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Oggetto	:	Consolidated results as at 31 December 2018

Testo del comunicato

Vedi allegato.

Creval PRESS RELEASE

CONSOLIDATED RESULTS AT 31 DECEMBER 2018

CAPITAL SOLIDITY KEPT RISING IN Q4 2018

- **Fully-loaded CET1 ratio at 13.5% (12.1% at 30/09/18)**
- **Phase-in CET1 ratio at 18.3% (16.8% at 30/09/18)**
- **CET1 ratio capital buffer of +1,126 bps over the 2018 SREP minimum requirement on a phase-in basis, and of +580 bps on a fully-loaded basis**

SIGNIFICANT INCREASE IN NON-PERFORMING LOANS COVERAGE LEVELS IN Q4 2018, IN VIEW OF A POSSIBLE DE-RISKING ACCELERATION IN 2019

BAD LOANS COVERAGE RISES TO 75%

- **NPL coverage rises to 55.9% (50.4% at 30/09/18). Including write-offs on outstanding positions the coverage comes in at 58.6% (53.6% at 30/09/18)**
- **Bad loan coverage at 75.1% (71.3% at 30/09/18). Including write-offs on outstanding positions the coverage comes in at 78.5% (75.5% at 30/09/18)**
- **UTP Coverage at 44.1% (38.8% at 30/09/2018)**

NPL STOCK HALVED IN 2018

NET NPE RATIO AT 5%

- **Sold 2.1 billion-euro GBV of NPLs (of which 1.6 bn euro through GACS)**
- **Gross NPL stock of 2.0 bn euro (-51% y/y)**
- **Net NPL stock of 0.9 bn euro (-60% y/y)**
- **Gross NPE ratio at 11.0%[1] (21.7% as at 31/12/17)**

CONFIRMED LIQUIDITY POSITION

- **LCR > 100% and NSFR > 100%**
- **2.9 bn eligible unencumbered assets[2]**

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[1] Excluding 4.6 billion euro of government bonds from customer exposures.

[2] Data as at 03/01/19

PRESS RELEASE

2018 PROFITABILITY IMPACTED BY ACTIONS AIMED AT IMPROVING THE BANK'S RISK PROFILE AND BY FISCAL NON-RECURRING ITEMS

- **Net income of 32 mln euro.**

LENDING VOLUMES ON THE RISE

- **2.8 bn euro new loans granted in 2018 (+33% y/y)**

BoD TO START PREPARING A NEW BUSINESS PLAN

Sondrio, 6 February 2019 - The Board of Directors of Credito Valtellinese approved the consolidated results as at 31 December 2018.

"2018 was a turning point for Creval. – remarked **Mauro Selvetti**, Creval's CEO **–** *Indeed, over the year we carried through numerous corporate actions which allowed us to meet important objectives in terms of capital solidity, de-risking and rationalization of the corporate structure, and that are key to the bank's turnaround. The capital strengthening plan was instrumental in achieving a significant capital solidity, with a fully-loaded CET1 ratio of 13.5. Credit quality has sharply improved, driven by the significant de-risking plan that slashed gross NPLs down by 51% y/y, and reduced their ratio to total loans. Over the year, the net NPE ratio dropped from 13% to 5%, and the gross NPE ratio went from 22% to 11% (credit quality was further improved through the increase in NPL coverage ratios). In Q4 2018, the NPL coverage ratio was raised to 56%, up by roughly 6 p.p. over the previous quarter. More specifically, bad loans coverage reached 75%. Thanks to the additional strengthening of coverage levels, that what is more was carried out while at the same time increasing capital ratios, it will be possible to step up the de-risking process (internal workout and sales), which is still a strategic target for the bank, considering also the recent regulatory developments and the uncertainty surrounding the Italian macroeconomic outlook.*

The significant risk profile improvement that has been achieved to date, coupled with the robust capital position, allows us to get 2019 off to a good and solid start, enabling the bank to put a stronger focus on developing our core business, by relentlessly supporting the economy of the territories we operate in, in particular households and SMEs, to whom Creval lent almost 3 billion euro in 2018, up by 33% compared to the prior year. Moreover, from a commercial point of view, our clients will be able to benefit from the new consumer credit and bancassurance partnerships, as well as from the growth of the factoring business".

