BPER: Banca

PRESS RELEASE

Consolidated Interim report as at 31 March 2019 approved

Profit for the period of € 48.0 million after having fully expensed BPER's portion of the support given by the IDPF Voluntary Scheme to Banca Carige for € 13.3 million and the 2019 ordinary contribution to the European Single Resolution Fund for € 23.2 million

***Asset quality* further improving in the quarter:**

- ***gross NPE stock* decreased under the threshold of € 7.0 billion, the lowest level since 2012**
- ***gross NPE ratio* stable at the year-end level at 13.8%. The *target* of around 11.5% is confirmed by the end of the year after completing operations with the Unipol Group**
- **annualised *default rate* down significantly at 1.6% vs 1.9% in 2018**
- ***Texas ratio*[1] at 83.6%, down from 85% at the end of 2018**

Group financial position is solid with a *Fully Phased CET1 ratio* of 12.24%, up by 29 bps compared with 11.95% at the end of 2018. *Phased In CET1 ratio*[2] of 14.24%, far higher than the SREP requirement set by the ECB for 2019

The growth in commercial activity for loans to customers has been positive with a stock of mortgage loans up by 1.3% on December 2018 and new production rising considerably by 13.1% on the first quarter of last year. There have been significant increases in volumes, also in terms of total funding, which comes to € 93.3 billion (+2.2% since the end of 2018), including the Bancassurance sector

The net result from operations in the quarter amounts to € 157.6 million, with a positive contribution from ordinary net interest income[3], which is higher than in the last three quarters of 2018, and with stable net commission income. The annualised cost of credit comes to a low level of 61 bps

The activities for implementation of the extraordinary operations already announced in recent months regarding the acquisition of the minority stake in Banco di Sardegna, the acquisition of 100% of Unipol Banca and the simultaneous sale of approximately € 1 billion of bad loans to UnipolRec continue according to schedule, as well as the acquisition of an incremental stake in Arca Holding, along with the measures included in the new 2019-2021 Business Plan, some of which are already at an advanced stage of completion

The Board of Directors of BPER Banca has examined and approved the separate results of the Bank and the consolidated results of the Group at 31 March 2019.

Alessandro Vandelli, Chief Executive Officer of BPER Banca, commented: *"The first quarter of the year closed with a profit of € 48 million. This result should be considered satisfactory given the full write-down of our share of the IDPF intervention in Banca Carige and payment of the ordinary contribution for 2019 to the European Single Resolution Fund, for a total of € 36.5 million. From the point of view of profitability we have seen a good trend in revenues, with particular reference to positive trends in ordinary net interest income and substantial stability in commissions, supported by the favourable performance of the asset management segment and Bancassurance. In the first quarter, operating costs fell sharply compared with the fourth quarter of 2018, which was affected by certain non-recurring items. The annualised cost of credit remained low at around 60 bps. The positive economic result is accompanied by a solid capital position with a fully phased CET1 ratio of 12.24%, up by almost 30 bps compared with the end of 2018. On the credit quality front, after the strong acceleration of de-risking in 2018, the quarter shows a further reduction in gross non-performing loans, which fell below € 7 billion, a level that had not been seen since the beginning of 2012, reflecting our constant efforts to improve the Group's asset quality. The activities for the implementation of the extraordinary operations already announced in recent months regarding the acquisition of the minority stake in Banco di Sardegna, the acquisition of 100% of Unipol Banca and the simultaneous sale of approximately € 1 billion of bad loans to UnipolRec continue according to schedule, as well as the acquisition of an incremental stake in Arca Holding. 2019 will see us involved in implementing both the aforementioned extraordinary operations and the measures included in the new 2019-2021 Business Plan, some of which are already at an advanced stage of completion, being aware that we can count on solid foundations, with clear medium/long-term strategic guidelines and strong motivation to achieve the objectives we have set ourselves in relation to business growth, improvement of credit quality, achievement of an adequate return on capital and maintenance of a high capital strength."*

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Income statement: key figures

Net interest income came in at € 273.9 million compared with € 293.2 million in the first quarter of 2018; the reduction in this margin is mainly due to the accounting effects of IFRS 9 and IFRS 16[4], without which the figures for ordinary interest income[5] in the two quarters would have been € 260.9 million and € 267.6 million, respectively. Net interest income in the first quarter of the year is higher than in the fourth quarter of 2018 (€ 273.9 million compared with € 272.3 million), even without considering the negative calendar effect in the first quarter of the year. It should also be noted that ordinary net interest income[6] in the first quarter of 2019 is higher than in the last three quarters of 2018 (€ 260.9 million compared with € 260.0 million in the fourth quarter of 2018, € 259.0 million in the third quarter of 2018 and € 259.5 million in the second quarter of 2018).

Net commission income amounts to € 192.5 million, down by 2.8% y/y mainly due to the particularly positive performance of commissions on loans and guarantees and fees on assets under management in the first quarter of last year. The figure for the first quarter of 2019 decreased by 3.3% q/q mainly due to the usual positive seasonality of the last quarter of the year, whereas it is up compared with both the second and the third quarter of 2018.

Dividends amount to € 0.5 million (€ 0.6 million in the same period of 2018).

The **net income from financial activities** comes to € 22.1 million (€ 153.6 million in the first quarter of 2018, which included non-recurring gains realised on debt securities) after having expensed the full non-recurring write-down of BPER's share of the support given by the IDPF Voluntary Scheme to Banca Carige of € 13.3 million. It includes realised net gains on sale of financial assets and loans of € 15.1 million, net gains on securities and derivatives of € 5.9 million and other positive elements of € 1.1 million.

