PRESS RELEASE

Results of the UBI Group for the period ended 31st March 2018

A further improvement in capital ratios

- **Including the impacts of the Model Change and of the IFRS9 FTA, the consolidated CET1 ratio stood at 12% phased-in and at 11.64% fully loaded (11.56% phased-in and 11.43% fully loaded as at 31st December 2017)**
  The CET1 ratio includes a pro rata dividend assumption and does not include any benefit from the use of the DTAs of the three Banks acquired in the fully loaded CET1
  It should also be recalled that the loans to the 3 acquired Banks' own customers are still included under the standardised approach; roll-out of the IRB model is expected during the course of 2018
- **LCR and NSFR > 100%**
- **A phased-in leverage ratio of 5.46% and a fully loaded ratio of 5.29%**

Improvement in profitability (1Q 2018 IFRS 9 vs 4Q 2017 IAS 39)[1]

- **Profit of €117.7 million in 1Q 2018 compared with -€11.9 million in 4Q 2017**
  Net of non-recurring items, profit in 1Q 2018 came to €121 million compared with €21.4 million in 4Q 2017

- **Net interest income under IFRS 9 to €437.8 million (€420.8 million net of the IFRS 9 impact and €408.2 million net of the IFRS 9 and the TLTRO2 effects). Taking into account two days less in 1Q 2018, this last amount compares favourably with €410.1 million in 4Q 2017.**
  In particular, NII from general banking business with customers confirms a progressive growth trend, totalling approx. €380 million from €376.6 million in 4Q 2017
- **Net fee and commission income was up 3.1% to €407.3 million**
- **The result for finance activities was €33.7 million (€67.5 million in 4Q 2017, including valuation of call options on the Group's equity investment portfolio amounting to €62.7 million)**
- **All components of operating expenses recorded reductions. Total operating expenses were down again to €623 million (-2.3% on 4Q 2017), the lowest level since the consolidation of the three acquired banks**
- **Impairment losses on loans of €117.7 million (€310.7 million in 4Q 2017)**
- **Annualised loan loss rate of 51 basis points**

Balance sheet figures as at 31st March 2018 compared with 1st January 2018[2]:

- **Net loans to customers grew to €91.6 billion (+0.7% on 1.1.2018)**
- **Ratio of gross non-performing loans of 12.74% and of net non-performing loans of 8.06% (12.85% and 8.19% as at 1.1.2018)**

[1] The comparison is against 4Q2017 as 1Q2017 did not yet include the 3 Banks Acquired.

[2] The figures as at 31st December 2017 have been restated as at 1.1.2018 to take account of the first time adoption of IFRS 9 and of the 5th update of Bank of Italy Circular No. 262/2005. For the same reason, the Alternative Performance Measures described in this press release are not fully comparable with previous periods.

- **Activities for the disposal of the first tranche of the non performing loan portfolio identified as part of the NPL strategy and reflected in the IFRS9 FTA are proceeding on schedule. The disposal is expected by the end of 3Q2018**
- **Coverage of Non performing exposures increased to 40.35% and to 49.83% including write-offs**
- **Texas ratio[3] of 98.9%**
- **Default ratio of 1.8%[4]**
- **Direct funding stable at €94.2 billion (€94.4 billion as at 1.1.2018)**
- **Assets under management +** ***banc assurance*** **of €66.9 billion (€65.4 billion as at 1.1.2018)**

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Bergamo, 10th May 2018– The Management Board of Unione di Banche Italiane Spa (UBI Banca) has approved the consolidated results for the first quarter of 2018.

The Group income statement

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 quarter of 2018 and the first quarter of 2017 would not therefore be significant because of the difference in the scope of consolidation.
On the other hand, although influenced by the introduction of IFRS 9 in 2018, which has an impact above all on items relating to net interest income and to impairment losses on loans, the quarter-on-quarter comparison, based on the same scope of consolidation, is more meaningful. The first quarter of 2018 (which implements first time adoption of IFRS 9 and follows the schemes set out in the 5th update, dated 22/12/2017, of Bank of Italy Circular No. 262/2005, which became applicable as from 1/1/2018) has therefore been compared with the fourth quarter of 2017 (still pursuant to IAS 39, but restated to take account of the new classifications introduced by the 5th update of the Bank of Italy Circular mentioned above).

Income statement results for 1Q 2018 compared with 4Q 2017

The first quarter of 2018 ended with a **profit of €117.7 million compared with a loss of €11.9 million in the fourth quarter of 2017.**
Net of non-recurring items, **profit in the first quarter of 2018 came to €121 million, significantly up on €21.4 million in the fourth quarter of 2017.**

The first quarter of the year was characterised by the following:
- **the continuation for the third consecutive quarter of positive performance by net interest income generated by ordinary banking business with customers;**
- the **steady recovery of fee and commission income in relation to the distribution of asset management and insurance products**. This business had been impacted in the fourth quarter by both IT and operational work on the integration of the three Banks acquired and by the overall commercial reorganisation of the Group;
- **a further contraction in operating expenses notwithstanding the inclusion in the first quarter of 2018 of the usual estimated contribution to the Resolution Fund** (€34.2 million), not present in the fourth quarter of 2017 (which only included an €8.1 million adjustment to the contribution to the Deposit Protection Fund);

[3] Calculated as net total non performing exposures/((net equity excluding profit and minorities)-total intangible assets).
[4] Calculated as new inflows from performing to non performing in the period/gross performing loans stock, annualised.

- a **strong reduction in loan losses**, which include additional adjustments emerged upon conclusion of the ECB's inspection of the Group's corporate lending portfolios, both performing and non-performing, which ended in operational terms at the end of February 2018.

In detail, **operating income** in 1Q 2018 came to €925.1 million compared with €983.2 million in 4Q 2017, which included the recognition, at the end of the year (following the achievement of the growth parameters prescribed on the relevant loan perimeter), of the whole TLTRO2 benefit of €68.8 million (of which over €56 million relating to 2016 and to the first three quarters of 2017).

Within operating income, **net interest income** under the IFRS 9 rules amounted to €437.8 million (€420.8 million net of the IFRS 9 impact and €408.2 million net of the IFRS 9 and the TLTRO2 effects), while it totalled €478.9 million in 4Q 2017, recognised under IAS 39 rules (€410.1 million net of the TLTRO2 for which €68.8 million was recognised in 4Q 2017, relating to 2016 and to 2017).
Within the net interest income aggregate:
- net of the impacts of the adoption of IFRS 9[5], the progressive growth trend for net interest income from banking business with customers continued, rising to approximately €380 million in 1Q 2018 from €376.6 million in 4Q 2017. The reduction in the cost of funding continued, with the markdown vs 1 month Euribor falling to -72 basis points in 1Q 2018 (-77 bps in 4Q 2017), which allowed the spread to rise to 170 bps[6] in 1Q 2018 (166 bps in 4Q 2017) notwithstanding the pressure on the markup;
- the contribution from financial assets fell to approximately €39 million (approximately €45 million in 4Q 2017) due to a further reduction, compared with the beginning of 2018, in the Italian government securities portfolio which was down by approximately €1 billion to €10.4 billion, as part of a policy to diversify the Bank's proprietary securities portfolio;
- the contribution of interbank activities - which include TLTRO2 - to net interest income, amounted in 1Q 2018 to €1.7 million from €57.7 million previously, which included, amongst other things, the entire benefit of €68.8 million of TLTRO2 recognised at the end of 2017, relating to both 2016 and to 2017.

The performance of net fee and commission income was again positive, as forecast, in the first quarter of the year. **Net fee and commission income** did in fact grow to €407.3 million, up 3.1% compared with €395 million in 4Q 2017, recovering from the slowdown in business connected with work to integrate the Banks acquired and with the commercial reorganisation carried out in 4Q 2017. The results for securities business were particularly strong (+8.5% compared with 4Q 2017), accounting for around 57% of total fees and commissions, while those relating to general banking business were affected by the usual seasonal factors (-3.2%).

The **result for trading and hedging activity** came to €33.7 million. This was attributable mostly to the purchase and sale of securities and compares with €67.5 million earned in 4Q 2017, which as part of the trading result included the valuation of call options on the Group's equity investment portfolio amounting to €62.7 million.

The **result for insurance operations** by the companies brought to the Group by the former Banca Tirrenica was again strong, up €5.5 million in 1Q 2018 compared with €3.7 million achieved in 4Q 2017.