Main targets achieved in 2018

Capital strengthening

In 2018 Creval implemented a capital bolstering plan which allowed the bank to reach its current high capital solidity.

The 700-million-euro capital increase completed in March drove the bank's Regulatory ratios well above the minimum capital requirements. Further benefits have come from the Bank of Italy's authorization on 26 September to use the advanced models for prudential purposes to measure credit risk ("A-IRB").

The NPL sales carried out during the year and the bancassurance reorganization have contributed as well to increasing the capital position.

As a result of the positive impacts generated by the above actions, the fully-loaded CET 1 ratio went from 10.4% on 31 December 2017 up to 13.5% on 31 December 2018, reflecting an excess capital of 580 bps over the minimum regulatory requirements.

De-risking process and asset quality

The de-risking process driven by the capital bolstering gained a strong momentum. Indeed, the substantial NPL sales coupled with the increase in NPL coverage contributed to the bank's overall credit quality improvement. During the year, more than 2-billion GBV of non-performing loans have been sold (of which 1.6 billion euro through a securitization with the senior tranche backed by the GACS guarantee). As a result of the above sales, the gross NPE ratio dropped from 21.7% to 11.0%.

The NPL reduction accomplished in 2018 came with a strengthening of the coverage ratio, which - driven also by the impact from the first-time adoption of IFRS 9 and of the actions reported in Q4 2018 - at 31 December 2018 rose to 55.9%, compared to 45.3% at 31 December 2017. More specifically, for bad loans the coverage ratio came in at 75.1% (62.3% at 31 December 2017).

Operational efficiency and cost control

With respect to operational efficiency, the Bank took actions aimed at cutting costs. With regard to the rationalization of the organizational structure, an agreement on the voluntary redundancy scheme was entered with trade unions, leading to the approval of 219 applications (exceeding the Plan target of 170) filed by employees, who left the Group effective 1 July 2018. At 31 December 2018 the total headcount was 3,668 people.

As regards the branch network, a branch network optimization plan has been defined, whereby 50 more branches were closed. Furthermore, during the year the development process of "Bancaperta" branches has progressed steadily, so that at the end of 2018 they added up to 21, 13 more compared to the previous year, which brings the total number of bank branches to 365.

As to the streamlining of the corporate structure, the mergers of the subsidiaries Credito Siciliano (effective on 25 June 2018) and Creval Sistemi e Servizi (effective 1 January 2019) into the Parent company Credito Valtellinese s.p.a. were approved during the year. These deals are a logical follow-on to the previous mergers of the other territorial banks of the Group, in consistency with the creation of the "single bank".

Reorganization of bancassurance business activities

In December, Creval completed the process to reorganize and unlock the value of our bancassurance business activities, through (i) a new long-term exclusive partnership with Crédit Agricole Assurances SA in the Life business, for the distribution of all savings and investment insurance products, as well as some protection insurance products, and (ii) the remodulation of existing agreements with the insurance group Ri-Fin and a new partnership agreement in the P&C and insurance brokerage businesses, on an exclusive basis and for 15 years.

Development of the factoring hub

In order to impart a sharp acceleration to the development of the factoring business launched at the beginning of the year with the establishment of Creval PiùFactor S.p.A, in June Creval finalized the purchase of Claris Factor S.p.A, a company specializing in factoring with and without recourse. The merger of Creval PiùFactor into Claris Factor gave rise to an operating company (Creval PiùFactor, 100% owned by Creval) dedicated to factoring, with an estimated turnover by 2020 exceeding 1.5 billion euro, which can become an important partner of Creval's odd 100,000 business clients, to free up working capital with an efficient and cost-effective financing product.

Key balance sheet items

At 31 December 2018, **loans and advances to customers** stood at 21.4 billion euro, compared to 16.7 billion euro at 1/1/2018 (inclusive of reclassifications and write-downs upon the first-time adoption of IFRS9).

