Nuova Cassa di Risparmio di Ferrara S.p.A. ("Nuova Carife") from the Single Resolution Fund on 30 June. On 20 November 2017, Nuova Carife has been absorbed into BPER Banca.

Main terms of the **deal related to Nuova Carife acquisition** are the following: Shareholders' equity: **156.0 €/mn**; Price paid: **1 euro**; Purchase Price Allocation process (PPA): **+34.9 €/mn**; Badwill through P&L: **+190.9 €/mn**

Asset quality breakdown

Gross exposures (€/mn)	Mar 17		Jun 17		Sep 17		Dec 17		Mar 18		Chg Y/Y	
	%		%		%		%		%		Abs.	Chg (%)
Non Performing Exposures (NPEs)	11,036	21.7%	11,032	21.1%	10,853	20.8%	10,532	19.8%	9,868	19.3%	-1,168	-10.6%
<i>Bad loans</i>	7,026	13.8%	7,108	13.6%	7,127	13.6%	7,109	13.4%	6,584	12.9%	-442	-6.3%
<i>Unlikely to pay loans</i>	3,856	7.6%	3,716	7.1%	3,576	6.8%	3,318	6.2%	3,190	6.2%	-666	-17.3%
<i>Past due loans</i>	154	0.3%	208	0.4%	150	0.3%	105	0.2%	94	0.2%	-60	-39.0%
Gross performing loans	39,866	78.3%	41,333	78.9%	41,423	79.2%	42,638	80.2%	41,383	80.8%	1,517	+3.8%
Total gross exposures	50,902	100.0%	52,365	100.0%	52,276	100.0%	53,170	100.0%	51,251	100.0%	349	+0.7%

Adjustments to loans (€/mn)	Mar 17		Jun 17		Sep 17		Dec 17		Mar 18		Chg Y/Y	
	coverage (%)		coverage (%)		coverage (%)		coverage (%)		coverage (%)		Abs.	Chg (%)
Adjustments to NPEs	5,030	45.6%	5,172	46.9%	5,176	47.7%	5,129	48.7%	5,661	57.4%	631	+12.5%
<i>Bad loans</i>	4,085	58.1%	4,176	58.8%	4,206	59.0%	4,216	59.3%	4,377	66.5%	292	+7.1%
<i>Unlikely to pay loans</i>	933	24.2%	980	26.4%	953	26.7%	902	27.2%	1,272	39.9%	339	+36.3%
<i>Past due loans</i>	12	8.0%	16	7.9%	17	11.2%	11	10.6%	12	13.3%	0	+0.0%
Adjustments to performing loans	178	0.4%	196	0.5%	193	0.5%	226	0.5%	186	0.5%	8	+4.5%
Total adjustments	5,208	10.2%	5,368	10.3%	5,369	10.3%	5,355	10.1%	5,847	11.4%	639	+12.3%

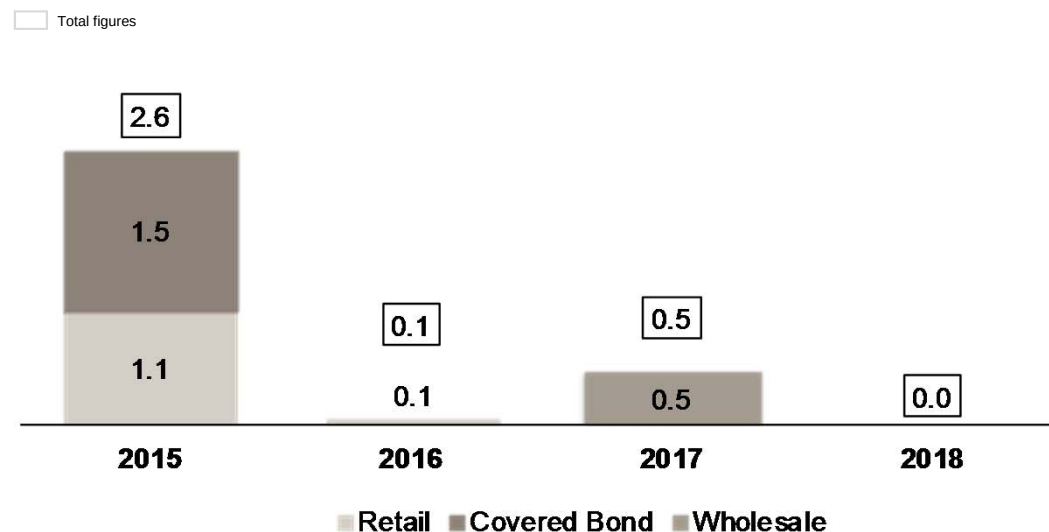
Net exposures (€/mn)	Mar 17		Jun 17		Sep 17		Dec 17		Mar 18		Chg Y/Y	
	%		%		%		%		%		Abs.	Chg (%)
Non Performing Exposures (NPEs)	6,006	13.1%	5,860	12.5%	5,676	12.1%	5,403	11.3%	4,207	9.3%	-1,799	-30.0%
<i>Bad loans</i>	2,941	6.4%	2,932	6.2%	2,921	6.2%	2,893	6.1%	2,207	4.9%	-734	-25.0%
<i>Unlikely to pay loans</i>	2,923	6.4%	2,736	5.8%	2,622	5.6%	2,416	5.1%	1,918	4.2%	-1,005	-34.4%
<i>Past due loans</i>	142	0.3%	192	0.5%	133	0.3%	94	0.2%	82	0.2%	-60	-42.3%
Net performing loans	39,688	86.9%	41,137	87.5%	41,231	87.9%	42,412	88.7%	41,197	90.7%	1,509	+3.8%
Total net exposures	45,694	100.0%	46,997	100.0%	46,907	100.0%	47,815	100.0%	45,404	100.0%	-290	-0.6%

