BPER:
Banca

PRESS RELEASE

Consolidated Interim report as at 31 March 2018 approved

Net profit for the period of € 251.0 million, the best quarter in the Group's history

CET1 ratio Phased In[1] at 14.61% to confirm the BPER's strong capital strength with a large capital buffer compared with the 2018 SREP set at 8.125% by the ECB. CET1 ratio Fully Phased of 11.71%

With a view to accelerating the process of improving asset quality and in line with the strategic action communicated to the market last November, the BPER Group has selected a portfolio of gross non-performing loans potentially transferable of around € 6.4 billion, approximately two thirds of total gross doubtful loans. The net values of this portfolio were aligned with those of a probable sale scenario, as envisaged by the new accounting standard IFRS 9 introduced from 1 January 2018. This action led to additional provisions for a total of more than € 1.1 billion, resulting in coverage in line with the highest levels of the Italian banking sector:

- **coverage of non-performing loans at 57.4% (+8.7 bps on the end of 2017);**
- **coverage of bad loans at 66.5% (+7.2 bps on the end of 2017);**
- **coverage of unlikely-to-pay loans at 39.9% (+12.7 bps on the end of 2017)**

This important intervention allows us to look with optimism at the evolution of the Group's asset quality. The Board of Directors has reviewed the targets for reducing the stock of non-performing loans in more ambitious terms compared to those contained in the NPE Strategy communicated in November last year. The new gross NPE target ratio is now around 11.5% in 2020 and below the threshold of 10.0% in 2021.

The significant improvement in asset quality is continuing with a substantial reduction:

- **in the stock of non-performing loans, which fell below the threshold of € 10.0 billion, also thanks to a write-off on bad loans for € 0.5 billion;**
- **in the gross NPE ratio to 19.3% from 19.8% at the end of 2017, down for the 7th consecutive quarter;**
- **in the net NPE ratio to 9.3% from 11.3% at the end of 2017;**
- **in the Texas ratio[2] to 98.7% (-3.2 percentage points on the end of 2017)**

Net result from operations of € 325.9 million, supported in particular by the very positive trend in net commissions and the net profit from financial activities, also thanks to gains realised on debt securities. The annualised cost of credit, calculated according to the new accounting standard IFRS 9, stands at a decidedly low level of 22 bps

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

The Board of Directors of BPER Banca today reviewed and approved the separate results of the Bank and the consolidated results of the Group at 31 March 2018.

Alessandro Vandelli, Chief Executive Officer of BPER Banca, at the end of the board meeting commented: *"The Board of Directors has approved the results of the first quarter of the year, evaluating the Group's performance very positively, with particular reference to three fundamental aspects: 1) the high level of profitability achieved, 2) the very strong increase in the coverage of non-performing loans, raised to the highest levels of the system, and the continuing improvement in asset quality and, lastly, 3) maintaining a high level of capital strength. Net profit for the quarter came to € 251 million, the best result in the Group's history, supported by the significant reduction in loan adjustments, the positive trend in the core business, with particular reference to the increase in commissions, and the positive performance by finance. During the quarter, with a view to accelerating the process of improving asset quality and in line with the strategic action communicated to the market last November, we have selected a portfolio of gross non-performing loans potentially transferable of around € 6.4 billion, approximately two thirds of total gross doubtful loans. The net values of this portfolio have been aligned with those of a probable transfer scenario, as envisaged by the new accounting standard IFRS 9 introduced from 1 January 2018. This action led to additional provisions for a total of more than € 1.1 billion, resulting in coverage in line with the highest levels of the Italian banking sector. This will already allow another significant reduction in non-performing loans from this year, also through the sale of bad loans. We are confident that this intervention has laid a solid basis for resolving definitively the issue related to "credit quality". And given the large amount of available capital, it has also allowed us to choose a more ambitious target for the reduction of NPEs compared with those announced last November: the new gross NPE target ratio is around 11.5% in 2020 and less than 10.0% in 2021. Furthermore, the significant increase in coverage will help structurally reduce the cost of credit to levels that are significantly lower than in the past with very positive implications for the Group's ordinary profitability. In this scenario, the improvement in credit quality is confirmed for the 7th consecutive quarter with a reduction in the incidence of doubtful loans now close to 19% of total loans. Lastly, capital strength remains high even after decisive action on coverage and the introduction of IFRS9 with a CET1 ratio of 14.61% phased in, with respect to a minimum SREP requirement set by the ECB of 8.125%, and of 11.71% fully phased. We are therefore very satisfied with the results achieved to date, looking forward to what promises to be a very challenging year, during which the Group will take decisive action to normalise credit quality and return to a higher level of ordinary profitability. On these solid bases we are now building a new wide-ranging Business Plan, which should be approved after the summer."*