The **operating profit** comes in at € 495.4 million (€ 657.1 million in the same period of 2018; this figure is not comparable with the first quarter of 2019 mainly due to the non-recurring profits earned on debt securities mentioned previously and the significant effect of the "IFRS 9 reclassification" on net interest income).

Operating costs amount to € 337.7 million, up by 2.0% y/y. In detail, personnel expenses amount to € 213.6 million, up by 2.9% y/y, mainly due to the normal dynamics of contractual adjustments and higher provisions relating to the variable part of remuneration. Other administrative expenses amount to € 90.9 million (the pro-forma figure is € 102.2 million, without considering the effects of applying the new international accounting principle IFRS 16[7], substantially the same on a comparable basis as in the first quarter of 2018) and depreciation and amortisation come to € 33.2 million (the pro-forma figure is € 22.6 million, without considering the effects of applying the new international accounting principle IFRS 16, up by € 1.2 million compared with the first quarter of 2018).

The **net operating income** (operating income net of operating costs) amounts to € 157.6 million (€ 325.9 million in the same period of 2018; this figure is not comparable with the first quarter of 2019 mainly because of non-recurring profits earned on debt securities, as mentioned previously, and the accounting effects of IFRS 9 and IFRS 16 on net interest income).

Net impairment losses to credit risk amount to € 73.0 million, almost entirely referable to net adjustments to financial assets measured at amortised cost (€ 24.4 million in the first quarter of 2018, which was however considerably influenced by the coming into force of IFRS 9 on 1 January 2018); this figure increases by 3.1% on € 70.8 million in the fourth quarter of 2018. The **annualised cost of credit** stands at 61 bps with respect to 47 bps in 2018.

Net provisions for risks and charges amount to € 2.0 million in the period (€ 11.7 million in the first quarter of 2018).

In the first half of the year, the BPER Banca Group booked its **2019 ordinary contribution to the Single Resolution Fund (SRF)** for an amount of € 23.2 million (€ 20.3 million in the same period last year). Note that, in the interests of clarity, these contributions are shown on a separate line in the reclassified income statement (attached to this press release), whereas in the Bank of Italy's schedule they are included in item 190 b) "Other administrative expenses".

The **net result of activities related to the sale of financial and equity investments** is a profit of € 3.8 million (€ 2.8 million in the same period of last year).

The **profit from current operations before tax** amounts to € 63.3 million (€ 272.4 million in the same period of last year, including the already mentioned non-recurring profits earned on debt securities). **Income taxes for the period** have been calculated at € 12.3 million (€ 6.9 million at 31 March 2018).

Profit for the period stands at € 51.1 million and includes a net profit for the period attributable to minority interests of € 3.1 million, almost entirely attributable to Banco di Sardegna's consolidated result. **Profit for the period pertaining to the Parent Company** therefore comes to € 48.0 million.

Balance sheet: key figures

Direct funding from customers (amounts due to customers, debt securities in issue and financial liabilities designated at fair value through profit or loss) amounts to € 50.6 billion, up by € 0.6 billion on the figure at the end of 2018. **Ordinary customer deposits** amount to € 46.1 billion, recording a strong increase in current accounts and demand deposits of € 1.0 billion compared with the end of 2018, partly offset by a drop in bonds, repurchase agreements and certificates of deposit. Institutional deposits amount to € 4.5 billion, down 9.6% from 31 December 2018, due to the decline in repurchase agreements. Total direct funding mainly consists of current accounts and short-term demand and restricted deposits (80.0%) and bonds (8.9%).

Indirect customer deposits, valued at market prices, come to € 37.4 billion (€ 36.2 billion at 31 December 2018). In particular, **funds under management** amount to € 19.9 billion and show a positive net inflow for the period of € 0.6 billion since the end of 2018 (+3.0%). **Funds under administration** amount to € 17.5 billion, with an increase of € 0.6 billion since the end of 2018 (+ 3.6%). The **portfolio of life insurance premiums**, not included in indirect deposits, amounts to € 5.2 billion, recording a rise of € 0.2 billion on the end of 2018 (+3.9%).

Net loans to customers amount to € 46.5 billion, with a slight decline on € 47.1 billion at 31 December 2018. Net performing loans amount to € 43.4 billion (down 1.1% from the end of 2018), whereas net non-performing loans (bad, unlikely-to-pay and past due loans) amount to € 3.2 billion (-1.5% compared with the end of 2018), with a percentage on total net loans at 6.8% and a stable coverage ratio of 54.6% compared with 31 December 2018. Looking at the various components, **net bad loans** amount to € 1.4 billion, down by 1.7% on the end of 2018, with a coverage ratio of 67.1%, up by 50 bps from 66.6% at the end of 2018; **net unlikely-to-pay loans** amount to € 1.7 billion, down by 0.9% compared with 31 December 2018, with coverage of 34.4%; **net past due loans** amount to € 53.1 million, down by 12.2% versus 31 December 2018, with coverage of 12.7%.

Gross loans to customers amount to € 50.5 billion, down compared with € 51.1 billion at the end of 2018. Gross performing loans amount to € 43.5 billion (-1.1% from 31 December 2018), whereas gross non-performing loans (bad, unlikely-to-pay and past due loans) amount to € 6.9 billion (-1.4% compared with 31 December 2018), with an incidence of total gross loans of 13.8%. Looking at the various components, **gross bad loans** amount to € 4.3 billion, down by 0.3% compared with 31 December 2018; **gross unlikely to pay loans** stand at € 2.6 billion (-2.9% with respect to the end of 2018); **gross past due loans** amount to € 60.9 million (-11.8% compared with the end of 2018). The quality of performing loans remains high, with a percentage of low-risk ratings that is now 60.5%.

