

Banking Accounting & Market Analysis

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Financial Reporting

- **System of 7 coordinated documents**

- Balance sheet (assets & liabilities) *quantitative; synthetic*
- Income Statement (revenues and costs) *quantitative; synthetic*
- Notes to Financial Reporting *quali/quantitative; analytical*
- Report on Operations *qualitative; analytical*
- Statement of Other Comprehensive Income
- Changes in the Shareholders' Equity
- Cash Flow Statement

- **Historical trends**

- from stressing the assets/liabilities measurement to focusing on profits & losses
- from being merely backward looking to leveraging on forward looking info
- from addressing creditors' needs to considering the needs of all stakeholders

Characteristics of banks' financial reporting

- **Reporting Principles**

- Clearness, Truthfulness, Correctness (but no longer “Prudence”)
- Substance prevails over form
- Ease of comparability
 - both vertically (through time) and horizontally (across banks)
- Use of both Fair Value (FV) and Amortized Historical Cost (AHC) valuation

- **Fair Value (FV)**

- price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date (an exit price) under current market conditions
 - an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant

- **Hierarchies of FV metrics (from top to bottom):**

1. Recorded market price → mark to market
2. Recent prices of comparables → mark to comparables
3. model pricing (NPV, option model) → mark to model

Balance Sheet

- **Very limited discretion in representing Assets & Liabilities (A/L)**
 - norms defining content & structure of banks' financial reporting are more granular and prescriptive than for non financial firms (NFCs) to ensure easy comparisons
- **Representation of A/L through a homogeneous set of pre-specified:**
 - Captions
 - Sub-captions
 - Informational details (*"of which"*)
- **Discretion limited to:**
 - Adding new captions under a pair of very restrictive conditions:
 - i) content cannot be referred to any of the captions in the pre-specified set;
 - ii) content is of a material amount
 - Consolidation of different sub-captions under a pair of restrictive conditions:
 - i) their content is non material;
 - ii) their consolidation enhances the clarity of the representation

Balance Sheet: Asset Side

ASSETS
10. Cash and cash balances
20. Financial assets at fair value through profit or loss:
a) financial assets held for trading
b) financial assets designated at fair value
c) other financial assets mandatorily at fair value
30. Financial assets at fair value through other comprehensive income
40. Financial assets at amortised cost:
a) loans and advances to banks
b) loans and advances to customers
50. Hedging derivatives
60. Changes in fair value of portfolio hedged items (+/-)
70. Equity investments
80. Insurance reserves charged to reinsurers
90. Property, plant and equipment
100. Intangible assets
<i>of which: goodwill</i>
110. Tax assets:
a) current
b) deferred
120. Non-current assets and disposal groups classified as held for sale
130. Other assets
Total assets

- Assets are classified in different captions according to their nature
- Sequence of captions is based on:
 - Asset Liquidity
 - Valuation Criteria
 - Type of Counterparts
 - Asset use (going concern / disposal)
- Derivatives positions are treated as financial assets if their FV > 0
- All assets must be recorded at their net carrying value

Balance Sheet: Liability Side

LIABILITIES AND SHAREHOLDERS' EQUITY
10. Financial liabilities at amortised cost:
a) deposits from banks
b) deposits from customers
c) debt securities in issue
20. Financial liabilities held for trading
30. Financial liabilities designated at fair value
40. Hedging derivatives
50. Value adjustment of hedged financial liabilities (+/-)
60. Tax liabilities:
a) current
b) deferred
70. Liabilities associated with assets classified as held for sale
80. Other liabilities
90. Provision for employee severance pay
100. Provisions for risks and charges:
a) commitments and guarantees given
b) post-retirement benefit obligations
c) other provisions for risks and charges
110. Technical reserves
120. Valuation reserves
130. Redeemable shares
140. Equity instruments
150. Reserves
160. Share premium
170. Share capital
180. Treasury shares (-)
190. Minority shareholders' equity (+/-)
200. Profit (Loss) for the period (+/-)
Total liabilities and shareholders' equity

- Liabilities are classified in different captions according to their nature
- Sequence of captions is based on:
 - Debt capital first; equity capital last
 - Type of Counterparts
 - Valuation Criteria
 - Corresponding assets' use
 - liabilities related to asset under disposal
- Derivatives positions are treated as financial liabilities if $FV > 0$