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Income statement: key figures (see Methodological Note on page 1)

Net interest income comes to € 293.2 million[3]; the pro-forma figure is equal to € 267.6[4] million, down by 2.4% compared with the fourth quarter of 2017, but substantially stable if the calendar effect is taken into account. The quarter recorded a positive contribution to the margin generated by the commercial business, despite the decline in loans affected by the usual seasonality of the period, offset by a lower contribution from the securities portfolio to the margin.

Net commission income amounted to € 198.1 million, the highest they have ever been for the Group. This positive performance was achieved mainly thanks to the resilience of net commission income on the commercial business and the increase in net commission income on inflows to asset management schemes and "bancassurance", up on the fourth quarter of last year (+1.3% q/q) and already high due to the usual positive seasonality of the last quarter of the year, but even more so compared with the first quarter of 2017 (+34.1% y/y), bearing in mind that the scope is not entirely comparable.

The **net result from trading activities** (including dividends of € 0.6 million) amounts to € 154.2 million (€ 25.0 million in the first quarter of 2017, including dividends of € 0.3 million). This comprises net profits realised on securities and derivatives for € 156.4 million, net loss on securities and derivatives for € 5.6 million and other positive elements for € 3.0 million.

Operating profit amounts to € 657.1 million; the pro-forma figure comes to € 631.4, an increase of 22.9% compared with the fourth quarter of 2017, in the presence of a positive trend in the net result from financial activities and other revenues and net commission income, while there is a lower contribution from net interest income, essentially due to the calendar effect of the quarter.

Operating costs totalled € 331.2 million, down by 5.1% compared with the fourth quarter of 2017. In detail, personnel expenses amounted to € 207.5 million (€ 206.1 million in the fourth quarter of 2017), other administrative expenses amounted to € 102.3 million (€ 116.6 million in the fourth quarter of 2017) and depreciation and amortisation of tangible and intangible assets amounted to € 21.3 million (€ 26.1 million in the fourth quarter of 2017).

The **net result from operations** (operating profit, net of operating costs) comes to € 325.9 million; the pro-forma figure comes to € 300.3 million, a significant increase on € 164.8 million in the last quarter of 2017, mainly due to the good result from financial activities and the decline in operating costs.

Net adjustments to loans and other financial assets amount to € 24.4 million, almost entirely related to the lending sector; the pro-forma figure is positive (i.e. a write-back) and equal to € 15.2 million due to the reclassification of write-backs on loans and other financial assets. The **annualised cost of** credit amounts to 22 bps (6 bps in the quarter) with a sharp reduction compared with 112 bps for the whole of 2017.

Net provisions for risks and charges come to € 11.7 million; the pro-forma figure is € 25.6 million compared with € 9.7 million in the fourth quarter of 2017.

The first quarter includes the ordinary contribution of the BPER Group to the Single Resolution Fund ("SRF") for 2018 of € 20.3 million (€ 18.1 million in the same period last year). Note that in the reclassified income statement, these contributions are shown on a separate line in the interests of clarity, whereas in the Bank of Italy format they are included in caption 180 b) "Other administrative expenses".

The **profit from current activities before tax** amounted to € 272.4 million, a strong increase compared with € 37.5 million in the fourth quarter of 2017. **Income taxes** amount to € 6.9 million, made up essentially of deferred taxes. With respect to tax losses accrued during the course of 2018, amounting to € 910.9 million (including the impact from FTA), which are added to the previous ones of € 628 million, for a total of € 1,538.9 million, deferred tax assets have not been recorded.

Total net profit for the period comes to € 265.5 million (€ 28.8 million in the fourth quarter of 2017), including the net profit pertaining to minority interests of € 14.5 million (€ 1.3 million in the fourth quarter of 2017). **The profit pertaining to the Parent Company** therefore comes to € 251.0 million (€ 27.5 million in the fourth quarter of 2017).