The **net interbank position** is negative for € 10.9 billion down € 0.7 billion compared with 31 December 2018 and is the result of the imbalance between amounts due from banks of € 2.1 billion and amounts due to banks of € 13.0 billion. The BPER Banca Group's total amount of refinancing with the European Central Bank (ECB) amounts to € 9.3 billion, entirely attributable to participation in TLTRO 2 with a four-year maturity[8]. Financial instruments, which can be used as collateral for refinancing operations on the market, amount to € 19.2 billion, net of the haircut, of which € 7.5 billion is available, to which € 0.9 billion of deposits available at the ECB must be added.

Financial assets come to a total of € 17.4 billion (€ 17.2 billion at the end of 2018) and amount to 24.4% of total assets. Debt securities amount to € 16.5 billion and represent 95.2% of the total portfolio: of these, € 6.7 billion refer to government securities and other public entities, of which € 5.4 billion of Italian government securities.

Total shareholders' equity at 31 March 2019 amounts to € 5.0 billion (€ 4.9 billion at 31 December 2018) with a portion attributable to minority interests of € 0.5 billion (broadly unchanged compared with 31 December 2018). The **Group's consolidated shareholders' equity**, including the result for the period, amounts to € 4.5 billion (€ 4.4 billion at 31 December 2018).

The **Liquidity Coverage Ratio** (LCR) and the **Net Stable Funding Ratio** (NSFR) are both over 100%; at 31 March 2019, the LCR index is 156.5%, while the NSFR is estimated to be over 100% (it was 106.8% at 31 December 2018).

Capital ratios

The capital ratios at 31 March 2019, calculated taking into account the AIRB methodology for credit risk requirements, are based on Own Funds including the portion of profit realised during the period, net of the expected dividend:

- *Common Equity Tier 1 (CET1) ratio Phased In*[9] of 14.24% (14.27% at 31 December 2018). The ratio calculated on the full application regime (*Fully Phased*)[10] is equal to 12.24% (11.95% at 31 December 2018);
- *Tier 1 ratio Phased In* of 14.32% (14.37% at 31 December 2018);
- *Total capital ratio Phased In* of 17.23% (17.25% at 31 December 2018).

Main structure data at 31 March 2019

The Group is present in eighteen Italian regions with 1,170 bank branches (48 less than at the end of 2018, -3.9%), in addition to the Luxembourg office of BPER Bank Luxembourg S.A.

Group employees amounted to 11,613, broadly unchanged compared with the members of staff in service at the end of 2018.

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Outlook for operations

Lending to customers is expected to increase moderately during the year, concentrated mainly in the segments of private individuals and SMEs. Net interest income is expected to grow marginally thanks to an improvement in business with customers and to the containment of funding costs. The commission component is expected to grow, supported in particular by *asset management* and *Bancassurance.* Ordinary operating costs should already show a downward trend during the year due to planned efficiency and rationalisation measures, some of which are in progress. Their dynamics will find full application in the activities envisaged by the new three-year Business Plan presented on 28 February 2019. The cost of credit should be relatively low. All of these factors should contribute to support the Group's profitability prospects for the current year.

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With reference to the regulatory provisions that were introduced with the amendment to Legislative Decree 25 of 15 February 2016, which followed the European Directive 2013/50/EU (Transparency II) and the subsequent CONSOB Resolution 19770 of 26 October 2016, it should be noted that BPER Banca decided on a voluntary basis, in continuity with the past, to publish the Group's consolidated interim report on operations at 31 March and 30 September of each year. The consolidated interim report on operations of the BPER Banca Group at 31 March 2019 is reviewed by the Independent Auditors only for the purpose of calculating the amount of consolidated profit to be included in CET 1 capital for regulatory purposes.

The document will be available at the Bank's head office, on its website, on the websites of Borsa Italiana S.p.A. and of the authorised storage system (www.1info.it).

To supplement the information provided in this press release, we attach the consolidated balance sheet and income statement (also quarterly and reclassified) at 31 March 2019, as well as a summary of the key financial indicators.

Modena, 9 May 2019

The Chief Executive Officer
Alessandro Vandelli

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The Manager responsible for preparing the Company's financial reports, Marco Bonfatti, declares, pursuant to art. 154-bis, paragraph 2, of Legislative Decree no. 58/1998 (Consolidated Finance Act), that the accounting information contained in this press release agrees with the supporting documentation, books of account and accounting entries.

Modena, 9 May 2019

The Manager responsible for preparing the Company's financial reports

Marco Bonfatti

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A conference call will be held today, **9 May 2019 at 6.00 p.m. (CET)**, to explain the consolidated results of the BPER Banca Group at 31 March 2019.
The conference call will be held in English and will be chaired by **Alessandro Vandelli, the Chief Executive Officer.**

To join the conference call, dial the following telephone number:

ITALY: +39 02 8020911
UK: +44 1212 818004
USA: +1 718 7058796

A set of slides to support the presentation will be available the same day, before the start of the presentation and the conference call, in the Investor Relations area of the Bank's websites www.bper.it - institutional website.

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This press release is also available in the 1INFO storage device.

This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.

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Footnotes

[1] The *Texas ratio* is defined as gross NPE/(tangible net equity + provisions on non-performing exposures).

[2] Reg. 2395/2017 "Transitional provisions for mitigating the impact of the introduction of IFRS 9 on own funds" introduced the transitional regime (the so-called "phased-in") for the impact of IFRS 9 on own funds, giving banks a chance to spread the effect on own funds over a period of 5 years (from March 2018 to December 2022), sterilizing the impact in CET1 by applying 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.

