PRESS RELEASE

Results of the UBI Group for the period ended 30th June 2018

Stated net profit for the first half of €208.9 million
Profit net of non-recurring items of €222.1 million, the best result in the last 10 years (up 70.9% on the first half of 2017 which included the results for just three months of the three banks acquired[1])

Fully loaded CET1 ratio of 11.42% notwithstanding the impact of spread widening on securities valuation reserves (FL CET1 does not include the use of future DTAs and it does include a pro rata dividend)

Gross non-performing loans fell by over €370 million compared with 31st March and €405 million compared with 1.1.2018 to reach 12.41% (11% pro forma after the recently announced GACS transaction)

An annualised recovery rate[2] for gross non-performing loans of 11%.
An annualised recovery rate for bad loans of 5.9%
(in both cases the positive performance in 1Q was confirmed in 2Q)

An annualised loan loss rate of 57 basis points

Total funding up by 1.4% in the first half to €193.5 billion as result of progressive increases in the following:
- **Direct funding to €95 billion (€94.4 billion as at 1.1.2018)**
- **Indirect funding to €98.5 billion (€96.5 billion as at 1.1.2018).**

Particularly strong performance for *banc asssurance* products, up to €24.2 billion (+12.2% compared with 1.1.2018 and +6.5% compared with March 2018)
Constantly positive trend for assets under management up to €44.5 billion (+1.4% compared with 1.1.2018 and +0.8% compared with March 2018) in a particularly difficult market, gaining market shares

Performing loans[3] up by 0.8% in the semester to 84.2 billion

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2Q 2018 / 1Q 2018

Net interest income rose 4.7% (2Q-on-1Q 2018) to €458.4 million:
Very positive contribution from general banking business with customers (+€15 million)[4]

[1] The first six months of 2017 include figures for the three banks acquired from 1st April 2017. It should be considered that the three banks reported losses in the first quarter of 2017 and therefore their inclusion on a pro forma basis would have given an even more favourable year-on-year comparison.
[2] Calculated as cash in/(total gross non-performing loans at the beginning of the period + total increases for the period).
[3] Item 40. 2) in the reclassified consolidated balance sheet.

Commissions are resilient at 400.6 million notwithstanding market volatility

Operating costs fell again by 3.5% (2Q-on-1Q 2018) to €601.4 million

Profit for 2Q 2018 of €91.2 million (€117.7 million in 1Q 2018)
Profit net of non-recurring items of €101.1 million (€121 million in 1Q 2018)

2Q2018 annualised default rate[5] of 1.48%

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Bergamo, 3rd August 2018 – The Management Board of Unione di Banche Italiane Spa (UBI Banca) has approved the consolidated results for the **first half of 2018, which ended with a profit of €208.9 million, or of €222.1 million net of non-recurring items relating to the implementation of the Business Plan which is proceeding on, and often ahead of, schedule.**

Operating performance of the Group

Methodological note
The UBI Group's consolidated results have included the results of **the three recently acquired banks since 1st April 2017.** A comparison between the first half of 2018 and the first half of 2017 would not therefore be significant because of the difference in the scope of consolidation. The results for 1H 2018 are attached and may be consulted.
On the other hand, a quarter-on-quarter comparison, based on the same scope of consolidation and prepared according to IFRS 9 (2Q 2018 compared with 1Q 2018), is more meaningful. In addition, in order to give full information, a comparison is made with the 2Q 2017 results, still recognised according to IAS 39 rules, but restated to take account of the new classifications introduced by the 5th update, dated 22/12/2017, of Bank of Italy Circular No. 262/2005, applicable from 1/1/2018.

Group income statement figures

The second quarter of 2018 ended with a **net profit of €91.2 million** (€117.7 million in 1Q 2018), which confirmed the positive trends both in terms of income and costs recorded in the first quarter of the year. The second quarter of 2017 had ended with a profit of €629 million, heavily impacted by the inclusion of badwill amounting to €612.9 million.
Net of non-recurring items, **net profit in 2Q 2018 came to €101.1 million (€121 million in 1Q 2018 and €43.7 million in 2Q 2017).**

In 2Q 2018, **net operating income** amounted to €310.1 million, up both compared to €302 million in 1Q 2018 (€304.6 in 2Q 2017) thanks to the overall growth in "core" revenues (interest margin and commissions) and to the strong reduction in operating costs.

In detail **operating income** in 2Q 2018 stood at €911.4 million compared with €925.1 million in 1Q 2018 (€940.8 million in 2Q 2017 which included 56 million non recurring from the partial sale of the HTM portfolio).

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[4] Net of IFRS9 impacts
[5] Default rate = annualised gross inflows to NPEs / Gross performing loans at the beginning of the period (item 40. 2) in the reclassified consolidated balance sheet)

Within operating income, **net interest income** reported in accordance with IFRS 9 amounted to €458.4 million compared with €437.8 million in 1Q 2018, while it totalled €398 million, reported in accordance with IAS 39, in 2Q 2017.
Within the item:

- net of the impacts of the application of IFRS 9[6], the progressive growth trend for net interest income from banking business with customers was confirmed for the fourth consecutive quarter, rising to approximately €395 million from €380 million in 1Q 2018 and from €356 million in 2Q 2017, the first quarter in which the 3 Acquired Banks were consolidated.
  The reduction in the cost of funding continued, with a markdown on the 1-month Euribor down to -66 basis points in 2Q 2018 (-72bp in 1Q 2018 and -87bp in 2Q 2017), which allowed the spread to climb back to 175bp[7] in 2Q 2018 (compared with 170bp in 1Q 2018 and 167bp in 2Q 2017), thanks also to the stabilisation of the mark-up;
- the contribution from financial activities in 2Q 2018 rose to approximately €43 million, a reversal of the downward trend recorded up to 1Q 2018 (€39 million in 1Q 2018 compared with €49 million in 2Q 2017). This improvement was achieved as a result of the re-composition of the securities portfolio, which also involved in the quarter a further reduction in total volumes and the reduction of sensitivity to spread changes.
- the contribution to net interest income from activities on the interbank market, which includes TLTRO2s, amounted to -€1.3 million in 2Q 2018 compared with €1.7 million in 1Q 2018 and -€6.9 million in 2Q 2017.