Balance sheet: key figures (see Methodological Note on page 1)

Direct borrowing from customers (amounts due to customers, outstanding securities and financial liabilities designated at fair value) amounted to € 48.9 billion (€ 50.2 billion at the end of 2017), down by € 1.3 billion mainly due to the decision no longer to accept certain forms of institutional funding which are particularly burdensome, while continuing the policy of transforming such borrowing into "indirect" deposits. Of the various types of deposits, short-term deposits (current accounts and demand deposits, restricted deposits, repurchase agreements and other short-term loans) amounted to € 41.9 billion (€ 42.7 billion at the end of 2017), while long-term deposits (bonds, certificates of deposit and other certificates) amounted to € 7.0 billion (€ 7.6 billion at the end of 2017). Direct borrowing is made up principally of current accounts, demand deposits and short-term restricted deposits (78.0%) and bonds (10.3%).

Indirect customer deposits, marked to market, amount to € 36.7 billion (€ 35.9 billion at the end of 2017). In particular, **funds under management** come to € 19.9 billion with a net inflow for the period of more than € 0.5 billion (€ 0.6 billion in the first quarter of last year). **Assets under administration** amount to € 16.8 billion (€ 16.1 billion at the end of 2017). The **life insurance policy portfolio**, which is not included in indirect borrowing, comes to € 4.8 billion (€ 4.7 billion at the end of 2017).

Net loans to customers (caption 40-b, Assets, net of debt securities amounting to € 3.3 billion) amount to € 45.4 billion (€ 47.6 billion at the end of 2017; € 46.5 billion pro-forma at 1 January 2018) down by € 2.2 billion mainly due to the significant increase in coverage and the usual seasonality of the first part of the year.

Net non-performing loans (bad, unlikely-to-pay and past due loans) amount to € 4.2 billion, a significant decrease of € 1.2 billion (-22.1% compared with the end of 2017), with an overall coverage ratio of 57.4%, a significant increase of 8.7 percentage points from 48.7% on 31 December 2017. More specifically, the component consisting of **net bad loans** amounts to € 2.2 billion, a significant decrease compared with the end of 2017 (-23.7%), with a significantly higher level of coverage, up by 7.2 pp to 66.5% from 59.3% at the end of 2017. **Net unlikely-to-pay loans** amount to € 1.9 billion, a sharp decline of € 0.5 billion compared with 31 December 2017 (-20.6%), with coverage of 39.9%, an increase of 12.7 pp from 27.2% on 31 December 2017; **net past due loans** amount to € 81.3 million with coverage of 13.3%.

The **net interbank position**, which is negative for € 9.1 billion compared with € 10.0 billion at 31 December 2017, is the difference between the amounts due from banks of € 3.5 billion and the amounts due to banks of € 12.6 billion. The BPER Group's total amount of refinancing with the European Central Bank *(ECB)* amounted to € 9.3 billion, entirely attributable to participation in the second round of longer term refinancing operations called TLTRO 2 with a four year maturity (€ 4.1 billion subscribed in June 2016, partially used for the full repayment of the TLTRO 1 funding; € 1.0 billion at the end of December 2016 and € 4.2 billion at the end of March 2017). Financial instruments, which can be used as collateral for refinancing operations on the market, amount to € 16.8 billion net of the haircut, of which € 5.3 billion are available, to which have to be added more than € 2.6 billion of available deposits at the ECB.

Financial assets amount in total to € 15.1 billion (€ 15.7 billion at the end of 2017), representing 22.0% of total assets. Debt securities amount to € 14.2 billion and represent 94.0% of the total portfolio: of these, € 5.8 billion relate to government securities, of which € 5.1 billion represented by Italian government bonds.

Total equity ("Own Funds") at 31 March 2018 amounts to € 4.8 billion (€ 5.7 billion at the end of 2017; € 4.6 billion the pro-forma figure at 1 January 2018) with minority interests of 0.5 billion (€ 0.7 billion at the end of 2017; € 0.5 billion the pro-forma figure at 1 January 2018). Consolidated shareholders' equity of the Group, including the result for the period, comes to € 4.3 billion (€ 5.1 billion at the end of 2017; € 4.2 billion the pro-forma figure at 1 January 2018).

The LCR ("Liquidity Coverage Ratio") and NSFR ("Net Stable Funding Ratio") liquidity ratios are over 100%; in particular, at 31 March 2018, the LCR ratio was equal to 150.9%, while the NSFR ratio was estimated at over 100% (compared with 105.3% at 31 December 2017).