The aggregate's **debt securities** component accounted for 5.8 billion euro, of which 4.6 billion euro of government bonds and 1.1 billion euro of corporate bonds, mainly represented by senior notes backed by the GACS guarantee from the "Aragorn" and "Elrond" NPL securitizations, totaling 0.9 billion euro.

Performing loans (excluding debt securities) came to 14.8 billion euro, up by 6.1% year to date, mainly driven by the increase in originations over the period, totaling 2.8 billion euro, up by 33% y/y, which confirms the ongoing recovery of the commercial activity.

Net non-performing exposures (NPE), totaled 871 million euro, down by 60.4% compared to 31/12/17 and by 12.0% compared to 30/09/18. The decline was driven by the NPL sales carried out at the beginning of the year and by the loan write-downs reported during the year, in particular due to the adoption of IFRS9. **The total NPL to customer loans ratio (net of government bonds) stood at 5.2%** (13.2% at 31/12/2017).

More specifically, net **bad loans** added up to 204 million euro, down by 68.9% compared to 31/12/17 and by 11.2% compared to 30/09/18; net **unlikely-to-pay loans** came out at 605 million euro, down by 57.9% compared to 31/12/17 and by 9.2% compared to 30/09/18; net **past dues** stood at a 61.5 million euro, down by 40.5% compared to 31/12/17 and by 34.0% compared to 30/09/18.

The **NPL coverage ratio** came to 55.9%, up both compared to 50.4% on 30/09/17, and to 45.3% on 31/12/2017, notwithstanding the NPL sales carried out during the year. Including write-offs, total coverage rises to 58.6%.

In detail, the coverage of the single non-performing loan classes breaks down as follows:

- bad loans at 75.1% (62.3% at 31/12/17 and 71.3% at 30/09/2018) and at 78.5% including write-offs;
- unlikely-to-pay loans at 44.1% (33.6% at 31/12/17 and 38.8% at 30/09/18);
- past-due loans at 15.7% (8.0% at 31/12/17 and 11.4% at 30/09/18).

The coverage ratio of performing customer loans stood at 0.60%, excluding government bonds.

Direct funding added up to 19.9 billion euro, up 1.6% compared to 31 December 2017. Checking accounts and term deposits amounted to 14.2 billion euro, up by 8.5% year on year and by 3.2% compared to 30/09/2018; wholesale and retail bond funding totaled 1.4 billion euro, down by 44.7% y/y and by 28.4% compared to 30/09/2018, in line with the policy to gradually reduce the more expensive funding sources.

Indirect funding ran at 10.1 billion euro, compared to 11.3 billion euro at the end of December 2017. More specifically, managed assets were 7.1 billion euro (7.8 billion euro at 31/12/2017), and administered assets totaled 3.0 billion euro (3.5 billion euro at 31/12/2017). Both components were weighed down by the negative market performance in 2018.

Financial assets represented by securities stood at 7.9 billion euro (8.4 million euro at 30/09/2018), of which 5.8 billion euro measured at amortized cost under loans to customers, 1.9 billion euro measured at fair value through other comprehensive income (FVTOCI) and 0.2 billion at fair value through profit or loss (FVTPL). **Government bonds** amounted to 6.3 billion euro, compared to 6.8 billion euro at 30/09/2018. The drop reported in the quarter was mainly driven by the sales of Italian Government bonds held in portfolio, which at the end of 2018 totaled 5.3 billion euro compared to 5.8 billion euro at 30/09/2018. Specifically, 1.6 billion euro are represented by securities measured at FVTOCI (1.8 billion euro at 30/09/2018) with a duration of about 2.5 years, and 3.6 billion euro are securities measured at amortized cost under loans to customers (4.0 billion euro at 30/09/2018). The reserve of Italian govies measured at FVTOCI (net of tax effect) was -20.5 million euro.