Net fee and commission income showed resilience in 2Q 2018 to stand at €400.6 million compared with €407.3 million in 1Q 2018. The contribution in 2Q 2018 from services relating to securities business fell slightly compared with 1Q 2018 (down €2.7 million to €227.8 million), showing growth in the fees and commissions on portfolio management business (+€7.5 million) while fees and commissions on the placement of securities and the distribution of third party services, less sustained in the 2 quarter of the year, decreased (-€11.3 million overall). The contribution of fees and commissions relating to general banking business (-€4.1 million to €172.8 million) contracted in relation to the timing of loans relating above all to corporate and investment banking business, while fees and commissions on current account management, payment and collection services and payment cards recorded growth.
The contribution of fees and commissions from general banking business is expected to strengthen in future quarters, as a result of commercial initiatives already launched in the first half of the year.
In the year on year comparison, fees and commissions, amounting to €400.6 million in 2Q2018, compare with €410.5 million reported in 2Q2017. The reduction compared to 2Q2017 is mainly due to the exit of UBI Intl from the Group in November 2017 (-€2.5 million), to the presence of commission expense on securitizations effected at the end of 2017, payable starting from 2018 (-4 million), and to non recurring structured finance commissions perceived in 2017 in relation to the acquisition of the 3 Banks, not present in 2018 (-5.8 million).

The **result for trading and hedging activity** came to €18.5 million (€33.7 million in 1Q 2018[8] and) and performed as follows:

- net trading income amounted to €22.5 million (€12.8 million in 1Q 2018);
- the net result for hedging activities was a loss of €2.7 million (-€1.5 million in 1Q 2018);
- income from the disposal and repurchase of financial assets and liabilities amounted to €11.2 million (€22.3 million in 1Q 2018);
- the net result for assets and liabilities designated at fair value was a loss of €12.6 million (+€0.1 million in 1Q 2018).

[6] Impacts of IFRS 9 on net interest income. In 2Q2018: +€35.5 million relating to interest on loans (time value and the write-down of interest on unlikely-to-pay loans); -€13.4 million relating to contractual modifications that do not determine derecognition of the loan. In 1Q 2018: +€25.7 million relating to interest on loans (time value and the write-down of interest on unlikely-to-pay loans); -€8.7 million relating to contractual modifications that do not determine derecognition of the loan.
[7] These are spreads that do not include the benefits of TLTRO2.
[8] €83.4 million in 2Q 2017, not comparable with 2018 quarters.

The **result for insurance operations** by the companies brought to the Group by the former Banca Tirrenica was again strong, unchanged at €5.5 million in 2Q 2018 as in 1Q 2018 (€4.1 million in 2Q 2017).

Constant control over costs had a positive impact on **operating expenses, which fell constantly to the lowest level since the acquisition of the 3 Banks to stand at €601.4 million compared with €623.1 million in 1Q 2018 and €636.2 million in 2Q 2017. This fall was 3.5% quarter-on-quarter and 5.5% year-on-year.**
In detail:

- **staff costs** amounted to €374.3 million (-0.3% compared with 1Q 2018 and -5.5% compared with 2Q 2017) and they reflect a strategy of voluntary exits, accompanied at the same time by the recruitment of young qualified staff, which forms part of the Business Plan. **In 3Q 2018, UBI will verify the premises to reach a new trade union agreement which will confirm continuation of the above strategy**;
- notwithstanding the inclusion of an extraordinary contribution to the Resolution Fund amounting to €12.9 million, **other administrative expenses** nevertheless fell to €186.6 million from €205.9 million before, which included an estimate of the annual ordinary contribution of €34.2 million to the Resolution Fund. Other administrative expenses amounted to €199.7 million in 2Q 2017.

In the second quarter of the year **net impairment losses on loans to customers** amounted to €140.5 million, to give an annualised cost of risk[9] of 61 basis points (€117.7 million in 1Q 2018, with a cost of risk of 51 basis points, and €147.8 million in 2Q 2017, the latter not comparable with the other periods because it was recognised in accordance with IAS 39 rules and included badwill reversal).
The coverage ratio for the Group's performing loans was high at 0.65%.

Estimated taxation for 2Q 2018 came to €55.6 million to give a tax rate of 35.7% (32.6% in 1Q 2018 and 52.7% in 2Q 2017). As a consequence of the full deductibility for tax purposes of first-time adoption of IFRS 9 on 2018 profit, it is estimated that the conditions for the recognition of tax assets resulting from the prior year losses of the three acquired banks will not be met in the current year.

Finally, net of taxation and minority interests, the second quarter of the year recorded **non-recurring expenses relating to the Business Plan** of approximately €1.2 million compared with €3.4 million in 1Q 2018 and €13.9 million in 2Q 2017.

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<u>The balance sheet</u>

METHODOLOGICAL NOTE

The commentary that follows relates to positions on reporting dates (30.6.2018, 31.3.2018 and 1.1.2018) which implement IFRS9 and the application of the 5th update of Bank of Italy Circular No. 262/2005.

Net lending to customers[10] as at 30th June 2018 totalled €91.3 billion compared with €91.6 billion as at 31.3.2018 and €91 billion as at 1.1.2018.
The aggregate included

- <u>net performing loans which recorded constant slight growth</u> since the beginning of the year to stand at €84.2 billion (€83.5 billion as at 1.1.2018), supported by good performance by the new Corporate and Investment Banking Division (+€1 billion since 1.1.2018);
- <u>net non-performing loans reduced constantly</u>, down to €7.14 billion from €7.38 billion as at 31st March 2018 and from €7.45 billion as at 1.1.2018.

[9] Calculated as the annualised ratio between item 130a (loans to customers) in the reclassified consolidated income statement and item 40 2) in the reclassified consolidated balance sheet.
[10] Item 40. 2) in the reclassified consolidated balance sheet.

More specifically, with regard to trends for non-performing loans:

- **total non-performing loans**[11] fell **in gross terms** by over **€370 million** to €12,008 million from €12,379 million as at 31.3.2018 and by **€405 million** compared with €12,414 million as at 1.1.2018. Gross non-performing loans as a percentage of total gross loans fell to 12.41% from 12.74% as at 31st March 2018 (12.85% as at 1.1.2018).
Pro-forma the GACS transaction recently announced, the gross non-performing loans ratio would fall to 11%.

The reduction in total non-performing loans in net terms was approx. **€241 million** to €7,143 million from €7,384 million as at 31.3.2018 (and **€305 million** from €7,448 million as at 1.1.2018). Net total non-performing loans as a percentage of total net loans fell to 7.82% from 8.06% as at 31st March 2018 (8.19% as at 1.1.2018).
Total coverage for non-performing loans rose, inclusive of write-offs, to 50.53% (49.83% as at 31.3.2018 and 49.54% as at 1.1.2018), while if write-offs are excluded it stood at 40.52% (40.35% as at 31.3.2018 and 40% as at 1.1.2018).
In detail, **bad loans** reduced further to €7,193 million in gross terms and to €3,473 million in net terms (€7,340 million and €3,519 million as at 1.1.2018), with coverage inclusive of write-offs of 63.90% and 51.71% excluding write-offs.