Income Statement

- **Vertical structure, according to a mandatory sequence of captions**
 - each caption reflects a different types of revenue or costs
- **The required sequence of captions aims to:**
 1. ensure proximity of revenues and costs related to the same type of operations
 2. provide evidence of intermediate results related to connected operations
 - e.g. Net Interest Income, Net fee based income, Operating Income,.....
- **No caption refers to “extraordinary” revenues/costs**
 - a caption is for revenues/costs deriving from sets of assets ready for disposal
- **Components of the Income Statement originating from a valuation process of assets and liabilities usually appear under separate captions**
 - Depreciation and amortization (D&A); Impairment
 - Exceptions
 - Trading Profits includes realized & unrealized profit and losses on the trading book
 - Net Interest Income (due to a recent inclusion of the unwinding of the time value part of the estimated recovery rate)

Income Statement: Top Lines

10. Interest income and similar revenues

of which: interest income calculated with the effective interest method

20. Interest expenses and similar charges

30. Net interest margin

40. Fees and commissions income

50. Fees and commissions expenses

60. Net fees and commissions

70. Dividend income and similar revenues

80. Net gains (losses) on trading

90. Net gains (losses) on hedge accounting

100. Gains (Losses) on disposal and repurchase of:

a) financial assets at amortised cost

b) financial assets at fair value through other comprehensive income

c) financial liabilities

110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:

a) financial assets/liabilities designated at fair value

b) other financial assets mandatorily at fair value

120. Operating income

130. Net losses/recoveries on credit impairment relating to:

a) financial assets at amortised cost

b) financial assets at fair value through other comprehensive income

140. Gains/Losses from contractual changes with no cancellations

150. Net profit from financial activities

160. Net premiums

170. Other net insurance income/expenses

180. Net profit from financial and insurance activities

Income Statement: Bottom Lines

190. Administrative expenses:

a) staff costs

b) other administrative expenses

200. Net provisions for risks and charges:

a) commitments and financial guarantees given

b) other net provisions

210. Net value adjustments/write-backs on property, plant and equipment

220. Net value adjustments/write-backs on intangible assets

230. Other operating expenses/income

240. Operating costs

250. Gains (Losses) of equity investments

260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value

270. Goodwill impairment

280. Gains (Losses) on disposals on investments

290. Profit (Loss) before tax from continuing operations

300. Tax expenses (income) for the period from continuing operations

310. Profit (Loss) after tax from continuing operations

320. Profit (Loss) after tax from discontinued operations

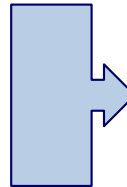
330. Profit (Loss) for the period

340. Minority profit (loss) for the period

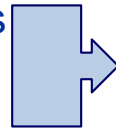
350. Parent Company's profit (loss) for the period

Notes to the Financial Statements

- They contain both quantitative and qualitative information, some of which detail the synthetic quantitative information contained in the Balance Sheet and the Income Statement
- Their content and expositional structure are legally mandated
- They are part of the financial reporting documentation
- The notes are grouped in 10 parts, each related to:
 - Accounting policies
 - Information on the Balance Sheet
 - Information on the Income Statement.
 - Comprehensive Income
 - Information on risks/hedging policies
 - Information on Capital
 - Business Combinations
 - Information on Compensation and Transactions with Related Parties
 - Share Based Payments
 - Segment Reporting



More granular description of the content of the amounts reported for caption (sub-captions) to clarify their structure / formation process



Additional relevant features for evaluating the management (risk measurement & management, capital adequacy)

Statement of Other Comprehensive Income

ITEMS
10. Profit (Loss) for the period
Other comprehensive income after tax not reclassified to profit or loss
20. Equity instruments designated at fair value through other comprehensive income
30. Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)
40. Hedge accounting of equity instruments designated at fair value through other comprehensive income
50. Property, plant and equipment
60. Intangible assets
70. Defined-benefit plans
80. Non-current assets and disposal groups classified as held for sale
90. Portion of valuation reserves from investments valued at equity method
Other comprehensive income after tax reclassified to profit or loss
100. Foreign investments hedging
110. Foreign exchange differences
120. Cash flow hedging
130. Hedging instruments (non-designated items)
140. Financial assets (different from equity instruments) at fair value through other comprehensive income
150. Non-current assets and disposal groups classified as held for sale
160. Part of valuation reserves from investments valued at equity method
170. Total other comprehensive income after tax
180. Other comprehensive income (Item 10+170)
190. Minority consolidated other comprehensive income
200. Parent Company's consolidated other comprehensive income