The liquidity position remains robust. At 3 January 2019, the 3-month counterbalancing capacity was 5.9 billion euro (of which 2.9 billion euro of eligible unencumbered assets). The liquidity position benefitted from the securitizations carried out during the year, in particular the securitization of performing secured and unsecured mortgage loans granted to small and medium enterprises, which was completed in July for a total amount of 1.5 billion euro. As part of this securitization, upon issuance the European Investment Bank (EIB) subscribed a 200-million-euro senior bond, and later, in January 2019, a “Lower Mezzanine C1” bond for 85 million euro, with the aim of making funds available that would allow Creval to give SMEs an easier access to credit at competitive terms and conditions.

The liquidity ratios – LCR and NSFR – were well above the minimum regulatory requirements.

Shareholders’ equity and capital ratios

At 31 December 2018, the Group’s net equity stood at 1,566 million euro compared to 1,442 million euro at 31 December 2017. The Group’s net tangible book value at 31 December 2018 was 1,551 million euro compared to 1,398 million euro at 31 December 2017.

Following the Bank of Italy's authorization issued on 26 September 2018, capital ratios were calculated based on the A-IRB credit risk models (regulatory classes "corporate exposures" and "retail exposures").

Under the phase-in regime, the Common Equity Tier1 (CET1) was 1,862 million euro, against risk-weighted assets (RWAs) of 10,153 million euro. Total own funds amounted to 2,056 million euro.

On a phase-in basis, capital ratios came in as follows a:

- CET1 ratio of 18.3% vs. a SREP minimum requirement of 7.075%

- Tier 1 ratio of 18.3% vs. a SREP minimum requirement of 8.813%

- Total Capital ratio of 20.2% vs. a SREP minimum requirement of 11.125%

The fully-loaded CET1 ratio at 31 December 2018 was 13.5%, giving rise to an excess capital over the 2018 SREP minimum requirement (7.70%[3]) of 580 basis points.

Operating results

Net interest income stood at 366.2 million euro compared to 392.0 million euro in 2017. Data are not comparable due to the adoption of IFRS9 and, primarily, due to the impact from the sale of bad loan and unlikely-to-pay loan portfolios.

In Q4 2018, net interest income came in at 91.8 million euro, down by 3.9% compared to the prior quarter (95.5 million euro), mainly driven by the impact from the closing of the sale of the NPL portfolio "Gimli 2". As a result of this sale, the UTP contribution dropped to 7.3% from 8.2% in the prior quarter (14% in Q1 2018).

Net fees and commissions amounted to 274.8 million euro, down 5.8% y/y as a result of lower revenues from credit intermediation and a lower contribution from management, brokerage and advisory fees, affected by the negative performance of financial markets in 2018. The Q4 contribution amounted to 69.1 million euro, up 4.2% over the prior quarter, supported by the management and brokerage services compartment, and by commissions from the core banking business.

Dividend and similar income stood at 30.8 million euro, up from 2.9 million euro in 2017, driven by an extraordinary dividend of 28.7 million euro collected in Q4 2018.

Net income from **trading, hedging, and disposal/repurchase activities** came in at 8.1 million euro, and it factors in the prudential full impairment of the contribution paid to the FITD voluntary scheme (4.4 million euro) to purchase the T2 subordinated bond issued by Carige in November 2018.

Operating income reached 686.5 million euro, compared to 764.0 million euro in 2017.

Operating costs stood at 535.9 million euro, compared to 492.3 million euro in the same period of 2017. **Personnel expenses** added up to 327.1 million euro and include 63.7 million euro of non-recurring costs tied to the early redundancy plan under the trade union agreement signed

[3] Considering a Capital Conservation Buffer of 2.5%

on 16 April 2018. The 2017 figure benefitted from a positive component of 7.5 million euro ("NASPI" contribution - Nuova Assicurazione Sociale per l'Impiego). Net of these one-off components, personnel expenses reported a decline of 5.2% y/y, including last year's savings tied to the voluntary exits through the banking sector Solidarity fund. **Other administrative expenses** added up to 182.9 million euro and include the contributions to the Single Resolution Fund (12.5 million euro, of which 3.4 million euro of extraordinary contributions) and to the Deposit Guarantee Scheme (7.7 million euro). Moreover, it includes 9.4 million euro of extraordinary charges tied to the NPL sales carried out in 2018. The 2017 figure (193.6 million euro) included 7 million euro of non-recurring charges. Net of non-recurring items, other administrative expenses went down 8.9% y/y.

