



FY17 consolidated results

Alessandro Vandelli - Chief Executive Officer

8 February 2018

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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

Agenda

FY17 Results

☒ Executive summary

- ☐ Focus on Asset Quality
- ☐ Balance sheet structure
- ☐ Profit and loss
- ☐ Liquidity and capital adequacy
- ☐ Final remarks

Annexes

Executive summary

- ❑ **FY17 Net profit at 176.4 €/mn** (14.3 €/mn in 2016) affected by the expected loss related to Nuova Carife¹ (100% of the capital acquired in Jun.'17) and other non-recurring items² for -169.9 €/mn, substantially offset by the badwill³ arising from Nuova Carife of +190.9 €/mn
- ❑ **Proposal for a cash dividend of 11 €/cents per share nearly doubled vs 6 €/cents in 2016**
- ❑ **Among the highest capital positions with a CET1 ratio Fully phased of 13.7% along with low leverage**
 - CET1 ratio “Phased In” of 13.9% as of 31 Dec.'17⁴
 - Excess capital buffer of 576 bps (c. +1.9 €/bn) vs minimum regulatory requirement (*SREP 2018* at 8.125%)
- ❑ **Asset quality improvement accelerates further with a gross NPE ratio at 19.8%, well below Jun.'16 peak at 23.5% and down for the sixth quarter in a row thanks to the strategic actions implemented in recent years to enhance the Group's credit quality**
- ❑ **Strong improvement of all main asset quality indicators in 2017:**
 - default rate at 2.1% (4.2% in 2016); danger rate at 16.1% (17.6% in 2016); cure rate at 11.5% (8.3% in 2016);
 - further increase of NPE cash coverage ratio at 48.7% up by more than 4 p.p. vs 44.5% in Dec.'16
 - Texas ratio strong improvement at 101.9% from 111.6% in Dec.'16 very close to declining below 100% threshold

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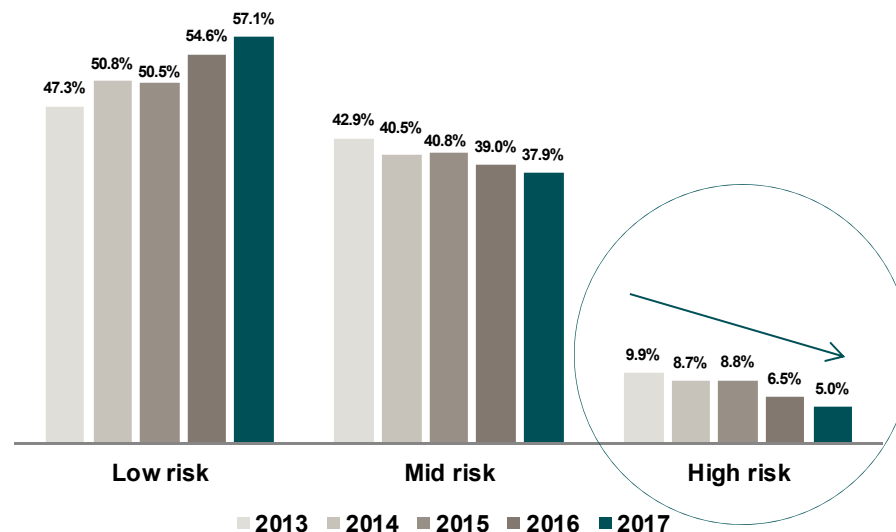
Organization of Group credit units and main achievements (1/3)

ASSET
QUALITY

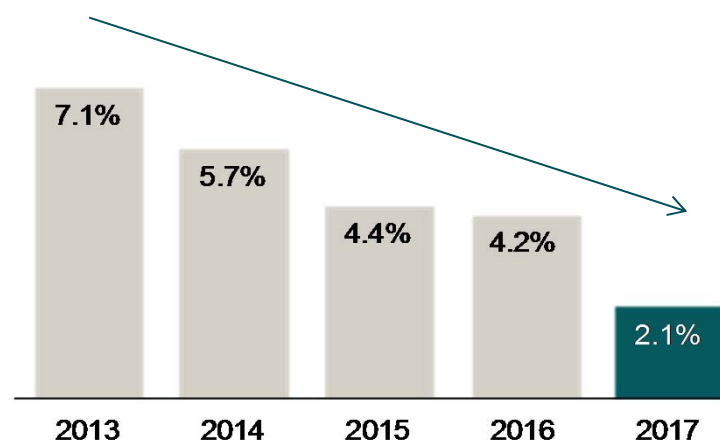
Focus on underwriting process

- ❑ Credit policies integrated within the commercial budgeting (top down side) and the underwriting procedures (bottom up side)
- ❑ Streamlined underwriting process for Individuals and SMEs clients through:
 - Implementation of a no lending zone coherently with Risk Appetite targets
 - Increase role of Network (more than 50% of file is underwritten by branches) supported and driven by a new sophisticated scoring model
- ❑ Over 80 underwriters who are mainly focalized on Corporate files in order to improve control to most relevant files
- ❑ Improved the credit analysis of corporate files by dedicated supporting tools regarding:
 - Business Plan analysis and simulations
 - Definition of Credit Plafond by Group

Performing exposure rated by risk profile¹ (%)



Default rate² (gross; %)



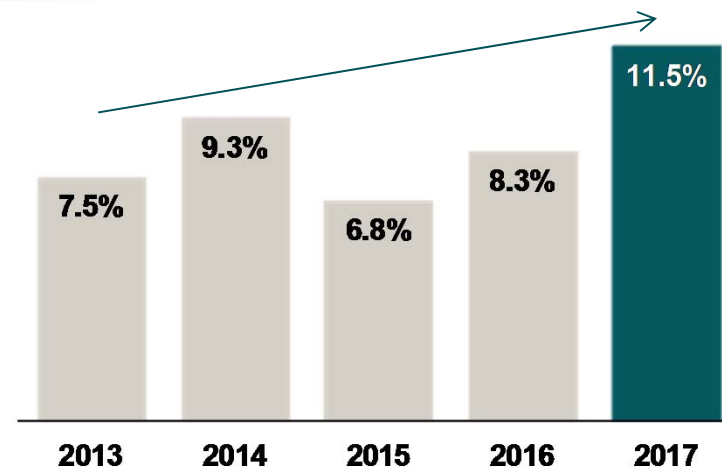
Organization of Group credit units and main achievements (2/3)

ASSET
QUALITY

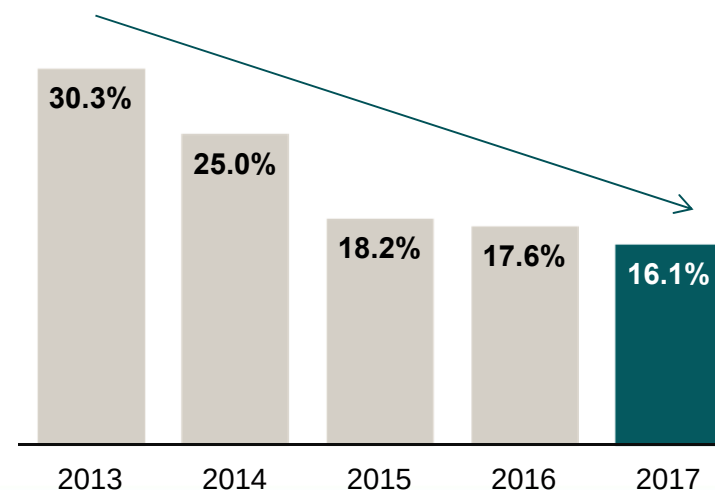
Focus on pre-default & default management

- ❑ Creation of a department with **120+ NPE experts**
- ❑ Enhanced **early warning system** in order to increase detection capabilities
 - Specialized detection models for asset class (especially developed model dedicated to Commercial Real Estate and to Public Administrations)
 - Design to warn both Stage 2 and Stage 3 IFRS9
- ❑ Redesigned **Credit Department** in order to improve **specialization by asset class**
 - launch of a unit dedicated to Commercial Real Estate with both credit and real estate experts
 - **Industrialized Small Ticket management** (focus on High Risk Performing; Past Due and UTP) by the use of specialized outsourcers and a wide automation of credit process
- ❑ Launch of the a **unit dedicated to manage early stages of problematic loans** in progress

Cure rate (gross; %)



Danger rate (gross; %)



Organization of Group credit units and main achievements (3/3)

BPER Credit Management (“BCM”) was established in January 2016 to manage all bad loans of BPER Group. Since BCM’s inception, a number of operating model best practice elements were put in place to maximise results.

Elements of BCM operating model

- 130+ specialised workout managers (out of c.160 total staff) dedicated to bad loans work-out
- Organisational model focused on high-value exposures:
 - Dedicated team for strategic positions
 - Industrialised outsourcing model for small ticket exposures (GBV less than €100,000)
 - Regional management of other positions through five hubs distributed over the national territory
- Data-driven borrower segmentation to drive workout strategy selection and application
- Formalised “library” of workout strategies, including rules for internal/ external management, strategy applicability and rules of engagement with external parties (e.g. legal firms)
- New database on bad loans portfolio implemented
- Ongoing monitoring of financial and operational KPIs through dedicated performance management and reporting infrastructure
- Incentive system effective for work-out officers from 2018, based on cash recovery and GBV reduction targets

Results achieved

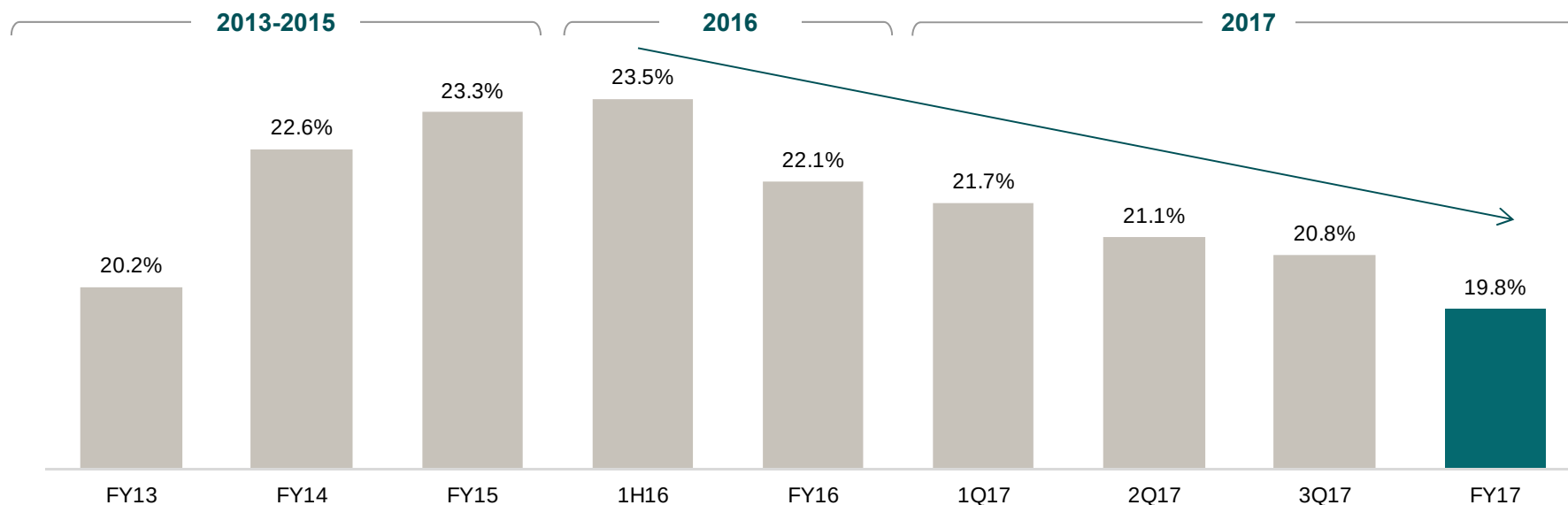
- Cash collections:

2017	+33% y/y
2016	+12% y/y

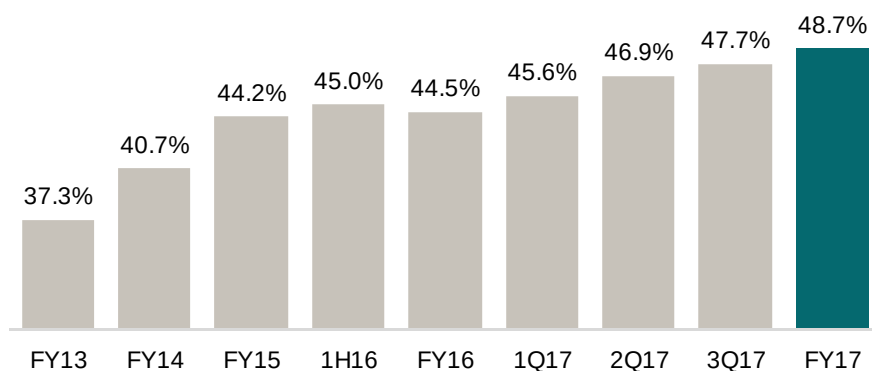
NPE issue successfully tackled in last 18 months

ASSET
QUALITY

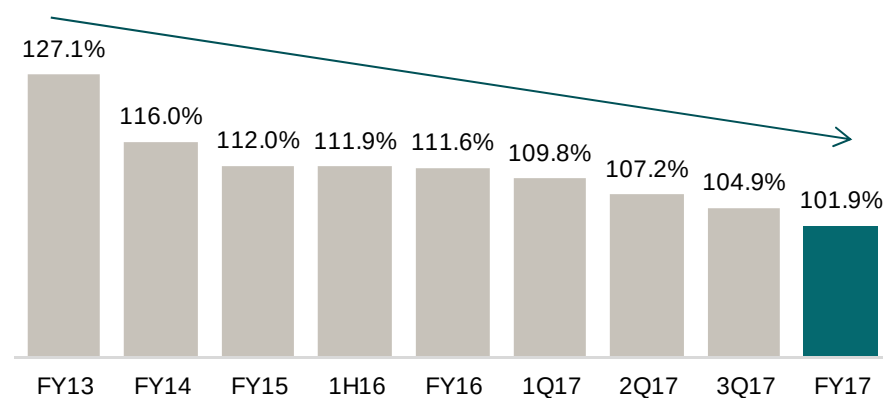
Gross NPE ratio evolution (%)



Cash coverage ratio evolution (%)



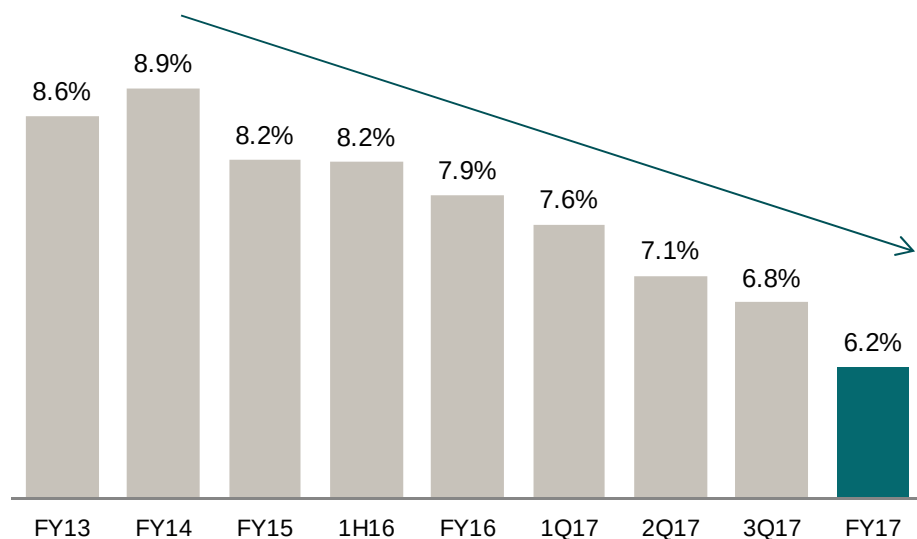
Texas ratio¹ evolution (%)