Constant control over costs had a positive impact on **operating expenses**, which were **down 2.3% to €623.1 million in 1Q 2018 compared with €637.5 million in 4Q 2017**, notwithstanding the inclusion in 1Q 2018 of the usual estimated contribution to the Resolution Fund (€34.2 million) not present in the fourth quarter of 2017 (which included only an €8.1 million adjustment to the contribution to the Deposit Protection Fund).

[5] Impacts of IFRS 9 on net interest income: +€25.7 million relating interest on loans (time value and write down of interest on unlikely-to-pay loans), -€8.7 million relating to contractual modifications which do not determine a cancellation of the loan.

[6] These are spreads that do not include the benefits of TLTRO2.

Reductions were recorded in all expense items. In detail:

- **staff costs** amounted to €375.5 million (down 2.3% on €384.3 million in 4Q 2017) and benefited, amongst other things, from a reduction in the period of 316 in average staff numbers compared to 4Q 2017, in connection with 2017 trade union agreements;
- **other administrative expenses** fell by 1.8%, down to €205.9 million from €209.8 million previously. This positive performance is further highlighted if both periods are considered net of contributions to systemic funds (€34.2 million in 1Q 2018 and €8.1 million in 4Q 2017), which brings the reduction in the Group's operating expenses to around 15%. **Depreciation and amortisation** remained more or less unchanged at €41.6 million (€43.5 million previously).

Net impairment losses on loans amounting to €117.7 million were recognised in 1Q2018, to give an annualised loan loss rate of 51 basis points[7]. On the one hand that amount incorporates additional adjustments emerged upon conclusion of the ECB's inspection of the Group's corporate lending portfolios, both performing and non-performing, which ended in operational terms at the end of February 2018. On the other hand it benefited from the reversal of collective loan impairment amounting to approximately €48 million, resulting from refinements in the methodology of determination of collective impairment following the implementation of the "model change" parameters authorised at the end of March 2018.
Notwithstanding the reversal of collective impairment, the coverage ratio for the Group's performing loans remained high at 0.67%.
The amount for impairment losses in 1Q 2018 compares with €310.7 million[8] recognised in 4Q 2017, which together with the usual seasonal factors also incorporated most of the impact of the inspection mentioned above.

Estimated taxation for 1Q 2018 came to €61.4 million to give a tax rate of 32.57%. As a consequence of the total fiscal deductibility of the FTA impacts on 2018 profit, it is estimated that the conditions for the recognition of tax assets on the prior year losses of the 3 Banks acquired will not be met in 2018.

Finally, net of taxation and minority interests, the first quarter of the year recorded **non-recurring expenses relating to the Business Plan** of approximately €3.5 million, while in 4Q 2017 **one-off costs** totalling €52.6 million were recognised (€37.5 million for redundancy schemes), partially offset by a positive addition of €24.6 million relating to badwill from the operation to acquire the three Banks.

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The balance sheet (31.03.2018 vs 01.01.2018, both pursuant to IFRS9)

Methodological note

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

The balance sheet

Net lending to customers[9] as at 31st March 2018 totalled €91.6 billion, up 0.65% compared with 1st January 2018, mainly in the corporate segment.

Again as at 31st March 2018[10], **total outstanding non-performing loans** amounted to €12,379 million in gross terms (12.74% of total gross loans) and to €7,384 million in net terms (8.06% of total net loans) and were slightly down compared to 1.1.2018 (€12,414 million gross and €7,448 million net,

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7 Calculated as the ratio between item 130a (loans to customers) of the reclassified consolidated Profit and Loss and item 40 2) of the reclassified consolidated Balance Sheet, annualized.
8 Inclusive of the reversal of the PPA which came to €9.8 million in 4Q 2017.
9 Item 40.2) in the reclassified consolidated balance sheet.
10 See the tables attached.

respectively). Following IFRS9 FTA and impairments recognised in 1Q 2018, the total coverage for non-performing loans rose to 40.35% or to 49.83% inclusive of write-offs.
In detail, bad loans reduced to €7,309 million in gross terms and to €3,496 million in net terms (€7,340 million and €3,519 million as at 1.1.2018), to give a coverage ratio of 52.17%. If write-offs are added, the coverage ratio for bad loans rises to 63.67%.

New inflows from performing to non performing loans defined in the first quarter of the year an annualized default rate of 1.8%, which reflects all loan re-classification relating to the ECB's inspection, the transfer to non performing of an important credit position and the last alignment of the classification of non performing positions common to the former Banca Teatina and UBI, following the merger by incorporation of Banca Teatina (which took place at the end of February 2018), for a total amount of approx. €135 million.
Activities for the disposal of the first tranche of the non performing loans portfolio - identified within the NPL Strategy and reflected in the IFRS9 FTA – are proceeding on schedule. The disposal is expected by the end of 3Q 2018.

The Group's **direct funding** amounted to €94.2 billion as at 31st March 2018 and was more or less unchanged compared with €94.4 billion recorded as at 1.1.2018, but with different performances by the individual items:

- **direct funding from ordinary customers** fell to €78.6 billion from €80.4 billion recorded as at 1.1.2018 as a result of a virtuous change in the mix, in which the less costly sight funding (current accounts and deposits) grew further to €64.6 billion from €64.3 billion as at 1.1.2018, while a decline was seen in bonds placed with captive customers (down €1.4 billion to €9.5 billion) - not replaced due, amongst other things, to the bail-in regulations context - , in term deposits and other (down €0.5 billion to €3.6 billion) and in certificates of deposit (down €0.3 billion to €0.9 billion). This freed up liquidity, which was progressively reinvested in asset management products;
- as forecast under the Business Plan, the programmed reduction in some items of direct funding from ordinary customers was offset by issuances on international markets which brought institutional funding up to €15.6 billion from €14 billion as at 1.1.2018[11].

Indirect funding rose again to €97.7 billion from €96.5 billion as at 1.1.2018:

- assets under management in the narrow sense grew to €44.1 billion from the previous 43,8. Growth would have been much more substantial if it hadn't been partially offset by the impact of the negative performance that occurred in the quarter (€900 million);
- insurance funding came to €22.8 billion (up 5.3% on 1.1.2018);
- assets under custody amounted to €30.8 billion (€31 billion as at 1.1.2018).

Group exposure to the ECB in TLTRO2 had risen, with value date 29th March 2017, to €12.5 billion from €10 billion obtained in June 2016. 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 31st March 2018 of €30 billion (of which €15.5 billion available), already net of haircuts and including €5.3 billion of liquidity deposited with the ECB.

The Group's **financial assets**[12] decreased further in 1Q 2018 to reach a value as at 31st March of €16.9 billion (€17.1 billion as at 1.1.2018), of which €10.4 billion relating to Italian government securities (€11.4 billion as at 1.1.2018).

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[11] Stocks include €10.6 billion of covered bonds (€9.5 billion before) and €4.3 billion of EMTNs (€4.6 billion before).
[12] Sum of items 20.3), 30.3) and 40.3) – financial assets of the reclassified consolidated Balance Sheet.

Consolidated equity of the UBI Banca Group

<u>IFRS9: First Time Adoption as at 1.1.2018</u>

The final impacts of First Time Adoption were identified as part of a project to transition to the new international standard IFRS 9. These regarded:

- the classification of financial instruments consistent with the Group's business model;
- the application of "modification and derecognition accounting"; and
- impairment of financial instruments (performing loans, non-performing loans, debt securities, financial guarantees and commitments).

The most significant impacts relate to the impairment of performing and non-performing loans which, with regard to the latter, also incorporate the inclusion of scenarios for the perspective sale of an identified portfolio of gross loans to which a high probability of sale is associated. This is in order to speed up the achievement of a ratio of gross non-performing loans lower than 10% between the end of 2019 and the beginning of 2020, depending on market conditions.

The final negative impact on net equity of first-time adoption of IFRS 9 calculated as at 1st January 2018, amounting to €787 million, was around €143 million lower than the first prudential estimates of €930 million reported in a press release dated 9th February 2018. This was primarily due to the following:

1. pursuant to the provisions of the IFRS 9 Tax Decree, the recognition of current tax assets on the deductible impacts of first-time adoption which can be used in 2018 (€80 million);
2. for the difference (€63 million), mainly due to the refinement of the impacts relating to stage 3.

