



The Volksbank Board of Directors approves the half-yearly financial report with a net profit of Euro 15.3 million ⁽¹⁾ / Michaeler: “Excellent results and good basis for the end of year financial statements”

Net profit	Euro 15.3 million (+37.8% compared to Euro 11.1 million in the first half of 2017)
Operating income	Euro 142.4 million (+2.7% compared to Euro 138.7 million in the first half of 2017)
Operating expenses	Euro 97.7 million compared to Euro 95.7 million in the first half of 2017, primarily as a result of one-off components
Net customer lending	Euro 6,892.9 million. Compared to December 2017: <ul style="list-style-type: none">• performing loans up by +2.6% (Euro +164.5 million)• non-performing loans down by -6.6% (-19.9% and Euro -107.8 million compared to the end of 2017 prior to IFRS 9)
Non-performing loans	Progress made in further interventions for the reduction of non-performing loans, in addition to performance in the first half of the year: <ul style="list-style-type: none">• disposal of gross unsecured non-performing loans of roughly Euro 36.5 million already carried out in July;• additional disposal of secured loans in advanced status, to be completed in the second half of the year, for an additional gross amount of Euro 131.7 million
Incidence of gross non-performing loans	Equal to 11.7% , down compared to 13.0% at the end of 2017 (prior to IFRS 9). Including disposals in the second half of the year, the pro-forma figure dropped to 9.5%
Coverage	Significant rise in the hedging of non-performing loans: <ul style="list-style-type: none">• Hedging of non-performing loans at 50.0% compared to 43.5% as at 31 December 2017 (prior to IFRS 9)• Hedging of doubtful loans at 60.7% compared to 53.7% as at 31 December 2017 (prior to IFRS 9)

⁽¹⁾ As of 1 January 2018, IFRS 9, which replaced IAS 39, governs the classification, measurement, impairment and hedge accounting of financial instruments. As expressly permitted (IFRS 9, par. 7.2.15), Volksbank has relied on the possibility not to restate the comparative financial statement data upon initial application of IFRS 9. Therefore, the 2017 comparative data have been reconciled with the accounting items required by the new official layouts set forth in Circular 262, without amending the relative values.



Prudential requirements

“CET 1 ratio “IFRS 9 phased-in” at 11.4% and total capital ratio “IFRS 9 phased in at 13.0%
CET 1 ratio “fully phased-in” at 10,5% and total capital “fully phased-in” at 12,1%

Liquidity: excellent position with free eligible assets of approximately 1.5 billion euro.

Today, under the chairmanship of Otmar Michaeler, the Board of Directors of Volksbank approved the half-yearly report as at 30 June 2018.

The Bank achieved a **net profit of Euro 15.3 million**, an increase of 37.8%. This confirms the support that the Bank offers its reference customers, who are able to sustain their growth even in times of particular volatility and uncertainty.

Volksbank's strength can be seen in **transactions with customers**. Considerable growth was seen in both funding and lending, bearing witness to the Bank's commercial potential. At global Bank level, volumes under administration amount to nearly Euro 17,8 billion. Volksbank has acquired new market shares throughout its catchment area.

The Bank also achieved **significant results in reducing non-performing loans** to 11.7%, a good deal below the national average. By the end of the year, including in the financial statements assignments of non-performing loans, collections and restructuring, this percentage will fall to below 10%.

Chairman Otmar Michaeler stated: “**The net profit is an excellent result we can all be proud of**. We have successfully continued to affirm ourselves as a regional bank in our market area. Our conquest of new market shares demonstrates that our opening up to broader districts in Veneto, particularly with our entry into the province of Vicenza, was the right growth decision to make, making us a valid alternative to traditional local banks. Volksbank's capacity for organic growth and the creation of value for shareholders are confirmed, in line with planned objectives. The first half of the year represents a solid basis for the result at the end of 2018.”

General Manager Johannes Schneebacher underscored that “in the sales network, we have managed to achieve significant results in the first six months of 2018: it has been particularly gratifying to expand our activities while maintaining our margins unchanged. On the assets side of the balance sheet, **we have achieved a considerable reduction in the risk of non-performing loans**. The degree of non-performing loan hedging is 50%. We trust that by year-end, non-performing loans will make up less than 10% of all loans. These initiatives are laying the foundations for a further limitation of risk in the second half of the year and even better Bank profitability”.