Capital ratios

The capital ratios at 31 March 2018, calculated taking into account the AIRB methodology for the credit risk requirement, consider the value of Own Funds including the share of profit realised during the period, net of the expected dividend in application of the new standard IFRS 9:

- Common Equity Tier 1 Ratio (phased in)[5] of 14.61% (13.89% at 31 December 2017). The ratio calculated on the full application regime (fully phased) is equal to 11.71% (13.68% at 31 December 2017);
- Tier 1 ratio (phased In) of 14.70% (13.97% at 31 December 2017);
- Own Funds ratio (phased in) of 17.50% (16.69% at 31 December 2017).

First-time application (FTA) of IFRS 9

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

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

Application of these changes led to a restatement of the opening balances for the year, the effect of which was booked to equity, for a total net balance of 1,084 million (of which 201 million pertaining to minority interests), net of the tax effect where recorded (the total amount of tax applied between the FTA reserve and OCI comes to € 51 million of deferred tax liabilities and € 2 million of deferred tax assets)

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

Key figures at 31 March 2018

The Group has a presence in eighteen Regions of Italy with 1,220 branches (1,218 it the end of 2017), as well as the head office of BPER (Europe) International s.a. in Luxembourg.

Group employees number 11,670 compared with 11,653 in service at the end of 2017.

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NPE Strategy 2018-2020: update of the main actions and targets

The Board of Directors has reviewed and updated the actions and targets contained in the NPE Strategy 2018-2020 on the management of non-performing exposures. During the quarter, with a view to accelerating the process of improving asset quality and in line with the strategic action communicated to the market last November, we have selected a portfolio of gross non-performing loans potentially transferable of around € 6.4 billion, approximately two thirds of total gross doubtful loans. The net values of this portfolio have been aligned with those of a probable sale scenario, as envisaged by the new accounting standard IFRS 9 introduced from 1 January 2018. This action led to additional provisions for a total of more than € 1.1 billion, resulting in coverage in line with the highest levels of the Italian banking sector: in fact, at 31 March 2018, the coverage of NPEs is equal to 57.4%, whereas on bad and unlikely-to-pay loans coverage is 66.5% and 39.9% respectively. To start with, this has led to an immediate decrease in the net NPE ratio, down to 9.3% from 11.3% at the end of 2017; it will also help reduce the gross ratio, mainly through securitisations and sales, starting from the current year. Specifically, the strategic lines provide for the sale of bad loans at a Group level for a total gross book value ("GBV") of between € 3.5 and € 4.0 billion over 3 years, of which approximately € 3.0 billion through two securitisations: the first, which is already at an advanced stage of completion, concerns a large part of the bad loans portfolio of Banco di Sardegna for an amount of almost € 1.0 billion, to be completed within the first half of 2018; subsequently, the plan is to carry out another securitisation involving the Parent Company's bad loans for a gross amount of some € 2.0 billion, to be completed presumably by the end of 2018. The combined effect of these sales, a significant improvement in the general scenario and in the trend of credit quality, which has already been quite visible in the last 18-24 months, and the expected results from ordinary management of non-performing loans by the internal structures of the Group, will help reduce the stock of non-performing loans over the three-year period by more than 40% compared with the levels recorded at the end of 2017, reaching a gross and net ratio estimated at around 11.5% and 5.5%, respectively, in 2020 with the forecast that they will fall below 10% and 5% in 2021. The increase in coverage during the quarter will significantly increase the Group's profitability, which is already visible in the first quarter results, through a substantial reduction in the estimated cost of credit, put for the current year at between 60 and 70 bps and less than 60 bps in 2020, with a coverage of non-performing loans which should come to more than 55% at that date. The current capital endowment of the Group, its organic generation deriving from the substantial increase in prospective profitability and the additional asset buffers that the Group has available will enable it to maintain an adequate level of capitalisation and to estimate a fully phased CET1 ratio of more than 12% by 2020. The main targets estimated in the NPE Strategy for 2020 can be summarised as follows:

- a reduction in the gross stock of NPEs by more than 40% of the expected levels at the end of 2017 through the sale of bad loans, internal management of the credit process and write-offs
- gross and net NPE ratios of around 11.5% and 5.5% respectively
- bad loans held for sale over the three-year period with a GBV of between € 3.5 and € 4.0 billion
- NPE coverage of around 55%
- CET1 ratio above 12.0%
- annualised cost of credit lower than 60 bps

The sizeable portfolio of potentially transferable non-performing loans selected as part of the application of IFRS 9 and the high levels of coverage achieved offer a considerable degree of flexibility to further reduce the stock of non-performing loans, estimating a gross ratio of less than 10% in 2021.