[3] Ordinary net interest income means the net interest income as reported in the reclassified consolidated income statement (captions 10 and 20) net of: 1) the changes introduced from 1 January 2018 following the application of the 5th update of Bank of Italy Circular 262/2005 ("IFRS 9"), which refers to interest on the time value of non-performing loans and part of the interest income not recognised on customer loan exposures classified as non-performing and 2) interest expense in application of IFRS 16 - Leases. With reference to the latter, application of the 6th update of Bank of Italy Circular 262/2005 from 1 January 2019 provides for the recognition on the assets side of the balance sheet of a right to use the asset involved in the contract and, on the liabilities side, of a lease payable, quantified as the discounted sum of the lease instalments still to be paid to the lessor; the new model also changes the method of recording items in the income statement, namely depreciation of the right of use asset and interest expense on the lease payable. For details of these items, see the reclassified consolidated income statement as at 31 March 2019 attached to this press release.
By way of example, ordinary net interest income for the first quarter of 2019 amounts to € 260.9 million, calculated as the sum of the book interest income (captions 10 and 20) of € 273.9 million, net of the sum of the three items shown previously for a total of -€ 13.0 million ("time value of bad loans" -€ 16.2 million; "unrecognised interest income on non-performing exposures" +€ 2.9 million; "IFRS 16 interest expense" +€ 0, 4 million). By way of comparison, the ordinary net interest income for the first quarter of 2018 amounted to € 267.6 million, calculated as the sum of the book interest income (captions 10 and 20) of € 293.2 million, net of the sum of the first two items previously reported for -€ 25.6 million ("time value of bad loans" - € 29.1 million; "unrecognised interest income on non-performing exposures" +€ 3.5 million; "IFRS 16 interest expense" was not present in 2018 as the new accounting standard only came into force on 1 January 2019).

[4] Following the application of the 5th and 6th update of Bank of Italy Circular 262/2005 respectively from 1° January 2018 and from 1° January 2019, net interest income in the first quarter of 2019 includes € 16.2 million of interest from the time value of non-performing loans, € 2.9 million of interest income not recognised on non-performing customer loan exposures and € 0.4 million of interest expense in application of IFRS 16, for an overall net impact of € 13.0 million. Note that net interest income at 31 December 2018 included € 85.6 million of interest from the time value of non-performing loans (€ 29.1 million in the 1st quarter, € 22.6 million in the 2nd quarter, € 20.0 million in the 3rd quarter and € 13.9 million in the 4th quarter), which in 2017 was included in "Net impairment adjustments to loans". Furthermore, the portion of interest income not recognised on customer loan exposures classified as non-performing in 2018 amounted to € 9.2 million (€ 3.5 million in the 1st quarter, € 1.8 million in the 2nd quarter, € 2.5 million in the 3rd quarter and € 1.4 million in the 4th quarter). Overall, the net impact on net interest income for the entire 2018 amounted to € 76.4 million (€ 25.6 million in the 1st quarter, € 20.8 million in the 2nd quarter, € 17.6 million in the 3rd quarter and € 12.4 million in the 4th quarter).

[5] See Note 3.

[6] See Note 3.

[7] See Note 3.

[8] Details of the Group's participation in TLTRO 2 are as follows: € 4.1 billion subscribed in June 2016, used in part to repay all of the TLTRO 1 loan; € 1.0 billion at the end of December 2016 and € 4.2 billion at the end of March 2017.

[9] See Note 2.

[10] See Note 2.

Reclassified financial statement as at 31 March 2019

For greater clarity in the presentation of the results for the period, the accounting schedules envisaged by the 6th update of Bank of Italy Circular no. 262/2005 have been reclassified.
In the balance sheet:

- Debt securities valued at amortised cost (caption 40 *"Financial assets measured at amortised cost"*) have been reclassified under caption *"Financial assets"*;
- *"Other assets"* include captions 110 *"Tax assets"*, 120 "*Non current assets and disposal groups classified as held for sale*" and 130 "*Other assets*";
- "*Other liabilities"* include captions 60 "*Tax liabilities"*, 80 "*Other liabilities"*, and 90 "*Employee termination indemnities"* and 100 "*Provisions for risks and charges"*.

In the income statement:

- "*Net income from financial activities"* includes captions 80, 90, 100 and 110 in the standard reporting format;
- Indirect tax recoveries, allocated for accounting purposes to caption 230 *"Other operating expense/income"*, have been reclassified as a reduction in the related costs under *"Other administrative expenses"* (Euro 31,746 thousand at 31 March 2019 and Euro 31,823 thousand at 31 March 2018);
- *"Net adjustments to property, plant, equipment and intangible assets"* include captions 210 and 220 in the standard reporting format;
- *"Gains (Losses) on equity investments, disposal investments and impairment losses on goodwill"* include captions 250, 270 and 280 in the reporting format;
- *"Contributions to the DGS, SRF and IDPF-VS 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 expenses"* as a better reflection of the trend in the Group's operating costs. In particular, at 31 March 2019, this caption represents the component allocated to administrative costs in relation to the 2019 ordinary contribution to the SRF (European Single Resolution Fund) for Euro 23,184 thousand;
- *"of which"* specifications have been included in "*Net interest income*", "*Other administrative expenses*" and "*Net adjustments to property, plant, equipment and intangible assets*" captions in order to highlight the impacts of IFRS 16 application (from 1 January 2019[1]) and in "*Net interest income*" caption in order to show the influence of IFRS 9 application (from 1 January 2018).