Impact of transition to IFRS 9	
Equity as at 31st December 2017 pursuant to IAS 39	**10.004.871**
- of which attributable to the shareholders of the Parent	**9.925.183**
- of which minority interests	**79.688**
20. Financial assets measured at fair value through profit or loss	**7.593**
Measurement:	
- measurement at fair value of financial assets measured at amortised cost pursuant to IAS 39	7.593
30. Financial assets measured at fair value through other comprehensive income	**65.691**
Measurement:	
- measurement at fair value of financial assets measured at amortised cost pursuant to IAS 39	65.691
40. Financial assets measured at amortised cost	**(815.686)**
Measurement:	(3.235)
- measurement at amortised cost of financial instruments measured at fair value with changes recognised in equity pursuant to IAS 39	188.759
- modification accounting	(191.994)
Impairment :	(812.451)
- stage 1 and stage 2	(241.489)
- stage 3	(570.962)
Financial guarantees and commitments	**(41.003)**
Impairment :	(41.003)
- stage 1 and stage 2	(20.111)
- stage 3	(20.892)
Impacts on equity	**(783.405)**
Impacts on minority interests	**-**
Tax impact on FTA	**(3.374)**[13]
Total transition impacts	**(786.779)**
Equity as at 1st January 2018 pursuant to IFRS 9	**9.218.092**
- of which attributable to the shareholders of the Parent	**9.138.404**
- of which minority interests	**79.688**

The equity of the Group as at 31st March 2018 stood at €9,300,846 thousand.

[13] The tax impact of first-time adoption of IFRS 9, which was negative by €3.4 million, was the result of the following:

Group capital ratios

Inclusive of the impact of the Model Change and of IFRS9 FTA[14], the Group's CET1 ratio as at 31st March 2018 was 12% phased-in (well above the SREP requirement for 2018, which is 8.625%) and 11.64% fully loaded (11.56% phased-in and 11.43% fully loaded as at 31st December 2017)
The CET1 ratio includes a pro rata dividend assumption and 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 3 acquired Banks' own customers 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 quarter of the year, the Group's total capital ratio was 14.47% phased-in and 14.13% fully loaded (14.13% and 13.99% respectively at the end of 2017).

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As at 31st March 2018, the **total staff** of the UBI Banca Group numbered **21,228** compared with **21,412** at the end of 2017 (22,122 in June 2017, the first reporting date after the acquisition of the three banks in central Italy).
At the end of the quarter, as also at the date of this press release, the domestic branch network was composed of **1,817** branches compared with 1,838 existing at the end of 2017 The decrease is almost fully attributable to rationalisation action taken which in February went hand-in-hand with the integration of the third and last Bank acquired. As already reported, the Group had 1,948 branches at the end of June 2017.

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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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Outlook

The indications concerning the business outlook furnished when the results for the year ended 31.12.2017 were reported are confirmed.

- the realignment of deferred tax assets and liabilities as a result of the impacts resulting from the attribution to the business models pursuant to IFRS 9 of the original IAS 39 portfolios ("Available-for-sale financial assets" and "Held-to-maturity investments" in particular), amounting to -€65,9 million and -€17.5 million respectively, with a total negative impact of -€83.4 million;
- pursuant to the provisions of the IFRS 9 Tax Decree, the recognition of current tax assets on the deductible impacts of first-time adoption which can be used in 2018 (€80 million).

[14] In the first quarter of the year the CET1 ratio incorporated the effects of the "model change" authorised at the end of March 2018, which involved a change in the mix of capital absorptions between performing positions (with a reduction in RWAs) and default positions (for which the "model change" determined an increase in the regulatory expected loss for portfolios subject to internal models as well as an increase in RWAs, as result of the introduction of a specific capital requirement for these portfolios) with a virtually nil overall impact on capital ratios.
That increase in the regulatory expected loss, which would have involved a theoretical increase in the shortfall with a consequent negative impact on regulatory capital, was substantially offset by the recognition of greater provisions on positions subject to internal models carried out with the first-time adoption of IFRS 9.
Only the negative impacts of the provisions (approximately €255 million) recognised on credit positions subject to the standardised approach carried out on first-time adoption of IFRS 9 will have their effect gradually on the basis of the transition regime provided for by EU Regulation No. 2017/2395 (only 5% of the impact of these provisions is therefore included in the phased-in CET1 ratio, while the total impact is included in the fully loaded CET1 ratio).
The Group's RWAs as at 31st March 2018 benefited not only from a substantial reduction as a consequence of the application of new internal models on performing positions, but also from a reduction in RWAs for the product companies, from the recovery of the eligibility of guarantees and from a reduction in DTAs following the realignment of tax assets related to IFRS9 impacts, to stand at €59.707 billion (€67.054 billion at the end of 2017).

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ATTACHMENTS

These attachments have been provided in order to provide clear information on the changes introduced by IFRS 9. More specifically, the sections 1) and 2) and the reconciliation statements in section 3) have been included only in the first report on the transition to the standard IFRS 9.

1) MANDATORY CONSOLIDATED FINANCIAL STATEMENTS

- Methodological note
- Mandatory Statements
  - Consolidated Balance Sheet: Assets
  - Consolidated Balance Sheet: Liabilities
  - Consolidated Income Statement

2) RECONCILIATION STATEMENTS FOR FIRST-TIME ADOPTION OF THE ACCOUNTING STANDARD IFRS 9

- Restated statement of balance sheet items as at 31/12/2017 (pursuant to IAS 39) reclassified into the new balance sheet items (pursuant to IFRS 9) required under the 5th update of Bank of Italy Circular No. 262/05

- Reconciliation between balance sheet items as at 31/12/2017 (pursuant to IAS 39) and the balance sheet items as at 1/1/2018 (pursuant to IFRS9)

3) RECLASSIFIED CONSOLIDATED FINANCIAL STATEMENTS

- Reclassified consolidated balance sheet
- Reconciliation between the mandatory consolidated income statement and the reclassified consolidated income statement (1Q 2018)
- Reconciliation between the mandatory consolidated income statement and the reclassified consolidated income statement (4Q 2017)
- Reclassified consolidated income statement
- Reclassified consolidated income statement net of the most significant non-recurring items
- Reclassified consolidated income statement net of the most significant non-recurring items: details

4) CREDIT QUALITY TABLE

1) MANDATORY CONSOLIDATED FINANCIAL STATEMENTS

METHODOLOGICAL NOTE

The **Mandatory Consolidated Financial Statements** have been prepared on the basis of Bank of Italy Circular No. 262/2005 of 22nd December 2005 as introduced by the 5th update, dated 22nd December 2017[1]. The latter introduced changes to the statements mainly to implement the introduction of the international financial reporting standard IFRS 9 "Financial instruments", which replaced IAS 39 "Financial instruments: recognition and measurement" as of 1st January 2018.

For the reason just mentioned, the mandatory financial statements are different from those used for the Consolidated Financial Statements of the UBI Group for the year ended 31st December 2017[2]. In accordance with international reporting standard IAS 1 "Presentation of Financial Statements", the balance sheet and income statement figures for the comparative period have therefore been reclassified into the new items of the financial statements on the basis of the provisions of the new standard, in terms of the classification of financial instruments, with account also taken of the results of the "SPPI test" which constitutes an integral part of the classification process.

It is also underlined that the balance sheet and income statement figures as at and for the period ended 31st March 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. A 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 pursuant to IFRS 9 stated as at 1st January 2018 is provided in the "Reconciliation statements for first-time adoption of the international financial reporting standard IFRS 9".

It is also reported that the income statement figures for the comparative period ended 31st March 2017 are not comparable with those for the period ended 31st March 2018 also because of a change in the scope of consolidation, because the UBI Group did not include the contribution of the New Banks, consolidated as at 1st April 2017, for that period.

The independent auditors are currently completing the activities for the issue of a statement in accordance with Article 26 (2) of Regulation EU no. 575/2013 and ECB Decision no. 2015/656.

[1] The update is applicable for financial statements ending as at 31st December 2018 or still open on that date.

[2] Prepared in compliance with the provisions of the 4th update of Bank of Italy Circular No. 262/2005 of 15th December 2015.