Main balance sheet aggregates

- Net customer lending at Euro 6,892.9 million, of which Euro 6,458.3 million performing (+2.6% compared to 31 December 2017), marking significant growth, confirming the Bank's proximity to its reference customers. Net non-performing loans declined by -19.9% compared to 31 December 2017 (prior to IFRS 9) primarily as a result of IFRS 9 adjustments, in addition to internal work-out activities;
- Direct funding from customers +1.6% at Euro 7,461.6 million (Euro 7,341.7 million at the end of December 2017), confirming the growth trend in "core" funding from current accounts and on demand deposits (+6.6% or Euro +373.1 million compared to the end of the year) and the reduction in bond issues and certificates of deposit (-6.4% or Euro -60.6 million), continuing with the replacement of more costly forms of funding with those which are less costly;
- Volumes under administration up by +1.7% to Euro 17.8 billion (Euro 17.5 billion at the end of December 2017).

Main income statement items

- Interest margin at Euro 82.9 million (+7.8% compared to 30 June 2017). Net of IFRS 9 reclassifications and interest on TLTRO-II loans, this figure came to Euro 73.1 million compared to Euro 73.6 million in the first half of 2017;
- Net operating income up by +2.7% to Euro 142.4 million compared to Euro 138.7 million in the first half of 2017;
- Operating expenses (net of taxes and charges relating to the banking system) at Euro 97.8 million, against Euro 95.7 million as at 30 June 2017 (+2.2%);
- Operating profit (loss) amounted to Euro 44.6 million, up by +3.8% compared to Euro 43.0 million as at 30 June 2017;
- Net adjustments on loans to customers totalling Euro 17.1 million which, net of IFRS 9 adjustments, came to Euro 9.3 million, compared to Euro 21.2 million in the first six months of 2017. The level of adjustments on loans reflects a rigorous valuation approach, which benefits from the significant de-risking action carried out on FTA of IFRS 9 for a total of Euro 64.3 million, so as to maintain high levels of hedging, also to take advantage of any additional opportunities to accelerate the process of reducing the aggregates;
- Net profit of Euro 15.3 million, compared with a profit of Euro 11.1 million in the first half of 2017.

Financial position

- Regulatory CET 1 ratio of 11.4%;
- Regulatory Total Capital Ratio of 13.0%;
- "Fully phased" CET 1 ratio of 10.5%;
- "Fully phased" Total capital ratio of 12.1%

Credit quality

- Stock of net non-performing loans equal to Euro 434.7 million, with a reduction of -19.9% or Euro -107.8 million compared to 31 December 2017 (prior to IFRS 9).



Coverage

- Non-performing loans: 50.0% against 43.5% in 2017;
- Doubtful loans: 60.7% against 53.7% in 2017.

Liquidity profile

- Unencumbered eligible assets as at 30 June 2018 amounting to Euro 1,457.9 million (14.7% of total assets), with government bonds accounting for 76.9%, guaranteeing broad flexibility in the management of sources of funding.
- LCR > 160% and NSFR > 110%.

Initial application of IFRS 9 relating to financial instruments

As at 1 January 2018, the first-time application of IFRS 9 entailed a reduction in the book value of shareholders' equity totalling Euro 44.1 million net of the tax effect (Euro 60.9 million gross of the tax effect) deriving primarily from the application of the new impairment model on loans, which had an impact of Euro 64.3 million. The impact on prudential requirements will be diluted within a 5-year time horizon as a result of the exercise of the option for the application of the transitional provisions introduced with art. 473a of the CRR.

Income statement results in the first half of 2018

Net interest amounted to Euro 82.9 million, up 7.8% compared to Euro 76.9 million in the first half of 2017. This figure is not fully comparable with that of the previous year as - following the application of IFRS 9 - the interest margin is impacted by the reclassification to interest income of the positive effect of the reversal of recoveries from the discounting of doubtful loans which were previously recorded under net adjustments on loans and the negative reclassification due to the calculation of interest on non-performing positions based on the value net of adjustments and not on the contractual value. Net of these reclassifications, positive overall in the amount of Euro 7.8 million, the margin comes to Euro 75.1 million compared to Euro 76.8 million in the first half of 2017, confirming the stability of core income.

Dividends and profits from investments carried at equity total Euro 2.0 million, up compared to Euro 1.3 million in the first half of 2017.