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[1] *The "of which interest expense lease liabilities IFRS 16" and "of which depreciation right of use IFRS 16" captions show a value in the comparative period (31 March 2018) which refer to interests and depreciations of "Property, plant and equipment" recognized as financial leases.*

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Reclassified consolidated balance sheet as at al 31 March 2019

(in thousands)

Assets	31.03.2019	31.12.2018	Change	% Change
Cash and cash equivalents	363,073	459,782	(96,709)	-21.03
Financial assets	17,370,954	17,152,084	218,870	1.28
a) Financial assets held for trading	248,886	247,219	1,667	0.67
b) Financial assets designated at fair value	217,361	218,662	(1,301)	-0.59
c) Other financial assets mandatorily measured at fair value through profit or loss	579,749	662,744	(82,995)	-12.52
d) Financial assets measured at fair value through other comprehensive income	8,253,832	8,560,568	(306,736)	-3.58
e) Debt securities measured at amortised cost	8,071,126	7,462,891	608,235	8.15
- banks	2,113,307	1,766,169	347,138	19.65
- customers	5,957,819	5,696,722	261,097	4.58
Loans	48,684,687	48,594,875	89,812	0.18
a) Loans to banks	2,173,016	1,540,509	632,507	41.06
b) Loans to customers	46,511,671	47,050,942	(539,271)	-1.15
c) Financial assets measured at fair value through other comprehensive income	-	3,424	(3,424)	-100.00
Hedging derivatives	33,816	35,564	(1,748)	-4.92
Equity investments	450,000	446,049	3,951	0.89
Property, plant and equipment	1,270,023	1,063,273	206,750	19.44
Intangible assets	438,265	445,689	(7,424)	-1.67
- of which: goodwill	264,740	264,740	-	-
Other assets	2,486,591	2,437,451	49,140	2.02
Total assets	**71,097,409**	**70,634,767**	**462,642**	**0.65**

(in thousands)

Liabilities and shareholders' equity	31.03.2019	31.12.2018	Change	% Change
Due to banks	13,033,898	13,126,248	(92,350)	-0.70
Direct deposits	50,621,245	49,996,419	624,826	1.25
a) Due to customers	44,796,953	44,594,863	202,090	0.45
b) Debt securities issued	5,824,292	5,401,556	422,736	7.83
Financial liabilities held for trading	167,982	143,824	24,158	16.80
Hedging derivatives	206,666	92,374	114,292	123.73
Other liabilities	2,106,145	2,379,334	(273,189)	-11.48
Minority interests	510,166	507,457	2,709	0.53
Shareholders' equity pertaining to the Parent Company	4,451,307	4,389,111	62,196	1.42
a) Valuation reserves	14,199	949	13,250	--
b) Reserves	2,022,397	1,619,469	402,928	24.88
c) Share premium reserve	930,073	930,073	-	-
d) Share capital	1,443,925	1,443,925	-	-
e) Treasury shares	(7,258)	(7,258)	-	-
f) Profit (Loss) for the period	47,971	401,953	(353,982)	-88.07
Total liabilities and shareholders' equity	**71,097,409**	**70,634,767**	**462,642**	**0.65**

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Gruppo

Reclassified consolidated income statement as at 31 March 2019

(in thousands)

Captions		31.03.2019	31.03.2018	Change	% Change
10+20	Net interest income	273,896	293,234	(19,338)	-6.59
	*of which IFRS 9 components**	*13,352*	*25,637*	*(12,285)*	*-47.92*
	of which interest expense lease liabilities IFRS 16	*(361)*	*(19)*	*(342)*	--
40+50	Net commission income	192,544	198,120	(5,576)	-2.81
70	Dividends	539	584	(45)	-7.71
80+90+100+110	Net income from financial activities	22,062	153,634	(131,572)	-85.64
230	Other operating expense/income	6,337	11,485	(5,148)	-44.82
	Operating income	**495,378**	**657,057**	**(161,679)**	**-24.61**
190 a)	Staff costs	(213,631)	(207,534)	(6,097)	2.94
190 b)	Other administrative expenses	(90,930)	(102,285)	11,355	-11.10
	of which rental expenses	*(4,692)*	*(15,615)*	*10,923*	*-69.95*
210+220	Net adjustments to property, plant, equipment and intangible assets	(33,172)	(21,339)	(11,833)	55.45
	of which depreciation right of use IFRS 16	*(11,249)*	*(726)*	*(10,523)*	--
	Operating costs	**(337,733)**	**(331,158)**	**(6,575)**	**1.99**
	Net operating income	**157,645**	**325,899**	**(168,254)**	**-51.63**
130 a)	Net impairment losses to financial assets at amortised cost	(72,485)	(26,141)	(46,344)	177.28
130 b)	Net impairment losses to financial assets at fair value	421	1,763	(1,342)	-76.12
140	Gains (Losses) from contractual modifications without derecognition	(891)	-	(891)	n.s.
	Net impairment losses to credit risk	**(72,955)**	**(24,378)**	**(48,577)**	**199.27**
200	Net provisions for risks and charges	(1,995)	(11,663)	9,668	-82.89
###	Contributions to SRF, DGS, IDPF - VS	(23,184)	(20,282)	(2,902)	14.31
250+270+280	Gains (Losses) on equity investments, disposal investments and impairment losses on goodwill	3,809	2,827	982	34.74
290	**Profit (Loss) from current operations before tax**	**63,320**	**272,403**	**(209,083)**	**-76.76**
300	Income taxes on current operations for the period	(12,266)	(6,918)	(5,348)	77.31
330	**Profit (Loss) for the period**	**51,054**	**265,485**	**(214,431)**	**-80.77**
340	Profit (Loss) for the period pertaining to minority interests	(3,083)	(14,462)	11,379	-78.68
350	**Profit (Loss) for the period pertaining to the Parent Company**	**47,971**	**251,023**	**(203,052)**	**-80.89**