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Significant subsequent events

Fitch Ratings improves BPER Banca's outlook to "positive".

On 27 April 2018, the rating agency Fitch revised BPER Banca's outlook upwards to "positive" from "stable" and confirmed its long-term and short-term ratings at BB and B respectively. This change in outlook reflects expectations of a strengthening in the BPER Group's financial profile, thanks to the important measures to improve the quality of credit planned in the next 18-24 months. Fitch also reports that the indicators of asset quality are improving, the Bank's capital strength remains at satisfactory levels compared with the regulatory minimums and it is expected that operating profitability will continue to improve gradually.
Set out below are the ratings assigned to BPER Banca:

- Long Term Issuer Default Rating: remained BB; Outlook revised upwards to positive from stable
- Short Term Issuer Default Rating: remained B
- Viability Rating: remained bb
- Support rating: remained 5
- Support rating floor: remained No Floor

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Outlook for operations

In this favourable scenario, the pressure on net interest income due to the persistence of market rates at all-time lows should be offset by an expected increase in volumes and an easing of competitive pressures on the return on commercial assets. Important support for revenues is expected to come from commissions, particularly from the asset management and Bancassurance sector, while the core banking business should remain substantially stable. A significant contribution to the Group's profitability is expected from a structural reduction in the cost of credit, already evident from this year's first quarter results following the intervention on provisions described above for more than € 1.1 billion, made during the quarter on the introduction of IFRS 9, and a further improvement in credit quality. All of these factors should help support the Group's profitability prospects for the current year.

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It should be noted that, with reference to recent regulatory changes that occurred in the CFA (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, BPER Banca has decided on a voluntary basis, in continuity with the past, to publish its consolidated interim report of the BPER Group at 31 March and 30 September. Note that the consolidated interim report of the BPER Group at 31 March 2018 is audited only for the purpose of determining consolidated profit realised for inclusion in the primary capital (CET1) for regulatory purposes.

The document will soon be available at the head office, on the websites of the Bank and the Group (www.bper.it and www.gruppobper.it), of Borsa Italiana S.p.A. and of the authorised storage device (www.1info.it).

To complete the information provided, we attach the consolidated balance sheet and income statement (split into quarters with comparative figures) at 31 March 2018.

Modena, 8 May 2018

Chief Executive Officer
Alessandro Vandelli

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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 Legislative Decree 58/1998 (Consolidated Finance Act) that the accounting information contained in this press release agrees with the books of account, accounting entries and supporting documentation.

Modena, 8 May 2018

Manager responsible for preparing the
Company's financial reports
Marco Bonfatti

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A conference call has been organised today**, 8 May 2018 at 6.00 p.m. (CET)** to explain the BPER Group's results at 31 March 2018.
The conference call, in English, will be chaired by **Alessandro Vandelli, the Chief Executive Officer.**

To join the conference call, key in the following number:

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

A set of slides supporting the presentation will be available the same day before the start of the presentation and conference call in the Investor Relations section of the website of the Bank and of the Group www.bper.it and www.gruppobper.it.

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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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Notes:

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

[2] The Texas ratio is defined as gross NPE / (tangible equity + provisions)

[3] Net interest income in the first quarter of 2018 includes the benefit of participating in emissions of TLTRO 2 - Targeted Longer Term Refinancing Operations-II for € 9.3 million. This benefit for the whole of 2017 was € 33.7 million (€ 10.0 million in the fourth quarter of 2017, € 9.3 million in the third quarter of 2017, € 9.3 million in the second quarter of 2017 and € 5.1 million in the first quarter of 2017).