Consolidated balance sheet (Mandatory financial statements)

Figures in thousands of euro		31.3.2018	31.12.2017 restated
ASSETS			
10.	Cash and cash equivalents	612,826	811,578
20.	Financial assets measured at fair value through profit or loss	1,541,428	1,972,209
	a) financial assets held for trading	445,130	887,153
	b) financial assets designated as at fair value	10,974	11,271
	c) other financial assets mandatorily measured at fair value	1,085,324	1,073,785
30.	Financial assets measured at fair value through other comprehensive income	12,645,089	12,369,616
40.	Financial assets measured at amortised cost	102,740,393	102,648,875
	a) loans to banks	8,143,013	7,821,132
	b) loans to customers	94,597,380	94,827,743
50.	Hedging derivatives	67,656	169,907
60.	Fair value change in hedged financial assets (+/-)	-181	-2,035
70.	Equity investments	248,267	243,165
80.	Technical reserves of reinsurers	331	347
90.	Property, plant and equipment	1,799,070	1,811,743
100.	Intangible assets	1,723,921	1,728,328
	of which: goodwill	*1,465,260*	*1,465,260*
110.	Tax assets	4,017,911	4,170,387
	a) current	1,435,353	1,497,551
	b) deferred	2,582,558	2,672,836
	- of which pursuant to Law No. 214/2011	*1,806,782*	*1,817,819*
120.	Non-current assets and disposal groups held for sale	995	962
130.	Other assets	1,165,674	1,451,059
Total Assets		**126,563,380**	**127,376,141**

Consolidated balance sheet (Mandatory financial statements)

Figures in thousands of euro		31.3.2018	31.12.2017 restated
LIABILITIES AND EQUITY			
10.	Financial liabilities measured at amortised cost	111,520,617	111,182,776
	a) due to banks	17,308,468	16,733,006
	b) due to customers	68,944,514	68,434,827
	c) debt securities issued	25,267,635	26,014,943
20.	Financial liabilities held for trading	367,105	411,653
30.	Financial liabilities designated as at fair value	59,019	43,021
40.	Hedging derivatives	98,872	100,590
50.	Fair value change in hedged financial liabilities (+/-)	27,825	-
60.	Tax liabilities	271,990	223,397
	a) current	78,578	68,565
	b) deferred	193,412	154,832
70.	Liabilities associated with assets held for sale	-	-
80.	Other liabilities	2,035,487	2,694,744
90.	Provision for post-employment benefits	336,807	350,779
100.	Provisions for risks and charges:	584,088	583,609
	a) commitments and guarantees granted	77,284	47,344
	b) pension and similar obligations	135,190	137,213
	c) other provisions for risks and charges	371,614	399,052
110.	Technical reserves	1,901,000	1,780,701
120.	Valuation reserves	8,946	-54,901
150.	Reserves	3,034,254	3,149,541
160.	Share premiums	3,306,627	3,306,627
170.	Share capital	2,843,177	2,843,177
180.	Treasury shares (-)	-9,818	-9,818
190.	Minority interests (+/-)	59,724	79,688
200.	Profit for the period/year (+/-)	117,660	690,557
TOTAL LIABILITIES AND EQUITY		**126,563,380**	**127,376,141**

Consolidated income statement (Mandatory financial statements)

Figures in thousands of euro		1Q 2018	4Q 2017
10.	Interest and similar income	550,221	479,115
	of which: interest income calculated with effective interest method	475,575	-
20.	Interest and similar expense	(94,710)	(131,928)
30.	**Net interest income**	**455,511**	**347,187**
40.	Fee and commission income	458,950	399,292
50.	Fee and commission expense	(51,275)	(48,431)
60.	**Net fee and commission income**	**407,675**	**350,861**
70.	Dividends and similar income	5,265	2,045
80.	Net trading income	12,256	23,950
90.	Net hedging loss	(1,529)	(2,089)
100.	Income from disposal or repurchase of:	23,835	40,501
	a) financial assets measured at amortised cost	(564)	(721)
	b) financial assets measured at fair value through other comprehensive income	26,710	44,031
	c) financial liabilities	(2,311)	(2,809)
110.	Net income (loss) from other financial assets and liabilities measured at fair value through profit or loss	(756)	2,998
	a) financial assets and liabilities designated as at fair value	(262)	2,998
	b) other financial assets mandatorily measured at fair value	(494)	-
120.	**Gross income**	**902,257**	**765,453**
130.	Net impairment losses for credit risk relating to:	(124,088)	(173,704)
	a) financial assets measured at amortised cost	(119,515)	(134,802)
	b) financial assets measured at fair value through other comprehensive income	(4,573)	(38,902)
140.	Losses from contractual modifications without derecognition	(8,660)	-
150.	**Net financial income**	**769,509**	**591,749**
160.	Net insurance premiums	129,220	-
170.	Other income/expenses of insurance operations	(129,481)	-
180.	**Net income from banking and insurance operations**	**769,248**	**591,749**
190.	Administrative expenses	(646,668)	(549,432)
	a) staff costs	(375,281)	(320,579)
	b) other administrative expenses	(271,387)	(228,853)
200.	Net provisions for risks and charges	9,650	15,300
	a) commitments and guarantees granted	11,063	22,760
	b) other net provisions	(1,413)	(7,460)
210.	Depreciation and net impairment losses on property, plant and equipment	(21,196)	(18,920)
220.	Amortisation and net impairment losses on intangible assets	(19,377)	(15,464)
230.	Other net operating income/expense	83,612	82,170
240.	**Operating expenses**	**(593,979)**	**(486,346)**
250.	Profits of equity investments	7,261	3,809
280.	Profits on disposal of investments	793	116
290.	**Pre-tax profit from continuing operations**	**183,323**	**109,328**
300.	Taxes on income for the period from continuing operations	(59,708)	(36,237)
310.	**Post-tax profit from continuing operations**	**123,615**	**73,091**
330.	**Profit for the period**	**123,615**	**73,091**
340.	Profit for the period attributable to minority interests	(5,955)	(6,054)
350.	**Profit for the period attributable to the shareholders of the Parent**	**117,660**	**67,037**

2) RECONCILIATION STATEMENTS FOR FIRST-TIME ADOPTION OF ACCOUNTING STANDARD IFRS 9

a) Restated statement of balance sheet items as at 31/12/2017 (pursuant to IAS 39) reclassified into the new balance sheet items (pursuant to IFRS 9) required under the 5th update of Bank of Italy Circular No. 262/05.

This statement reconciles items in the assets and liabilities sections of the balance sheet published in the consolidated financial statements as at and for the period ended 31st December 2017, with the items introduced by the 5th update of Bank of Italy Circular No. 262/2005.

It represents the results of the application of the provisions of the IFRS 9 financial reporting standard, in terms of the classification of financial instruments. The amounts for the assets and liabilities in the balance sheet, calculated by applying the measurement rules of IAS 39 are then restated in the new items in accordance with the business model defined by the UBI Group in accordance with the financial reporting standard IFRS 9. The results of the "SPPI test", which constitutes an integral part of the classification process, are considered in that restatement.

Figures in thousands of euro

Circular No. 262/2005 4th update ASSETS	31.12.2017 IAS 39	Circular No 262/2005 5th update ASSETS																
		10. Cash and cash equivalents	20. Financial assets measured at fair value through profit or loss			30. Financial assets measured at fair value through other comprehensive income	40. Financial assets measured at amortised cost		50. Hedging derivatives	60. Fair value change in hedged financial assets (+/-)	70. Equity investments	80. Technical reserves of reinsurers	90. Property, plant and equipment	100. Intangible assets	110. Tax assets		120. Non-current assets and disposal groups held for sale	130. Other assets
			a) financial assets held for trading	b) financial assets designated as at fair value	c) other financial assets mandatorily measured at fair value		a) loans to banks	b) loans to customers							a) current	b) deferred		
10. Cash and cash equivalents	811,578	811,578																
20. Financial assets held for trading	924,475		887,153		37,322													
30. Financial assets designated at fair value	92,290			11,271	81,019													
40. Available-for-sale financial assets	9,861,978				584,641	7,429,504		1,847,833										
50. Held-to-maturity investments	5,937,872					4,940,112		997,760										
60. Loans and advances to banks	7,836,002				14,870		7,821,132											
70. Loans and advances to customers	92,338,083				355,933			91,982,150										
80. Hedging derivatives	169,907								169,907									
90. Fair value change in hedged financial assets (+/-)	-2,035									-2,035								
100. Equity investments	243,165										243,165							
110. Technical reserves of reinsurers	347											347						
120. Property, plant and equipment	1,811,743												1,811,743					
130. Intangible assets	1,728,328													1,728,328				
140. Tax assets	4,170,387	-	-	-	-	-	-	-	-	-	-	-	-	-	1,497,551	2,672,836	-	-
a) current	1,497,551														1,497,551			
b) deferred	2,672,836															2,672,836		
150. Non-current assets and disposal groups held for sale	962																962	
160. Other assets	1,451,059																	1,451,059
Total assets	127,376,141	811,578	887,153	11,271	1,073,785	12,369,616	7,821,132	94,827,743	169,907	-2,035	243,165	347	1,811,743	1,728,328	1,497,551	2,672,836	962	1,451,059