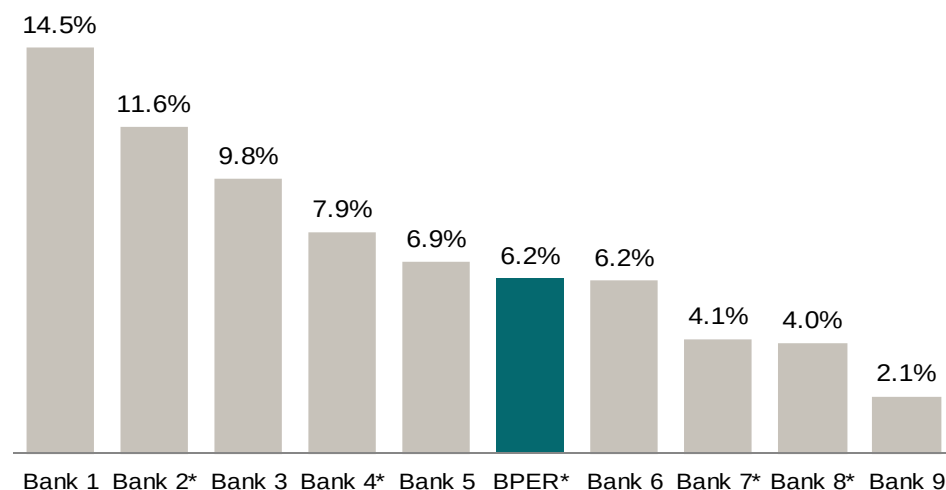
One of the smallest Unlikely to Pay loans ratio in the Italian banking system

ASSET
QUALITY

BPER Group: UtP / Total Loans evolution (gross; %)



Benchmark¹: UtP / Total Loans ratio (gross; %)



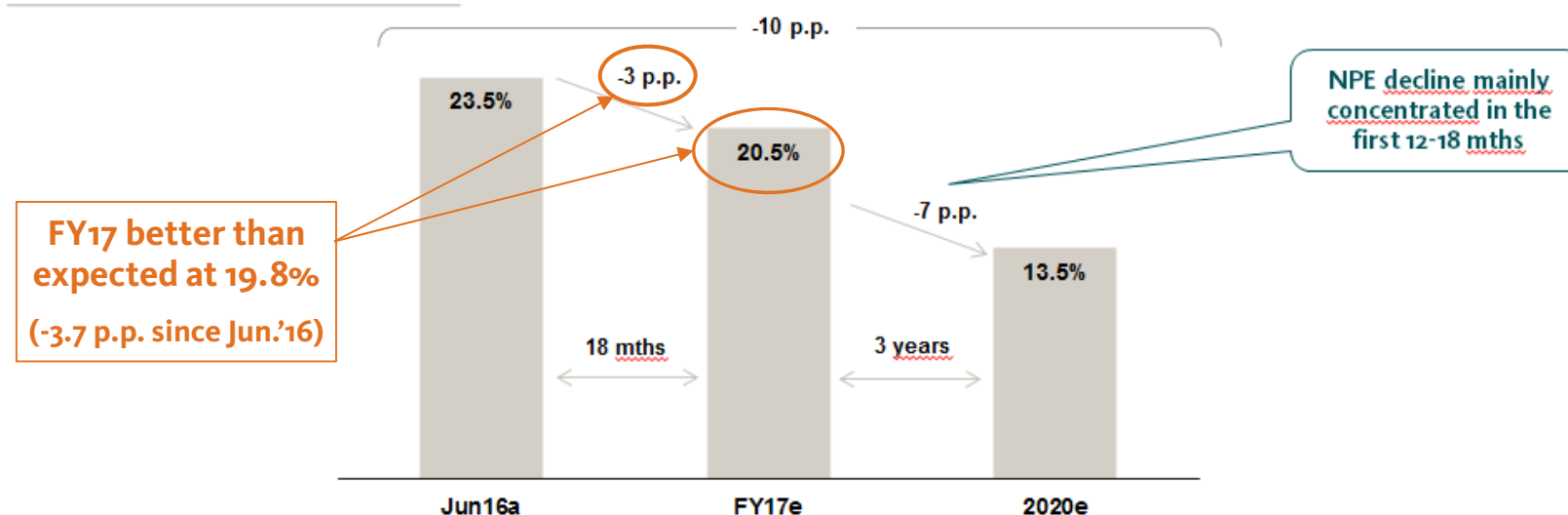
NPE Strategy 2018-2020¹ approved by the BoDs on November 8th 2017

NPE Strategy

NPE Strategy 2018-2020¹: Gross NPE ratio target at 13.5% for 2020

Board of Directors has decided to accelerate the NPE reduction already clearly visible from ongoing 2017 dynamics

Gross NPE ratio trend and target (%)



Targets 2020 (estimates)

- 1** CET1 ratio Fully phased
> 12%
- 2** NPE reduction (gross)
c. -35% vs FY17e
(c. -4 €/bn)
- 3** Gross and Net NPE ratios
c. 13.5% / 6.5%
- 4** NPE coverage
c. 55%
- 5** Cost of risk
< 60 bps

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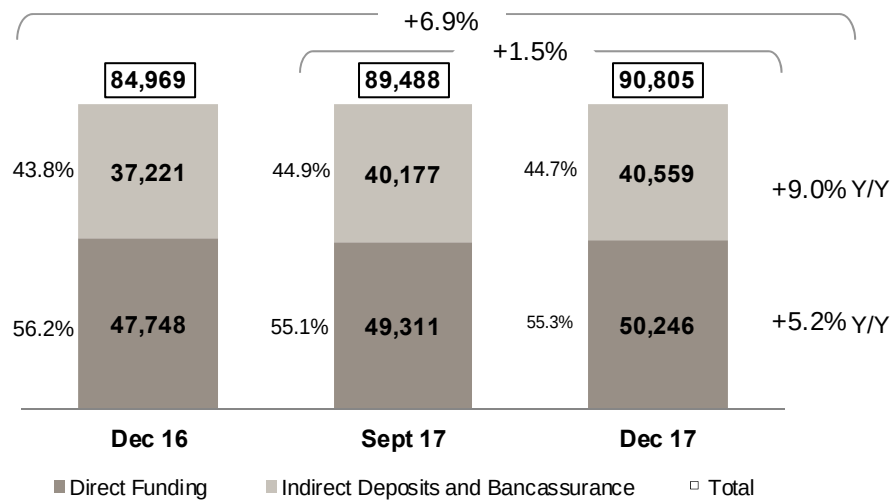
☐ Final remarks

Annexes

Switch in favour of AuM and Bancassurance continues

FUNDING

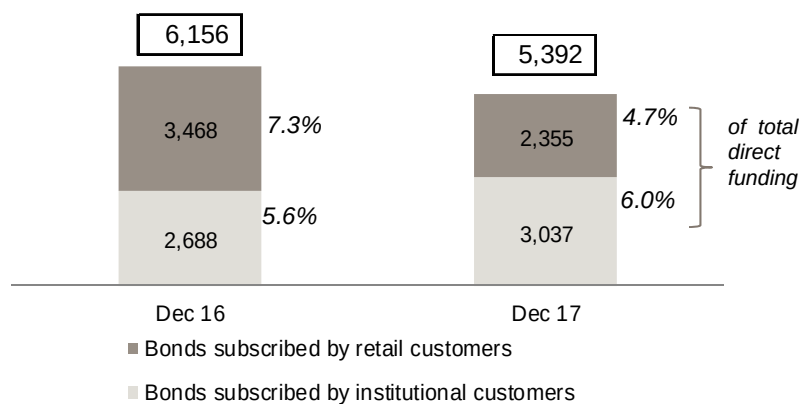
Total Funding (€/mn)



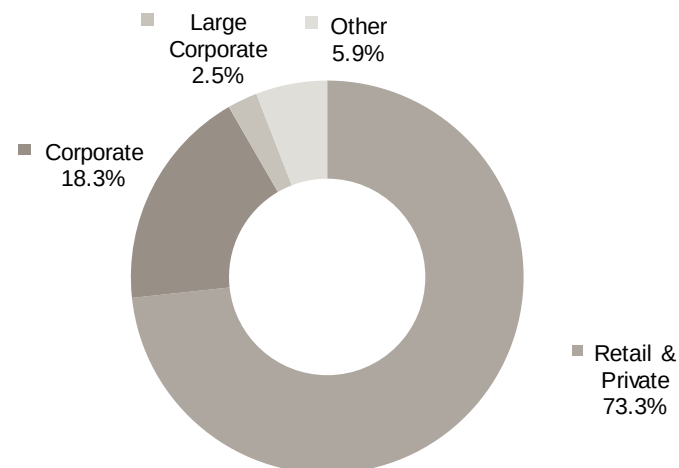
Direct Funding breakdown (%)

€/mn	Dec 16	Dec 17	Chg (%)	% on total
Current accounts and sight deposits	32,331	35,286	+9.1%	70.2%
Time deposits	2,220	2,456	+10.6%	4.9%
Repurchase agreements	1,780	2,149	+20.7%	4.3%
Other short-term loans	2,582	2,804	+8.6%	5.6%
Bonds	6,156	5,392	-12.4%	10.7%
Certificates	92	70	-23.9%	0.1%
Certificates of deposit	2,588	2,091	-19.2%	4.2%
Direct customer deposits	47,748	50,246	+5.2%	100.0%

Direct funding: bonds



Direct Funding breakdown by customer segment (%)

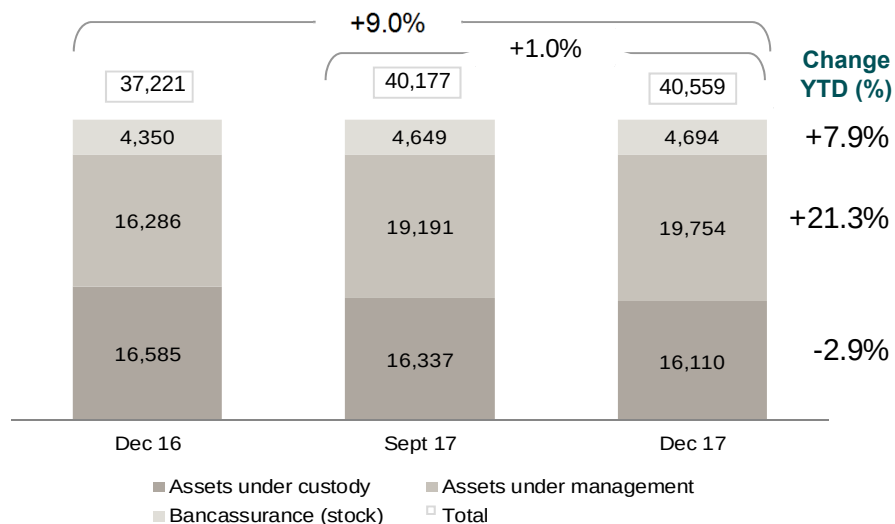


New Tier 2 10NC5 issued in May'17 for a benchmark size of 500 €/mn and a coupon of 5.125%

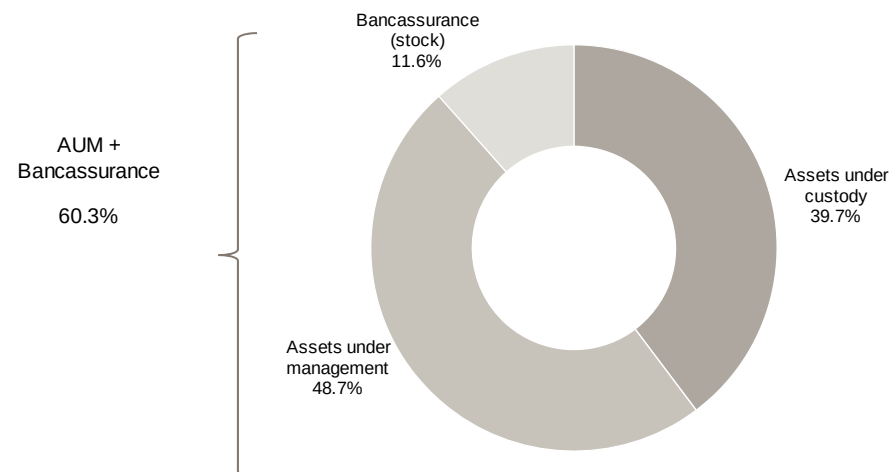
AuM and Bancassurance¹ significantly up and AuM net inflows nearly doubled

FUNDING

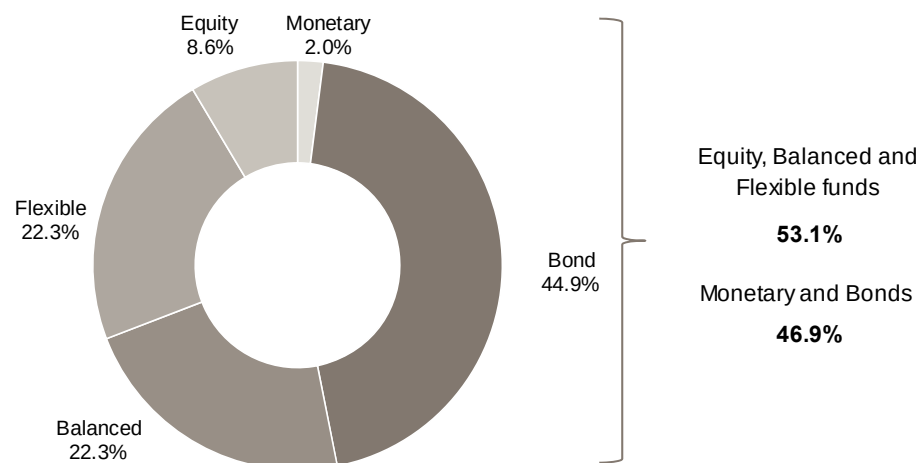
Indirect Deposits and Bancassurance¹ (€/mn)



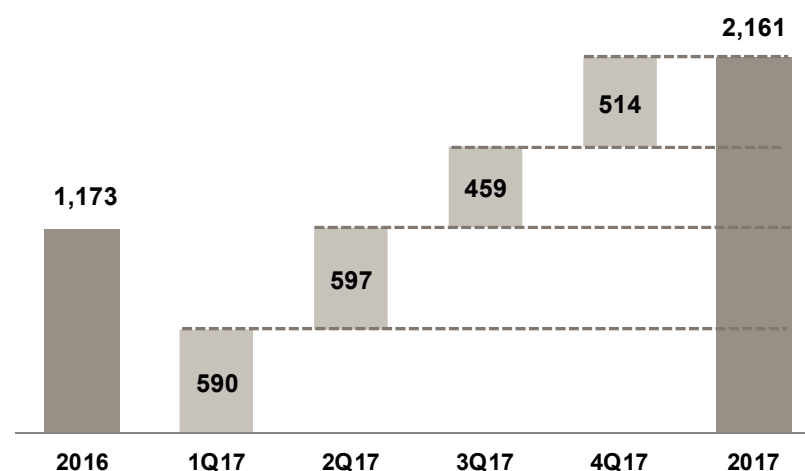
Indirect Deposits and Bancassurance¹ composition (%)



AUM composition² (%)



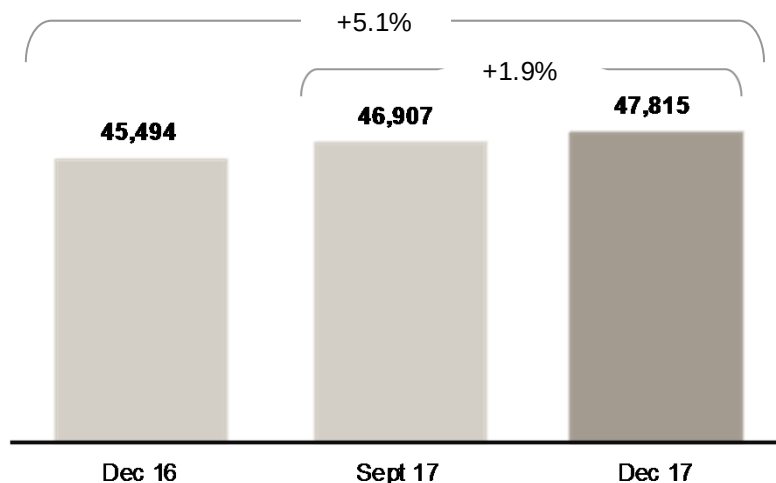
AUM net inflows² (€/mn)



Customer loans up mainly supported by the positive trend of the retail sector

CUSTOMER
LOANS

Customer loans (€/mn)