Net operating profit thus worked out to 150,6 million euro.

Loan loss impairments/reversals (they too affected by the introduction of IFRS9, and thus not comparable with the 2017 figure) came in at 143.9 million euro. Compared with the 9M 2018 figure of 13.1 million euro, there has been an increase by 130.8 million euro generated by the increase in NPL coverage levels to favor an additional potential acceleration of the de-risking process.

The **loss on sale/repurchase of financial assets measured at amortized cost** totaled 107.3 million euro and is related to the NPL sales carried out during the year. When summed to the line-item 'loan loss impairments/reversals", it gives rise to a loss of 251.2 million euro, of which 140 million euro ascribable to ordinary loan write-downs with an annualized cost of credit of 84 bps (customer loans net of government bonds).

The 15.5-million-euro **Badwill** refers to the *purchase price allocation* on the acquisition of Claris Factor closed on 29 June 2018.

Including net allowances to provisions for risks and charges for 15.8 million euro, the **loss on continuing operations before tax** came to 99.2 million euro. Net of the year's extraordinary effects (roughly -148 million euro[4]), gross income adds up to about 51 million euro.

Income tax for the period made a positive contribution of 134.1 million euro. It includes non-recurring impacts linked to the changes in the posted DTA (deferred tax assets) amount, also due to the recent fiscal regulation amendments introduced with Law no. 145 of 30 December 2018 (Budget law 2019). In particular, with regard to the FTA of IFRS 9, art. 1 paragraphs 1067 and 1068, provides for the deductibility of the IFRS 9 first-time adoption effect on loan loss provisions, both with regard to IRES (corporate income tax) and IRAP (regional production tax), whereby 10% of its amount is deducted in the first-time adoption tax period, and the remaining 90% allocated on a straight-line basis over the following nine tax periods. Instead, the original regulation (Ministerial Decree of 10 January 2018) provided that the first-time effect be fully deducted.

The 10-year installment deductibility plan allowed Creval to book higher DTAs amounting to 176 million euro, as they are fully recoverable based on the deferred tax reassessment under the

[4] In detail: costs tied to the Solidarity Fund (-€63.7mln), extraordinary loan write-downs/off (-€111mln), costs tied to NPL sales (-€9,3mln), extraordinary contribution to SRF (-€3.4mln), impairment of the contribution to the FITD voluntary scheme (-€4.4mln), extraordinary shareholder dividends (+€28.7mln), badwill Claris Factor (+€15,5mln), other effects (-€1mln).

probability test carried out upon approving the results as at 31 December 2018. Moreover, again based on the test outcome, in Q4 booked DTAs tied to past tax losses were impaired by 73 million euro.

After minority interest, **net income for the period** amounted to 31.7 million euro.

Outlook for the current year

In Q4 2018, economic growth in the Euro area remained at 0.2%, in line with Q3 (+0.2%), confirming its lowest level since 2014, sustained only by domestic demand, while exports were stagnant. The annual GDP growth rate stood at 1.2%, quite behind the 1.6% rate projected in the previous quarter and worsened compared to the expansion reported in the last 3 years in excess of 2%. In the last part of 2018 even industrial output dropped significantly, in particular in Germany, France and Italy. Inflation remained positive and yet in a downtrend, driven by the slowdown in the energy sector. Against this backdrop, the ECB confirmed its intention to continue along the course of a wide monetary accommodation for quite a while.