Figures in thousands of euro

Circular No. 262/2005 4th update LIABILITIES	31.12.2017 IAS 39	Circular No.262/2005 5th update LIABILITIES																				
		10. Financial liabilities measured at amortised cost			20. Financial liabilities held for trading	30. Financial liabilities designated as at fair value	40. Hedging derivatives	60. Tax liabilities		80. Other liabilities	90. Provision for post-employment benefits	100. Provisions for risks and charges			110. Technical reserves	120. Valuation reserves	150. Reserves	160. Share premiums	170. Share capital	180. Treasury shares (-)	190. Minority interests (+/-)	200. Profit (loss) for the year (+/-)
		a) due to banks	b) due to customers	c) debt securities issued				a) current	b) deferred			a) commit-ments and guarantees granted	b) pension and similar obligations	c) other provisions for risks and charges								
10. Due to banks	16,733,006	16,733,006																				
20. Due to customers	68,434,827		68,434,827																			
30. Debt securities issued	26,014,943			26,014,943																		
40. Financial liabilities held for trading	411,653				411,653																	
50. Financial liabilities designated at fair value	43,021					43,021																
60. Hedging derivatives	100,590						100,590															
80. Tax liabilities	223,397	-	-	-	-	-	-	68,565	154,832	-	-	-	-	-	-	-	-	-	-	-	-	-
a) current	68,565							68,565														
b) deferred	154,832								154,832													
100. Other liabilities	2,742,088									2,694,744		47,344										
110. Provision for post-employment benefits	350,779										350,779											
120. Provisions for risks and charges	*536,265*	-	-	-	-	-	-	-	-	-	-	-	*137,213*	*399,052*	-	-	-	-	-	-	-	-
a) pension and similar obligations	*137,213*												*137,213*									
b) other provisions	*399,052*													*399,052*								
130. Technical reserves	1,780,701														1,780,701							
140. Valuation reserves	-114,820															-54,901	-59,919					
170. Reserves	3,209,460																3,209,460					
180. Share premiums	3,306,627																	3,306,627				
190. Share capital	2,843,177																		2,843,177			
200. Treasury shares (-)	-9,818																			-9,818		
210. Minority interests (+/-)	79,688																				79,688	
220. Profit (loss) for the year (+/-)	690,557																					690,557
Total liabilities and equity	127,376,141	16,733,006	68,434,827	26,014,943	411,653	43,021	100,590	68,565	154,832	2,694,744	350,779	47,344	137,213	399,052	1,780,701	-54,901	3,149,541	3,306,627	2,843,177	-9,818	79,688	690,557

b) Reconciliation between balance sheet items as at 31/12/2017 (pursuant to IAS 39) and the balance sheet items as at 1/1/2018 (pursuant to IFRS9).

This statement shows the impact of the adoption of IFRS 9 on individual asset and liability items in the balance sheet according to the 5th update of Bank of Italy Circular No. 262/2005 in terms of "measurement" and "impairment" and it also reports the "tax impacts".
In detail:

- the column "*Measurement*" shows changes in amount for individual balance sheet items arising from a different measurement criterion. This column also includes impacts relating to modifications made to the original contractual clauses of the financial instruments that are considered "substantial";
- the column "*Impairment*" shows changes in amount for individual balance sheet items arising from the adoption of the new impairment model introduced by the reporting standard IFRS 9;
- the column "*FTA tax impacts*" shows the tax impacts of the first-time adoption of the financial reporting standard IFRS 9.

The column "1.1.2018 IFRS 9" shows the new amounts for assets, liabilities and equity items for each balance sheet item resulting from the transition to IFRS 9, consisting of the algebraic sum of the amounts stated in the previous columns mentioned above.

Figures in thousands of euro

	Circular No 262/2005 5th update ASSETS	31.12.2017 IAS 39	Measurement	Impairment	FTA tax impacts	1.1.2018 IFRS 9
10.	Cash and cash equivalents	811,578				811,578
20.	Financial assets measured at fair value through profit or loss	1,972,209	7,593	-	-	1,979,802
	a) financial assets held for trading	887,153				887,153
	b) financial assets designated as at fair value	11,271				11,271
	c) other financial assets mandatorily measured at fair value	1,073,785	7,593			1,081,378
30.	Financial assets measured at fair value through other comprehensive income	12,369,616	65,691			12,435,307
40.	Financial assets measured at amortised cost	102,648,875	-3,235	-812,451	-	101,833,189
	a) loans to banks	7,821,132		-6,110		7,815,022
	b) loans to customers	94,827,743	-3,235	-806,341		94,018,167
50.	Hedging derivatives	169,907				169,907
60.	Fair value change in hedged financial assets (+/-)	-2,035				-2,035
70.	Equity investments	243,165				243,165
80.	Technical reserves of reinsurers	347				347
90.	Property, plant and equipment	1,811,743				1,811,743
100.	Intangible assets	1,728,328				1,728,328
110.	Tax assets	4,170,387	-	-	14,137	4,184,524
	a) current	1,497,551			80,000	1,577,551
	b) deferred	2,672,836			-65,863	2,606,973
120.	Non-current assets and disposal groups held for sale	962				962
130.	Other assets	1,451,059				1,451,059
	Total assets	127,376,141	70,049	-812,451	14,137	126,647,876

	Circular No.262/2005 5th update LIABILITIES	31.12.2017 IAS 39	Measurement	Impairment	FTA tax impacts	1.1.2018 IFRS 9
10.	Financial liabilities measured at amortised cost	111,182,776	-	-		111,182,776
	a) due to banks	16,733,006				16,733,006
	b) due to customers	68,434,827				68,434,827
	c) debt securities issued	26,014,943				26,014,943
20.	Financial liabilities held for trading	411,653				411,653
30.	Financial liabilities designated as at fair value	43,021				43,021
40.	Hedging derivatives	100,590				100,590
60.	Tax liabilities	223,397	-	-	17,511	240,908
	a) current	*68,565*			*82*	*68,647*
	b) deferred	*154,832*			17,429	*172,261*
80.	Other liabilities	2,694,744				2,694,744
90.	Provision for post-employment benefits	350,779				350,779
100.	Provisions for risks and charges	583,609	-	41,003	-	624,612
	a) commitments and guarantees granted	47,344		41,003		88,347
	b) pension and similar obligations	137,213				137,213
	c) other provisions for risks and charges	399,052				399,052
110.	Technical reserves	1,780,701				1,780,701
120.	Valuation reserves	-54,901	25,478	13,593	-18,914	-34,744
150.	Reserves	3,149,541	44,571	-867,047	15,540	2,342,605
160.	Share premiums	3,306,627				3,306,627
170.	Share capital	2,843,177				2,843,177
180.	Treasury shares (-)	-9,818				-9,818
190.	Minority interests (+/-)	79,688				79,688
200.	Profit (loss) for the year (+/-)	690,557				690,557
	Total liabilities and equity	127,376,141	70,049	-812,451	14,137	126,647,876

3) RECLASSIFIED CONSOLIDATED FINANCIAL STATEMENTS

Reclassified consolidated financial statements have been prepared in order to allow a meaningful management accounting commentary on capital and operating figures, not subject to audit by the independent auditors, on the basis of the financial statements pursuant to 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 Group consistent with past financial reports. In terms of comparability with previous periods, the reclassified financial statements for the period ended 31st March 2018 provide information on the amounts calculated in application of the new accounting standard as at 1st January 2018. This allows a consistent management accounting commentary of changes occurring in the first quarter of 2018.
  We report that in application of the provisions of the aforementioned circular, non-performing exposures resulting from the acquisition of the New Banks have been qualified as "Purchase or originated credit impaired" ("POCI") and they have therefore been recognised within item 40 "Financial assets measured at amortised cost";

- from an *income statement viewpoint*, in order to allow a management accounting commentary on amounts for the period ended 31st March 2018 compared with previous periods, the financial statement reports amounts relating to the fourth quarter of 2017, which ensures consistency in terms of the scope of consolidation, because the New Banks had been included since 1st April 2017. It is nevertheless underlined that those latter amounts have been stated 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 provide a better comparison they have nevertheless been reclassified within the new items provided for by the 5th update of Bank of Italy Circular No. 262/05.