The financial margin is Euro 84.9 million, up by +8.6% compared to Euro 78.2 million in the first half of 2017.

Net fee and commission income totals Euro 43.1 million, substantially unchanged compared to Euro 43.3 million in the first half of 2017, within a market environment characterised by a negative trend, especially in May and June, as a result of the well-known turbulence connected to Italian government bonds and the international stock markets.

In detail, fees and commissions from management, brokerage and consulting services rose by +5.7%, within which the component relating to the placement of securities fell by -4.4%, while there was an increase in the components relating to the distribution of bancassurance products (+44.0%) and credit cards and similar products (+3.2%).



Fees and commissions on current account holding and management and relationships with customers declined by -2.5%, those from collection and payment services rose by +0.4% and those on guarantees issued and on “other services” declined by -2.2% and -8.8%, respectively.

The net financial result totals Euro 4.6 million, marking a decline of -25.1% compared to Euro 6.1 million in the first half of 2017. In particular, trading activities posted profit of Euro 1.3 million, down by -7.4% compared to the first half of 2017, net profit on the disposal of assets designated at fair value through other comprehensive income came to Euro 1.4 million, down with respect to Euro 4.6 million in the first half of 2017, while the net profit from financial assets necessarily designated at fair value totalled Euro 1.7 million, up with respect to the net loss of Euro -0.1 million in the first half of 2017.

Other net operating income amounted to Euro 9.8 million, down -11.1% compared to Euro 11.0 million in the first half of 2017.

Net operating income came to Euro 142.4 million, up by +2.7% compared to Euro 138.7 million in the first half of 2017.

In the operating expenses segment, personnel expenses, totalling Euro 50.5 million, fell by -2.5% compared to Euro 51.8 million in the first half of 2017, primarily as a result of the optimisation of the incentive and bonus system components.

Other administrative expenses, net of taxes and charges relating to the banking system, stood at Euro 41.6 million, up by 4.4% compared to the first half of 2017.

Net adjustments to property and equipment and intangible assets came to Euro 5.8 million, up by +39.5% compared to Euro 4.1 million in the first half of 2017.

Overall, operating expenses totalled Euro 97.8 million, up by +2.2% compared to Euro 95.7 million in the first half of 2017.

Net adjustments to loans to customers, inclusive of losses on disposal, totalled Euro 17.1 million, down significantly compared to Euro 21.2 million in the first half of 2017. Net recoveries on securities and other financial assets at amortised cost amounted to Euro +1.2 million, compared to a negative figure of Euro -4.5 million in the first half of 2017.

In the first half of 2018, the cost/income ratio was 66.2% compared to 64.5% in the same period of 2017.

Net provisions for risks and charges amount to Euro 4.0 million and are related to non-recurring expenses.

The profit (loss) on continuing operations totals Euro 24.7 million, up by +44.3% compared to Euro 17.1 million in the first half of 2017.

During the half, the taxes and charges borne by banks as a result of the European and national resolution mechanisms (SRF and NRF) and the deposit protection mechanism (DGS) accounted for totalled Euro 7.9 million (Euro 5.3 million in the first half of 2017). Net of the tax effect, this expense would be Euro 5.3 million.

The net profit totalled Euro 15.3 million, after accounting for income taxes of Euro 4.1 million, up by +37.8% compared to the first half of 2017.



Balance sheet as at 30 June 2018

As at 30 June 2018, direct funding amounts to Euro 7,461.6 million, up +1.6% compared to Euro 7,341.7 million as at 31 December 2017. Within this comparison, there was growth of +6.6% in current accounts and on demand deposits of the sales network (Euro 6,013.1 million against Euro 5,640.0 million at the end of 2017). In addition, the downward trend continues for bonds and certificates of deposit issued (-6.4%, or Euro -60.6 million) in line with the policy for the progressive reduction in the cost of funding thanks to the decline in more costly forms of funding. Repurchase agreements and other forms of funding were down by Euro -192.6 million.

Indirect funding rose by +0.6% to Euro 2,856.3 million, despite a particularly uncertain first half of the year. Administered funding amounted to a total of Euro 1,201.1 million, down compared to Euro 1,524.8 million at the end of 2017. This decline can be basically attributed to the negative trend in the markets, which impacted the value of securities held in custody.