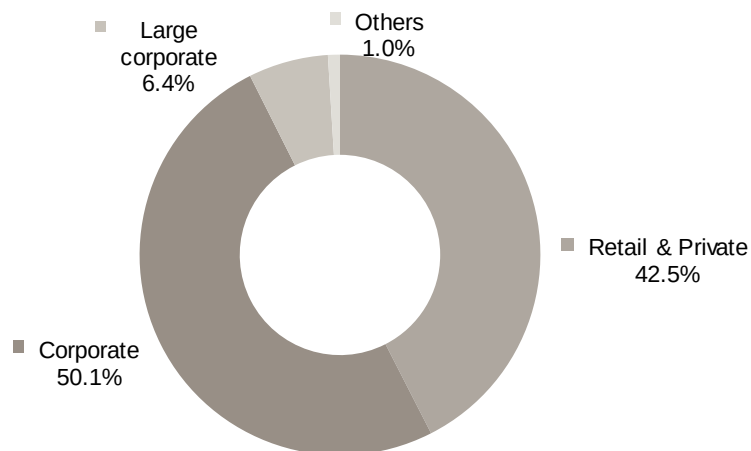


Customer loans breakdown (net figures; €/mn)

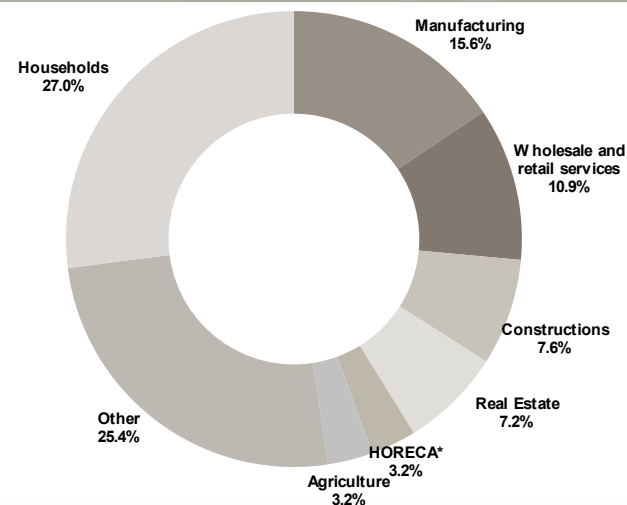
€/mn	Dec 16	Dec 17	Chg (%)
Current accounts	5,392	5,151	-4.5%
Mortgage loans	26,488	28,784	+8.7%
Repurchase agreement	0	0	
Leases and factoring	3,373	3,623	+7.4%
Debt securities	322	206	-36.2%
Other transactions	9,919	10,051	+1.3%
Net loans to customers	45,494	47,815	+5.1%

Residential mortgages production up by 23.1% in FY17 vs FY16

Customer loans breakdown by customer segment (%)



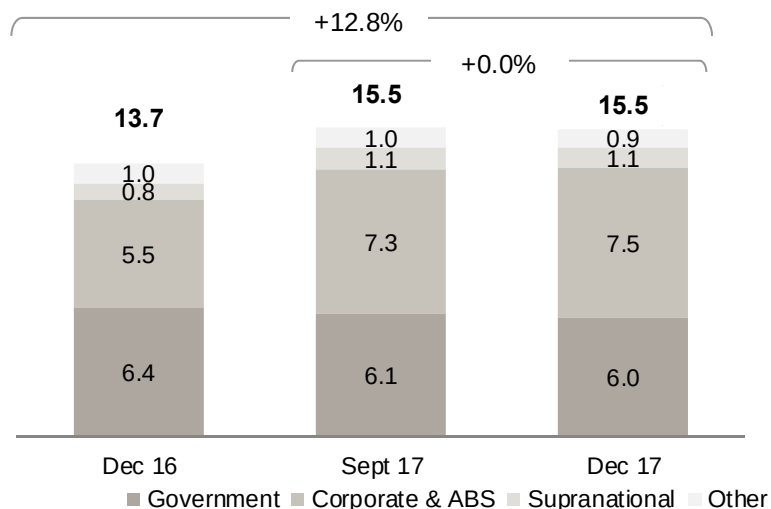
Customer loans breakdown by sectors (%)



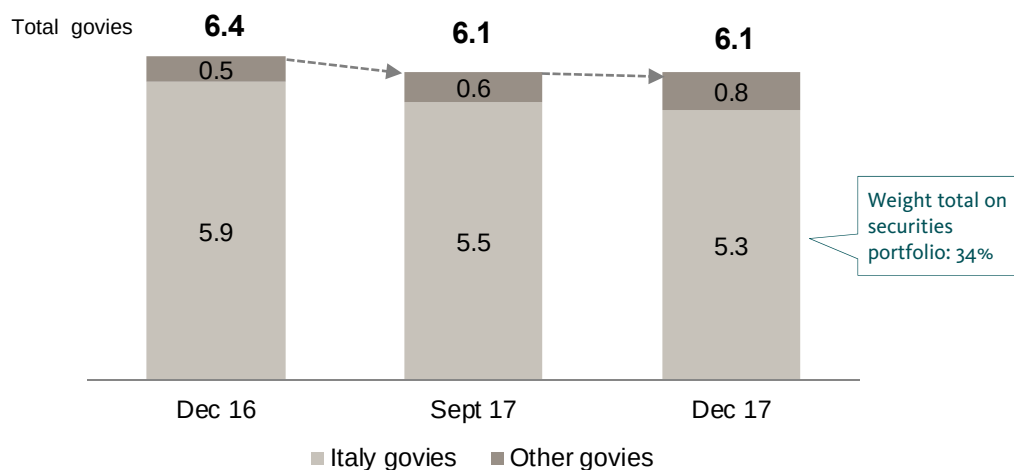
Financial Assets portfolio re-mix with the reduction of Italian govies weight

FINANCIAL
ASSETS

Financial Assets (€/bn)



Government bond portfolio (€/bn)

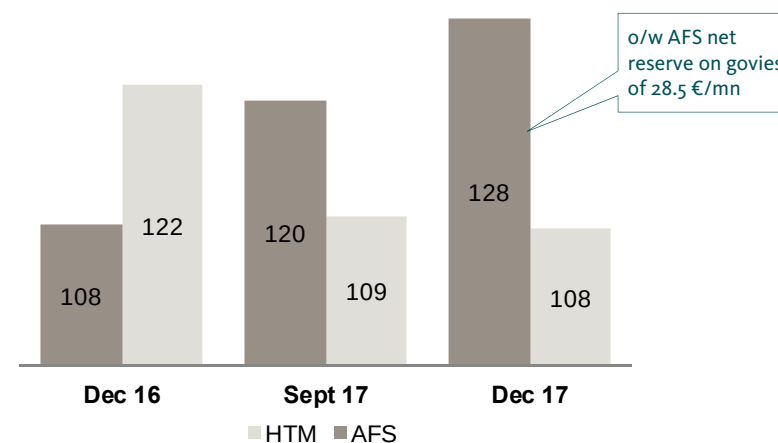


Financial Assets breakdown (€/mn; %)

€/mn	HFT	CFV	AFS	HTM	Total	% on total
Bonds	348	28	11,547	2,637	14,560	94.2%
Equity	100	0	321		421	2.7%
Funds and Sicav	87	55	205		347	2.2%
Other*	129		3		132	0.9%
Total	663	83	12,076	2,637	15,460	100.0%
Total as of 31.12.2016	677	84	10,433	2,516	13,710	
Chg YTD (%)	-2.0%	-1.2%	+15.7%	+4.8%	+12.8%	

Bond PTF duration: 2.2y in Dec.'17 (2.9y in Dec.'16)

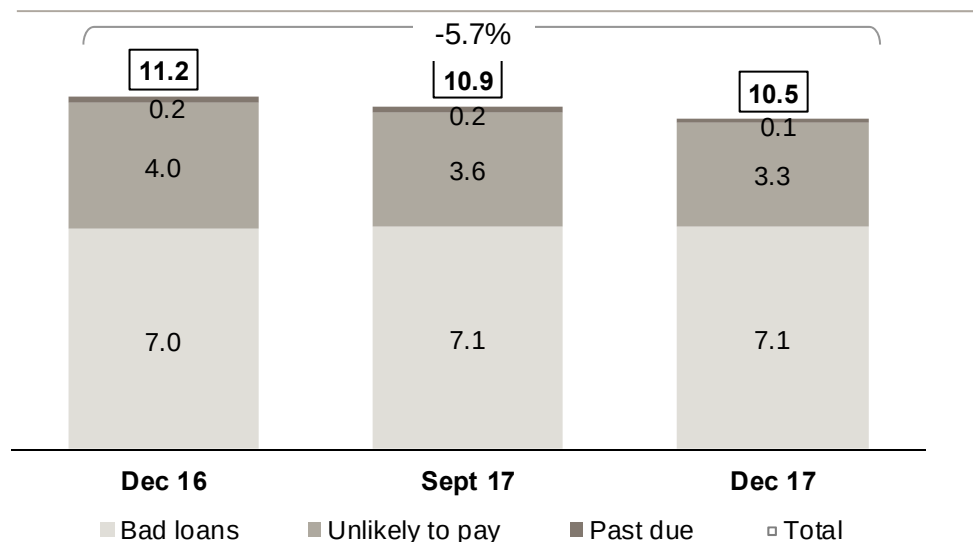
AFS & HTM reserves (net of taxes; €/mn)



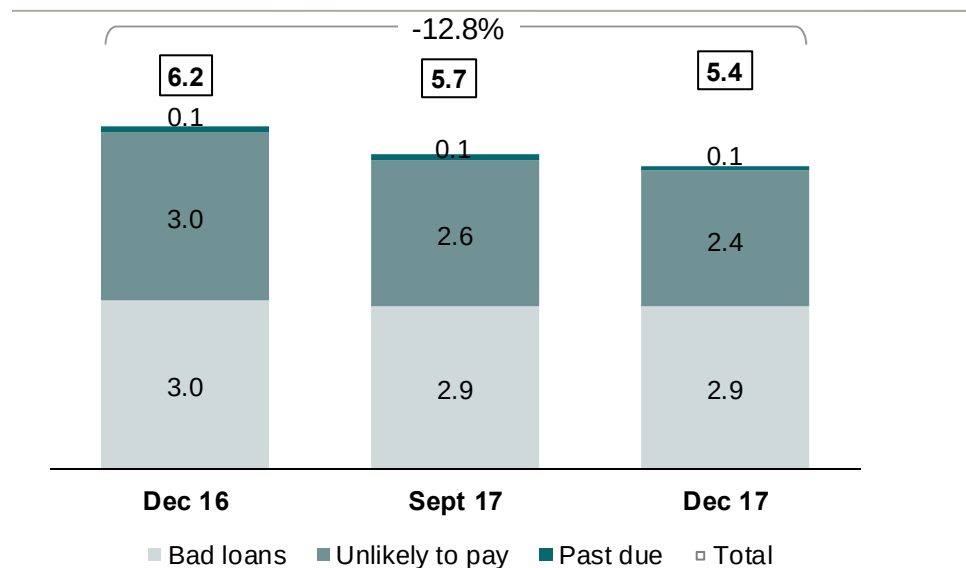
Significant decline of gross NPE ratio below 20% and coverage further increase

NPE

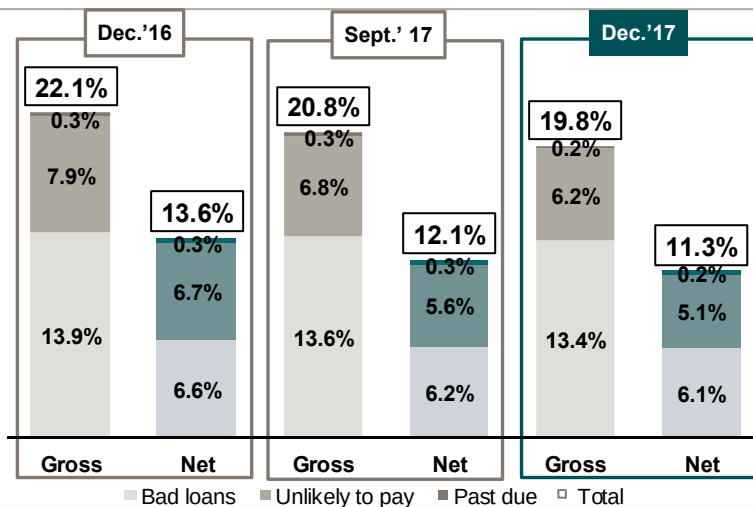
Gross NPE (€/mn)



Net NPE (€/mn)



Gross and Net NPE (% on total loans)



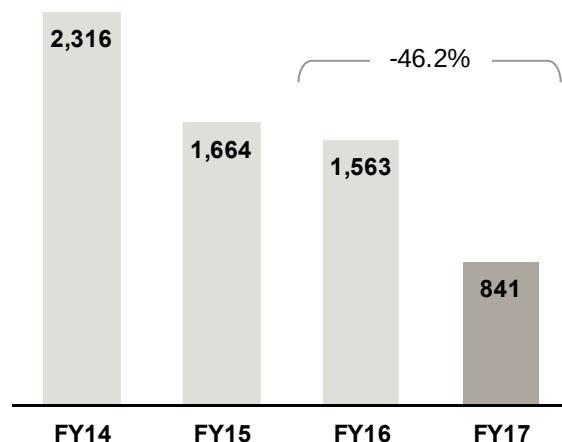
Cash coverage ratios (%)

	Dec 16	Mar 17	Jun 17	Sept 17	Dec 17
Bad loans ("Sofferenze")	57.2%	58.1%	58.8%	59.0%	59.3%
including write-off	62.9%	63.6%	63.8%	63.8%	63.7%
Unlikely to pay	23.5%	24.2%	26.4%	26.7%	27.2%
Past due	7.8%	8.0%	7.9%	11.2%	10.6%
NPE	44.5%	45.6%	46.9%	47.7%	48.7%
including write-off	49.4%	50.3%	51.3%	51.9%	52.6%
Performing exposures	0.5%	0.4%	0.5%	0.5%	0.5%
Total loans	10.2%	10.2%	10.3%	10.3%	10.1%

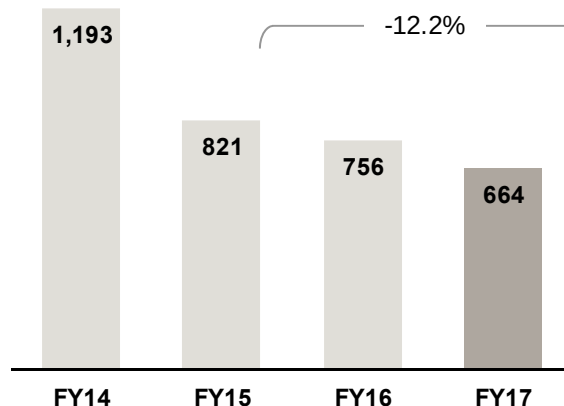
Strong improvement of all main credit quality indicators

NPE

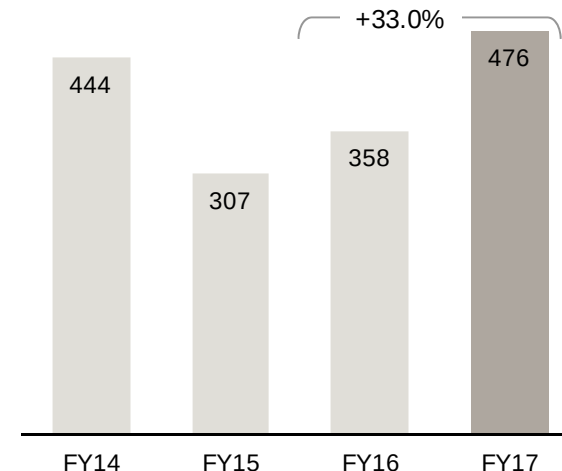
NPE inflows (gross figures, €/mn)



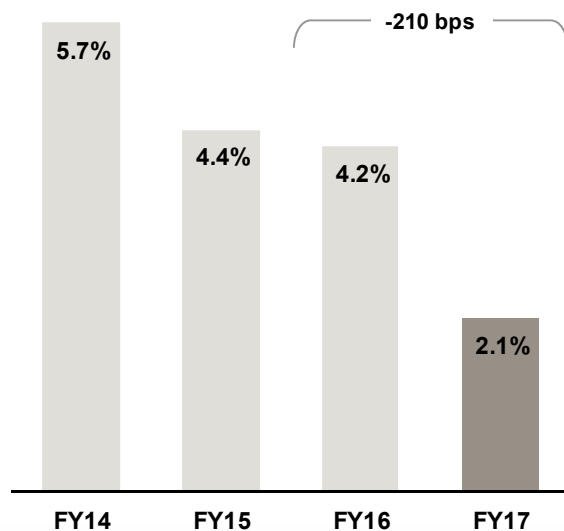
Bad Loans inflows from other NPE (gross figures, €/mn)