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

[5] See note 1

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Consolidated balance sheet as at 31 March 2018

(in thousand of Euro)

Assets		31.03.2018	31.12.2017
10.	Cash and balance with central banks	337,394	420,298
20.	Financial assets at fair value through profit or loss	1,246,041	1,326,601
	a) Financial assets held for trading	411,047	425,424
	b) Financial assets designated at fair value	224,689	223,192
	c) Other financial assets mandatorily at fair value through profit or loss	610,305	677,985
30.	Financial assets at fair value through other comprehensive income	9,864,136	13,398,757
40.	Financial assets at amortised cost	52,937,506	51,561,587
	a) Loans to banks	4,232,336	3,205,850
	b) Loans to customers	48,705,170	48,355,737
50.	Hedging derivatives	51,075	54,061
70.	Equity investments	456,075	454,367
90.	Property, plant and equipment	1,057,326	1,063,483
100	Intangible assets	499,403	506,627
	of which:		
	- goodwill	327,084	327,084
110.	Tax assets	1,742,211	1,848,127
	a) current	476,721	575,441
	b) deferred	1,265,490	1,272,686
130.	Other assets	747,027	704,899
	Total assets	**68,938,194**	**71,338,807**

(in thousand of Euro)

Liabilities and shareholders' equity		31.03.2018	31.12.2017
10.	Financial liabilities at amortised cost	61,545,420	63,230,643
	a) Due to banks	12,626,209	12,984,226
	b) Due to customers	41,900,213	42,694,078
	c) Debt securities in issue	7,018,998	7,552,339
20.	Financial liabilities held for trading	315,365	170,046
40.	Hedging derivatives	18,898	23,795
60.	Tax liabilities:	109,027	106,218
	a) current	3,360	2,259
	b) deferred	105,667	103,959
80.	Other liabilities	1,394,494	1,416,660
90.	Provision for termination indemnities	186,370	187,536
100.	Provisions for risks and charges	533,904	487,178
	a) Commitments and guarantees given	82,769	46,793
	b) pensions and similar commitments	135,920	137,148
	c) other provisions	315,215	303,237
120.	Valuation reserves	140,229	75,089
150.	Reserves	1,582,852	2,445,454
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	493,872	653,010
200.	Profit (loss) for the period pertaining to the Parent Company	251,023	176,438
	Total liabilities and shareholders' equity	**68,938,194**	**71,338,807**

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Consolidated income statement as at 31 March 2018

(in thousand of Euro)

	Captions	31.03.2018	31.03.2017
10.	Interest and similar income	366,541	355,137
20.	Interest and similar expense	(73,307)	(67,023)
30.	**Net interest income**	**293,234**	**288,114**
40.	Commission income	206,647	185,947
50.	Commission expense	(8,527)	(8,574)
60.	**Net commission income**	**198,120**	**177,373**
70.	Dividends and similar income	584	312
80.	Net trading income	(846)	10,920
90.	Net hedging gains (losses)	449	(300)
100.	Gains/losses on disposal or repurchase of:	143,905	13,630
	a) Financial assets at amortised cost	(2,667)	1,253
	b) Financial assets at fair value through other comprehensive income	146,468	12,378
	c) Financial liabilities at amortised cost	104	(1)
110.	Net results on financial assets and liabilities at fair value:	10,126	414
	a) financial assets and liabilities at fair value through profit or loss	1,209	414
	b) other financial assets mandatorily at fair value through profit or loss	8,917	-
120.	**Net interest and other banking income**	**645,572**	**490,463**
130.	Net impairment adjustments to:	(24,378)	(150,954)
	a) Financial assets at amortised cost	(26,141)	(133,573)
	b) Financial assets at fair value through other comprehensive income	1,763	(17,381)
150.	**Net profit from financial activities**	**621,194**	**339,509**
190.	Administrative costs:	(361,924)	(338,795)
	a) payroll	(207,534)	(194,125)
	b) other administrative costs	(154,390)	(144,670)
200.	Net provisions for risks and charges:	(11,663)	(1,014)
	a) Commitments and guarantees given	13,964	4,647
	b) Other provisions	(25,627)	(5,661)
210.	Net adjustments to property, plant and equipment	(10,128)	(9,076)
220.	Net adjustments to intangible assets	(11,211)	(9,609)
230.	Other operating charges/income	43,308	40,291
240.	**Operating costs**	**(351,618)**	**(318,203)**
250.	Profit (loss) of equity investments	2,770	3,675
280.	Gains (losses) on disposal of investments	57	30
290.	**Profit (loss) from current operations before tax**	**272,403**	**25,011**
300.	Income taxes on current operations	(6,918)	(7,743)
310.	**Profit (loss) from current operations after tax**	**265,485**	**17,268**
330.	**Net profit (loss)**	**265,485**	**17,268**
340.	Net profit (loss) pertaining to minority interests	(14,462)	(2,710)
350.	**Profit (loss) for the period pertaining to the Parent Company**	**251,023**	**14,558**

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Consolidated financial statement transition IFRS 9