**The captions "of which IFRS 9 components" includes time value of bad loans as well as the writedown of part of the interest charged on non-performing loans.*

BPER:
Gruppo

Reclassified consolidated income statement by quarter as at 31 March 2019

(in thousands)

Captions		1st quarter 2019	1st quarter 2018	2nd quarter 2018	3rd quarter 2018	4th quarter 2018
10+20	Net interest income	273,896	293,234	280,268	276,590	272,345
	*of which IFRS 9 components**	*13,352*	*25,637*	*20,757*	*17,576*	*12,397*
	of which interest expense lease liabilities IFRS 16	*(361)*	*(19)*	*(16)*	*(16)*	*(15)*
40+50	Net commission income	192,544	198,120	190,936	188,025	199,184
70	Dividends	539	584	12,877	325	20,553
80+90+100+110	Net income from financial activities	22,062	153,634	16,431	20,879	(86,922)
230	Other operating expense/income	6,337	11,485	8,174	10,998	13,552
	Operating income	**495,378**	**657,057**	**508,686**	**496,817**	**418,712**
190 a)	Staff costs	(213,631)	(207,534)	(212,900)	(194,553)	(206,507)
190 b)	Other administrative expenses	(90,930)	(102,285)	(109,981)	(104,323)	(125,842)
	of which rental expenses	*(4,692)*	*(15,615)*	*(15,540)*	*(15,883)*	*(15,994)*
210+220	Net adjustments to property, plant and equipment and intangible assets	(33,172)	(21,339)	(34,986)	(22,933)	(39,681)
	of which depreciation right of use IFRS 16	*(11,249)*	*(726)*	*(733)*	*(741)*	*(741)*
	Operating costs	**(337,733)**	**(331,158)**	**(357,867)**	**(321,809)**	**(372,030)**
	Net operating income	**157,645**	**325,899**	**150,819**	**175,008**	**46,682**
130 a)	Net impairment losses to financial assets at amortised cost	(72,485)	(26,141)	(58,793)	(70,272)	(70,566)
130 b)	Net impairment losses to financial assets at fair value	421	1,763	141	150	12
140	Gains (Losses) from contractual modifications without derecognition	(891)	-	(1,183)	(1,536)	(237)
	Net impairment losses to credit risk	**(72,955)**	**(24,378)**	**(59,835)**	**(71,658)**	**(70,791)**
200	Net provisions for risks and charges	(1,995)	(11,663)	(25,376)	(12,091)	23,936
###	Contributions to SRF, DGS, IDPF - VS	(23,184)	(20,282)	(8,670)	(23,448)	75
250+270+280	Gains (Losses) on equity investments, disposal of investments and impairment losses on goodwill	3,809	2,827	2,591	3,535	(57,654)
290	**Profit (Loss) from current operations before tax**	**63,320**	**272,403**	**59,529**	**71,346**	**(57,752)**
300	Income taxes on current operations for the period	(12,266)	(6,918)	(2,850)	(14,206)	124,238
330	**Profit (Loss) for the period**	**51,054**	**265,485**	**56,679**	**57,140**	**66,486**
340	Profit (Loss) for the period pertaining to minority interests	(3,083)	(14,462)	183	(6,899)	(22,659)
350	**Profit (Loss) for the period pertaining to the Parent Company**	**47,971**	**251,023**	**56,862**	**50,241**	**43,827**

The captions "of which IFRS 9 components" includes time value of bad loans as well as the writedown of part of the interest charged on non-performing loans.

BPER:
Gruppo

Consolidated balance sheet as at 31 March 2019

(in thousands)

Assets		31.03.2019	31.12.2018	Change	% Change
10.	Cash and cash equivalents	363,073	459,782	(96,709)	-21.03
20.	Financial assets measured at fair value through profit or loss	1,045,996	1,128,625	(82,629)	-7.32
	a) Financial assets held for trading	248,886	247,219	1,667	0.67
	b) Financial assets designated at fair value	217,361	218,662	(1,301)	-0.59
	c) Other financial assets mandatorily measured at fair value through profit or loss	579,749	662,744	(82,995)	-12.52
30.	Financial assets measured at fair value through other comprehensive income	8,253,832	8,563,992	(310,160)	-3.62
40.	Financial assets measured at amortised cost	56,755,813	56,054,342	701,471	1.25
	a) Loans to banks	4,286,323	3,306,678	979,645	29.63
	b) Loans to customers	52,469,490	52,747,664	(278,174)	-0.53
50.	Hedging derivatives	33,816	35,564	(1,748)	-4.92
70.	Equity investments	450,000	446,049	3,951	0.89
90.	Property, plant and equipment	1,270,023	1,063,273	206,750	19.44
100.	Intangible assets	438,265	445,689	(7,424)	-1.67
	of which:				
	- goodwill	264,740	264,740	-	-
110.	Tax assets	1,795,587	1,885,616	(90,029)	-4.77
	a) current	384,245	457,838	(73,593)	-16.07
	b) deferred	1,411,342	1,427,778	(16,436)	-1.15
120.	Non current assets and disposal groups classified as held for sale	5,298	2,800	2,498	89.21
130.	Other assets	685,706	549,035	136,671	24.89
	Total Assets	**71,097,409**	**70,634,767**	**462,642**	**0.65**

(in thousands)