- **New inflows of gross performing loans to non-performing status** in the second quarter of the year gave an annualised default rate of 1.48%, which was down further compared with 1.85% recorded in the first quarter of the year. **The annualised default rate for the first half stood at 1.67%.**

- Notwithstanding the reduction in total non-performing loans, the **Texas ratio**[12] rose to 101.4% due to a reduction in equity, the denominator, which was affected by the negative valuation reserve for securities held in portfolio following the widening of sovereign spreads. The first transfer of bad loans by means of a securitisation announced on 1st August is expected to **reduce that percentage by approximately 10 percentage points**.

Direct funding of the Group as at 30th June 2018 amounted to €95 billion, up compared both with €94.2 billion as at 31st March 2018 and with €94.4 billion recorded as at 1.1.2018.
As concerns the performance of direct funding in the second quarter of the year:
- **direct funding from ordinary customers rose** to €78.9 billion from €78.6 billion as at 31st March 2018 as result of a virtuous change in the mix, in which less costly sight funding (current accounts and deposits) grew further to €66.7 billion from €64.6 billion as at 31st March 2018, while a decline was seen in bonds placed with captive customers (-€1 billion down to €8.4 billion) - notwithstanding an issuance for approximately €500 million during the second quarter of the year-, in term deposits and residual forms of funding (-€0.4 billion to €3.2 billion) and in certificates of deposit (-€0.2 billion to €0.6 billion);
- **institutional funding** rose to €16.1 billion[13] (€15.6 billion as at March 2018). This includes not only funding instruments usually employed, but also the first issuance of “senior non-preferred” bonds with value date 5th April 2018 for €500 million under the EMTN programme.

Indirect funding recorded continuous growth also in 2Q 2018, to reach €98.5 billion from €96.5 billion as at 1.1.2018:

[11] See the tables attached
[12] Calculated as net total non performing exposures/((net equity excluding profit and minorities)-total intangible assets). It was 98.9% in March 2018.
[13] Composed as follows: €10.7 billion of covered bonds (€10.6 billion on 31.03.2018), €4.7 billion of EMTNs (€4.3 billion before), €0.7 billion of repurchase agreements (unvaried).

- assets under management in the narrow sense grew to €44.5 billion from €43.8 billion before (+1.4%); the Group gained market shares (banking sector) to reach 6.97% compared to 6.81% in March 2018 and from 6.7% on 1.1.2018.
- insurance funding amounted to €24.2 billion (+12.2%);
- assets under custody amounted to €29.8 billion (€31 billion as at 1.1.2018), affected by the performance effect which had an impact of -€1.6 billion on the first half.

Group exposure to the ECB in TLTRO2s amounts to €12.5 billion. The contractual maturity schedule for that TLTRO2 exposure, recognised under "due to banks", and therefore not included in direct funding, involves repayment of €10 billion in June 2020 and €2.5 billion in March 2021.

The Group continues to benefit from its solid liquidity position, with ratios (Net Stable Funding Ratio and Liquidity Coverage Ratio) constantly higher than one and total **eligible assets** as at 30th June 2018 of €30.5 billion (of which €15.6 billion available), already net of haircuts and inclusive of €7 billion of liquidity deposited with the ECB.

Consistent with the de-risking strategy pursued in the Business Plan, the Group's **financial assets**[14] decreased further in 2Q 2018 to total €15.7 billion as at 30th June (€16.9 billion as at 31.3.208 and €17.1 billion as at 1.1.2018), of which €9.9 billion relating to Italian government securities (€10.4 billion as at 31.3.2018 and €11.4 billion as at 1.1.2018). Modified duration and spread sensitivity were reduced.

Equity attributable to the shareholders of the Parent as at 30th June 2018, inclusive of profit, amounted to €8,964,893 thousand, down compared with €9,300,846 thousand as at 31.3.2018 as a result of the reduction in securities portfolio valuation reserves following the widening of spreads.

Again as at 30th June 2018, the Group's **CET1** ratio was 11.78% phased-in (well above the SREP requirement for 2018, which is 8.625%) and 11.42% fully loaded (12% phased-in and 11.64% fully loaded as at 31st March 2018). The negative impact of wider spreads on the valuation reserves for securities held in portfolio (56 basis points approx.) was in fact partially offset by the portion of profit for the period that was capitalised (net pro rata of a dividend assumption) and by the disappearance of the shortfall following recognition of greater provisions (a total of 26 basis points approx.).
The CET1 ratio does not include any benefit from the use of the DTAs of the three banks acquired. It should also be recalled that the loans to the customers of the three Acquired Banks are still included under the standardised approach; roll-out of the IRB model is expected during the course of 2018.
At the end of the first semester of the year, the Group's Total Capital Ratio was 14.13% phased-in (14.47% as at 31.3.2018) and 13.77% fully loaded (14.13% as at 31.3.2018).

Finally, the leverage ratio of the Group was, as at 30th June 2018, 5.37% phased-in and 5.19% fully loaded.

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The **total staff** of the UBI Banca Group as at 30th June 2018 numbered **21,124** compared with 21,228 at the end of March 2018 (22,122 in June 2017, the first reporting date after the acquisition of the 3 Banks located in Central Italy).

At the end of June the domestic branch network was composed of **1,812 branches**. As already reported, in June 2017, the first reporting date after the acquisition of the three Banks, the Group had 1,948 branches.

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[14] The sum of items 20.3), 30.3) and 40.3) – government securities in the reclassified consolidated balance sheet.

Statement of the Senior Officer Responsible for the preparation of corporate accounting documents

Elisabetta Stegher, as the Senior Officer Responsible for preparing the corporate accounting documents of Unione di Banche Italiane Spa, hereby declares, in compliance with the second paragraph of article 154 *bis* of the *Testo unico delle disposizioni in materia di intermediazione finanziaria* (Consolidated Finance Law), that the financial information contained in this press release is reliably based on the records contained in corporate documents and accounting records.

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<u>Business Outlook</u>

Under current market conditions, the gradual growth in net interest income is expected to continue in the second half of 2018.
The prudent management of the Italian government securities portfolio, oriented towards reducing this exposure, is confirmed.
Net fee and commission income is forecast to remain resilient.
Attentive monitoring of costs will continue. In 3Q 2018, UBI will verify the premises to reach a new trade union agreement which will allow further exits in line with Business Plan forecasts.
The trend for the reduction in cost of risk compared with 2017 is forecast to continue.
Finally, in addition to the securitisation (backed by a government guarantee) of a portfolio of bad loans just concluded, a new bad loan disposal transaction (without securitisation) is planned for the end of 2018/beginning of 2019, which will help to achieve a ratio of gross non-performing loans below 10%, ahead of schedule compared with previous disclosures. Both operations are consistent with the disposal scenarios considered on first-time adoption of IFRS 9.