In Italy the expansion of economic activities came to a halt as of the third quarter of 2018, during which the progressive decline in real economic indicators, in particular internal demand, led to a 0.1% GDP decline. As recently confirmed by Italy's statistics office, the consumption and investment contraction continued even in Q4, and based on preliminary estimates GDP shrank by an additional 0.2%, thus sanctioning Italy's fall into recession, the only one among European countries. The most recent confidence surveys point to a continuation of the slowdown of the Italian economy into 2019. Therefore, the risk of a downturn in 2019 remains higher in Italy than among the other European member countries.
In light of the clear slowdown, recently both the International Monetary Fund and the Bank of Italy revised the 2019 GDP growth rate downwards to +0.6%, from +1.0% and +0.9%, respectively.

As regards the Banking sector, the prospects of a slowdown of Italy's economic growth, of a postponement of interest rate rises and of persisting tensions on the sovereign debt market have actually materialized in the last quarter of 2018, stoking the uncertainty as to the future evolution of the cost of funding. Add to this the possible further regulatory developments on NPLs, which may well slow down the journey of the cost of risk towards normalization.

In view of this outlook, today the Board of Directors, whose members have been recently appointed, upon approving the preliminary 2018 consolidated results, has decided to start preparing a new three-year Business plan, that will be duly communicated to the market within the first half of 2019.

* * *

Please find below the key financial highlights and alternative performance indicators, together with the reclassified consolidated Statement of Financial Position and Income statement.

Statement of the financial reporting officer

The financial reporting officer, Mrs. Simona Orietti, in compliance with paragraph two of art. 154 *bis* of the “Consolidated act for financial intermediation”, hereby states that the accounting information illustrated in this press release is consistent with documental evidence, accounting books and book-keeping entries.

Simona Orietti

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CONSOLIDATED FINANCIAL HIGHLIGHTS AND ALTERNATIVE PERFORMANCE INDICATORS

STATEMENT OF FINANCIAL POSITION DATA	31/12/2018	31/12/2017	Change
(in thousands of EUR)			
Loans and receivables with customers	21,413,093	16,680,944	28.37%
Financial assets and liabilities measured at fair value	2,038,300	4,300,828	-52.61%
Non-current assets held for sale and disposal groups	75,548	3,955	N.s.
Total assets	26,472,669	24,956,824	6.07%
Direct funding from customers	19,944,672	19,631,283	1.60%
Indirect funding from customers	10,060,828	11,273,213	-10.75%
of which:			
- Managed funds	7,059,571	7,801,592	-9.51%
Total funding	30,005,500	30,904,496	-2.91%
Equity	1,566,242	1,442,094	8.61%

SOLVENCY RATIOS	31/12/2018	31/12/2017
Common Equity Tier 1 capital / Risk-weighted assets (CET1 capital ratio)	18.3%	10.6%
Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	18.3%	10.6%
Total own funds / Risk-weighted assets (Total capital ratio)	20.2%	12.5%

Figures calculated provisionally pending the submission to the Supervisory Authority.

FINANCIAL STATEMENT RATIOS	31/12/2018	31/12/2017
Indirect funding from customers / Total funding	33.5%	36.5%
Managed funds / Indirect funding from customers	70.2%	69.2%
Direct funding from customers / Total liabilities	75.3%	78.7%
Loans and receivables with customers / Direct funding from customers	107.4%	85.0%
Loans and receivables with customers / Total assets	80.9%	66.8%

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CREDIT RISK	31/12/2018	31/12/2017	Change
Net bad loans (in thousands of EUR)	204,422	657,512	-68.91%
Other net doubtful loans (in thousands of EUR)	666,761	1,540,116	-56.71%
Net non-performing loans (in thousands of EUR)	871,183	2,197,628	-60.36%
Net bad loans / Loans and receivables with customers	1.0%	3.9%	
Other net doubtful loans / Loans and receivables with customers	3.1%	9.2%	
Net non-performing loans / Loans and receivables with customers	4.1%	13.2%	
Coverage ratio of bad loans	75.1%	62.3%	
Coverage ratio of other doubtful loans	42.3%	32.3%	
Coverage ratio of net non-performing loans	55.9%	45.3%	

Loans and receivables with customers classified under non-current assets held for sale and disposal groups are not included.