	Liabilities and shareholders' equity	31.03.2019	31.12.2018	Change	% Change
10.	Financial liabilities measured at amortised cost	63,655,143	63,122,667	532,476	0.84
	a) Due to banks	13,033,898	13,126,248	(92,350)	-0.70
	b) Due to customers	44,796,953	44,594,863	202,090	0.45
	c) Debt securities issued	5,824,292	5,401,556	422,736	7.83
20.	Financial liabilities held for trading	167,982	143,824	24,158	16.80
40.	Hedging derivatives	206,666	92,374	114,292	123.73
60.	Tax liabilities	64,473	62,644	1,829	2.92
	a) current	5,118	3,966	1,152	29.05
	b) deferred	59,355	58,678	677	1.15
80.	Other liabilities	1,365,264	1,663,946	(298,682)	-17.95
90.	Employee termination indemnities	186,978	182,793	4,185	2.29
100.	Provisions for risks and charges	489,430	469,951	19,479	4.14
	a) commitments and guarantees granted	61,942	63,059	(1,117)	-1.77
	b) pensions and similar obligations	156,633	131,126	25,507	19.45
	c) other provisions for risks and charges	270,855	275,766	(4,911)	-1.78
120.	Valuation reserves	14,199	949	13,250	--
150.	Reserves	2,022,397	1,619,469	402,928	24.88
160.	Share premium reserve	930,073	930,073	-	-
170.	Share capital	1,443,925	1,443,925	-	-
180.	Treasury shares (-)	(7,258)	(7,258)	-	-
190.	Minority interests (+/-)	510,166	507,457	2,709	0.53
200.	Net Profit (Loss) for the period (+/-)	47,971	401,953	(353,982)	-88.07
	Total liabilities and shareholders' equity	**71,097,409**	**70,634,767**	**462,642**	**0.65**

BPER:
Gruppo

Consolidated income statement as at 31 March 2019

(in thousands)

	Captions	31.03.2019	31.03.2018	Change	% Change
10.	Interest and similar income	330,874	358,573	(27,699)	-7.72
	of which: interest income calculated using the effective interest method	330,435	351,352	(20,917)	-5.95
20.	Interest and similar expense	(56,978)	(65,339)	8,361	-12.80
30.	**Net interest income**	**273,896**	**293,234**	**(19,338)**	**-6.59**
40.	Commission income	201,473	206,647	(5,174)	-2.50
50.	Commission expenses	(8,929)	(8,527)	(402)	4.71
60.	**Net commission income**	**192,544**	**198,120**	**(5,576)**	**-2.81**
70.	Dividends and similar income	539	584	(45)	-7.71
80.	Net income from trading activities	3,752	(846)	4,598	-543.50
90.	Net income from hedging activities	(1,446)	449	(1,895)	-422.05
100.	Gains (Losses) on disposal or repurchase of:	19,115	143,905	(124,790)	-86.72
	a) financial assets measured at amortised cost	12,380	(2,667)	15,047	-564.19
	b) financial assets measured at fair value through other comprehensive income	6,522	146,468	(139,946)	-95.55
	c) financial liabilities	213	104	109	104.81
110.	Net income on financial assets and liabilities measured at fair value through profit or loss	641	10,126	(9,485)	-93.67
	a) financial assets and liabilities designated at fair value	573	1,209	(636)	-52.61
	b) other financial assets mandatorily measured at fair value	68	8,917	(8,849)	-99.24
120.	**Net interest and other banking income**	**489,041**	**645,572**	**(156,531)**	**-24.25**
130.	Net impairment losses for credit risk relating to:	(72,064)	(24,378)	(47,686)	195.61
	a) financial assets measured at amortised cost	(72,485)	(26,141)	(46,344)	177.28
	b) financial assets measured at fair value through other comprehensive income	421	1,763	(1,342)	-76.12
140.	Gain (Losses) from contractual modifications without derecognition	(891)	-	(891)	n.s.
150.	**Net income from financial activities**	**416,086**	**621,194**	**(205,108)**	**-33.02**
180.	**Net income from financial and insurance activities**	**416,086**	**621,194**	**(205,108)**	**-33.02**
190.	Administrative expenses:	(359,491)	(361,924)	2,433	-0.67
	a) staff costs	(213,631)	(207,534)	(6,097)	2.94
	b) other administrative expenses	(145,860)	(154,390)	8,530	-5.52
200.	Net provisions for risks and charges	(1,995)	(11,663)	9,668	-82.89
	a) commitments and guarantees granted	1,117	13,964	(12,847)	-92.00
	b) other net provisions	(3,112)	(25,627)	22,515	-87.86
210.	Net adjustments to property, plant and equipment	(20,614)	(10,128)	(10,486)	103.53
220.	Net adjustments to intangible assets	(12,558)	(11,211)	(1,347)	12.01
230.	Other operating expense/income	38,083	43,308	(5,225)	-12.06
240.	**Operating costs**	**(356,575)**	**(351,618)**	**(4,957)**	**1.41**
250.	Profit (Loss) of equity investments	3,764	2,770	994	35.88
280.	Gains (Losses) on disposal investments	45	57	(12)	-21.05
290.	**Profit (Loss) from current operations before tax**	**63,320**	**272,403**	**(209,083)**	**-76.76**
300.	Income taxes on current operations	(12,266)	(6,918)	(5,348)	77.31
310.	**Profit (Loss) from current operations after tax**	**51,054**	**265,485**	**(214,431)**	**-80.77**
330.	**Profit (Loss) for the period (+/-)**	**51,054**	**265,485**	**(214,431)**	**-80.77**
340.	Profit (Loss) for the period pertaining to minority interests	(3,083)	(14,462)	11,379	-78.68
350.	**Profit (loss) for the period pertaining to the Parent Company**	**47,971**	**251,023**	**(203,052)**	**-80.89**

The "Interest and similar income" and "Interest and similar expense" captions at 31 March 2018 have been restated with respect to the Consolidated interim report on operations as at 31 March 2018, due to reclassification of interest on hedging derivatives.