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<u>Change in the date for the approval of the consolidated results for the period ended the 30th September 2018</u>

Please be informed that the Management Board will meet to approve the consolidated results for the period ended the 30th September 2018 on November 6th instead of November 8th 2018, as indicated in the financial calendar published at the beginning of the year.

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Copy of this press release is available on the website www.ubibanca.it

Attachments - UBI Banca Group: Reclassified and mandatory financial statements

- Reclassified consolidated balance sheet
- Reclassified consolidated income statement
- Reclassified consolidated income statement net of the most significant non-recurring items (with detail)

- Consolidated balance sheet – mandatory statement
- Consolidated income statement – mandatory statement
- Asset quality

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Notes and comments on the preparation of the financial statements

The mandatory financial statements, subject to a limited audit by the independent auditors, have been prepared in thousands of euro[1], comply with the templates contained in Bank of Italy Circular No. 262/2005 and in addition to the financial statements as at 30th June 2018, they also provide the following comparative information:

- Balance sheet: 31st December 2017;
- Income statement: for the period ended 30th June 2017.

As already occurred for the period ended 31st March 2018, the mandatory statements have been prepared in compliance with the provisions of the 5th update of Circular No. 262/2005. Consequently they are different from those used for the Consolidated financial statements of the UBI Banca Group as at and for the period ended 31st December 2017, prepared in accordance with the provisions of the 4th update of that Circular.
In accordance with the international reporting standard IAS 1, "Presentation of Financial Statements", comparative balance sheet and income statement figures have therefore been reclassified into the new items of the financial statements.
It is also underlined that the balance sheet and income statement figures as at and for the period ended 30th June 2018 are not fully comparable with those for the comparative periods because the latter had been calculated by applying international reporting standard IAS 39, which was in force during the relative reporting period. In fact in accordance with par. 7.2.15 of IFRS 9, there is no obligation to restate figures for comparative purposes.

As already reported, the figures for the period ended 30th June 2018 are not consistent with those for the year ended 31st December 2017 and the period ended 30th June 2017, because the latter represent the UBI banking Group with the contribution of the Acquired Banks[2] from 1st April 2017, the date on which control was acquired in accordance with IFRS 3.

For greater details on the reconciliation of the balance sheet figures pursuant to IAS 39 published in the Consolidated Financial Statements of the UBI Group as at 31st December 2017 with those calculated as at 1st January 2018 in application of the provisions of IFRS 9 in terms of classification, measurement and impairment, reference is made to the information published in the interim financial statements for the period ended 31st March 2018 in the section entitled "The transition to the new financial reporting standards IFRS 9 and IFRS 15" and in the same section soon to be published in the interim financial report for the period ended the 30th June 2018.

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The reclassified financial statements, not subject to audit by the independent auditors, have been prepared on the basis of the templates contained in the 5th update of Bank of Italy Circular No. 262/2005.
In detail:

- from a *balance sheet viewpoint*, details of the items specifically affected by the adoption of IFRS 9 have been given by type of financial instrument and counterparty. This has been done in order to show their contribution to the capital position of the UBI Banca Group consistent with past financial reports. In terms of comparability with previous periods, the reclassified financial statements for the period ended 30th June 2018 provide information (in addition to the figures for the period ended 31st March 2018) on figures calculated as at 1st January 2018, in application of the new financial reporting standard. This allows a consistent management accounting commentary of changes occurring in the first half of 2018.
  We report that in application of the provisions of the aforementioned circular, non-performing exposures resulting from the acquisition of the Acquired Banks (stated with "closed balances" in accordance with IFRS 3) have been classified as "Purchase or originated credit impaired" ("POCI") and they have therefore been recognised within item 40 "Financial assets measured at amortised cost";

[1] The relative rounding of the figures has been performed on the basis of Bank of Italy instructions.
[2] Banca Adriatica (the former Nuova Banca delle Marche), Banca Tirrenica (the former Nuova Banca dell'Etruria e del Lazio) and Banca Teatina (the former Nuova Cassa di Risparmio di Chieti) and their respective subsidiaries.

- from an *income statement viewpoint*, in order to allow a management accounting commentary on the second quarter of 2018, the income statement also provides information on figures for the second quarter of 2017, appropriately restated. This comparison provides consistency in terms of the scope of consolidation considered because it includes the contribution of the Acquired Banks from 1st April 2017. It is nevertheless underlined that the comparative figures for the second quarter of 2017 have been calculated on the basis of the application of IAS 39 and therefore - while these amounts have been stated in compliance with the measurement rules of that standard - in order to allow a better comparison they have been reclassified as follows:

IAS 39	IFRS 9
Reclassified financial statements pursuant to Bank of Italy Circular No. 262/2005, 4th update	**Reclassified financial statements pursuant to Bank of Italy Circular No. 262/2005, 5th update**
[10.-20.] Net interest income	*[10.-20.-140.] Net interest income*
[80.+90.+100.+110.] "Net income on trading, hedging and disposal/repurchase activity and on assets and liabilities designated at fair value"	*[80.+90.+100.+110.] "Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss*
[130a.] "Net impairment losses on: loans"	*[130a.] "Net impairment losses for credit risk relating to: financial assets measured at amortised cost"* - *Loans and advances to banks* - *Loans and advances to customers* - *Securities*
[130b.] "Net impairment losses on: available-for-sale financial assets"	*[130b.] "Net impairment losses for credit risk relating to: financial assets measured at fair value through other comprehensive income"*
[130d.] "Net impairment losses on: other financial transactions"	*[200a.] "Net provisions for risks and charges: commitments and guarantees granted"*

It is underlined that with regard to the figures for the first half of 2018, net interest income includes:

1. with regard to non-performing positions:
   - the recognition, in accordance with IFRS 9, of accrued interest on a net basis (i.e. on the basis of the amount of the exposure net of accumulated impairment losses);
   - the reversal of discounts (time value) used in the measurement of the exposures;
2. with specific reference to "POCI"[3] positions, the interest recognised in application of the effective interest rate, adjusted for credit risk, calculated as at the date of initial recognition.

For the purposes of better comparability with the figures for the second quarter of 2017, the line item "IFRS 9 credit components" separates, as part of net interest income, the following components which until 31st December 2017 had been recognised in compliance with IAS 39 within the former item *"130 a) Net impairment losses on: loans"*:

- the adjustment recognised on the part of interest deemed non-recoverable, used to recognise it on a net basis, in relation to non-performing positions;
- the reversal of discounts (time value) used in the measurement of non-performing exposures.

Reference is made to the "notes on the reclassified financial statements" contained in the periodic financial reports of the Group for more precise details of the rules followed in preparing the reclassified financial statements.
In order to facilitate analysis of the Group's performance and in compliance with CONSOB Communication No. DEM/6064293 of 28th July 2006[4], a special detailed statement has been included which shows the impact on earnings of the main non-recurring events and transactions.