Assets under management rose by 16.0% to Euro 1,623.7 million, compared to Euro 1,400.0 million at the end of 2017. Insurance segment trends were also positive, posting an improvement of +22.1% to Euro 663.1 million, compared to Euro 543.0 million at the end of 2017.

Financial assets other than loans to customers and banks total Euro 2,206.2 million and are up by 5.3% compared to Euro 2,095.8 million as at 31 December 2017. This aggregate primarily includes debt securities for Euro 2,105.2 million, equity securities and UCITs for Euro 101.4 million and the fair value of derivatives for Euro 0.9 million. As a result of the introduction of IFRS 9, financial assets also include loans to customers which must necessarily be designated at fair value (totalling Euro 61.3 million).

The total increase compared to the end of 2017 is attributable to the growth in debt securities classified in the “hold to collect” (Euro +57.4 million), “hold to collect & sell” (Euro +38.4 million) and “trading” (Euro +14.6 million) portfolios. Government bonds total Euro 1,426.1 million (Euro -62.4 million compared to 31 December 2017). In this respect, diversification continues with the Italian government bond segment falling to 96.3% of total government bonds since December 2017. The deterioration of the Italian government bond spread entailed a reduction in total gross reserves on securities of the hold to collect & sell portfolio from Euro 5.2 million recorded as at 31 December 2017 to roughly Euro 4.4 million as at 30 June 2018.

Net loans to customers, inclusive of non-performing loans, total Euro 6,892.9 million. Net performing loans to customers rose by +2.6% to Euro 6,458.3 million, compared to Euro 6,293.7 million at the end of 2017. Total non-performing loans (doubtful, unlikely to pay and past due) amount to Euro 434.7 million net of value adjustments, down by -19.9% compared to Euro 542.5 million as at 31 December 2017 prior to IFRS 9. In particular, doubtful loans total Euro 240.7 million, down by -15.44% compared to Euro 284.7 million as at 31 December 2017 prior to IFRS 9, making up 3.5% of total loans (3.6% as at 31 December 2017), and with a degree of hedging of 60.7% (60.0% at the end of 2017). Unlikely to pay loans declined by 11.2% to Euro 186.1 million from Euro 209.6 million in December 2017. Past due loans amount to Euro 7.9 million, compared to Euro 9.3 million at the end of 2017.

Gross non-performing loans total Euro 866.7 million, down -3.5% on Euro 898.0 million recorded at the end of 2017. In particular, gross doubtful loans were Euro 611.9 million compared to Euro 614.9 million at the end of 2017. Gross unlikely to pay loans were Euro 246.2 million compared to Euro 273.0 million at the end of 2017. Gross past-due loans were Euro 8.6 million compared to Euro 10.1 million at the end of 2017.

The degree of hedging on the entire aggregate of non-performing loans totals 49.9%, up compared to 48.2% as at 31 December 2017.



The coverage ratio of performing exposures is 1.1%, substantially unchanged compared to 31 December 2017 (a significant improvement compared to 0.8% at the end of 2017 prior to IFRS 9).

As at 30 June 2018, Volksbank's operating structure is made up of 176 bank branches and 1,345 people.

Prudential ratios

Estimated capital ratios as at 30 June 2018 - calculated by applying the transitional criteria in force for 2018, taking into account Euro 9.7 million in dividends accrued in the first half of the year - total:

- 11.4% for the Common Equity Tier 1 ratio (11.9% as at 1 January 2018);
- 11.4% for the Tier 1 ratio (11.9% as at 1 January 2018);
- 13.0% for the Total capital ratio (13.6% as at 1 January 2018).

These ratios benefit from the exercise of the option for the full application of the transitional provisions introduced by the new article 473 bis of EU Regulation no. 575/2013, which defers over time the impact on own funds deriving from the application of the new impairment model introduced by IFRS 9. Estimated "fully phased" prudential requirements, applying the fully phased parameters specified to the financial statement data of 30 June 2018, are:

- 10.5% for the Common Equity Tier 1 ratio (10.9% as at 1 January 2018);
- 10.5% for the Tier 1 ratio (10.9% as at 1 January 2018);
- 12.1% for the Total capital ratio (12.7% as at 1 January 2018).

Disclosure on the first time application of IFRS 9 and IFRS 15

As of 1 January 2018 the new IFRS 9 and IFRS 15 are applicable, governing the accounting treatment of financial instruments and revenues resulting from services provided to customers as part of ordinary activities, respectively.