Furthermore, for the purposes of better comparability with the comparative period, the line item "IFRS 9 credit components" reports, as part of net interest income, the following components which until 31st December 2017 had been recognised within the former item 130a "*Net impairment losses on: loans*":

  - impairment 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 present value discounts used in the measurement of non-performing exposures.

Having stated the above, the reclassified financial statements have been prepared with the application of the following further reclassifications with respect to the statements pursuant to the 5th update of Bank of Italy Circular No. 262/2005:

- net interest income includes the result for item 140 net interest income (expense) from contractual modifications without derecognition in the mandatory statement in order to ensure consistency with future financial reports, considering that the release of the impact of "modification accounting" will be recognised in net interest income. The result for that item is shown on a separate line as part of that interest income;
- the item profits (losses) of equity-accounted investees includes the profits (losses) of equity-accounted investees recognised within within item 250 in the mandatory statement;
- net income from insurance operations comprises the following revenues of BancAssurance Popolari Spa and BancAssurance Popolari Danni Spa: net interest, dividends, net fees and commissions, the result for finance activities, net premiums (item 160), the balance on

income and expenses of insurance operations (items 170 and 230). The remaining items have been consolidated line-by-line in the income statement;
- the item other net operating income/expense includes item 230, net of the reclassifications mentioned under other points;
- the tax recoveries recognised within item 230 of the mandatory statement (other net operating income/expenses) were reclassified as a reduction in indirect taxes included within other administrative expenses;
- the item net impairment losses on property, plant and equipment and intangible assets includes items 210 and 220 in the mandatory statement and the instalments relating to the depreciation of leasehold improvements classified within item 230;
- the item profits (losses) from the disposal of equity investments includes the item 250, net of profits (losses) of equity-accounted investees and also item 280 in the mandatory statement;

- expenses incurred in relation to the 2017/2020 Business Plan have been separated and stated on single lines (net of taxes and minority interests) at the foot of the statements as follows:
  - redundancy expenses incurred include part of item 190a in the mandatory statement;
  - expenses incurred for "Business Plan Project expenses" comprise part of item 190b in the mandatory statement;
  - the negative consolidation difference (item 275) incorporates, as an income item, the effects of the badwill that arose at the time of the first consolidation from the difference between the purchase price and the equity of the New Banks, resulting on conclusion of the purchase price allocation;
- impairment losses on property, plant and equipment (net of tax and minority interests) include part of item 210 in the mandatory statement.

The reconciliation of the items in the reclassified financial statements with the figures in the mandatory financial statements has been facilitated with the preparation of specific Reconciliation Schedules.

The comments on the performance of the main balance sheet and income statement items have been made, where possible, on the basis of the reclassified financial statements and also the reclassified financial statements for the comparative periods.

In order to facilitate analysis of the Group's operating performance and in compliance with Consob Communication No. DEM/6064293 of 28th July 2006[3], two special schedules have been included. One is a brief summary (which provides a comparison of the normalised results for the period) and one is more detailed, which shows the impact on earnings of the principal non-recurring events and items – since the relative effects on capital and cash flow, being closely linked, are not significant – which are summarised as follows:

1st Quarter 2018: - expenses incurred in relation to the approval of the 2017/2020 Business Plan ("Business Plan Project expenses", redundancy expenses);

[3] 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, intangible and financial assets, with the effects of regulatory and methodological changes and also with extraordinary events including those of a systemic nature).

4th Quarter 2017:

- expenses incurred in relation to the approval of the 2017/2020 Business Plan (allocation of badwill, limited to the negative consolidation difference, "Business Plan Project expenses", redundancy expenses);
- expenses relating to the IDPF (Interbank Deposit Protection Fund) intervention for Caricesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato;
- profit on the disposal of property, plant and equipment and equity investments;
- impairment losses on real estate property relating to the Parent and BPB Immobiliare.

Reclassified consolidated balance sheet

Figures in thousands of euro		31.3.2018	1.1.2018	changes	% changes
	ASSETS				
10.	Cash and cash equivalents	612,826	811,578	-198,752	-24.5%
20.	Financial assets measured at fair value through profit or loss	1,541,428	1,979,802	-438,374	-22.1%
	1) loans and advances to banks	*14,900*	*14,755*	*145*	*1.0%*
	2) loans and advances to customers	*340,800*	*362,426*	*-21,626*	*-6.0%*
	3) securities and derivatives	*1,185,728*	*1,602,621*	*-416,893*	*-26.0%*
30.	Financial assets measured at fair value through other comprehensive income	12,645,089	12,435,307	209,782	1.7%
	1) loans and advances to banks	-	-	-	-
	2) loans and advances to customers	-	-	-	-
	3) securities	*12,645,089*	*12,435,307*	*209,782*	*1.7%*
40.	Financial assets measured at amortised cost	102,740,393	101,833,189	907,204	0.9%
	1) loans and advances to banks	*8,142,802*	*7,814,811*	*327,991*	*4.2%*
	2) loans and advances to customers	*91,575,231*	*90,980,959*	*594,272*	*0.7%*
	3) securities	*3,022,360*	*3,037,419*	*-15,059*	*-0.5%*
50.	Hedging derivatives	67,656	169,907	-102,251	-60.2%
60.	Fair value change in hedged financial assets (+/-)	-181	-2,035	-1,854	-91.1%
70.	Equity investments	248,267	243,165	5,102	2.1%
80.	Technical reserves of reinsurers	331	347	-16	-4.6%
90.	Property, plant and equipment	1,799,070	1,811,743	-12,673	-0.7%
100.	Intangible assets	1,723,921	1,728,328	-4,407	-0.3%
	of which: goodwill	*1,465,260*	*1,465,260*	-	-
110.	Tax assets	4,017,911	4,184,524	-166,613	-4.0%
120.	Non-current assets and disposal groups held for sale	995	962	33	3.4%
130.	Other assets	1,165,674	1,451,059	-285,385	-19.7%
	Total assets	**126,563,380**	**126,647,876**	**-84,496**	**-0.1%**
	LIABILITIES AND EQUITY				
10.	Financial liabilities measured at amortised cost	111,520,617	111,182,776	337,841	0.3%
	a) due to banks	*17,308,468*	*16,733,006*	*575,462*	*3.4%*
	b) due to customers	*68,944,514*	*68,434,827*	*509,687*	*0.7%*
	c) debt securities issued	*25,267,635*	*26,014,943*	*-747,308*	*-2.9%*
20.	Financial liabilities held for trading	367,105	411,653	-44,548	-10.8%
30.	Financial liabilities designated as at fair value	59,019	43,021	15,998	37.2%
40.	Hedging derivatives	98,872	100,590	-1,718	-1.7%
50.	Fair value change in hedged financial liabilities (+/-)	27,825	-	27,825	-
60.	Tax liabilities	271,990	240,908	31,082	12.9%
70.	Liabilities associated with assets held for sale	-	-	-	-
80.	Other liabilities	2,035,487	2,694,744	-659,257	-24.5%
90.	Provision for post-employment benefits	336,807	350,779	-13,972	-4.0%
100.	Provisions for risks and charges:	584,088	624,612	-40,524	-6.5%
	a) commitments and guarantees granted	*77,284*	*88,347*	*-11,063*	*-12.5%*
	b) pension and similar obligations	*135,190*	*137,213*	*-2,023*	*-1.5%*
	c) other provisions for risks and charges	*371,614*	*399,052*	*-27,438*	*-6.9%*
110.	Technical reserves	1,901,000	1,780,701	120,299	6.8%
120.+150.+160. +170.+180.	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,183,186	8,447,847	735,339	8.7%
190.	Minority interests (+/-)	59,724	79,688	-19,964	-25.1%
200.	Profit for the period/year (+/-)	117,660	690,557	-572,897	-83.0%
	Total liabilities and equity	**126,563,380**	**126,647,876**	**-84,496**	**-0.1%**

Reconciliation between the mandatory consolidated income statement and the reclassified consolidated income statement (1Q 2018)