(in thousand of Euro)

Assets		31.12.2017	Impact IFRS 9	01.01.2018
10.	Cash and balance with central banks	420,298	-	420,298
20.	Financial assets at fair value through profit or loss	1,326,601	3,337	1,329,938
	a) Financial assets held for trading	425,424	36,856	462,280
	b) Financial assets designated at fair value	223,192	-	223,192
	c) Ohter financial assets mandatorily at fair value through profit or loss	677,985	(33,519)	644,466
30.	Financial assets at fair value through other comprehensive income	13,398,757	151,937	13,550,694
40.	Financial assets at amortised cost	51,561,587	(1,133,870)	50,427,717
	a) Loans to banks	3,205,850	(8,937)	3,196,913
	b) Loans to customers	48,355,737	(1,124,933)	47,230,804
50.	Hedging derivatives	54,061	-	54,061
70.	Equity investments	454,367	-	454,367
90.	Property, plant and equipment	1,063,483	-	1,063,483
100	Intangible assets	506,627	-	506,627
	of which:		-	
	- goodwill	327,084	-	327,084
110.	Tax assets	1,848,127	(2,516)	1,845,611
	a) current	575,441	-	575,441
	b) deferred	1,272,686	(2,516)	1,270,170
130.	Other assets	704,899	(9,342)	695,557
	Total assets	**71,338,807**	**(990,454)**	**70,348,353**

(in thousand of Euro)

Liabilities and shareholders' equity		31.12.2017	Impact IFRS 9	01.01.2018
10.	Financial liabilities at amortised cost	63,230,643	515	63,231,158
	a) Due to banks	12,984,226	-	12,984,226
	b) Due to customers	42,694,078	-	42,694,078
	c) Debt securities in issue	7,552,339	515	7,552,854
20.	Financial liabilities held for trading	170,046	-	170,046
40.	Hedging derivatives	23,795	-	23,795
60.	Tax liabilities:	106,218	51,038	157,257
	a) current	2,259	377	2,636
	b) deferred	103,959	50,661	154,620
80.	Other liabilities	1,416,660	27,498	1,444,158
90.	Provision for termination indemnities	187,536	-	187,536
100.	Provisions for risks and charges	487,178	14,355	501,533
	a) Commitments and guarantees given	46,793	14,355	61,148
	b) pensions and similar commitments	137,148	-	137,148
	c) other provisions	303,237	-	303,237
120.	Valuation reserves	75,089	129,334	204,423
150.	Reserves	2,445,454	(1,012,010)	1,433,444
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	653,010	(201,184)	451,826
200.	Profit (loss) for the period pertaining to the Parent Company	176,438	-	176,438
	Total liabilities and shareholders' equity	**71,338,807**	**(990,454)**	**70,348,353**

Reclassified consolidated income statement as at 31 March 2018

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 230 *"Other operating charges/income"*, have been reclassified as a reduction in the related costs under *"Other administrative expenses"* (Euro 31,823 thousand at 31 March 2018 and Euro 29,981 thousand at 31 March 2017);
- *"Net adjustments to property, plant and equipment and intangible assets"* include captions 210 and 220 in the standard reporting format;
- *"Gains (losses) on equity investments, disposal of investments and adjustments to goodwill"* include captions 250, 270 and 280 in the reporting format;
- "Contributions to the DGS, SRF and FITD-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 costs"* as a better reflection of the trend in the Group's operating costs. In particular, at 31 March 2018, this caption represents the component allocated to administrative costs in relation to the 2018 ordinary contribution to the SRF (European Single Resolution Fund) for Euro 20,282 thousand.

The income statement at 31 March 2018, drawn up in accordance with the 5th update of Bank of Italy Circular no. 262, has been reclassified on a pro-forma basis to allow better comparison with the prior year figures.