During the preparation of the Half-Yearly Financial Report, subject to a limited audit by the independent auditors BDO S.p.A., the impacts of the initial application ("FTA - First Time Adoption") of the above-mentioned standards were definitively quantified.

Volksbank relied on the possibility set forth in the transitional provisions to not restate comparative balances.

IFRS 9 had a negative effect on the book value of shareholders' equity of Euro 44.1 million (Euro 60.9 million gross of the tax effect) attributable to the following effects:

- Euro -38.4 million gross due to the increase in adjustment provisions resulting from the application of the new impairment model based on expected losses to non-performing loans (doubtful exposures), which takes into account the sales scenarios defined in line with the non-performing loan management strategy;
- Euro -19.3 million due to the increase in adjustment provisions following the application of the new impairment model based on expected losses to performing exposures (classified in Stage 1 and Stage 2), represented by loans and debt securities;
- Euro -6.6 million as a result of the increase in liability provisions linked to the valuation of guarantees issued and commitments to disburse funds, both irrevocable and revocable;



- Euro +3.4 million following the application of the new rules for the classification and measurement of financial assets and liabilities, excluding the impacts deriving from the new model for calculating expected losses, as described above;
- Euro +16.8 million due to the recognition of higher deferred tax assets relating to tax losses being accrued against the reduction in the book value of shareholders' equity described above.

With reference to the capital ratios as at 1 January 2018, the impacts illustrated above entail a reduction of around 96 bps in the fully phased CET 1 ratio, from 11.9% - value prior to the FTA of the new standard - to 10.9%. These impacts do not take into account the option already exercised for the full application of the transitional provisions introduced by the new article 473 bis of EU Regulation no. 575/2013, which defers ("phases in") over time the impact on own funds deriving from the application of the new impairment model introduced by the new accounting standard.

These provisions make it possible to include a portion of the increase in provisions for expected losses in CET1 for the first five financial years (equal to 95%, 85%, 70%, 50% and 25% starting from 2018 to 2022, respectively). Since 1 January 2023, the impact deriving from the FTA of IFRS 9 will therefore be fully reflected in the calculation of own funds.

Taking into account the transitional provisions, the impact of the FTA of IFRS 9 on CET1 for the entire year 2018 is positive by around +1 bps.

IFRS 15 "Revenue from contracts with customers" introduces a single model for the recognition of all revenue deriving from contracts entered into with customers as part of ordinary activities. On the basis of the analyses conducted, it was found that the methods for recognising revenue introduced by the new accounting standard are substantially aligned with the previous accounting treatment and therefore no significant impacts emerged.

In addition to the information presented, the Balance Sheet and Income Statement reclassified as at 30 June 2018 compared with the prior year are attached hereto. Statements of reconciliation between the IAS 39 balance sheet as at 31 December 2017, reclassified according to the new rules laid out in IFRS 9, and the IFRS 9 balance sheet as at 1 January 2018 are also provided. In these statements, the accounting balances as at 31 December 2017, determined pursuant to IAS 39 and classified in accordance with the rules of IFRS 9, are restated as a result of the application of new measurement and impairment approaches, in order to obtain IFRS 9 compliant opening balances.

The Manager responsible for the preparation of corporate accounting documents, Alberto Caltroni, hereby states, in accordance with art. 154-bis, paragraph 2, of Italian Legislative Decree no. 58/1998, that the accounting information given in this press release corresponds to the documentary records, the accounting books and the accounts entries.

This press release is available on the websites www.volksbank.it and www.bancapopolare.it.