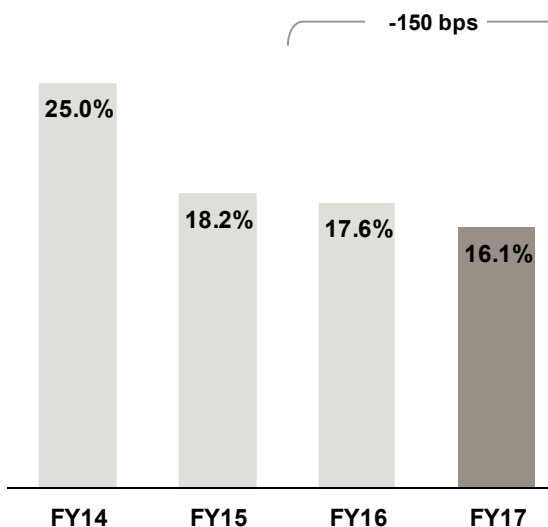
UtP and Past due loans outflows back to performing (gross figures, €/mn)



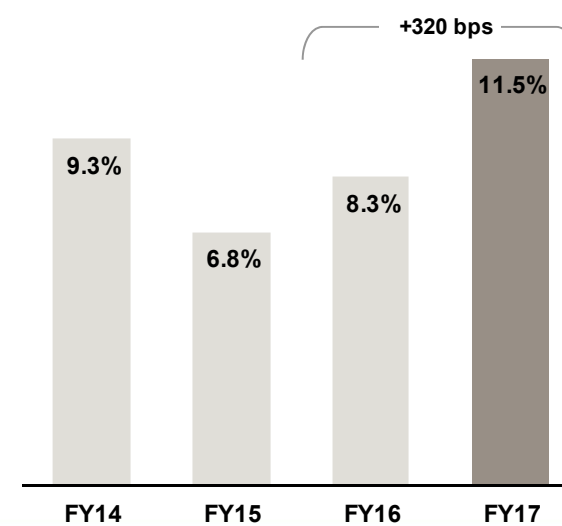
Default rate (%; annualized)



Danger rate (%; annualized)



Cure rate (%; annualized)



Agenda

FY17 Results

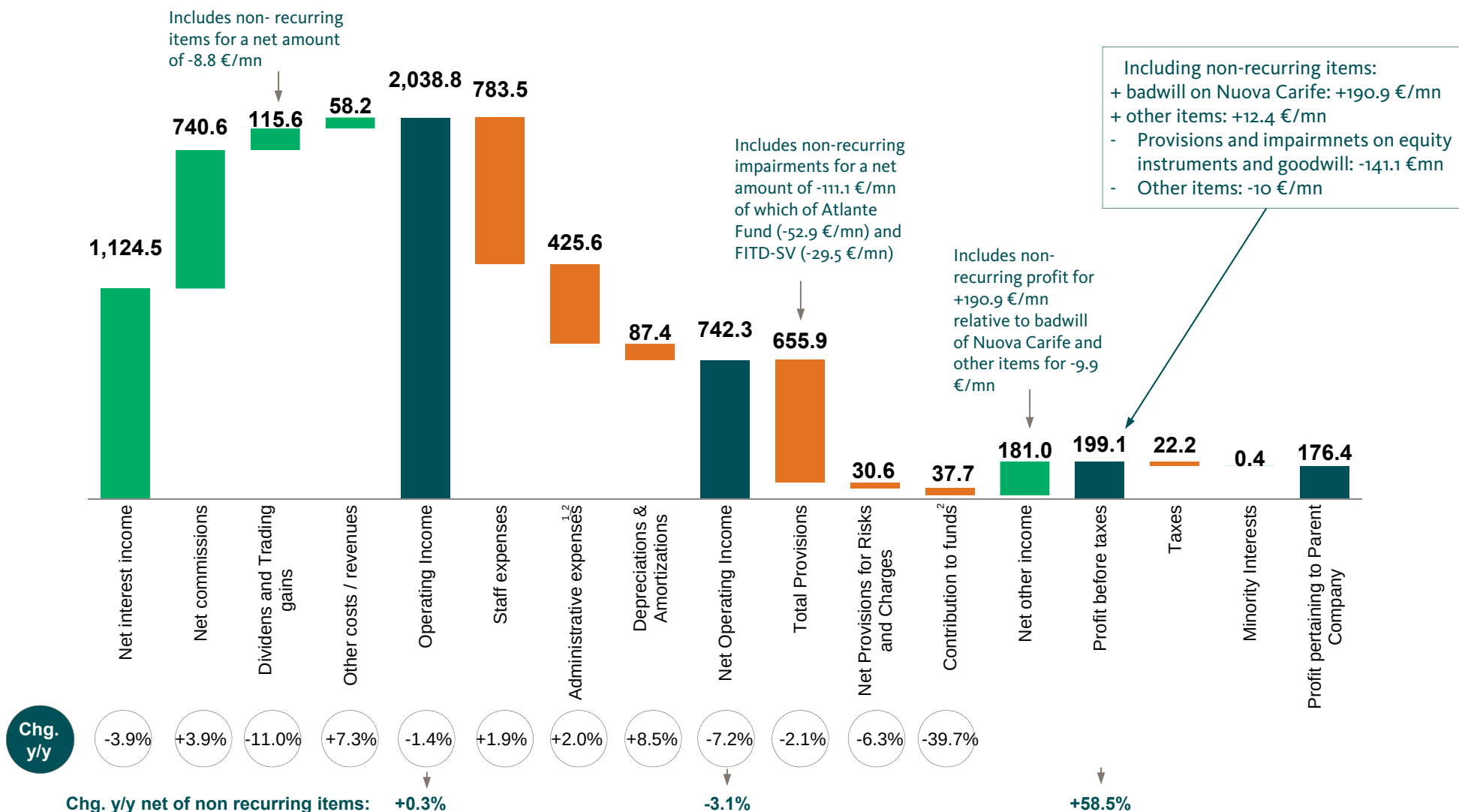
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Solid Net profit for the FY17 of € 176.4 million

P&L

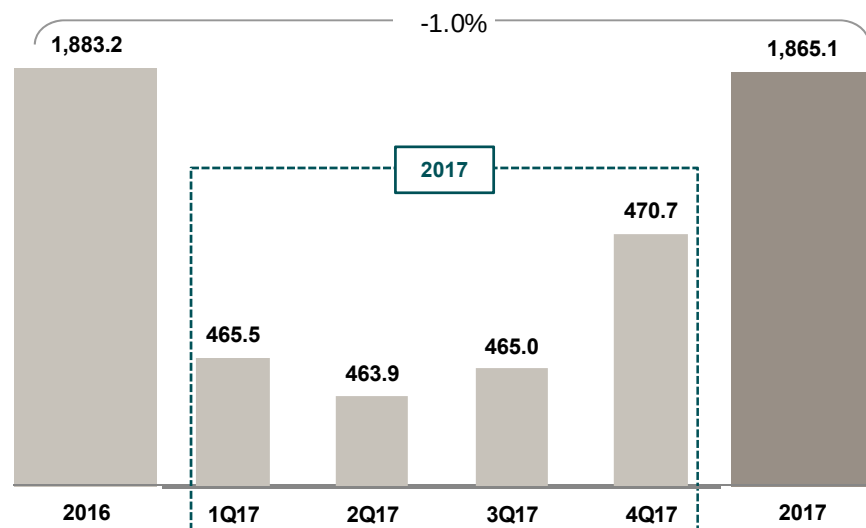
FY17 Reclassified consolidated Profit & Loss* (€/mn)



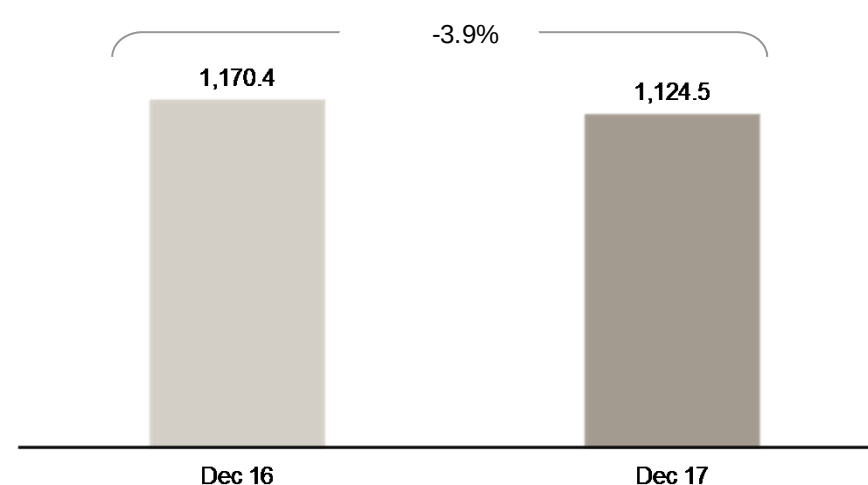
Resilient Core income supported by good net commissions performance

CORE
INCOME

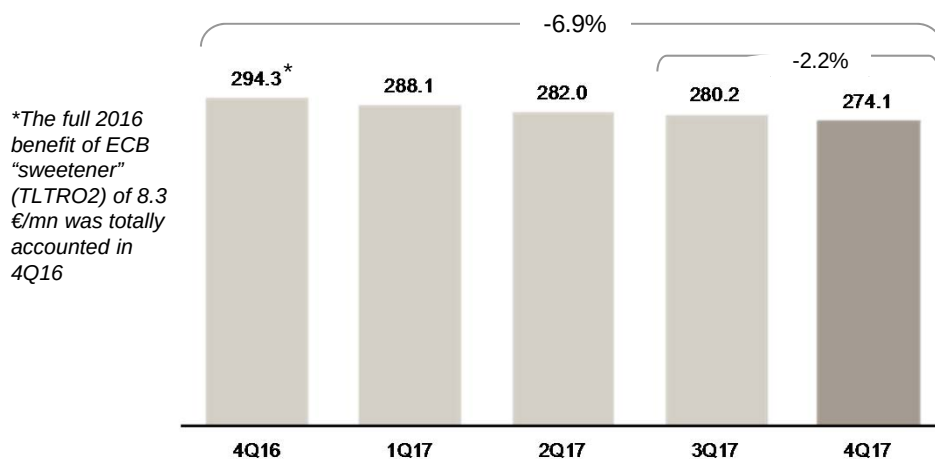
Core Income (€/mn)



Net Interest Income (€/mn)

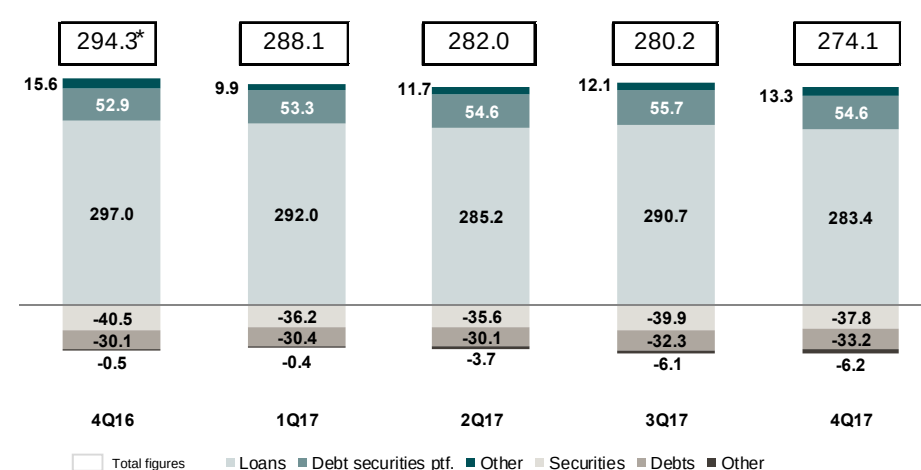


Net Interest Income evolution (€/mn)



*The full 2016 benefit of ECB "sweetener" (TLTRO2) of 8.3 €/mn was totally accounted in 4Q16

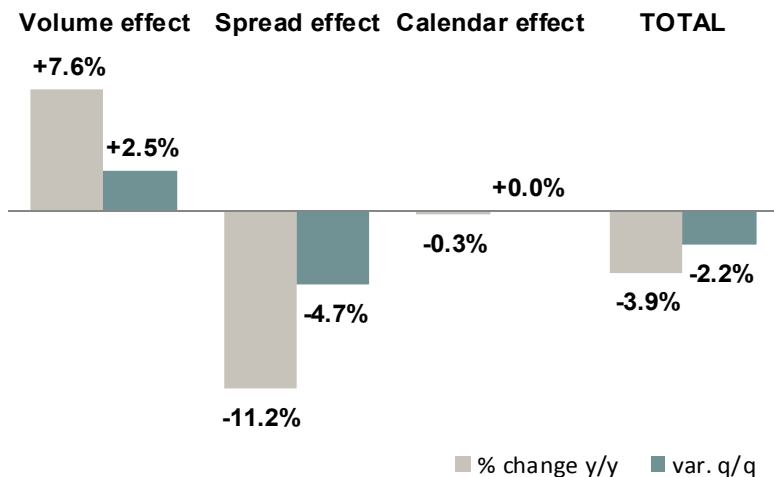
Net Interest Income contribution* (€/mn)



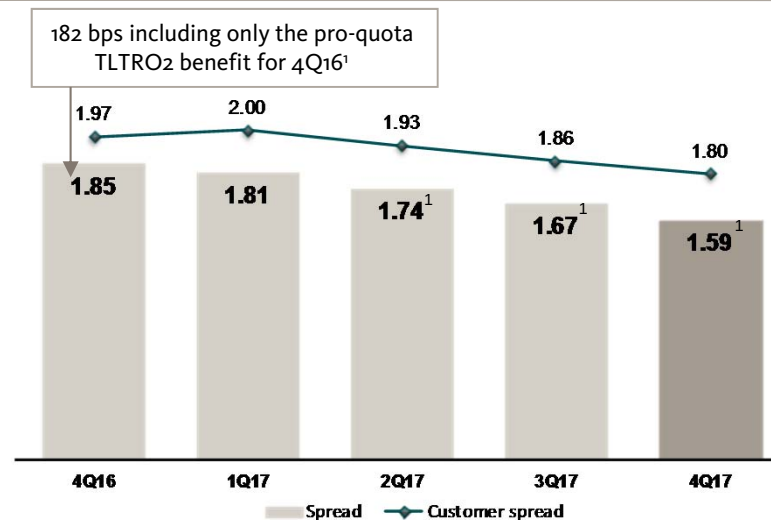
Customer spread still under pressure but expected to stabilize in 2018

CORE
INCOME

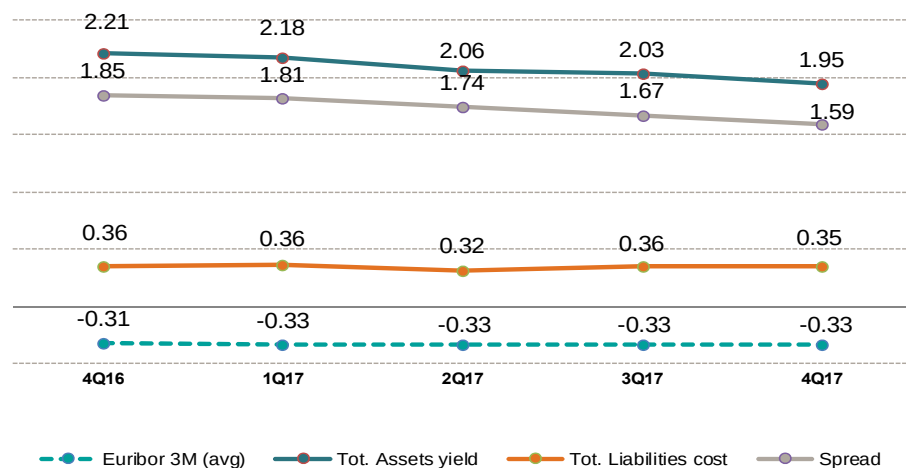
Net Interest Income contribution (%)