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	1Q 2018 Mandatory consolidated financial statements	Reclassifications Tax recoveries	Depreciat-ion for leasehold improve-ments	Profits of equity-accounted investees	Net income from insurance operations	Profits (losses) from contractual modifications without derecognition	2017-2020 BP Redundancy expenses	Business Plan Project Expenses	1Q 2018 Reclassified financial statements
10.-20.-140.	Net interest income	455,511				(9,057)	(8,660)			437,794
	- of which TLTRO II	*12,554*								*12,554*
	- of which IFRS 9 credit components	*25,663*								*25,663*
	- of which IFRS9 contractual modifications without derecognition components	*(8,660)*								*(8,660)*
70.	Dividends and similar income	5,265				(128)				5,137
	Profits of equity-accounted investees	-			7,261					7,261
40.-50.	Net fee and commission income	407,675				(337)				407,338
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	33,806				(64)				33,742
160.+170.	Net income from insurance operations	(261)				5,716				5,455
230,	Other net operating income/expense	83,612	(60,159)	1,044		3,870				28,367
	Operating income	**985,608**	**(60,159)**	**1,044**	**7,261**	**-**	**(8,660)**	**-**	**-**	**925,094**
190.a	Staff costs	(375,281)						(253)		(375,534)
190.b	Other administrative expenses	(271,387)	60,159						5,314	(205,914)
210.+220.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(40,573)		(1,044)						(41,617)
	Operating expenses	**(687,241)**	**60,159**	**(1,044)**	**-**	**-**	**-**	**(253)**	**5,314**	**(623,065)**
	Net operating income	**298,367**	**-**	**-**	**7,261**	**-**	**(8,660)**	**(253)**	**5,314**	**302,029**
130	Net impairment losses for credit risk relating to:	(124,088)	-	-	-	-	-		-	(124,088)
130. a)	- financial assets measured at amortised cost: loans to banks	(1,725)								(1,725)
130. a)	- financial assets measured at amortised cost: loans to customers	(117,670)								(117,670)
130. a)	- financial assets measured at amortised cost: securities	(120)								(120)
130. b)	- financial assets measured at fair value through other comprehensive income	(4,573)								(4,573)
140.	Losses from contractual modifications without derecognition	(8,660)					8,660			-
200. a)	Net provisions for risks and charges - commitments and guarantees granted	11,063								11,063
200. b)	Net provisions for risks and charges - other net provisions	(1,413)								(1,413)
250.+280.	Profits from the disposal of equity investments	8,054			(7,261)					793
290.	**Pre-tax profit from continuing operations**	**183,323**	**-**	**-**	**-**	**-**	**-**	**(253)**	**5,314**	**188,384**
300.	Taxes on income for the period/year from continuing operations	(59,708)						84	(1,727)	(61,351)
340.	Profit for the period attributable to minority interests	(5,955)						5	(59)	(6,009)
	Profit for the period before the Business Plan and other impacts	**117,660**	**-**	**-**	**-**	**-**	**-**	**(164)**	**3,528**	**121,024**
190. a)	Redundancy expenses net of taxes and minority interests	-						164		164
190. b)	Business Plan Project expenses net of taxes and minority interests	-							(3,528)	(3,528)
350.	**Profit for the period attributable to the shareholders of the Parent**	**117,660**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**117,660**

Reconciliation between the mandatory consolidated income statement and the reclassified consolidated income statement (4Q 2017)

Items	RECLASSIFIED INCOME STATEMENT	4th Quarter 2017	Reclassifications							4th Quarter 2017
	Figures in thousands of euro	Mandatory consolidated financial statements	Tax recoveries	Deprecia-tion for leasehold improve-ments	Profits of equity-accounted investees	Net income from insurance operations	Impairment losses on real estate properties	2017-2020 BP Redundancy expenses	2017-2020 Business Plan Project Expenses	Reclassified financial statements
10.-20.	Net interest income	487,502				(8,559)				478,943
	- of which TLTRO II	*68,806*								*68,806*
70.	Dividends and similar income	2,802				(79)				2,723
	Profits of equity-accounted investees	-			6,845					6,845
40.-50.	Net fee and commission income	395,274				(243)				395,031
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	68,221				(729)				67,492
160.+170.	Net income from insurance operations	(3,324)				6,986				3,662
230,	Other net operating income/expense	82,026	(58,546)	2,356		2,624				28,460
	Operating income	**1,032,501**	**(58,546)**	**2,356**	**6,845**	**-**	**-**	**-**	**-**	**983,156**
190.a	Staff costs	(442,196)						57,928		(384,268)
190.b	Other administrative expenses	(286,668)	58,546						18,365	(209,757)
210.+220.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(45,477)		(2,356)			4,312			(43,521)
	Operating expenses	**(774,341)**	**58,546**	**(2,356)**	**-**	**-**	**4,312**	**57,928**	**18,365**	**(637,546)**
	Net operating income	**258,160**	**-**	**-**	**6,845**	**-**	**4,312**	**57,928**	**18,365**	**345,610**
130.	Net impairment losses for credit risk relating to:	(338,453)	-	-	-	-	-	-	-	(338,453)
130. a)	- financial assets measured at amortised cost: loans to banks	-								-
130. a)	- financial assets measured at amortised cost: loans to customers	(310,663)								(310,663)
130. a)	- financial assets measured at amortised cost: securities	-								-
130. b)	- financial assets measured at fair value through other comprehensive income	(27,790)								(27,790)
200. a)	Net provisions for risks and charges - commitments and guarantees granted	24,190								24,190
200. b)	Net provisions for risks and charges - other net provisions	1,452								1,452
250.+280.	Profits (losses) from the disposal of equity investments	6,624			(6,845)					(221)
290.	**Pre-tax profit (loss) from continuing operations**	**(48,027)**	**-**	**-**	**-**	**-**	**4,312**	**57,928**	**18,365**	**32,578**
300.	Taxes on income for the period from continuing operations	19,546					(1,404)	(20,345)	(5,970)	(8,173)
340.	Profit for the period attributable to minority interests	(7,947)						(83)	(156)	(8,186)
	Profit (loss) for the period before the Business Plan and other impacts	**(36,428)**	**-**	**-**	**-**	**-**	**2,908**	**37,500**	**12,239**	**16,219**
190. a)	Redundancy expenses net of taxes and minority interests							(37,500)		(37,500)
190. b)	Business Plan Project expenses net of taxes and minority interests								(12,239)	(12,239)
210.	Impairment losses on property, plant and equipment net of taxes and minority interests						(2,908)			(2,908)
275.	Negative consolidation difference	24,570								24,570
350.	**Loss for the period attributable to the shareholders of the Parent**	**(11,858)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,858)**

Reclassified consolidated income statement

Figures in thousands of euro		1st Quarter 2018 IFRS 9 A	4th Quarter 2017 IAS 39 B	changes A-B	% changes A/B
10.-20.-140.	Net interest income	437,794	478,943		
	of which: TLTRO II	*12,554*	*68,806*		
	of which: IFRS9 credit components	*25,663*	-		
	of which: IFRS9 contractual modifications without derecognition components	*(8,660)*	-		
70.	Dividends and similar income	5,137	2,723	2,414	88.7%
	Profits of equity-accounted investees	7,261	6,845	416	6.1%
40.-50.	Net fee and commission income	407,338	395,031	12,307	3.1%
	of which performance fees	*1,744*	*13,295*	(11,551)	(86.9%)
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	33,742	67,492		
160.+170.	Net income from insurance operations	5,455	3,662	1,793	49.0%
230.	Other net operating income/expense	28,367	28,460	(93)	(0.3%)
	Operating income	**925,094**	**983,156**		
190. a)	Staff costs	(375,534)	(384,268)	(8,734)	(2.3%)
190. b)	Other administrative expenses	(205,914)	(209,757)	(3,843)	(1.8%)
210.+220.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(41,617)	(43,521)	(1,904)	(4.4%)
	Operating expenses	**(623,065)**	**(637,546)**	**(14,481)**	**(2.3%)**
	Net operating income	**302,029**	**345,610**		
130	Net impairment losses for credit risk relating to:	(124,088)	(338,453)		
130. a)	- financial assets measured at amortised cost: loans to banks	(1,725)	-		
130. a)	- financial assets measured at amortised cost: loans to customers	(117,671)	(310,663)		
130. a)	- financial assets measured at amortised cost: securities	(119)	-		
130. b)	- financial assets measured at fair value through other comprehensive income	(4,573)	(27,790)		
200. a)	Net provisions for risks and charges - commitments and guarantees granted	11,063	24,190		
200. b)	Net provisions for risks and charges - other net provisions	(1,413)	1,452		
250.+280.	Profits (losses) from the disposal of equity investments	793	(221)	1,014	n.s.
290.	**Pre-tax profit from continuing operations**	**188,384**	**32,578**		
300.	Taxes on income for the period from continuing operations	(61,351)	(8,173)	53,178	650.7%
340.	Profit for the period attributable to minority interests	(6,009)	(8,186)	(2,177)	(26.6%)
	Profit for the period before the Business Plan and other impacts	**121,024**	**16,219**		
190. a)	Redundancy expenses net of taxes and minority interests	164	(37,500)	37,664	n.s.
190. b)	Business Plan Project expenses net of taxes and minority interests	(3,528)	(12,239)	(8,711)	(71.2%)
210.	Impairment losses on property, plant and equipment net of taxes and minority interests	-	(2,908)	(2,908)	(100.0%)
275.	Negative consolidation difference	-	24,570	(24,570)	(100.0%)
350.	**Profit (loss) for the period attributable to the shareholders of the Parent**	**117,660**	**(11,858)**	**129,518**	**n.s.**