RECLASSIFIED BALANCE SHEET - ASSETS

ITEMS	30.6.2018	1.1.2018	Abs. change	% change
<i>(amounts in Euro)</i>				
10. Cash and cash equivalents	66,959,819	71,358,997	(4,399,178)	-6.2%
20. Financial assets designated at fair value through profit or loss	311,568,844	297,561,800	14,007,044	4.7%
1) <i>due from banks</i>	-	-	-	-
2) <i>loans to customers</i>	61,316,429	61,941,342	(624,913)	-1.0%
3) <i>securities and derivatives</i>	250,252,415	235,620,458	14,631,957	6.2%
30. Financial assets designated at fair value through other comprehensive income	814,142,174	775,783,903	38,358,271	4.9%
1) <i>due from banks</i>	-	-	-	-
2) <i>loans to customers</i>	-	-	-	-
3) <i>securities</i>	814,142,174	775,783,903	38,358,271	4.9%
40. Financial assets valued at amortised cost	8,118,230,291	7,868,358,220	249,872,071	3.2%
1) <i>due from banks</i>	83,515,766	109,662,862	(26,147,096)	-23.8%
2) <i>loans to customers</i>	6,892,919,145	6,674,305,927	218,613,218	3.3%
3) <i>securities</i>	1,141,795,380	1,084,389,431	57,405,950	5.3%
70. Investments	5,822,394	5,793,248	29,145	0.5%
80. Property and equipment	142,678,593	139,577,074	3,101,519	2.2%
90. Intangible assets	118,694,291	119,213,815	(519,524)	-0.4%
<i>of which: goodwill</i>	99,601,776	99,601,776	-	-
100. Tax assets	182,995,084	185,906,698	(2,911,613)	-1.6%
110. Non-current assets and groups of assets held for sale	12,450,850	-	12,450,850	-
120. Other assets	125,311,371	136,318,027	(11,006,656)	-8.1%
Total assets	9,898,853,711	9,599,871,781	298,981,929	3.1%



RECLASSIFIED BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY

Items	30.6.2018	1.1.2018	Abs. change	% change
<i>(amounts in Euro)</i>				
10. Financial liabilities valued at amortised cost	8,788,362,692	8,500,505,042	287,857,650	3.4%
<i>a) due to banks</i>	1,326,759,510	1,150,659,435	176,100,075	15.3%
<i>b) due to customers</i>	6,577,379,379	6,396,871,221	180,508,158	2.8%
<i>c) debt securities issued</i>	884,223,803	952,974,385	(68,750,582)	-7.2%
20. Financial liabilities held for trading	1,740,426	2,030,173	(289,747)	-14.3%
30. Financial liabilities designated at fair value	-	1,049,676	(1,049,676)	-100.0%
60. Tax liabilities	32,391,836	33,785,530	(1,393,693)	-4.1%
80. Other liabilities	209,141,796	188,923,598	20,218,198	10.7%
90. Employee termination indemnities	19,819,416	19,751,789	67,627	0.3%
100. Provisions for risks and charges:	22,770,049	24,571,155	(1,801,106)	-7.3%
<i>a) commitments and guarantees issued</i>	7,102,157	7,779,377	(677,220)	-8.7%
<i>c) other provisions for risks and charges</i>	15,667,892	16,791,778	(1,123,886)	-6.7%
110. Valuation reserves	(7,165,027)	3,093,489	(10,258,516)	-331.6%
140. Reserves	249,858,523	237,839,158	12,019,365	5.1%
150. Share premium reserve	383,158,533	383,158,533	-	0.0%
160. Share capital	201,993,752	199,439,716	2,554,036	1.3%
170. Treasury shares (-)	(18,553,559)	(18,553,559)	-	0.0%
180. Profit (loss) for the period (+/-)	15,335,274	24,277,481	(8,942,207)	-36.8%
Total liabilities and shareholders' equity	9,898,853,711	9,599,871,781	298,981,930	3.1%



RECLASSIFIED INCOME STATEMENT

Items <i>(amounts in Euro)</i>	30.06.2018	30.06.2017	Abs.	
			Change	%
Net interest	82,901,701	76,886,589	6,015,112	7.8%
Dividends and profits (losses) on investments carried at equity	2,042,927	1,300,074	742,853	57.1%
Financial margin	84,944,628	78,186,663	6,757,965	8.6%
Net fee and commission income	43,065,640	43,317,995	(252,355)	-0.6%
Net financial result	4,605,898	6,148,070	(1,542,172)	-25.1%
Other operating income/expenses	9,793,767	11,017,795	(1,224,028)	-11.1%
Other operating income	57,465,305	60,483,860	(3,018,555)	-5.0%
Net operating income	142,409,933	138,670,523	3,739,410	2.7%
Personnel expenses	(50,473,196)	(51,767,742)	1,294,546	-2.5%
Administrative expenses	(41,565,233)	(39,795,332)	(1,769,901)	4.4%
Net adjustments to property and equipment and intangible assets	(5,756,754)	(4,125,500)	(1,631,254)	39.5%
Operating expenses	(97,795,183)	(95,688,574)	(2,106,609)	2.2%
Operating profit (loss)	44,614,750	42,981,949	1,632,801	3.8%
Net adjustments to loans and other financial transactions	(17,096,107)	(21,212,567)	4,116,460	-19.4%
Net adjustments to other assets	1,209,549	(4,464,616)	5,674,164	-127.1%
Net provisions for risks and charges	(4,018,185)	(376,955)	(3,641,230)	966.0%
Profits (losses) on disposal of investments in associates and companies subject to joint control and other investments	5,759	194,368	(188,609)	-97.0%
Profit (loss) on continuing operations	24,715,766	17,122,179	7,593,587	44.3%
Period-end income taxes for continuing operations	(4,053,539)	(4,037,826)	(15,713)	0.4%
Taxes and charges relating to the banking system net of taxes	(5,326,953)	(1,952,173)	(3,374,780)	172.9%
Profit (loss) for the period	15,335,274	11,132,180	4,203,094	37.8%