[3] "Purchased or originated credit impaired assets" are exposures that are non-performing at the purchase or origination date. The UBI Banca Group has classified the credit exposures acquired as part of the business combination operation pursuant to IFRS 3 relating to the Acquired Banks as POCI, in compliance, amongst other things, with the provisions of Bank of Italy Circular No. 262/2005.

[4] Following the entry into force (on 3rd July 2016) of ESMA guidelines 2015/1415 which the Consob (Italian securities market authority) incorporated in its issuer and supervisory and monitoring practices, the UBI Banca Group criteria for the identification of non-recurring items (reported in the normalised statements) have been subject to revision.
The new criteria approved by the Management Board on 18th October 2016 limit the nature of non-recurring expenses to clearly specified items of income and expense (connected for example with the adoption of a Business Plan, or with the impacts of valuations and disposals of property plant and equipment, tangible and financial assets and HTM investments, with the effects of regulatory and methodological changes and also with extraordinary events including those of a systemic nature).

UBI Banca Group: Reclassified consolidated balance sheet

	Figures in thousands of euro	30.6.2018 A	31.3.2018 B	1.1.2018 C	Change A-B	% change A/B	Change A-C	% change A/C
	ASSETS							
10.	Cash and cash equivalents	616,368	612,826	811,578	3,542	0.6%	-195,210	-24.1%
20.	Financial assets measured at fair value through profit or loss	1,488,445	1,541,428	1,979,802	-52,983	-3.4%	-491,357	-24.8%
	1) loans and advances to banks	*14,796*	*14,900*	*14,755*	*-104*	*-0.7%*	*41*	*0.3%*
	2) loans and advances to customers	*313,580*	*340,800*	*362,425*	*-27,220*	*-8.0%*	*-48,845*	*-13.5%*
	3) securities and derivatives	*1,160,069*	*1,185,728*	*1,602,622*	*-25,659*	*-2.2%*	*-442,553*	*-27.6%*
30.	Financial assets measured at fair value through other comprehensive income	11,527,974	12,645,089	12,435,307	-1,117,115	-8.8%	-907,333	-7.3%
	1) loans and advances to banks	-	-	-	-	-	-	-
	2) loans and advances to customers	-	-	-	-	-	-	-
	3) securities	*11,527,974*	*12,645,089*	*12,435,307*	*-1,117,115*	*-8.8%*	*-907,333*	*-7.3%*
40.	Financial assets measured at amortised cost	103,886,299	102,740,393	101,833,189	*1,145,906*	*1.1%*	*2,053,110*	*2.0%*
	1) loans and advances to banks	*9,513,708*	*8,142,802*	*7,814,815*	*1,370,906*	*16.8%*	*1,698,893*	*21.7%*
	2) loans and advances to customers	*91,342,643*	*91,575,231*	*90,980,959*	*-232,588*	*-0.3%*	*361,684*	*0.4%*
	3) securities	*3,029,948*	*3,022,360*	*3,037,415*	*7,588*	*0.3%*	*-7,467*	*-0.2%*
50.	Hedging derivatives	59,804	67,656	169,907	-7,852	-11.6%	-110,103	-64.8%
60.	Fair value change in hedged financial assets (+/-)	33,826	-181	-2,035	34,007	n.s.	35,861	n.s.
70.	Equity investments	240,509	248,267	243,165	-7,758	-3.1%	-2,656	-1.1%
80.	Technical reserves of reinsurers	373	331	347	42	12.7%	26	7.5%
90.	Property, plant and equipment	1,799,295	1,799,070	1,811,743	225	0.0%	-12,448	-0.7%
100.	Intangible assets	1,711,908	1,723,921	1,728,328	-12,013	-0.7%	-16,420	-1.0%
	of which: goodwill	*1,465,260*	*1,465,260*	*1,465,260*	-	-	-	-
110.	Tax assets	4,122,268	4,017,911	4,184,524	104,357	2.6%	-62,256	-1.5%
120.	Non-current assets and disposal groups held for sale	1,384	995	962	389	39.1%	422	43.9%
130.	Other assets	1,415,721	1,165,674	1,451,059	250,047	21.5%	-35,338	-2.4%
	Total assets	**126,904,174**	**126,563,380**	**126,647,876**	**340,794**	**0.3%**	**256,298**	**0.2%**
	LIABILITIES AND EQUITY							
10.	Financial liabilities measured at amortised cost	111,617,355	111,520,617	111,182,776	96,738	0.1%	434,579	0.4%
	a) Due to banks	*16,607,300*	*17,308,468*	*16,733,006*	*-701,168*	*-4.1%*	*-125,706*	*-0.8%*
	b) Due to customers	*70,582,753*	*68,944,514*	*68,434,827*	*1,638,239*	*2.4%*	*2,147,926*	*3.1%*
	c) Debt securities issued	*24,427,302*	*25,267,635*	*26,014,943*	*-840,333*	*-3.3%*	*-1,587,641*	*-6.1%*
20.	Financial liabilities held for trading	386,959	367,105	411,653	19,854	5.4%	-24,694	-6.0%
30.	Financial liabilities designated as at fair value	75,488	59,019	43,021	16,469	27.9%	32,467	75.5%
40.	Hedging derivatives	102,961	98,872	100,590	4,089	4.1%	2,371	2.4%
50.	Fair value change in hedged financial liabilities (+/-)	54,008	27,825	-	26,183	94.1%	54,008	-
60.	Tax liabilities	208,390	271,990	240,908	-63,600	-23.4%	-32,518	-13.5%
80.	Other liabilities	2,654,081	2,035,487	2,694,744	618,594	30.4%	-40,663	-1.5%
90.	Provision for post-employment benefits	328,484	336,807	350,779	-8,323	-2.5%	-22,295	-6.4%
100.	Provisions for risks and charges:	565,147	584,088	624,612	-18,941	-3.2%	-59,465	-9.5%
	a) commitments and guarantees granted	*73,964*	*77,284*	*88,347*	*-3,320*	*-4.3%*	*-14,383*	*-16.3%*
	b) pension and similar obligations	*130,215*	*135,190*	*137,213*	*-4,975*	*-3.7%*	*-6,998*	*-5.1%*
	c) other provisions for risks and charges	*360,968*	*371,614*	*399,052*	*-10,646*	*-2.9%*	*-38,084*	*-9.5%*
110.	Technical reserves	1,879,072	1,901,000	1,780,701	-21,928	-1.2%	98,371	5.5%
120.+150.+ 160. +170.+180	Share capital, share premiums, reserves, valuation reserves and treasury shares	8,756,026	9,183,186	8,447,847	-427,160	-4.7%	308,179	3.6%
190.	Minority interests (+/-)	67,336	59,724	79,688	7,612	12.7%	-12,352	-15.5%
200.	Profit (loss) for the period/year (+/-)	208,867	117,660	690,557	91,207	77.5%	-481,690	-69.8%
	Total liabilities and equity	**126,904,174**	**126,563,380**	**126,647,876**	**340,794**	**0.3%**	**256,298**	**0.2%**

Some figures as at 1st January 2018 [(items 20.2), 20.3), 40.1) and 40.3)] differ from those published in the financial report for the period ended 31st March 2018 due to marginal changes, consisting mainly of figures rounded up or down.