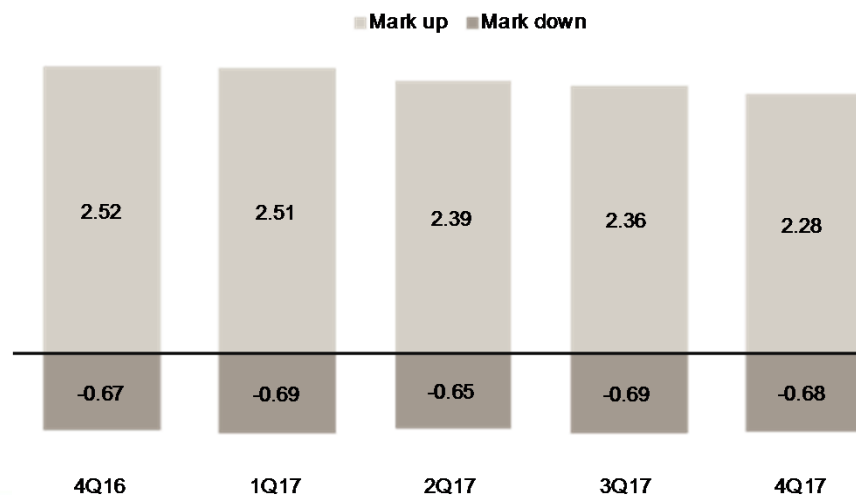
Spread (%)



Spread contribution (%)



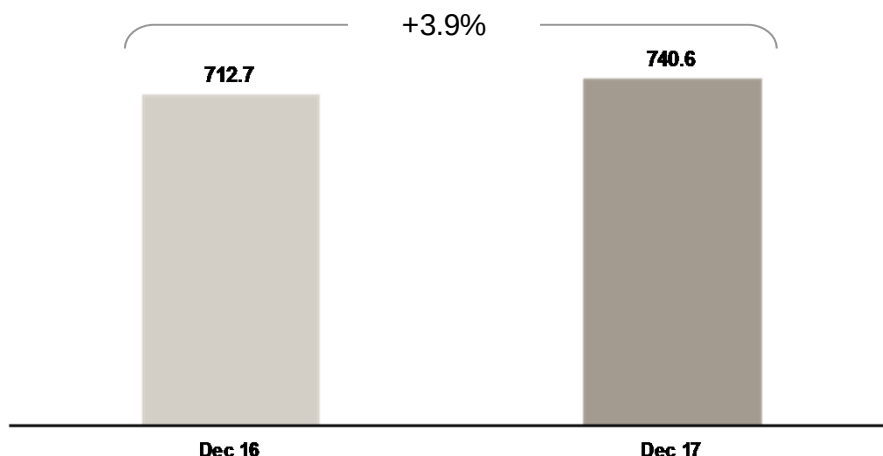
Mark up & mark down (%)



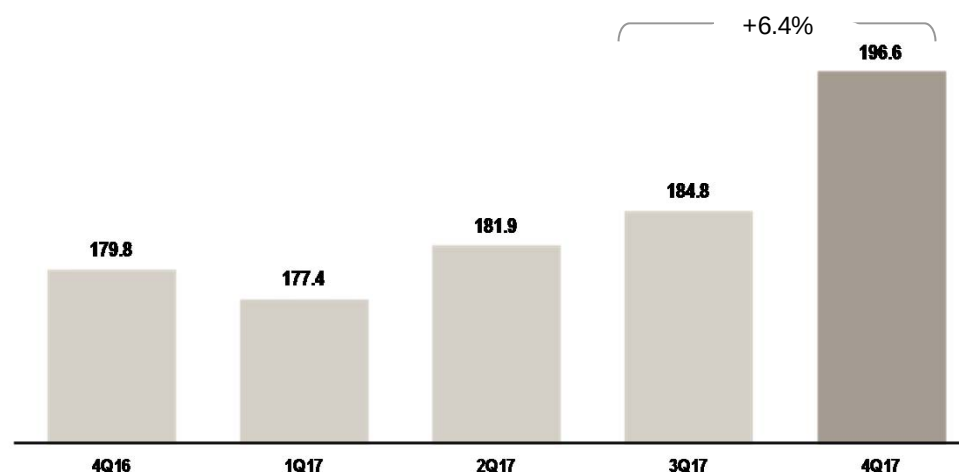
Sound performance of net commissions thanks to AuM and Bancassurance

CORE
INCOME

Net Commissions evolution (€/mn)



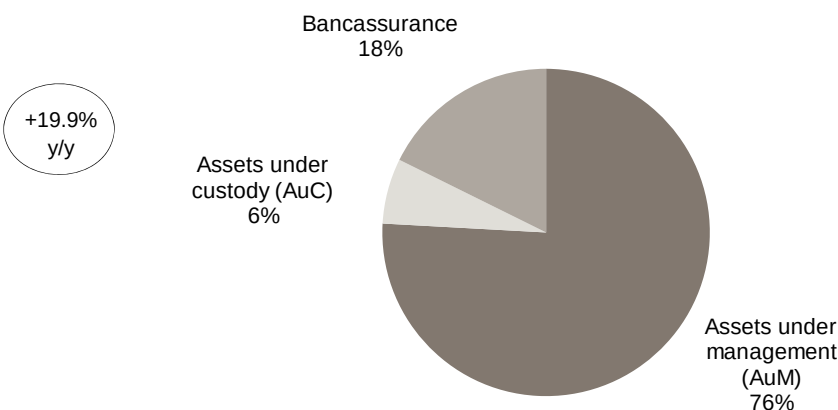
Net Commissions evolution (€/mn)



Net Commissions breakdown (€/mn; %)

	Dec 16	(%) on total	Dec 17	(%) on total	Chg y/y (%)
Indirect deposits and bancassurance	197.4	27.7%	233.1	31.5%	+18.1%
Assets under custody (AuC)	15.5		15.0		-2.8%
Assets under management (AuM)	145.8		176.9		+21.3%
Bancassurance	36.1		41.2		+14.3%
Credit cards, collections and payments	142.3	20.0%	145.7	19.7%	+2.4%
Loans and guarantees	329.6	46.2%	321.5	43.4%	-2.5%
Other commissions	43.4	6.1%	40.3	5.4%	-7.1%
Total	712.7	100.0%	740.6	100.0%	+3.9%

Indirect deposits and bancassurance breakdown(%)

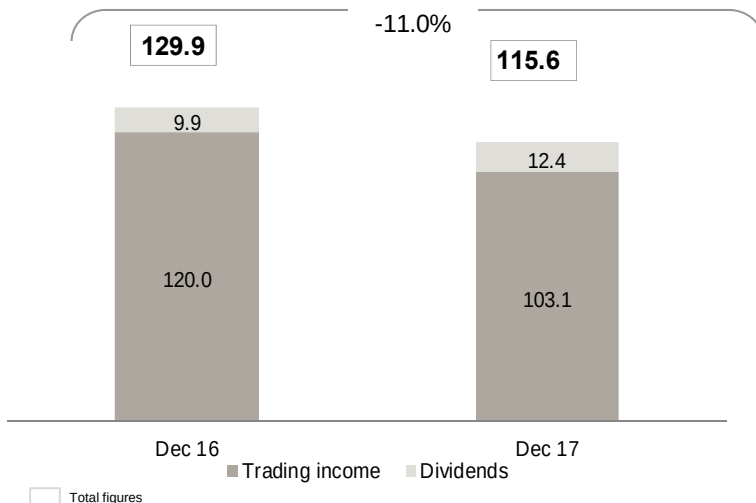


AuM up-front fees of 23.3 €/mn in FY17 (25.8 €/mn in FY16), weighing 3.1% on total net commissions

Trading income increasing net of non-recurring items

DIVIDENDS
TRADING

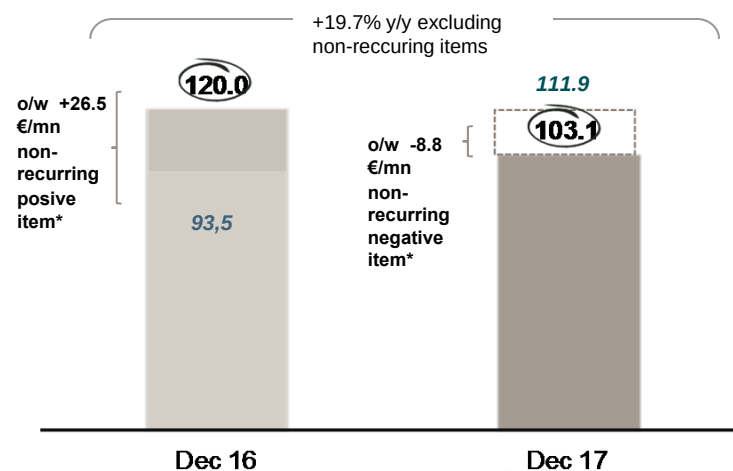
Dividends and Trading income (€/mn)



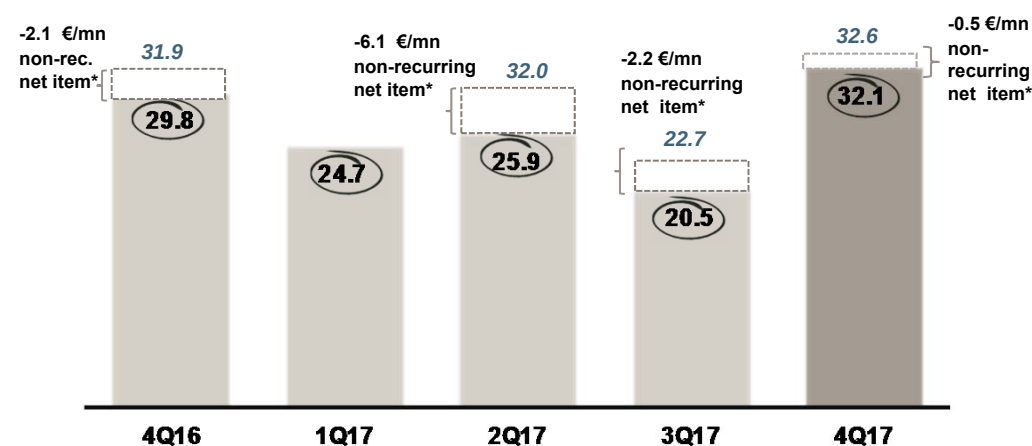
Dividends and Trading income breakdown (€/mn; %)

	Dec 16	Dec 17	Chg y/y (%)
Dividends	9.9	12.4	+25.8%
Trading income*	120.0	103.1	-14.1%
<i>Realized gain/loss</i>	103.1	63.4	-38.5%
<i>Plus</i>	19.7	43.7	+122.4%
<i>Minus</i>	-12.5	-8.5	-31.6%
<i>Others</i>	9.7	4.6	-52.9%
Total	129.9	115.6	-11.0%

Trading gains* excluding dividends (€/mn)



Trading gains* excluding dividends (€/mn)

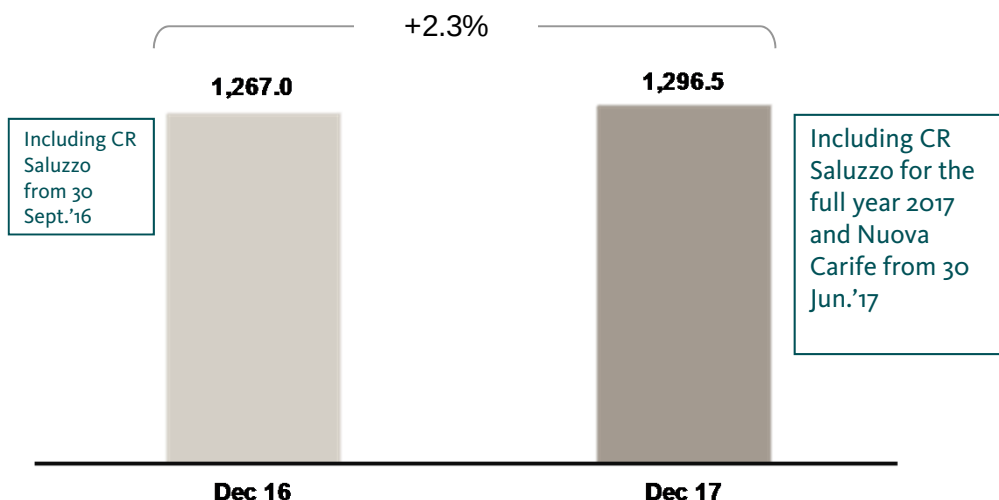


Note: Data stated as shown in the P&L (including non recurring items) - Note: Data excluding non recurring items

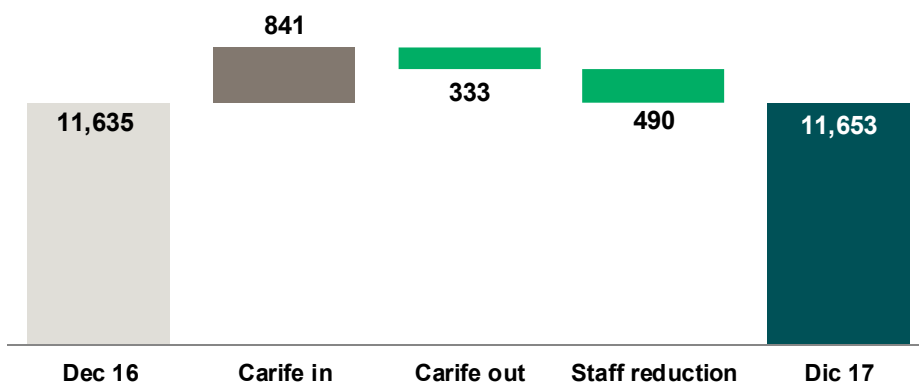
Operating costs affected by the Group's different perimeters 2017 vs 2016

COSTS

Operating Costs (€/mn)



Number of employees



Operating costs breakdown (€/mn; %)

Operating costs (€/mn)	Dec 16	Dec 17	Chg y/y (%)
Staff expenses	769.1	783.5	+1.9%
Other administrative expenses	417.2	425.6	+2.0%
D&A	80.6	87.4	+8.5%
Operating costs	1,267.0	1,296.5	+2.3%
Non recurring items	9.4	8.0	-14.9%
CR Saluzzo	7.7	20.0	n.m.
Operating costs pro-forma and on a like-for-like basis	1,249.9	1,268.5	+1.5%

Including Nuova Carife from 30 Jun.'17

Other administrative expenses (€/mn; %)

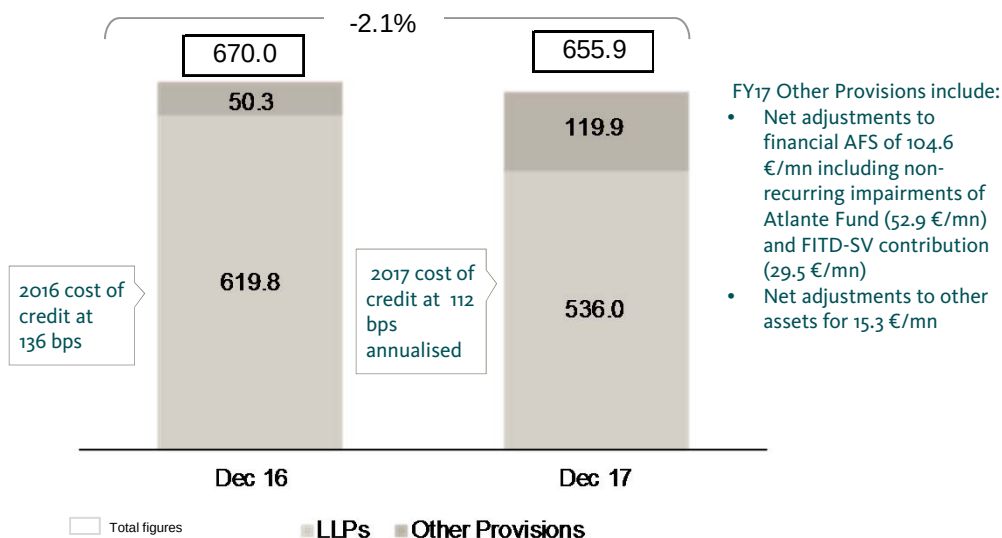
Staff expenses (€/mn)	Dec 16	Dec 17	Chg y/y (%)
Staff expenses	769.1	783.5	+1.9%
CR Saluzzo	3.3	12.5	n.m.
Staff expenses on a like-for-like basis	765.8	771.0	+0.7%