(in thousand of Euro)

Captions		31.03.2018	Reclassifications	31.03.2018 pro-forma	31.03.2017
10+20	Net interest income	293,234	(25,637)	267,597	288,114
40+50	Net commission income	198,120	-	198,120	177,373
70	Dividends	584	-	584	312
80+90+100+110	Net trading income	153,634	-	153,634	24,664
230	Other operating charges/income	11,485	-	11,485	10,310
	Operating income	**657,057**	**(25,637)**	**631,420**	**500,773**
190 a)	Payroll	(207,534)	-	(207,534)	(194,125)
190 b)	Other administrative costs	(102,285)	-	(102,285)	(96,628)
210+220	Net adjustments to property, plant and equipment and intangible assets	(21,339)	-	(21,339)	(18,685)
	Operating costs	**(331,158)**	**-**	**(331,158)**	**(309,438)**
	Net operating income	**325,899**	**(25,637)**	**300,262**	**191,335**
130 a)	Net impairment adjustments to Financial assets at amortised cost	(26,141)	25,637	(504)	(133,573)
130 b)	Net impairment adjustments to Financial assets at fair value through other comprehensive income	1,763	-	1,763	(17,381)
	Net impairment adjustments to other financial assets	-	13,964	13,964	4,647
	Net impairment adjustments to credit risk	**(24,378)**	**39,601**	**15,223**	**(146,307)**
200	Net provisions for risks and charges	(11,663)	(13,964)	(25,627)	(5,661)
###	Contributions to SRF, DGS, IDGF - VS	(20,282)	-	(20,282)	(18,061)
250+270+280	Gains (Losses) on disposal of investments and adjustments to goodwill	2,827	-	2,827	3,705
290	**Profit from current operations before tax**	**272,403**	**-**	**272,403**	**25,011**
300	Income taxes on current operations	(6,918)	-	(6,918)	(7,743)
330	**Profit (loss) for the period**	**265,485**	**-**	**265,485**	**17,268**
340	Profit (loss) for the period pertaining to minority interests	(14,462)	-	(14,462)	(2,710)
350	**Profit (Loss) for the period pertaining to the Parent Company**	**251,023**	**-**	**251,023**	**14,558**

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Reclassified consolidated income statement by quarter as at 31 March 2018

(in thousand of Euro)

Captions		31.03.2018 pro-forma	1st quarter 2017	2nd quarter 2017	3rd quarter 2017	4th quarter 2017
10+20	Net interest income	267,597	288,114	282,005	280,218	274,142
40+50	Net commission income	198,120	177,373	181,851	184,802	196,602
70	Dividends	584	312	10,812	507	785
80+90+100+110	Net trading income	153,634	24,664	25,869	20,489	32,112
230	Other operating charges/income	11,485	10,310	14,298	23,565	10,017
	Operating income	**631,420**	**500,773**	**514,835**	**509,581**	**513,658**
190 a)	Payroll	(207,534)	(194,125)	(191,551)	(191,656)	(206,146)
190 b)	Other administrative costs	(102,285)	(96,628)	(104,864)	(107,465)	(116,654)
210+220	Net adjustments to property, plant and equipment and intangible assets	(21,339)	(18,685)	(22,012)	(20,653)	(26,079)
	Operating costs	**(331,158)**	**(309,438)**	**(318,427)**	**(319,774)**	**(348,879)**
	Net operating income	**300,262**	**191,335**	**196,408**	**189,807**	**164,779**
130 a)	Net impairment adjustments to Financial assets at amortised cost	(504)	(133,573)	(189,659)	(89,722)	(123,021)
130 b)	Net impairment adjustments to Financial assets at fair value through other comprehensive income	1,763	(17,381)	(54,236)	(29,383)	(3,628)
	Net impairment adjustments to other financial assets	13,964	4,647	1,787	6,446	(28,193)
	Net impairment adjustments to credit risk	**15,223**	**(146,307)**	**(242,108)**	**(112,659)**	**(154,842)**
200	Net provisions for risks and charges	(25,627)	(5,661)	(5,941)	(9,268)	(9,708)
###	Contributions to SRF, DGS, IDGF-VS	(20,282)	(18,061)	2,114	(20,205)	(1,569)
250+270 +280	Gains (Losses) on disposal of investments and adjustments to goodwill	2,827	3,705	2,843	4,885	(21,319)
285	Negative goodwill	-	-	130,722	-	60,170
290	**Profit from current operations before tax**	**272,403**	**25,011**	**84,038**	**52,560**	**37,511**
300	Income taxes on current operations	(6,918)	(7,743)	17,926	(23,696)	(8,725)
330	**Profit (loss) for the period**	**265,485**	**17,268**	**101,964**	**28,864**	**28,786**
340	Profit (loss) for the period pertaining to minority interests	(14,462)	(2,710)	2,540	1,032	(1,306)
350	**Profit (Loss) for the period pertaining to the Parent Company**	**251,023**	**14,558**	**104,504**	**29,896**	**27,480**