Bonds maturities and issues details

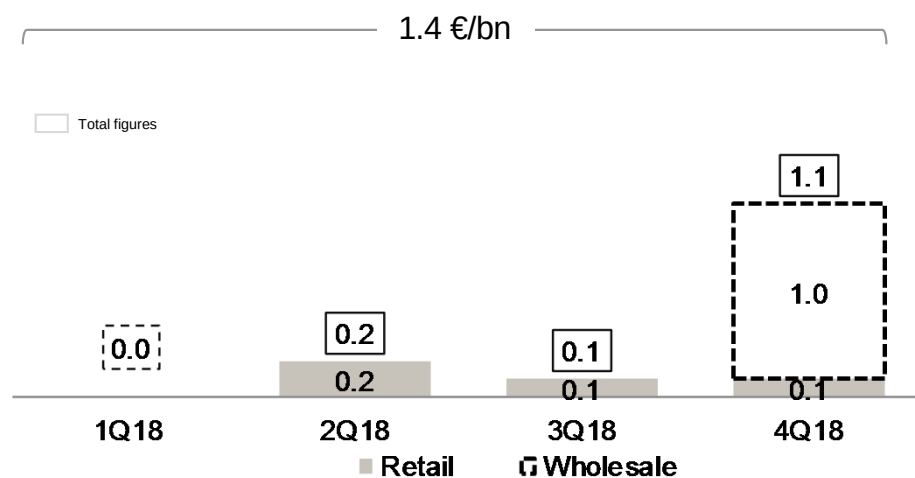
Outstanding bonds (€/bn)

	Mar 17	Dec 17	Mar 18	Chg Y/Y (%)
Wholesale bonds	2.7	3.0	3.0	11.1%
<i>o/w covered bonds</i>	2.5	2.5	2.5	0.0%
<i>o/w subordinated bonds</i>	0.2	0.5	0.5	150.0%
Retail bonds	3.1	2.4	2.0	-35.5%
<i>o/w subordinated bonds</i>	0.3	0.4	0.3	0.0%
Total bonds	5.8	5.4	5.0	-13.8%

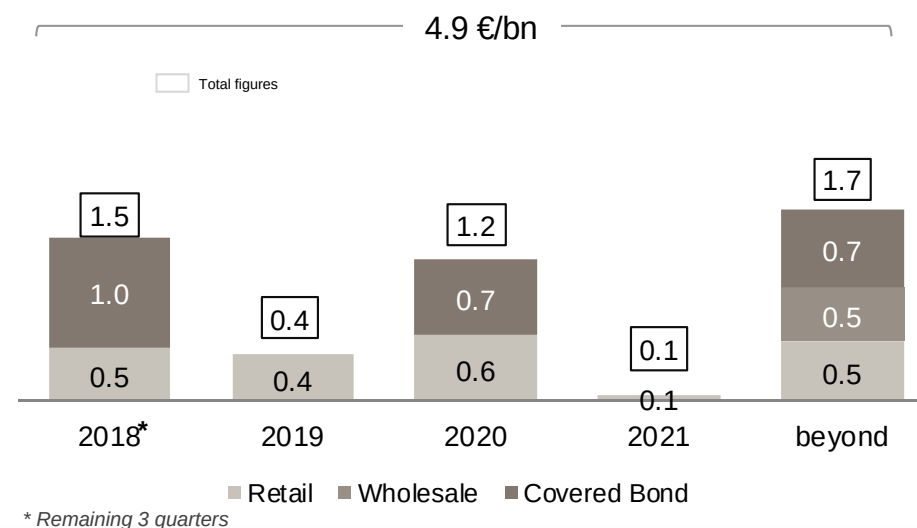
Bonds issued (€/bn)



2018 Bonds maturities (€/bn)



Bonds maturities breakdown (€/bn)



First-time application (FTA) of IFRS 9

IFRS 9 came into force from 1 January 2018, introducing important and substantial changes:

- in the Classification and Measurement of financial instruments, creating new categories for their initial recognition, as well as specific rules on the accounting treatment of subsequent changes in value; the allocation of assets to the new portfolios has led to positive changes in their measurement, equal to 127 million;
- identifying the riskiness of the performing portfolio, requiring separate evidence of the positions that have undergone a Significant Increase in Credit Risk (or SICR, to be assessed on a lifetime basis); the gross loans subject to SICR ("Stage 2") amount to 7 billion, 16.9% of gross performing loans to customers, the higher net provision as a result of applying these rules to total loans to customers amounted to 27.7 million, plus 2.6 million on total amounts due from banks and 7.3 million on the securities portfolio owned;
- if required, potential adjustments to non-performing loans are estimated with a prospective outlook, based on an assessment of multiple or differentiated scenarios; as mentioned previously, the impact of the sale scenarios required additional adjustments of 1.1 billion.

Application of these changes led to a restatement of the opening balances for the year, the effect of which was booked to equity, for a total net balance of 1,084 million (of which 201 million pertaining to minority interests), net of the tax effect where recorded.

The level of capitalization remains high, even taking into account the effects of FTA of IFRS 9 as explained above. In fact, the fully phased CET1 ratio at 1 January 2018 is 11.1% while the one calculated phased in, benefiting from the delayed impact provided for by EU Regulation 2395/2017, is more than 13.6%.

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