UBI Banca Group: Reclassified consolidated income statement

Figures in thousands of euro		1H 2018 A	2nd Quarter 2018 B	1st Quarter 2018 C	Change B-C	% change B/C	2nd Quarter 2017 D	Change B-D	% change B/D
10.-20.-140.	Net interest income	896,152	458,358	437,794	20,564	4.7%	398,013		
	of which: TLTRO II	*25,247*	*12,693*	*12,554*	*139*	*1.1%*	-		
	of which: IFRS9 credit components	*61,206*	*35,543*	*25,663*	*9,880*	*38.5%*	-		
	of which: IFRS9 contractual modifications without derecognition components	*(22,072)*	*(13,412)*	*(8,660)*	*4,752*	*54.9%*	-		
70.	Dividends and similar income	8,369	3,232	5,137	(1,905)	(37.1%)	7,998	(4,766)	(59.6%)
	Profits of equity-accounted investees	9,013	1,752	7,261	(5,509)	(75.9%)	6,789	(5,037)	(74.2%)
40.-50.	Net fee and commission income	807,968	400,630	407,338	(6,708)	(1.6%)	410,534	(9,904)	(2.4%)
	of which performance fees	*8,489*	*6,745*	*1,744*	*5,001*	n.s.	*3,990*	*2,755*	69.0%
80.+90. +100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	52,236	18,494	33,742	(15,248)	(45.2%)	83,397		
160.+170.	Net income from insurance operations	11,003	5,548	5,455	93	1.7%	4,145	1,403	33.8%
230.	Other net operating income/expense	51,761	23,394	28,367	(4,973)	(17.5%)	29,956	(6,562)	(21.9%)
	Operating income	**1,836,502**	**911,408**	**925,094**	**(13,686)**	**(1.5%)**	**940,832**		
190. a)	Staff costs	(749,859)	(374,325)	(375,534)	(1,209)	(0.3%)	(396,313)	(21,988)	(5.5%)
190. b)	Other administrative expenses	(392,557)	(186,643)	(205,914)	(19,271)	(9.4%)	(199,694)	(13,051)	(6.5%)
210.+220.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(82,001)	(40,384)	(41,617)	(1,233)	(3.0%)	(40,207)	177	0.4%
	Operating expenses	**(1,224,417)**	**(601,352)**	**(623,065)**	**(21,713)**	**(3.5%)**	**(636,214)**	**(34,862)**	**(5.5%)**
	Net operating income	**612,085**	**310,056**	**302,029**	**8,027**	**2.7%**	**304,618**		
130	Net impairment losses for credit risk relating to:	(266,340)	(142,252)	(124,088)	18,164	14.6%	(228,243)		
130. a)	- financial assets measured at amortised cost: loans to banks	(1,460)	265	(1,725)	1,990	n.s.	-		
130. a)	- financial assets measured at amortised cost: loans to customers	(258,166)	(140,495)	(117,671)	22,824	19.4%	(147,826)		
130. a)	- financial assets measured at amortised cost: securities	(104)	15	(119)	134	n.s.	-		
130. b)	- financial assets measured at fair value through other comprehensive income	(6,610)	(2,037)	(4,573)	(2,536)	(55.5%)	(80,417)		
200. a)	Net provisions for risks and charges - commitments and guarantees granted	14,540	3,477	11,063	(7,586)	(68.6%)	(2,246)		
200. b)	Net provisions for risks and charges - other net provisions	(17,113)	(15,700)	(1,413)	14,287	n.s.	2,108		
250.+280.	Profits from the disposal of equity investments	963	170	793	(623)	(78.6%)	496	(326)	(65.7%)
290.	**Pre-tax profit from continuing operations**	**344,135**	**155,751**	**188,384**	**(32,633)**	**(17.3%)**	**76,733**		
300.	Taxes on income for the period from continuing operations	(116,908)	(55,557)	(61,351)	(5,794)	(9.4%)	(40,407)	15,150	37.5%
340.	Profit for the period attributable to minority interests	(13,803)	(7,794)	(6,009)	1,785	29.7%	(6,362)	1,432	22.5%
	Profit for the period before the Business Plan and other impacts	**213,424**	**92,400**	**121,024**	**(28,624)**	**(23.7%)**	**29,964**		
190. a)	Redundancy expenses net of taxes and minority interests	-	(164)	164	(328)	n.s.	(2,285)	(2,121)	(92.8%)
190. b)	Business Plan Project expenses net of taxes and minority interests	(4,557)	(1,029)	(3,528)	(2,499)	(70.8%)	(11,571)	(10,542)	(91.1%)
275.	Negative consolidation difference	-	-	-	-	-	612,900	(612,900)	(100.0%)
350.	**Profit for the period attributable to the shareholders of the Parent**	**208,867**	**91,207**	**117,660**	**(26,453)**	**(22.5%)**	**629,008**	**(537,801)**	**(85.5%)**

UBI Banca Group: Reclassified consolidated income statement net of the most significant non-recurring items