Performance ratios[2]

Financial ratios	31.03.2019	2018 (*)
Structural ratios		
Net loans to customers/total assets	65.42%	66.61%
Net loans to customers/direct deposits from customers	91.88%	94.11%
Financial assets/total assets	24.43%	24.28%
Fixed assets[3]/total assets	2.42%	2.14%
Goodwill/total assets	0.37%	0.37%
Direct deposits/total assets	89.53%	89.36%
Indirect deposits under management/indirect deposits	53.18%	53.32%
Financial assets/tangible equity[4]	3.84	3.85
Total tangible assets[5]/tangible equity	15.62	15.77
Net interbank position (in thousands of Euro)	(10,860,882)	(11,585,739)
Number of employees[6]	11,613	11,615
Number of national bank branches	1,170	1,218
Profitability ratios		
ROE[7]	4.64%	9.06%
ROTE[8]	5.18%	10.15%
ROA (profit (loss) for the period/total assets)[9]	0.29%	0.63%
Cost to income ratio[10]	68.18%	50.40%
Net impairment losses on loans to customers/net loans to customers	0.15%	0.05%
Basic EPS[11]	0.100	0.522
Diluted EPS[12]	0.100	0.522

(*) The comparative patrimonial ratios, together with ROE, ROTE and ROA, have been calculated on figures at 31 December 2018 as per the Consolidated financial statements as at 31 December 2018, while economical ratios have been calculated on figures at 31 March 2018 as per the Consolidated interim report on operations as at 31 March 2018.

[2] *To construct ratios, reference was made to the balance sheet and income statement figures of the reclassified statements prepared from a management point of view as per the present Press Release.*
[3] *Fixed assets include both Equity investments and Property, plant and equipment.*
[4] *Tangible equity = total shareholders' equity, including minority interests, net of intangible assets.*
[5] *Total tangible assets = total assets net of intangible assets.*
[6] *The number of employees does not include the expectations.*
[7] *ROE at 31 March 2019 has been calculated on an annual basis replicating the profit (loss) for the period for the rest of the year.*
[8] *ROTE at 31 March 2019 has been calculated on an annual basis replicating the profit (loss) for the period for the rest of the year.*
[9] *ROA at 31 March 2019 has been calculated on an annual basis replicating the profit (loss) for the period for the rest of the year.*
[10] *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 72.91% (54.47% at 31 March 2018 as per the Consolidated interim report on operations as at 31 March 2018.).*
[11] *EPS has been calculated net of treasury shares in portfolio.*
[12] *See previous note.*

(cont.)

Financial ratios	31.03.2019	2018 (*)
Risk ratios		
Net non-performing loans/net loans to customers	6.79%	6.81%
Net bad loans/net loans to customers	3.06%	3.08%
Net unlikely to pay loans/net loans to customers	3.61%	3.60%
Net past due loans/net loans to customers	0.11%	0.13%
Impairment provisions for non-performing loans/gross non-performing loans	54.55%	54.52%
Impairment provisions for bad loans/gross bad loans	67.07%	66.62%
Impairment provisions for unlikely to pay loans/gross unlikely to pay loans	34.41%	35.73%
Impairment provisions for past due loans/gross past due loans	12.71%	12.33%
Impairment provisions for performing loans/gross performing loans	0.37%	0.37%
Texas ratio[13]	83.57%	84.97%
Own Funds (Phased in) (in thousands of Euro)[14]		
Common Equity Tier 1 (CET1)	4,335,729	4,367,711
Own Funds	5,247,175	5,278,852
Risk-weighted assets (RWA)	30,459,040	30,606,171
Capital and liquidity ratios		
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in	14.24%	14.27%
Tier 1 Ratio (T1 Ratio) - Phased in	14.32%	14.37%
Total Capital Ratio (TC Ratio) - Phased in	17.23%	17.25%
Common Equity Tier 1 Ratio (CET1 Ratio) - *Fully Phased*	12.24%	11.95%
Leverage Ratio - *Phased in*[15]	6.0%	6.0%
Leverage Ratio - *Fully Phased*[16]	5.2%	5.0%
Liquidity Coverage Ratio (LCR)	156.5%	154.3%
Net Stable Funding Ratio (NSFR)[17]	n.a.	106.8%

Non-financial ratios	31.03.2019	2018 (*)
Productivity ratios (in thousands of Euro)		
Direct deposits per employee	4,359.02	4,304.47
Loans to customers per employee	4,005.14	4,050.88
Assets managed per employee	1,714.73	1,664.31
Assets administered per employee	1,509.76	1,457.29
Core revenues[18] per employee	40.17	42.10
Net interest and other banking income per employee	42.11	55.32
Operating costs per employee	30.70	30.13

(*) The comparative patrimonial ratios have been calculated on figures at 31 December 2018 as per the Consolidated financial statements as at 31 December 2018, while economical ratios have been calculated on figures at 31 March 2018 as per the Consolidated interim report on operations as at 31 March 2018.

[13] *The texas ratio is calculated as the relationship between total gross non-performing loans and net tangible equity increased by impairment provisions for non-performing loans.*
[14] *Items have been calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by the Commission Delegated Regulation (EU) 2395/2017.*
[15] *The ratio has been calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by the Commission Delegated Regulation (EU) 62/2015.*
[16] *See previous note.*
[17] *The NSFR, not yet available, is in any case estimated to exceed 100% (106.8% as at 31 December 2018).*
[18] *Core revenues = net interest income + net commission income.*