CREDIT QUALITY	31/12/2018				31/12/2017			
	Gross amount	Impairment losses	Carrying amount	% coverage	Gross amount	Impairment losses	Carrying amount	% coverage
Non-performing loans								
Bad loans	820,875	-616,453	204,422	75.1%	1,745,548	-1,088,036	657,512	62.3%
Unlikely to pay	1,082,291	-477,036	605,255	44.1%	2,162,940	-726,153	1,436,787	33.6%
Past due non-performing loans	72,952	-11,446	61,506	15.7%	112,347	-9,018	103,329	8.0%
Total non-performing loans	**1,976,118**	**-1,104,935**	**871,183**	**55.9%**	**4,020,835**	**-1,823,207**	**2,197,628**	**45.3%**
Performing loans - stage 1	19,008,566	-34,170	18,974,396	0.18%	14,545,619	-62,303	14,483,316	0.43%
Performing loans - stage 2	1,629,593	-62,079	1,567,514	3.81%	-	-	-	
Total loans and receivables with customers	**22,614,277**	**-1,201,184**	**21,413,093**		**18,566,454**	**-1,885,510**	**16,680,944**	

The coverage ratio is calculated as the ratio between impairment losses and gross amount

Loans and receivables with customers classified under non-current assets held for sale and disposal groups are not included

At 31 December 2018 performing loans includes Government bond for a gross amount of EUR 4,622,106 thousand

ORGANISATIONAL DATA	31/12/2018	31/12/2017	Change
Number of employees	3,668	3,819	-3.95%
Number of branches	365	412	-11.41%

OTHER FINANCIAL INFORMATION	2018	2017
Cost/Income ratio (*)	68.3%	65.0%

(*) 2018 figure calculated net of non-operating expenses related to the "Solidarity Fund 2018" for EUR 63,687 thousand and the extraordinary contributions for SRF for EUR 3,408 thousand; 2017 figure calculated net of non-operating profit related to the implementation of the "Solidarity Fund 2016" (4,525 thousands of EUR).

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

The period of comparison, financial year 2017, has been shown again in a reclassified form based on the new accounting tables in the 5th update of the Banca d'Italia Circular no. 262/05. The accounting sums for the year ended 31/12/2017 have been traced back to the new accounting items without applying the new logics of classification and measurement. The notes provide a reconciliation table.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of EUR)

ASSETS	31/12/2018	31/12/2017	Change
Cash and cash equivalents	200,153	197,829	1.17%
Financial assets at fair value through profit or loss	235,378	20,681	N.s.
Financial assets at fair value through other comprehensive income	1,937,531	4,419,352	-56.16%
Loans and receivables with banks	1,205,925	2,033,413	-40.69%
Loans and receivables with customers	21,413,093	16,680,944	28.37%
Hedging derivatives	-	199	-100.00%
Equity investments	20,269	24,371	-16.83%
Property, equipment and investment property and intangible assets (1)	447,642	486,524	-7.99%
Non-current assets held for sale and disposal groups	75,548	3,955	N.a.
Other assets (2)	937,130	1,089,556	-13.99%
Total assets	**26,472,669**	**24,956,824**	**6.07%**

(1) Include items "90. Property, equipment and investment property" and "100. Intangible assets".
(2) Include items "110. Tax assets" and "130. Other assets".

(in thousands of EUR)

LIABILITIES	31/12/2018	31/12/2017	Change
Due to banks	4,096,231	3,143,189	30.32%
Direct funding from customers (1)	19,944,672	19,631,283	1.60%
Financial liabilities held for trading	64	713	-91.02%
Hedging derivatives	134,545	138,691	-2.99%
Liabilities included in disposal groups classified as held for sale	2,271	-	N.s.
Other liabilities	491,739	421,399	16.69%
Provisions for specific purpose (2)	236,885	174,103	36.06%
Equity attributable to non-controlling interests	20	5,352	-99.63%
Equity (3)	1,566,242	1,442,094	8.61%
Total liabilities and equity	**26,472,669**	**24,956,824**	**6.07%**

(1) Includes item "10. Financial liabilities measured at amortised cost: b) due to customers; c) securities issued".
(2) Include items "60. Tax liabilities", "90. Post-employment benefits" and "100. Provisions for risks and charges".
(3) Includes items "120. Valuation reserves", "150. Reserves", "160. Share premium reserve", "170. Capital", "180. Treasury shares", and "200. Profit (Loss) for the year".