Other administrative expenses (€/mn)	Dec 16	Dec 17	Chg y/y (%)
Other administrative expenses	417.2	425.6	+2.0%
(o/w Business plan projects expenses*)	36.9	25.4	-31.3%
CR Saluzzo	2.4	7.1	n.m.
Other admin. exp. on a like-for-like basis	414.8	418.5	+0.9%

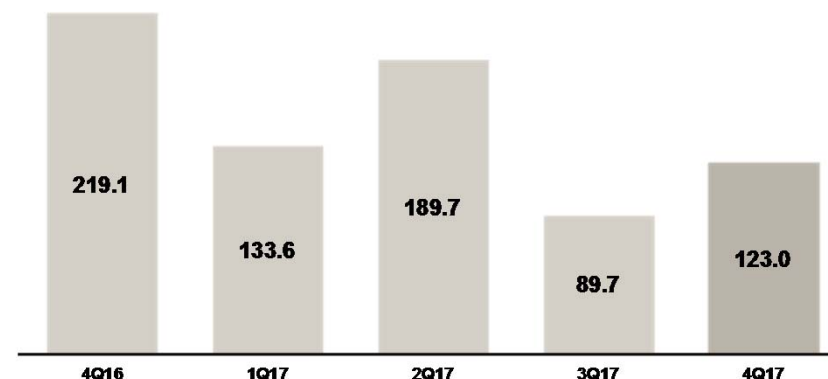
Cost of credit declines to 112 bps vs 136 bps in 2016

PROVISIONS

Provisions breakdown (€/mn)

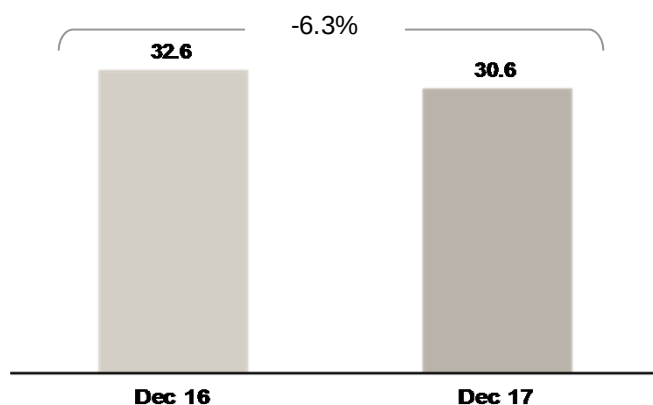


Loan Loss Provisions evolution (€/mn)



Cost of credit (bps)	48	29	40	19	26
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Net Provisions for Risks and Charges (€/mn)



Contribution to Funds (€/mn)

	Dec 16	Dec 17	Chg y/y (%)
Contribution to Funds o/w: ¹	62.5	37.7	-39.7%
SRF	50.0	15.9	-68.2%
DGS	12.9	21.8	68.5%
Net contribution FITD-SV (Tercas)	-0.4	0.0	

Contributions to funds accounted in FY16 includes contribution to SRF (ordinary of 15.1 €/mn and extraordinary of 34.9), contribution to Interbank Deposit Guarantee Fund ("FITD-SV") for Tercas of 11.3 €/mn and write-back from Interbank Deposit Guarantee Fund ("FITD-SV") for Tercas of 11.7 €/mn, contribution to DGS (ordinary 16.9 €/mn, write-back 4.0 €/mn). Contributions to funds accounted in FY17 includes contribution to ordinary SRF of 18.0 €/mn, write-back from Single Resolution Fund ("SRF") of 2.1 €/mn and ordinary contribution to DGS of 21.8 €/mn.

Agenda

FY17 Results

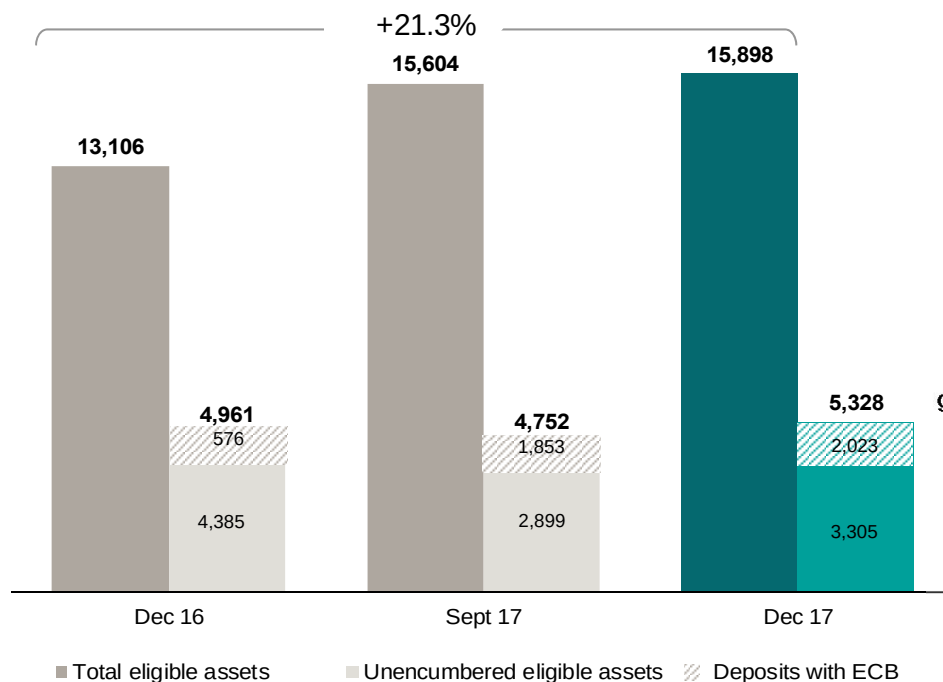
- ☐ Executive summary
- ☐ Focus on Asset Quality
- ☐ Balance sheet structure
- ☐ Profit and loss
- ☒ Liquidity and capital adequacy
- ☐ Final remarks

Annexes

Good liquidity position and high level of unencumbered eligible assets

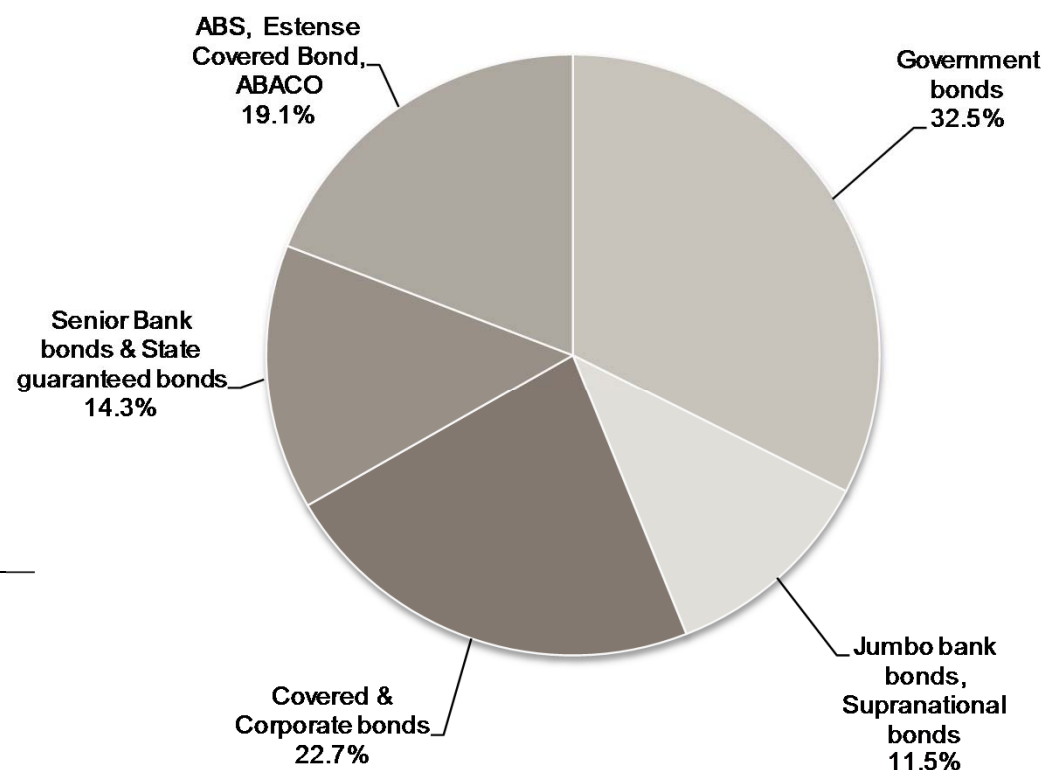
LIQUIDITY

Total eligible Assets evolution* (€/mn)



* Net of ECB haircuts

Eligible Assets Pool Composition (%)

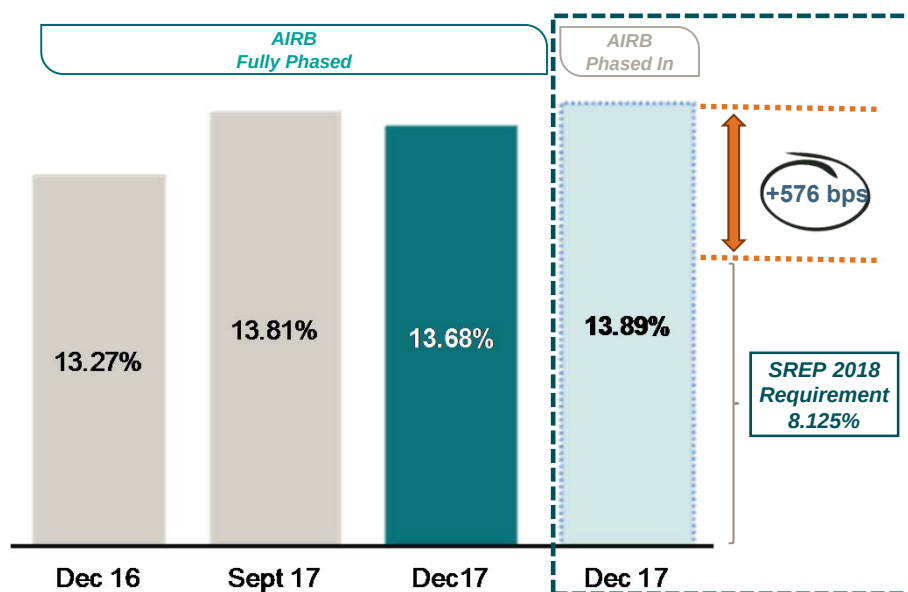


- ECB exposure of 9.3 €/bn in Dec.'17 fully composed of TLTRO2 operations (4.1 €/bn TLTRO2 in Jun.'16 and 1 €/bn TLTRO2 in Dec.'16 and 4.2 €/bn in Mar.'17)
- LCR and NSFR above 100%

Among best-in-class capital positions in the Italian banking system

CAPITAL

B3 Common Equity Tier 1 Ratios (%)*



Regulatory capital & ratios

€/mn	B3 Fully Phased				
	Dec 16	Mar 17	Jun 17	Sept 17	Dec 17
Common Equity TIER 1	4,325	4,310	4,434	4,448	4,456
TIER 1	4,362	4,345	4,469	4,480	4,488
Own Funds	4,760	4,740	5,363	5,367	5,366
Total RWA	32,593	32,883	33,667	32,213	32,573
Common Equity TIER 1 Ratio	13.3%	13.1%	13.2%	13.8%	13.7%
TIER 1 Ratio	13.4%	13.2%	13.3%	13.9%	13.8%
Own Funds Ratio	14.6%	14.4%	15.9%	16.7%	16.5%

- CET1 ratio Fully Phased at 13.68% (13.81% in Sept.'17 and 13.27% in Dec.'16) down by 13 bps since Sept.'17. In 3Q17, ECB authorized the removal of the add-on on RWA, requested when AIRB models were validated on Jun.'16, following the completion of remedial actions taken by the Bank

- Main changes in 4Q17 vs 3Q17:
 - increase of of RWA: c. -16 bps
 - others: c. +3 bps
- Excess capital buffer of 576 bps (c. +1.9 €/bn) vs minimum regulatory requirement (SREP 2018 at 8.125%)
- AIRB model extension to Nuova Carife expected in 1Q18 with an estimated positive impact on CET1 ratio of 10/15 bps
- IFRS 9 First Time Adoption estimated impact (first reporting date - 31 March 2018): CET1 ratio pro-forma Fully Phased higher than 12% (without taking into account the fiscal effect); CET1 ratio Phased in higher than 15%,¹

Capital requirements

Requirements as of Dec. 17	€/mn	%
Credit risk	2,244	86.0%
Credit Valuation Adjustment (CVA)	12	0.4%
Market risk	73	2.9%
Operating risks	278	10.7%
Total	2,606	100.0%

Agenda

FY17 Results

- ☐ Executive summary
- ☐ Focus on Asset Quality
- ☐ Balance sheet structure
- ☐ Profit and loss
- ☐ Liquidity and capital adequacy

☒ **Final remarks**

Annexes

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

- ❑ **Effective and visible results in managing credit quality.** Strong improvement of all main asset quality indicators:
 - gross NPE ratio down by 3.7 p.p. in 18 months from the peak of 23.5 in Jun.'16 without massive bad loans disposals;
 - default rate at 2.1% (4.2% in 2016), danger rate at 16.1% (17.6% in 2016) and cure rate at 11.5% (8.3% in 2016);
 - further increase of NPE cash coverage ratio at 48.7% up by more than 4 p.p. vs 44.5% in Dec.'16
 - Texas ratio strong improvement at 101.9% from 111.6% in Dec.'16 very close to declining below 100% threshold

- ❑ **Very solid capital position, low leverage and good liquidity position:**
 - CET1 ratio Phase in at 13.9% well above the SREP 2018 (8.125% one of the lowest in the Italian banking system)
 - Excess capital buffer of 576 bps (c. +1.9 €/bn) vs minimum regulatory requirement (SREP 2018 at 8.125%)

- ❑ **Strong commitment to continue reducing bad loans and improving recoveries, better than those declared in the NPE Strategy 2018-2020 presented in November 2017¹**

Agenda

FY17 Results

- ☐ Executive summary
- ☐ Focus on Asset Quality
- ☐ Balance sheet structure
- ☐ Profit and loss
- ☐ Liquidity and capital adequacy
- ☐ Final remarks