Figures in thousands of euro	1H 2018 A *net of non-recurring items*	2nd Quarter 2018 B *net of non-recurring items*	1st Quarter 2018 C *net of non-recurring items*	Change B-C	% change B/C
Net interest income	896,152	458,358	437,794	20,564	4.7%
of which: TLTRO II	*25,247*	*12,693*	*12,554*	*139*	*1.1%*
of which: IFRS9 credit components	*61,206*	*35,543*	*25,663*	*9,880*	*38.5%*
of which: IFRS9 contractual modifications without derecognition components	*(22,072)*	*(13,412)*	*(8,660)*	*4,752*	*54.9%*
Dividends and similar income	8,369	3,232	5,137	(1,905)	(37.1%)
Profits of equity-accounted investees	9,013	1,752	7,261	(5,509)	(75.9%)
Net fee and commission income	807,968	400,630	407,338	(6,708)	(1.6%)
of which: performance fees	*8,489*	*6,745*	*1,744*	*5,001*	*n.s.*
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	52,236	18,494	33,742	(15,248)	(45.2%)
Net income from insurance operations	11,003	5,548	5,455	93	1.7%
Other net operating income/expense	51,761	23,394	28,367	(4,973)	(17.5%)
Operating income	**1,836,502**	**911,408**	**925,094**	**(13,686)**	**(1.5%)**
Staff costs	(749,859)	(374,325)	(375,534)	(1,209)	(0.3%)
Other administrative expenses	(379,672)	(173,758)	(205,914)	(32,156)	(15.6%)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(82,001)	(40,384)	(41,617)	(1,233)	(3.0%)
Operating expenses	**(1,211,532)**	**(588,467)**	**(623,065)**	**(34,598)**	**(5.6%)**
Net operating income	**624,970**	**322,941**	**302,029**	**20,912**	**6.9%**
Net impairment losses for credit risk relating to:	(266,340)	(142,252)	(124,088)	18,164	14.6%
- financial assets measured at amortised cost: loans to banks	(1,460)	265	(1,725)	1,990	n.s.
- financial assets measured at amortised cost: loans to customers	(258,166)	(140,495)	(117,671)	22,824	19.4%
- financial assets measured at amortised cost: securities	(104)	15	(119)	134	n.s.
- financial assets measured at fair value through other comprehensive income	(6,610)	(2,037)	(4,573)	(2,536)	(55.5%)
Net provisions for risks and charges - commitments and guarantees granted	14,540	3,477	11,063	(7,586)	(68.6%)
Net provisions for risks and charges - other net provisions	(17,113)	(15,700)	(1,413)	14,287	n.s.
Profits from the disposal of equity investments	963	170	793	(623)	(78.6%)
Pre-tax profit from continuing operations	**357,020**	**168,636**	**188,384**	**(19,748)**	**(10.5%)**
Taxes on income for the period from continuing operations	(121,097)	(59,746)	(61,351)	(1,605)	(2.6%)
Profit for the period attributable to minority interests	(13,803)	(7,794)	(6,009)	1,785	29.7%
Profit for the period attributable to the shareholders of the Parent	**222,120**	**101,096**	**121,024**	**(19,928)**	**(16.5%)**

UBI Banca Group: Reclassified consolidated income statement net of the most significant non-recurring items

Figures in thousands of euro	2nd Quarter 2018	2017-2020 Business Plan		Extraordinary Contribution to Resolution Fund	2nd Quarter 2018	1st Quarter 2018	2017-2020 Business Plan		1st Quarter 2018
		Business Plan Project Expenses	Redundancy expenses		*net of non-recurring items*		Business Plan Project Expenses	Redundancy expenses	*net of non-recurring items*
Net interest income	458,358				458,358	437,794			437,794
of which: TLTRO II	*12,693*				*12,693*	*12,554*			*12,554*
of which: IFRS9 credit components	*35,543*				*35,543*	*25,663*			*25,663*
of which: IFRS9 contractual modifications without derecognition components	*(13,412)*				*(13,412)*	*(8,660)*			*(8,660)*
Dividends and similar income	3,232				3,232	5,137			5,137
Profits of equity-accounted investees	1,752				1,752	7,261			7,261
Net fee and commission income	400,630				400,630	407,338			407,338
of which: performance fees	*6,745*				*6,745*	*1,744*			*1,744*
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	18,494				18,494	33,742			33,742
Net income from insurance operations	5,548				5,548	5,455			5,455
Other net operating income/expense	23,394				23,394	28,367			28,367
Operating income	**911,408**	**-**	**-**	**-**	**911,408**	**925,094**	**-**	**-**	**925,094**
Staff costs	(374,325)				(374,325)	(375,534)			(375,534)
Other administrative expenses	(186,643)			12,885	(173,758)	(205,914)			(205,914)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(40,384)				(40,384)	(41,617)			(41,617)
Operating expenses	**(601,352)**	**-**	**-**	**12,885**	**(588,467)**	**(623,065)**	**-**	**-**	**(623,065)**
Net operating income	**310,056**	**-**	**-**	**12,885**	**322,941**	**302,029**	**-**	**-**	**302,029**
Net impairment losses for credit risk relating to:	(142,252)				(142,252)	(124,088)			(124,088)
- financial assets measured at amortised cost: loans to banks	265				265	(1,725)			(1,725)
- financial assets measured at amortised cost: loans to customers	(140,495)				(140,495)	(117,671)			(117,671)
- financial assets measured at amortised cost: securities	15				15	(119)			(119)
- financial assets measured at fair value through other comprehensive income	(2,037)				(2,037)	(4,573)			(4,573)
Net provisions for risks and charges - commitments and guarantees granted	3,477				3,477	11,063			11,063
Net provisions for risks and charges - other net provisions	(15,700)				(15,700)	(1,413)			(1,413)
Profits from the disposal of equity investments	170				170	793			793
Pre-tax profit from continuing operations	**155,751**	**-**	**-**	**12,885**	**168,636**	**188,384**	**-**	**-**	**188,384**
Taxes on income for the period from continuing operations	(55,557)			(4,189)	(59,746)	(61,351)			(61,351)
Profit for the period attributable to minority interests	(7,794)				(7,794)	(6,009)			(6,009)
Profit for the period before the Business Plan and other impacts	**92,400**	**-**	**-**	**8,696**	**101,096**	**121,024**	**-**	**-**	**121,024**
Redundancy expenses net of taxes and minority interests	(164)		164		-	164		(164)	-
Business Plan Project expenses net of taxes and minority interests	(1,029)	1,029			-	(3,528)	3,528		-
Profit for the period	**91,207**	**1,029**	**164**	**8,696**	**101,096**	**117,660**	**3,528**	**(164)**	**121,024**

UBI Banca Group: Consolidated balance sheet
- mandatory statement -

Figures in thousands of euro		30.6.2018	31.12.2017 restated
ASSETS			
10.	Cash and cash equivalents	616,368	811,578
20.	Financial assets measured at fair value through profit or loss	1,488,445	1,972,209
	a) financial assets held for trading	453,209	887,153
	b) financial assets designated as at fair value	10,085	11,271
	c) other financial assets mandatorily measured at fair value	1,025,151	1,073,785
30.	Financial assets measured at fair value through other comprehensive income	11,527,974	12,369,616
40.	Financial assets measured at amortised cost	103,886,299	102,648,875
	a) loans to banks	9,513,921	7,821,132
	b) loans to customers	94,372,378	94,827,743
50.	Hedging derivatives	59,804	169,907
60.	Fair value change in hedged financial assets (+/-)	33,826	-2,035
70.	Equity investments	240,509	243,165
80.	Technical reserves of reinsurers	373	347
90.	Property, plant and equipment	1,799,295	1,811,743
100.	Intangible assets	1,711,908	1,728,328
	of which: goodwill	*1,465,260*	*1,465,260*
110.	Tax assets	4,122,268	4,170,387
	a) current	1,455,973	1,497,551
	b) deferred	2,666,295	2,672,836
	- of which pursuant to Law No. 214/2011	*1,795,497*	*1,817,819*
120.	Non-current assets and disposal groups held for sale	1,384	962
130.	Other assets	1,415,721	1,451,059
TOTAL ASSETS		**126,904,174**	**127,376,141**