Reclassified consolidated income statement net of the most significant non-recurring items

Figures in thousands of euro	1st Quarter 2018 IFRS 9 *net of non-recurring items*	4th Quarter 2017 IAS 39 *net of non-recurring items*	changes	% changes
Net interest income	437,794	478,943		
- of which TLTRO II	*12,554*	*68,806*		
- of which IFRS 9 credit components	*25,663*	-		
- of which IFRS9 contractual modifications without derecognition components	*(8,660)*	-		
Dividends and similar income	5,137	2,723	2,414	88.7%
Profits of equity-accounted investees	7,261	6,845	416	6.1%
Net fee and commission income	407,338	395,031	12,307	3.1%
of which: performance fees	1,744	13,295	(11,551)	(86.9%)
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	33,742	67,492		
Net income from insurance operations	5,455	3,662	1,793	49.0%
Other net operating income/expense	28,367	28,460	(93)	(0.3%)
Operating income	**925,094**	**983,156**		
Staff costs	(375,534)	(384,268)	(8,734)	(2.3%)
Other administrative expenses	(205,914)	(209,757)	(3,843)	(1.8%)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(41,617)	(43,521)	(1,904)	(4.4%)
Operating expenses	**(623,065)**	**(637,546)**	**(14,481)**	**(2.3%)**
Net operating income	**302,029**	**345,610**		
Net impairment losses for credit risk relating to:	(124,088)	(311,316)		
- financial assets measured at amortised cost: loans to banks	(1,725)	-		
- financial assets measured at amortised cost: loans to customers	(117,671)	(310,663)		
- financial assets measured at amortised cost: securities	(119)	-		
- financial assets measured at fair value through other comprehensive income	(4,573)	(653)		
Net provisions for risks and charges - commitments and guarantees granted	11,063	6,685		
Net provisions for risks and charges - other net provisions	(1,413)	1,452		
Profits (losses) from the disposal of equity investments	793	(1,080)	1,873	n.s.
Pre-tax profit from continuing operations	**188,384**	**41,351**		
Taxes on income for the period from continuing operations	(61,351)	(11,748)	49,603	422.2%
Profit for the period attributable to minority interests	(6,009)	(8,186)	(2,177)	(26.6%)
Profit for the period attributable to the shareholders of the Parent	**121,024**	**21,417**	**99,607**	**465.1%**

Reclassified consolidated income statement net of the most significant non-recurring items: details

Figures in thousands of euro	1st Quarter 2018 IFRS 9	2017-2020 Business Plan		1st Quarter 2018 IFRS 9 net of non-recurring items	4th Quarter 2017 IAS 39	2017-2020 Business Plan		Other non-recurring items				4th Quarter 2017 IAS 39 net of non-recurring items
		Business Plan Project Expenses	Redundancy expenses			Redundancy expenses	Business Plan Project Expenses	Allocation of Badwill	Impairment losses on property, plant and equipment	IDPF intervention expenses for CariCesena Carim and Carismi	Profit on the disposal of PP&E and equity investments	
Net interest income	437,794			437,794	478,943							478,943
of which: TLTRO II	*12,554*			*12,554*	*68,806*							*68,806*
of which: IFRS9 credit components	*25,663*			*25,663*	-							-
of which: IFRS9 contractual modifications without derecognition components	*(8,660)*			*(8,660)*	-							-
Dividends and similar income	5,137			5,137	2,723							2,723
Profits of equity-accounted investees	7,261			7,261	6,845							6,845
Net fee and commission income	407,338			407,338	395,031							395,031
of which: performance fees	*1,744*			*1,744*	*13,295*							13,295
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	33,742			33,742	67,492							67,492
Net income from insurance operations	5,455			5,455	3,662							3,662
Other net operating income/expense	28,367			28,367	28,460							28,460
Operating income	**925,094**	**-**	**-**	**925,094**	**983,156**	**-**	**-**	**-**	**-**	**-**	**-**	**983,156**
Staff costs	(375,534)			(375,534)	(384,268)							(384,268)
Other administrative expenses	(205,914)			(205,914)	(209,757)							(209,757)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(41,617)			(41,617)	(43,521)							(43,521)
Operating expenses	**(623,065)**	**-**	**-**	**(623,065)**	**(637,546)**	**-**	**-**	**-**	**-**	**-**	**-**	**(637,546)**
Net operating income	**302,029**	**-**	**-**	**302,029**	**345,610**	**-**	**-**	**-**	**-**	**-**	**-**	**345,610**
Net impairment losses for credit risk relating to:	(124,088)			(124,088)	(338,453)	-	-	-	-	27,137	-	(311,316)
- financial assets measured at amortised cost: loans to banks	(1,725)			(1,725)	-							-
- financial assets measured at amortised cost: loans to customers	(117,671)			(117,671)	(310,663)							(310,663)
- financial assets measured at amortised cost: securities	(119)			(119)	-							-
- financial assets measured at fair value through other comprehensive income	(4,573)			(4,573)	(27,790)					27,137		(653)
Net provisions for risks and charges - commitments and guarantees granted	11,063			11,063	24,190					(17,505)		6,685
Net provisions for risks and charges - other net provisions	(1,413)			(1,413)	1,452							1,452
Profits (losses) from the disposal of equity investments	793			793	(221)						(859)	(1,080)
Pre-tax profit from continuing operations	**188,384**	**-**	**-**	**188,384**	**32,578**	-	**-**	**-**	-	**9,632**	**(859)**	**41,351**
Taxes on income for the period from continuing operations	(61,351)			(61,351)	(8,173)					(4,129)	554	(11,748)
Profit for the period attributable to minority interests	(6,009)			(6,009)	(8,186)							(8,186)
Profit for the period before the Business Plan and other impacts	**121,024**	**-**	**-**	**121,024**	**16,219**	-	**-**	**-**	-	**5,503**	**(305)**	**21,417**
Redundancy expenses net of taxes and minority interests	164		(164)	-	(37,500)	37,500						-
Business Plan Project expenses net of taxes and minority interests	(3,528)	3,528		-	(12,239)		12,239					-
Impairment losses on property, plant and equipment net of taxes and minority interests	-			-	(2,908)				2,908			-
Negative consolidation difference	-			-	24,570			(24,570)				-
Profit (loss) for the period	**117,660**	**3,528**	**(164)**	**121,024**	**(11,858)**	**37,500**	**12,239**	**(24,570)**	**2,908**	**5,503**	**(305)**	**21,417**

4) CREDIT QUALITY TABLE

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

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage ratio without write off	Coverage ratio with write off
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%**	

The item as a percentage of the total is given in brackets.

Loans and advances to customers measured at amortised cost as at 1st January 2018

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage ratio without write off	Coverage ratio with write off
Non-performing exposures (stage 3)	**(12.85%)**	**12,413,612**	**4,965,818**	**(8.19%)**	**7,447,794**	**40.00%**	**49.54%**
- Bad loans	(7.60%)	7,340,234	3,821,113	(3.87%)	3,519,121	52.06%	63.67%
- Unlikely-to-pay loans	(5.08%)	4,910,074	1,129,026	(4.16%)	3,781,048	22.99%	
- Past due loans	(0.17%)	163,304	15,679	(0.16%)	147,625	9.60%	
Performing loans (stage 1 and 2)	**(87.15%)**	**84,175,509**	**642,344**	**(91.81%)**	**83,533,165**	**0.76%**	
Total		**96,589,121**	**5,608,162**		**90,980,959**	**5.81%**	

The item as a percentage of the total is given in brackets.