Annexes

Reclassified consolidated Profit & Loss*

Captions	(€/mn)				2016				2017				Chg q/q (%)
		Dec 16	Dec 17	Chg y/y (%)	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	
10+20	Net interest income	1,170.4	1,124.5	-3.9%	296.8	293.6	285.7	294.3	288.1	282.0	280.2	274.1	-2.2%
40+50	Net commissions	712.7	740.6	+3.9%	177.1	181.0	174.8	179.8	177.4	181.9	184.8	196.6	+6.4%
	Core Income	1,883.2	1,865.1	-1.0%	473.9	474.6	460.5	474.1	465.5	463.9	465.0	470.7	+1.2%
70	Dividends	9.9	12.4	+25.8%	0.1	8.7	0.3	0.7	0.3	10.8	0.5	0.8	+54.8%
80+90+100+110	Trading gains	120.0	103.1	-14.1%	15.7	49.1	25.5	29.8	24.7	25.9	20.5	32.1	+56.7%
220	Other costs / revenues ¹	54.2	58.2	+7.3%	15.5	16.4	13.6	8.7	10.3	14.3	23.6	10.0	-57.5%
	Operating Income	2,067.3	2,038.8	-1.4%	505.2	548.8	500.0	513.3	500.8	514.8	509.6	513.7	+0.8%
180 a)	Staff expenses	-769.1	-783.5	+1.9%	-196.6	-201.7	-176.2	-194.7	-194.1	-191.6	-191.7	-206.1	+7.6%
180 b)	Administrative expenses ¹⁻²	-417.2	-425.6	+2.0%	-101.1	-102.8	-106.1	-107.3	-96.6	-104.9	-107.5	-116.7	+8.6%
200+210	Depreciations & Amortizations	-80.6	-87.4	+8.5%	-17.1	-20.4	-17.9	-25.1	-18.7	-22.0	-20.7	-26.1	+26.3%
	Operating costs	-1,267.0	-1,296.5	+2.3%	-314.8	-324.9	-300.2	-327.1	-309.4	-318.4	-319.8	-348.9	+9.1%
	Net Operating Income	800.3	742.3	-7.2%	190.4	224.0	199.8	186.2	191.3	196.4	189.8	164.8	-13.2%
130 a)	Loan loss provisions	-619.8	-536.0	-13.5%	-114.2	-161.9	-124.6	-219.1	-133.6	-189.7	-89.7	-123.0	+37.1%
130 b)+c)+d)	Other provisions	-50.3	-119.9	n.m	-7.3	0.4	-1.9	-41.5	-12.7	-52.4	-22.9	-31.8	n.m
	Total provisions	-670.0	-655.9	-2.1%	-121.5	-161.5	-126.4	-260.6	-146.3	-242.1	-112.7	-154.8	+37.4%
190	Net Provisions for Risks and Charges	-32.6	-30.6	-6.3%	-9.6	-12.5	-5.8	-4.7	-5.7	-5.9	-9.3	-9.7	+4.7%
	Contribution to Funds (SRF, DGS, FITD-SV) ²	-62.5	-37.7	-48.7%	-15.0	-0.4	-17.6	-29.5	-18.1	2.1	-20.2	-1.6	-92.2%
240+265+270	Net other income	-24.6	181.0	n.m	3.2	-4.1	2.5	-26.2	3.7	133.6	4.9	38.9	n.m
280	Profit (loss) before taxes	10.5	199.1	n.m	47.4	45.4	52.4	-134.7	25.0	84.0	52.6	37.5	-28.6%
290	Taxes	5.3	-22.2	n.m	-14.1	-13.7	-12.8	45.9	-7.7	17.9	-23.7	-8.7	-63.2%
310	Net profit of assets under disp.	0.0	0.0	n.m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.m
320	Net profit (loss)	15.8	176.9	n.m	33.3	31.7	39.6	-88.8	17.3	102.0	28.9	28.8	-0.3%
330	Minority Interests	-1.5	-0.5	-70.7%	-2.3	2.0	-3.2	1.9	-2.7	2.5	1.0	-1.3	n.m
340	Profit (loss) for the period pertaining to the Parent Company	14.3	176.4	n.m	31.0	33.8	36.4	-86.9	14.6	104.5	29.9	27.5	-8.1%
	cost / income	61.3%	63.6%		62.3%	59.2%	60.0%	63.7%	61.8%	61.9%	62.8%	67.9%	
	cost / (net interest income + net commissions)	67.3%	69.5%		66.4%	68.4%	65.2%	69.0%	66.5%	68.6%	68.8%	74.1%	
	cost of credit (bps)	136	112		26	37	29	48	29	40	19	26	
	net profit / total income	0.8%	8.7%		6.6%	5.8%	7.9%	-17.3%	3.4%	19.8%	5.7%	5.6%	
	tax rate	50.0%	11.2%		29.7%	30.1%	24.5%	34.1%	31.0%	21.3%	45.1%	23.3%	

Includes non-recurring items for an net amount of -8.8 €/mn in FY17 and +26.5 €/mn in FY16

Includes non-recurring impairments of Atlante Fund (52.9 €/mn) and FITD-SV (29.3 €/mn)

Includes non-recurring profit for 190,9 €/mn million relative to badwill of Nuova Carife

Main non-recurring and other items P&L 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 Basilichi Spa
	Goodwill and equity investments	Net impairment adjust. to AFS (Cap. 130-b)	-50.8	Impairment (Atlante Fund, FITD-SV, others)
	Goodwill and equity investments	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	

Main non-recurring and other items P&L 2016

Item		Caption (Bank of Italy Format; Circular n. 262/2005)	€/mn	Description
2016	Non-recurring items			
	1Q16	Goodwill and equity investments	Net impairment adjust. to AFS (Cap. 130-b)	-1.7 Net impairment adjust. to AFS
	2Q16	Goodwill and equity investments	Gain on disposal of financial assets AFS (Cap. 100-b)	+30.2 Total capital gain from VISA Europe disposal
		Goodwill and equity investments	Net impairment adjust. to AFS (Cap. 130-b)	-1.4 Net impairment adjust. to AFS
		Other	Net impairment adjust. to loans (Cap. 100-a)	+1.5 Loss on disposal of loans
		Property, plant and equip	Net adjust. to property, plant and equip. (Cap. 200)	-2.9 Net adjust. to property, plant and equip.
	3Q16	Goodwill and equity investments	Gain on disposal of financial assets AFS (Cap. 100-b)	+2.7 Capital gain from VISA Europe disposal
		Goodwill and equity investments	Net impairment adjust. to AFS (Cap. 130-b)	-2.2 Net impairment adjust. to AFS
		Other	Net impairment adjust. to loans (Cap. 100-a)	-5.8 Loss on disposal of loans
	4Q16	Goodwill and equity investments	Gain on disposal of financial assets AFS (Cap. 100-b)	+4.7 Earn-out for the sale of ICBPI
		Goodwill and equity investments	Net impairment adjust. to AFS (Cap. 130-b)	-30.8 Impairment (Atlante Fund, FITD-SV)
		Goodwill and equity investments	Adjustments to goodwill (Caption 260)	-32.9 Impairment on goodwill
		Goodwill and equity investments	Altre spese amm.ve (voce 180-b)	-34.9 Extraordinary contribution to the Single Resolution Fund ("SRF")
		Goodwill and equity investments	Net impairment adjust. to AFS (Cap. 130-b)	-7.4 Net impairment adjust. to AFS
		Other	Perdita da cessione di crediti (voce 100-a)	-6.8 Loss on disposal of loans
		Property, plant and equip	Net adjust. to property, plant and equip. (Cap. 200)	-6.5 Net adjust. to property, plant and equip.
	● Total			-94.2
	Other items			
	1Q16	Administrative expense (Caption 180-b)	-15.0	Ordinary contribution to the Single Resolution Fund ("SRF")
	2Q16	Administrative expense (Caption 180-b)	-0.1	Contribution SRF and DGS
		Administrative expense (Caption 180-b)	-11.3	Contribution to Interbank Deposit Guarantee Fund Voluntary Scheme ("FITD-SV") for the rescue of Banca Tercas
		Net impairment adjustments to other financial assets (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")
	4Q16	Administrative expense (Caption 180-b)	+0.7	Ordinary contribution to the Deposits Guarantee Schemes ("DGS")
		Provisions for risks and charges (Caption 190)	+4.0	Write-back from Solidarity Fund
		Other operating charges/income (Caption 220)	+0.8	Write-back from Interbank Deposit Guarantee Fund Voluntary Scheme ("FITD-SV") for the rescue of Banca Tercas
	● Total			-27.6
Total contribution to Funds			-62.5	(Includes extraordinary contr.to "SFR")

CR Saluzzo and Nuova Carife

CR Saluzzo

CR Saluzzo's P&L has been included in BPER Banca Group's consolidated P&L since 1 October 2016 (4Q16); up to 30.09.2016 the financial results of CR Saluzzo were accounted in the Profit (Loss) considering Bper's shareholding before the purchase of a controlling interest (31.02%). The main items of CR Saluzzo's FY17 balance sheet are the following:

Profit & Loss: Net interest and other banking income 21.4 €/mn (o/w NNI 13.7 €/mn, net commission 7.8 €/mn); operating costs 20.0 €/mn (o/w staff expenses 12.5 €/mn and other administrative expenses 7.1 €/mn), loan loss provisions 2.2 €/mn, taxes 0.1 €/mn, net profit 0.1 €/mn.

Nuova Carife

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

Assets & Liabilities: reclassified balance sheet

Assets (€/mn)¹

€/mn	Dec 16	Mar 17	Jun 17	Sept 17	Dec 17	Var vs Dec '16 (%)
Customer Loans	45,494	45,694	46,997	46,907	47,815	+5.1%
Securities Portfolio	13,710	14,663	14,952	15,454	15,460	+12.8%
<i>of which AFS</i>	10,433	11,211	11,609	12,003	12,076	+15.7%
Equity Investments, Properties & Intangibles	1,901	1,895	2,014	2,020	2,024	+6.5%
Other current assets	2,520	2,372	3,053	2,877	3,027	+20.1%
Total Assets	63,625	64,624	67,015	67,258	68,326	+7.4%

Liabilities & Shareholders' equity (€/mn)²

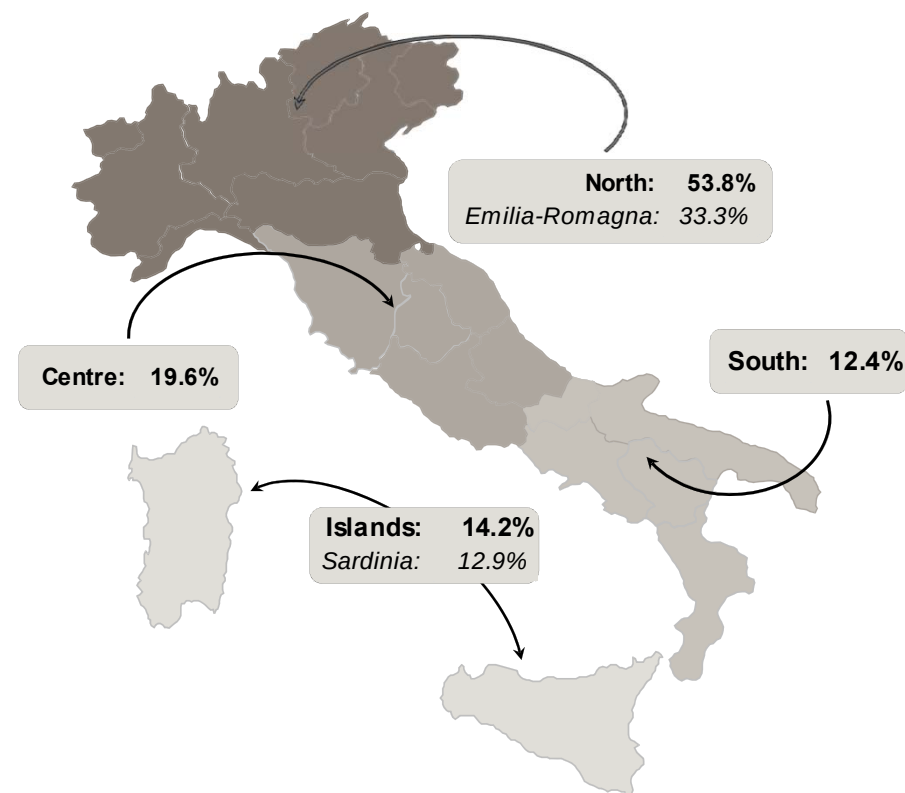
€/mn	Dec 16	Mar 17	Jun 17	Sept 17	Dec 17	Var vs Dec '16 (%)
Customer Deposits	47,748	46,602	48,628	49,311	50,246	+5.2%
Net Interbank Position	8,131	9,628	9,028	9,716	9,972	+22.6%
Other Funds & Liabilities	2,190	2,858	3,724	2,547	2,391	+9.2%
Shareholders' equity	5,556	5,535	5,635	5,684	5,717	+2.9%
Total Liabilities	63,625	64,624	67,015	67,258	68,326	+7.4%

Customer loans: portfolio composition

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

Business sector	Dec 17	% on Total	Δ % vs Dec 16
Manufacturing	7,451	15.6%	+4.2%
Wholesale and retail services, recoveries and repairs	5,204	10.9%	-0.1%
Constructions	3,616	7.6%	-7.3%
Real Estate	3,421	7.2%	+0.1%
HORECA*	1,542	3.2%	+0.7%
Agriculture, forestry and fishing	1,526	3.2%	+10.9%
Other	6,365	13.3%	+3.2%
Total loans to resident non-financial businesses	29,125	61.0%	+1.3%
Non-resident, non-financial companies	205	0.4%	+44.4%
Total loans to non-financial businesses	29,330	61.4%	+1.5%
Households	12,950	27.0%	+12.2%
Total loans to financial businesses	5,535	11.6%	+9.3%
Total Customers Loans	47,815	100.0%	+5.1%

Customer loans breakdown by geographical distribution¹(%)



Asset quality breakdown

Gross exposures (€/mn)	Dec 16		Mar 17		Jun 17		Sep 17		Dec 17		Chg Y/Y	
	%		%		%		%		%		Abs.	Chg (%)
Non Performing Exposures (NPEs)	11,174	22.1%	11,035	21.7%	11,032	21.1%	10,853	20.8%	10,532	19.8%	-642	-5.7%
<i>Bad loans</i>	7,039	13.9%	7,025	13.8%	7,108	13.6%	7,127	13.6%	7,109	13.4%	70	+1.0%
<i>Unlikely to pay loans</i>	3,977	7.9%	3,856	7.6%	3,716	7.1%	3,576	6.8%	3,318	6.2%	-659	-16.6%
<i>Past due loans</i>	158	0.3%	154	0.3%	208	0.4%	150	0.3%	105	0.2%	-53	-33.5%
Gross performing loans	39,481	77.9%	39,866	78.3%	41,333	78.9%	41,423	79.2%	42,638	80.2%	3,157	+8.0%
Total gross exposures	50,655	100.0%	50,901	100.0%	52,365	100.0%	52,276	100.0%	53,170	100.0%	2,515	+5.0%

Adjustments to loans (€/mn)	Dec 16		Mar 17		Jun 17		Sep 17		Dec 17		Chg Y/Y	
	coverage (%)		coverage (%)		coverage (%)		coverage (%)		coverage (%)		Abs.	Chg (%)
Adjustments to NPEs	4,976	44.5%	5,030	45.6%	5,172	46.9%	5,176	47.7%	5,129	48.7%	153	+3.1%
<i>Bad loans</i>	4,030	57.2%	4,085	58.1%	4,176	58.8%	4,206	59.0%	4,216	59.3%	186	+4.6%
<i>Unlikely to pay loans</i>	934	23.5%	933	24.2%	980	26.4%	953	26.7%	902	27.2%	-32	-3.4%
<i>Past due loans</i>	12	7.8%	12	8.0%	16	7.9%	17	11.2%	11	10.6%	-1	-8.3%
Adjustments to performing loans	184	0.5%	178	0.4%	196	0.5%	193	0.5%	226	0.5%	42	+22.8%
Total adjustments	5,160	10.2%	5,208	10.2%	5,368	10.3%	5,369	10.3%	5,355	10.1%	195	+3.8%

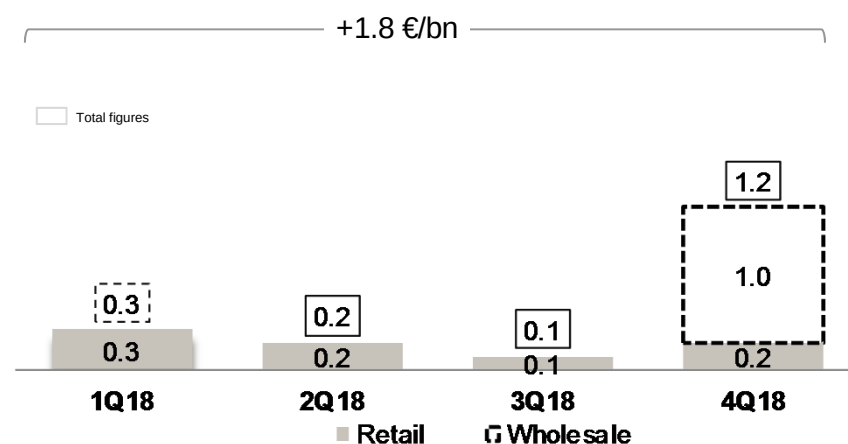
Net exposures (€/mn)	Dec 16		Mar 17		Jun 17		Sep 17		Dec 17		Chg Y/Y	
	%		%		%		%		%		Abs.	Chg (%)
Non Performing Exposures (NPEs)	6,197	13.6%	6,006	13.1%	5,860	12.5%	5,676	12.1%	5,403	11.3%	-794	-12.8%
<i>Bad loans</i>	3,009	6.6%	2,941	6.4%	2,932	6.2%	2,921	6.2%	2,893	6.1%	-116	-3.9%
<i>Unlikely to pay loans</i>	3,043	6.7%	2,923	6.4%	2,736	5.8%	2,622	5.6%	2,416	5.1%	-627	-20.6%
<i>Past due loans</i>	145	0.3%	142	0.3%	192	0.5%	133	0.3%	94	0.2%	-51	-35.2%
Net performing loans	39,297	86.4%	39,688	86.9%	41,137	87.5%	41,231	87.9%	42,412	88.7%	3,115	+7.9%
Total net exposures	45,494	100.0%	45,694	100.0%	46,997	100.0%	46,907	100.0%	47,815	100.0%	2,321	+5.1%