Figures in thousands of euro		30.6.2018	31.12.2017 restated
LIABILITIES AND EQUITY			
10.	Financial liabilities measured at amortised cost	111,617,355	111,182,776
	a) due to banks	16,607,300	16,733,006
	b) due to customers	70,582,753	68,434,827
	c) debt securities issued	24,427,302	26,014,943
20.	Financial liabilities held for trading	386,959	411,653
30.	Financial liabilities designated as at fair value	75,488	43,021
40.	Hedging derivatives	102,961	100,590
50.	Fair value change in hedged financial liabilities (+/-)	54,008	-
60.	Tax liabilities	208,390	223,397
	a) current	54,853	68,565
	b) deferred	153,537	154,832
80.	Other liabilities	2,654,081	2,694,744
90.	Provision for post-employment benefits	328,484	350,779
100.	Provisions for risks and charges:	565,147	583,609
	a) commitments and guarantees granted	73,964	47,344
	b) pension and similar obligations	130,215	137,213
	c) other provisions for risks and charges	360,968	399,052
110.	Technical reserves	1,879,072	1,780,701
120.	Valuation reserves	-285,315	-54,901
150.	Reserves	2,921,489	3,149,541
160.	Share premiums	3,294,604	3,306,627
170.	Share capital	2,843,177	2,843,177
180.	Treasury shares (-)	-17,929	-9,818
190.	Minority interests (+/-)	67,336	79,688
200.	Profit for the period (+/-)	208,867	690,557
TOTAL LIABILITIES AND EQUITY		**126,904,174**	**127,376,141**

UBI Banca Group: Consolidated income statement
- mandatory statement -

Figures in thousands of euro		1H 2018	1H 2017 restated
10.	Interest and similar income	1,118,476	1,056,171
	of which: interest income calculated with effective interest method	1,027,618	-
20.	Interest and similar expense	(180,342)	(302,707)
30.	**Net interest income**	**938,134**	**753,464**
40.	Fee and commission income	909,892	861,461
50.	Fee and commission expense	(101,082)	(99,899)
60.	**Net fee and commission income**	**808,810**	**761,562**
70.	Dividends and similar income	9,811	10,473
80.	Net trading income	34,180	42,848
90.	Net hedging loss	(4,227)	(1,368)
100.	Income from disposal or repurchase of:	40,186	104,407
	a) financial assets measured at amortised cost	(14,867)	28,609
	b) financial assets measured at fair value through other comprehensive income	59,179	81,628
	c) financial liabilities	(4,126)	(5,830)
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	(15,308)	10,859
	a) financial assets and liabilities designated as at fair value	(531)	10,859
	b) other financial assets mandatorily measured at fair value	(14,777)	-
120.	**Gross income**	**1,811,586**	**1,682,245**
130.	Net impairment losses for credit risk relating to:	(266,340)	(401,947)
	a) financial assets measured at amortised cost	(259,730)	(282,628)
	b) financial assets measured at fair value through other comprehensive income	(6,610)	(119,319)
140.	Losses from contractual modifications without derecognition	(22,072)	-
150.	**Net financial income**	**1,523,174**	**1,280,298**
160.	Net insurance premiums	257,661	57,914
170.	Other income/expenses of insurance operations	(261,533)	(68,159)
180.	**Net income from banking and insurance operations**	**1,519,302**	**1,270,053**
190.	Administrative expenses	(1,268,525)	(1,226,784)
	a) staff costs	(749,859)	(719,177)
	b) other administrative expenses	(518,666)	(507,607)
200.	Net provisions for risks and charges	(2,573)	15,162
	a) commitments and guarantees granted	14,540	20,481
	b) other net provisions	(17,113)	(5,319)
210.	Depreciation and net impairment losses on property, plant and equipment	(42,072)	(39,726)
220.	Amortisation and net impairment losses on intangible assets	(37,866)	(33,237)
230.	Other net operating income/expense	159,044	169,731
240.	**Operating expenses**	**(1,191,992)**	**(1,114,854)**
250.	Profits of equity investments	9,013	10,554
275.	Negative consolidation difference	-	612,900
280.	Profits on disposal of investments	963	656
290.	**Pre-tax profit from continuing operations**	**337,286**	**779,309**
300.	Taxes on income for the period from continuing operations	(114,681)	(70,997)
310.	**Post-tax profit from continuing operations**	**222,605**	**708,312**
330.	**Profit for the period**	**222,605**	**708,312**
340.	Profit for the period attributable to minority interests	(13,738)	(12,267)
350.	**Profit for the period attributable to the shareholders of the Parent**	**208,867**	**696,045**

Asset quality

Loans and advances to customers measured at amortised cost as at 30 June 2018

Figures in thousands of euro	Gross exposure		Impairment losses	Net Carrying amount		Coverage ratio without write-offs	Coverage ratio with write-offs
Non-performing exposures (stage 3)	**(12.41%)**	**12,008,425**	**4,865,777**	**(7.82%)**	**7,142,648**	**40.52%**	**50.53%**
- Bad loans	(7.43%)	7,192,530	3,719,025	(3.80%)	3,473,505	51.71%	63.90%
- Unlikely to pay loans	(4.83%)	4,676,478	1,132,267	(3.88%)	3,544,211	24.21%	
- Past due loans	(0.14%)	139,417	14,485	(0.14%)	124,932	10.39%	
Performing loans (stage 1 and 2)	**(87.59%)**	**84,748,042**	**548,047**	**(92.18%)**	**84,199,995**	**0.65%**	
Total		**96,756,467**	**5,413,824**		**91,342,643**	**5.60%**	

Loans and advances to customers measured at amortised cost as at 31 March 2018

Figures in thousands of euro	Gross exposure		Impairment losses	Net Carrying amount		Coverage ratio without write-offs	Coverage ratio with write-offs
Non-performing exposures (stage 3)	**(12.74%)**	**12,378,749**	**4,994,983**	**(8.06%)**	**7,383,766**	**40.35%**	**49.83%**
- Bad loans	(7.52%)	7,309,326	3,813,243	(3.82%)	3,496,083	52.17%	63.77%
- Unlikely to pay loans	(5.06%)	4,914,595	1,167,872	(4.09%)	3,746,723	23.76%	
- Past due loans	(0.16%)	154,828	13,868	(0.15%)	140,960	8.96%	
Performing loans (stage 1 and 2)	**(87.26%)**	**84,761,765**	**570,300**	**(91.94%)**	**84,191,465**	**0.67%**	
Total		**97,140,514**	**5,565,283**		**91,575,231**	**5.73%**	