RECONCILIATION BETWEEN THE BALANCE SHEET AS AT 31 DECEMBER 2017 (PRESENTED ACCORDING TO THE NEW CLASSIFICATION RULES LAID OUT IN IFRS 9) AND THE BALANCE SHEET AS AT 1 JANUARY 2018 (RESTATED ACCORDING TO THE NEW MEASUREMENT AND IMPAIRMENT RULES LAID OUT IN IFRS 9)

ASSETS

<i>(amounts in Euro)</i>	31.12.2017 (a)	Effect of transition to IFRS 9 Classification and measurement (b)	Impairment (c)	01.01.2018 (d) = (a) + (b)
10. Cash and cash equivalents	71,358,997	-	-	71,358,997
20. Financial assets designated at fair value through profit or loss	297,553,543	8,257	-	297,561,800
1) <i>due from banks</i>	-	-	-	-
2) <i>loans to customers</i>	61,856,912	84,430	-	61,941,342
3) <i>securities and derivatives</i>	235,696,631	(76,174)	-	235,620,458
30. Financial assets designated at fair value through other comprehensive income	776,030,444	(246,541)	-	775,783,903
1) <i>due from banks</i>	-	-	-	-
2) <i>loans to customers</i>	-	-	-	-
3) <i>securities</i>	776,030,444	(246,541)	-	775,783,903
40. Financial assets valued at amortised cost	7,922,984,676	3,169,510	(57,795,966)	7,868,358,220
1) <i>due from banks</i>	109,745,557	0	(82,695)	109,662,862
2) <i>loans to customers</i>	6,731,088,195	0	(56,782,268)	6,674,305,927
3) <i>securities</i>	1,082,150,924	3,169,510	(931,003)	1,084,389,431
50. Hedges	-	-	-	-
60. Value adjustments of macro-hedged financial assets (+/-)	-	-	-	-
70. Investments	5,793,248	-	-	5,793,248
90. Property and equipment	139,577,074	-	-	139,577,074
100. Intangible assets	119,213,815	-	-	119,213,815
<i>of which: goodwill</i>	99,601,776	-	-	99,601,776
110. Tax assets	169,106,370	(849,546)	(17,649,873)	185,906,697
120. Non-current assets and groups of assets held for sale	-	-	-	-
130. Other assets	136,274,793	-	-	136,318,027
Total assets	9,637,892,960	2,081,680	(40,146,093)	9,599,871,781