Bonds maturities and issues details

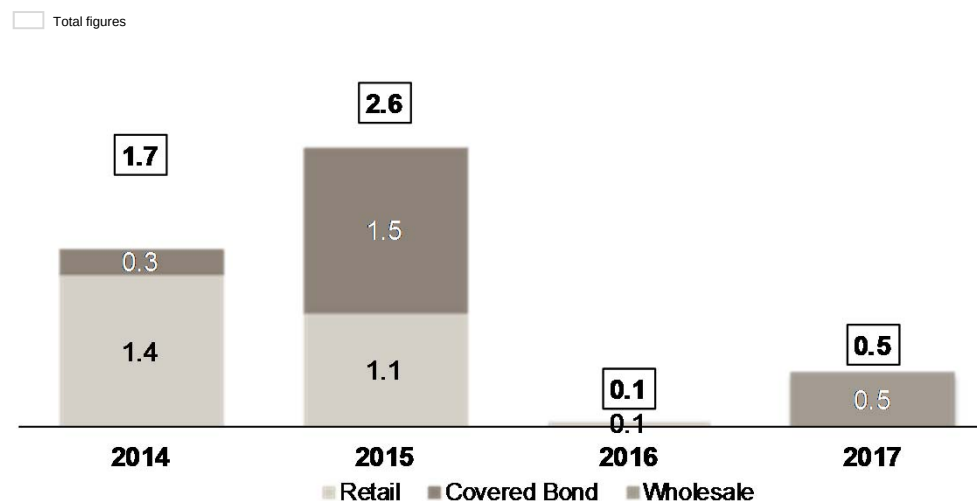
Outstanding bonds (€/bn)

	Dec 16	Sept 17	Dec 17	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	3.4	2.8	2.4	-29.4%
<i>o/w subordinated bonds</i>	0.5	0.4	0.4	-20.0%
Total bonds	6.1	5.8	5.4	-11.5%

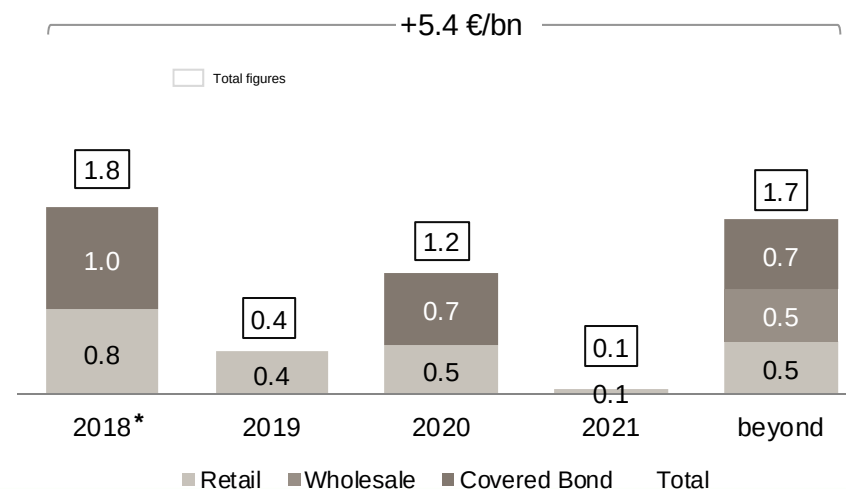
2017 Bonds maturities (€/bn)



Bonds issued (€/bn)

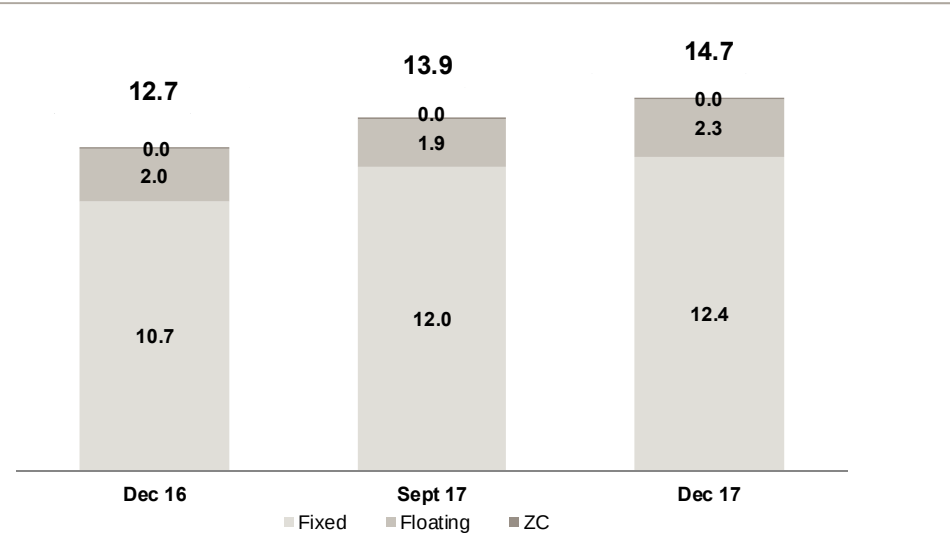


Bonds maturities breakdown (€/bn)

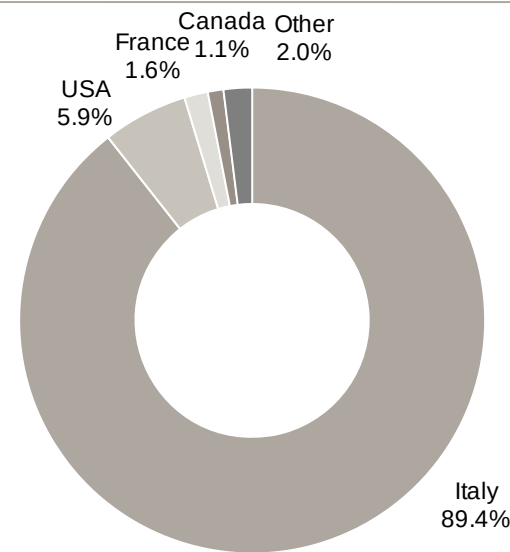


Financial Assets details

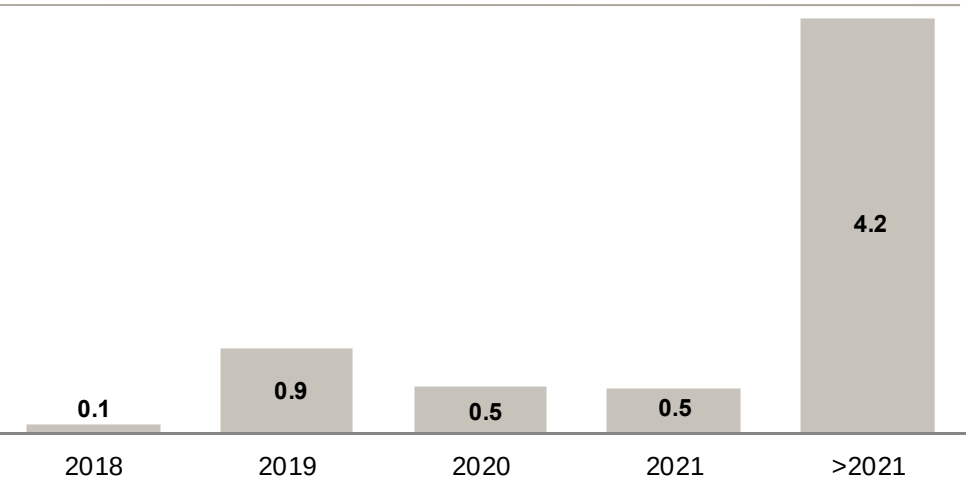
Bond PTF by coupon (€/bn)*



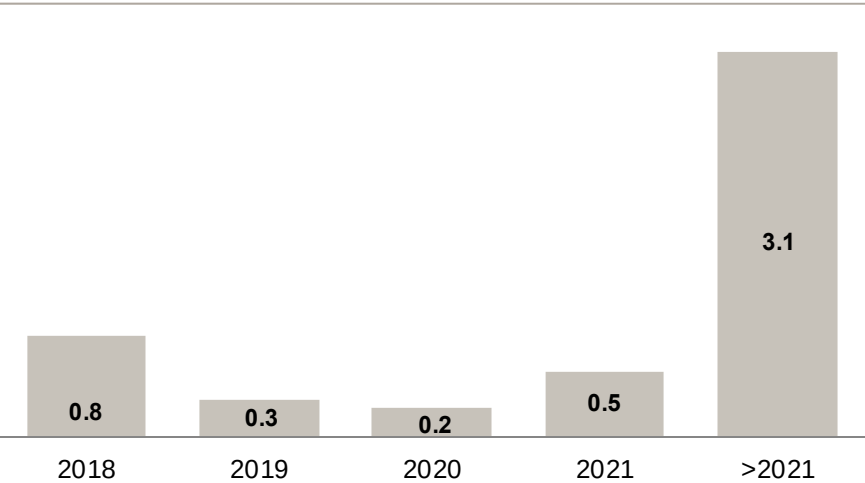
Govies PTF Geographical breakdown (%)



Bonds PTF Maturities¹ (€/bn)*



Govies Maturities¹ (€/bn)*



(1) Figures are shown as per nominal values

IFRS 9 First Time Adoption (first reporting date - 31 March 2018)

- ❑ First application of the IFRS 9 accounting standard. Capital ratios remain high even considering the effects deriving from the first application of the IFRS 9 accounting standard, in force since 1 January 2018. The estimations currently available show that further to the first application of the Standard, at the first reporting date, 31 March 2018, the CET1 pro-forma ratio Fully Phased will be above 12% without considering the fiscal effect, while if calculated using the criteria in force for 2018 (Phased in), benefiting from the delayed/extended impact pursuant to EU Regulation 2395/2017, it will be above 15%, with respect to a SREP requirement for the year of 8.125% . Both estimations include the impact of the extraordinary measure on provisions for a gross amount of around € 1.0 billion envisaged in the NPE Strategy for 2018-20 approved by the Board of Directors last November.
- ❑ The estimations currently available show that further to the first application of the Standard, at the first reporting date, 31 March 2018, downward variations will occur on net credit and security amounts for a total of approximately 900 million euros; these, pursuant to the rules governing First Time Adoption, will indiscriminately be registered with a direct impact on Shareholders Equity. In summary, they are attributable to: - impairments on performing loans and debt securities, mainly connected to the allocation of loans in the Stage 2 category, for which expected loss is estimated with lifetime methodology, for approximately € 50 million; - impairments on non-performing loans for over € 1.0 billion, partly attributable to the already noted extra-provisioning and deriving from the probabilistic quantification of disposal scenarios, for a quota of around € 3.0 billion of bad loans and Unlikely-to-pay positions, in line with the NPE Strategy for 2018-2020; - positive effect, fair value assessment of financial instruments, further to the classification and measurement of the new IFRS portfolios, for almost € 180 million.

Performance ratios

Financial ratios	31.12.2017	31.12.2016 (*)
Structural ratios (%)		
net loans to customers/total assets	67.02%	70.03%
net loans and advances to customers/direct deposits from customers	95.16%	95.28%
financial assets/total assets	21.67%	21.11%
fixed assets/total assets	2.13%	2.13%
goodwill/total assets	0.46%	0.55%
direct deposits/total assets	88.63%	88.07%
deposits under management/indirect deposits	55.08%	49.55%
financial assets/tangible equity	2.97	2.72 (1)
total tangible assets/tangible equity	13.60	12.80 (2)
net interbank lending/borrowing (in thousands of Euro)	(9,971,711)	(8,130,867)
number of employees	11,653	11,635
number of national bank branches	1,218	1,200
Profitability ratios (%)		
ROE	3.62%	0.30%
ROTE	4.04%	0.33%
ROA (net profit/total assets)	0.25%	0.02%
Cost/income ratio	63.59%	61.29% (3)
Net adjustments to loans/net loans to customers	1.12%	1.36%
Basic EPS	0.367	0.030
Diluted EPS	0.367	0.030
Risk ratios (%)		
non-performing exposures/net loans to customers	11.30%	13.62%
net bad loans/net loans to customers	6.05%	6.61%
net unlikely to pay loans/net loans to customers	5.05%	6.69%
net past due loans/net loans to customers	0.19%	0.32%
adjustments to non-performing exposures/gross non-performing exposures	48.70%	44.54%
adjustments to bad loans/gross bad loans	59.30%	57.25%
adjustments to unlikely to pay loans/gross unlikely to pay loans	27.18%	23.49%
adjustments to past due loans/gross past due loans	10.60%	7.80%
adjustments to performing exposures/gross performing exposures	0.53%	0.47%
texas ratio	101.86%	111.61% (4)

Financial ratios	31.12.2017	31.12.2016
Own Funds (Phased in)		
Common Equity Tier 1 (CET1)	4,522,957	4,497,645
Own Funds	5,436,831	4,958,045
Risk-weighted assets (RWA)	32,573,002	32,593,235
Capital and liquidity ratios		
Common Equity Ratio (CET1 Ratio) - Phased in	13.89%	13.80%
Tier 1 Ratio (T1 Ratio) - Phased in	13.97%	13.89%
Total Capital Ratio (TC Ratio) - Phased in	16.69%	15.21%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Phased	13.68%	13.27%
Leverage Ratio - Phased in	6.1%	6.7% (5)
Leverage Ratio - Fully Phased	6.0%	6.5% (6)
Liquidity Coverage Ratio (LCR)	113.7%	102.0%
Net Stable Funding Ratio (NSFR)	104.9%	104.3% (7)
Non-financial ratios		
Productivity ratios (in thousands of Euro)		
direct deposits per employee	4,311.89	4,103.82
loans and advances to customers per employee	4,103.22	3,910.11
assets managed per employee	1,695.21	1,399.75
assets administered per employee	1,382.51	1,425.44
core revenues per employee	160.05	161.85 (8)
net interest and other banking income per employee	169.97	173.02
operating costs per employee	112.13	113.35
(*) Further to the restatement of balance sheet data as at 31December 2016 some performance ratio values were recalculated.		
(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 65.97% (65.52% as at 31December 2016).		
(4) The texas ratio is calculated as the relationship between total gross non-performing loans and net tangible equity, including minority interests, increased by total provisions for non-performing loans.		
(5) (6) The ratio is calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by the Commission Delegated Regulation (EU) 2015/62.		
(7) The NSFR, not yet available, is in any case estimated to exceed 100% (104.9% as at 30 September 2017).		
(8) Core revenues = net interest income + net commission income.		

Annex – 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 126,175 thousand at 31 December 2017 and Euro 118,704 thousand at 31 December 2016);
- "Net adjustments to property, plant and equipment and intangible assets" include captions 200 and 210 in the standard reporting format;
- "Net impairment adjustments to AFS and HTM financial assets" includes captions 130 b) and 130 c) in the reporting format;
- "Gains (losses) on equity investments, disposal of investments and adjustments to goodwill" include captions 240, 260 and 270 in the reporting format;
- "Contributions to the DGS, IDGF-VS" 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 31 December 2017, this caption represents the component allocated for accounting purposes to administrative costs in relation to:
 - o the 2017 contribution to the SRF (European Single Resolution Fund) of Euro 15,870 thousand;
 - o equalisation of the 2015 contribution to the SRF (European Single Resolution Fund) of Euro 61 thousand;
 - o the 2017 contribution to the DGS (Deposit Guarantee Schemes) of Euro 21,790 thousand.

Note that the comparative figures at 31 December 2016 have been restated compared with those included in the Consolidated financial statements at 31 December 2016, including the repayment received from FITD-SV for redefinition of the intervention in Banca Tercas (Euro 10,970 thousand), previously recorded under the caption "Net impairment adjustments for other financial transactions".

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