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(in thousands of EUR)

ITEMS	2018	2017	Change
Net interest income	**366,199**	**391,963**	**-6,57%**
Net fee and commission income	274,837	291,758	-5,80%
Dividends and similar income	30,806	2,911	N.s.
Profit of equity-accounted investments (1)	1,988	1,279	55,43%
Net trading, hedging income (expense) and profit (loss) on sales/repurchases (2)	8,126	55,616	-85,39%
Other operating net income (3)	4,571	20,434	-77,63%
Operating income	**686,527**	**763,961**	**-10,14%**
Personnel expenses	(327,148)	(270,443)	20,97%
Other administrative expenses (4)	(182,907)	(193,621)	-5,53%
Depreciations/amortisations and net impairment losses on property, equipment and investment property and intangible assets (5)	(25,868)	(28,227)	-8,36%
Operating costs	**(535,923)**	**(492,291)**	**8,86%**
Net operating profit	**150,604**	**271,670**	**-44,56%**
Impairment or reversal of impairment and modification gains (losses) (6)	(143,877)	(404,499)	-64,43%
Losses on derecognition of financial assets valued at the amortised cost (7)	(107,278)	(255,843)	-58,07%
Net accruals to provisions for risks and charges	(15,822)	(4,402)	N.s.
Net gains (losses) on sales of investments and valuation differences on property and equipment at fair value (8)	1,708	68,864	-97,52%
Badwill (9)	15,507	-	N.s.
Pre-tax loss from continuing operations	**(99,158)**	**(324,210)**	**-69,42%**
Income taxes	134,105	(3,989)	N.s.
Post-tax profit (loss) from continuing operations	**34,947**	**(328,199)**	N.s.
Profit for the year attributable to non-controlling interests	(3,225)	(3,650)	-11,64%
Profit (loss) for the year	**31,722**	**(331,849)**	N.s.

(1) Net gains on equity-accounted investments include net gains (losses) on equity-accounted investments included in item “250. Net gains on equity investments"; the residual amount of that item is included in gains on sales of investments, together with item 280. “Net gains (losses) on sales of investments"
(2)Includes item “80. Profit (Losses) on trading”, “90. Fair value adjustments in hedge accounting”, “100. Profit (loss) on sale or repurchase of: a) financial assets at amortised cost; b) financial assets at fair value through other comprehensive income; c) financial liabilities” and “110. Profits (Losses) on other assets and liabilities at fair value through profit or loss: b) other financial assets mandatorily measured at fair value through profit or loss”
(3) Other income and charges correspond to item 230 “Other operating expenses/income” net of the explained reclassifications
(4) Other administrative expenses include recoveries of taxes and other recoveries recognised in item "230. Other operating expenses/income" (EUR 43,581 thousand in the 2018 and EUR 49,460 thousand in the 2017);
(5) The net impairment losses on property and equipment and intangible assets include items "210. Depreciation and net impairment losses on property and equipment", "220. Amortisation and net impairment losses on intangible assets" and the accumulated depreciation of costs incurred for leasehold improvements included in item "230. Other operating expenses/income"(EUR 1,097 thousand in the 2018 and EUR 1,345 thousand in the 2017)
(6) Include items “130. Impairment or reversal of impairment on; a) financial assets at amortised cost; b) financial assets at fair value through other comprehensive income” and “140. Modification gains (losses)”
(7) Include item "100. Net gains (losses) on sales or repurchase of: a) financial assets valued at the amortised cost "
(8) Include the residual amount of item 250. “Net gains on equity investments” not included among net gains on equity-accounted investments, together with item "280. Net gains on sales of investments"" and item “260. Net result of property, equipment and investment property and intangible assets at fair value”(9) Include badwill accounted in item 230 “Other operating expenses/income”

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