LIABILITIES AND SHAREHOLDERS' EQUITY

<i>(amounts in Euro)</i>		31.12.2017	Effect of transition to IFRS 9		01.01.2018
		(a)	Classification and measurement (b)	Impairment (c)	(d) = (a) + (b)
10.	Financial liabilities valued at amortised cost	8,501,056,421	(551,379)	-	8,500,505,042
	<i>a) due to banks</i>	1,150,659,435	-	-	1,150,659,435
	<i>b) due to customers</i>	6,396,871,221	-	-	6,396,871,221
	<i>c) debt securities issued</i>	953,525,765	(551,379)	-	952,974,386
20.	Financial liabilities held for trading	2,030,173	-	-	2,030,173
30.	Financial liabilities designated at fair value	1,049,676	-	-	1,049,676
40.	Hedges	-	-	-	-
50.	Value adjustments of macro-hedged financial liabilities (+/-)	-	-	-	-
60.	Tax liabilities	33,831,834	(46,305)	-	33,785,529
80.	Other liabilities	188,923,598	-	-	188,923,598
90.	Employee termination indemnities	19,751,789	-	-	19,751,789
100.	Provisions for risks and charges:	17,923,096	-	6,648,059	24,571,155
	<i>a) commitments and guarantees issued</i>	1,131,318	-	6,648,059	7,779,377
	<i>b) pensions and similar commitments</i>	-	-	-	-
	<i>c) other provisions for risks and charges</i>	16,791,778	-	-	16,791,778
120.	Share capital	199,439,716	-	-	199,439,716
150.	Share premium reserve	383,158,533	-	-	383,158,533
160.	Reserves	284,365,657	76,255	(46,602,754)	237,839,158
170.	Valuation reserves	681,778	2,411,712	-	3,093,489
180.	Treasury shares	(18,553,559)	-	-	(18,553,559)
200.	Profit (loss) for the period (+/-)	24,277,481	-	-	24,277,481
Total liabilities and shareholders' equity		8,770,290,510	(597,684)	6,648,059	8,776,340,884



NOTES

The balance sheet and income statement data as at 30 June 2018 calculated in application of the new IFRS 9 are not fully comparable with those referring to the comparative periods as the latter were calculated in application of IAS 39.

As permitted by IFRS 1, the data from previous periods were not restated with reference to the recognition and measurement of financial instruments to take into account the introduction of IFRS 9. Therefore, the data from periods prior to the first half of 2018 reflect the requirements and measurement criteria of IAS 39, previously in force.

The balance sheet and income statement were reclassified in accordance with management criteria to allow for a more immediate reading of the results. The reclassified statements were created based on the financial statement layouts required by Bank of Italy Circular no. 262/2005, updated on 22 December 2017 to adopt the new IFRS 9 and IFRS 15.

The Balance sheet items specifically concerned by the application of IFRS 9 have been detailed by type of financial instrument and counterparty to highlight their contribution to the Company's financial position, in line with the traditional presentation. The reclassified statement as at 30 June 2018 shows the comparative values as at 1 January 2018 restated in application of the new IFRS 9 classification rules.

With regard to the reclassified income statement, the application of IFRS 9 primarily entailed a redefinition of the aggregates relating to the net financial result and value adjustments due to impairment, on the basis of the new categories of financial instruments and the relative measurement criteria. Below is a reconciliation of the new items with respect to the income statement prepared on the basis of Bank of Italy Circular no. 262:

- The item "Dividends and profits (losses) on investments carried at equity" includes the result of items "70. Dividends and similar income" e "220. Profits (losses) on investments in associates and companies subject to joint control";
- the item "Net financial result" includes the results deriving from the valuation or disposal of all financial instruments, with the exception of the profits (losses) on investments in associates and companies subject to joint control and adjustments for credit risk which are presented separately. In particular, this item includes profits (losses) on trading (item 80), profits and losses from disposal or repurchase (item 100 (b) and (c)), with the exception of the result connected to the disposal of financial assets valued at amortised cost (item 100 (a)) and the net profit (loss) of other financial assets and liabilities designated at fair value through profit or loss (item 110);
- the item "Administrative expenses" coincides with income statement item 160 (a) "Administrative expenses: b) other administrative expenses", with the exception of taxes and charges paid to support the banking system, which are included in a specific item;
- the item "Net adjustments to loans to customers" includes item 130 a) "Net adjustments/recoveries for credit risk of: a) financial assets valued at amortised cost", relating only to the component represented by loans to customers as well as the profit (loss) deriving from the assignment of loans to customers pursuant to item 100. Profits (losses) on disposal or repurchase of: a) financial assets valued at amortised cost, relating only to the component represented by loans to customers;
- the item "Net adjustments on securities and other financial assets" is represented by adjustments on securities and on loans to banks classified in the portfolios of "Financial assets valued at amortised cost" (corresponding to item 130 b) "Net adjustments/recoveries for credit risk relating to: b) financial assets designated at fair value through other comprehensive income" and the remainder of the above-mentioned item 130 a));



- the item “Net provisions for risks and charges” corresponds to item 200 of the income statement layout required by Bank of Italy Circular no. 262 and includes provisions for commitments and guarantees issued;
- the item “Taxes and charges relating to the banking system net of taxes” refers in full to taxes and other charges intended to maintain the stability of the banking system and is shown net of taxes.