- It shows the total income produced by the bank over the considered period
- It adds to the Profit/Loss of the year the value changes (+/-) incurred by the bank's assets and liabilities that are not part of the Income Statement
 - Such value changes are directly included in the balance sheet, forming the «valuation reserves»
- It informs on the global (comprehensive) profitability of the bank

Statement of Changes in the Shareholders' equity

	BALANCE AS AT 12.31.2018	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2019	PREVIOUS YEAR PROFIT (LOSS) ALLOCATION		CHANGES IN THE PERIOD										TOTAL SHAREHOLDERS' EQUITY AS AT 06.30.2019	GROUP SHAREHOLDERS' EQUITY AS AT 06.30.2019	MINORITY SHAREHOLDERS' EQUITY AS AT 06.30.2019	
				RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	SHAREHOLDERS' EQUITY TRANSACTIONS												
							ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	ADVANCED DIVIDENDS	DIVIDENDS EXTRAORDINARY DISTRIBUTION	CHANGE IN EQUITY INSTRUMENTS	TREASURY SHARES DERIVATIVES	STOCK OPTIONS	CHANGES IN EQUITY INVESTMENTS	OTHER COMPREHENSIVE INCOME FIRST HALF 2019				
Share capital:																			
- ordinary shares	21,248	-	21,248	-	-	(133)	55	-	-	-	-	-	-	-	-	-	21,170	20,995	175
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	13,480	-	13,480	-	-	(169)	-	-	-	-	-	-	-	-	-	-	13,311	13,225	86
Reserves:																			
- from profits	13,426	-	13,426	3,317	-	(389)	(55)	-	-	-	-	-	-	-	-	-	16,299	16,371	(72)
- other	7,408	-	7,408	-	-	36	-	-	-	-	-	31	-	-	-	-	7,475	7,348	127
Valuation reserves	(7,495)	-	(7,495)	-	-	7	-	-	-	-	-	-	-	(147)	-	-	(7,635)	(7,643)	8
Advanced dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	4,610	-	4,610	-	-	-	-	-	-	992	-	-	-	-	-	-	5,602	5,602	-
Treasury shares	(18)	-	(18)	-	-	15	-	-	-	-	-	-	-	-	-	-	(3)	(3)	-
Profit (Loss) for the period	4,109	-	4,109	(3,317)	(792)	-	-	-	-	-	-	-	-	3,328	-	-	3,328	3,241	87
Total shareholders' equity	56,768	-	56,768	-	(792)	(633)	-	-	-	992	-	31	-	3,181	-	59,547	59,136	411	
Group shareholders' equity	55,841	-	55,841	-	(604)	(211)	-	-	-	992	-	31	-	3,087	-	59,136			
Minority shareholders' equity	927	-	927	-	(188)	(422)	-	-	-	-	-	-	-	94	-	411			

- It details the changes incurred in all components of the shareholders' equity capital
- If transactions with shareholders (dividends, buybacks, share issues) are excluded, it provides the contribution of the operations to the bank capital

Cash Flow Statement

- It details sources & uses of cash flows, clarifying bank's liquidity & funding profile
- It consists of 3 parts:
 - Operating Activities
 - Operations
 - Liquidity produced/absorbed by Financial Assets
 - Liquidity produced/absorbed by Financial Liabilities
 - Investment Activities
 - Purchases/sales of:
 - durable (tang., intang.) asset;
 - equity investments, subsidiaries & business units
 - Funding Activities
 - Transactions with equityholders
 - Treasury shares / Buybacks
 - Dividends / Equity offerings
 - Sale/purchase of minority control

A. OPERATING ACTIVITIES
1. Operations:
- profit (loss) for the period (+/-)
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit or loss (-/+)
- gains (losses) on hedge accounting (-/+)
- net losses/recoveries on impairment (+/-)
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)
- net provisions for risks and charges and other expenses/income (+/-)
- uncollected net premiums (-)
- other uncollected insurance income/expenses (-/+)
- unpaid duties, taxes and tax credits (+/-)
- impairment/write-backs after tax on discontinued operations (+/-)
- other adjustments (+/-)
2. Liquidity generated/absorbed by financial assets:
- financial assets held for trading
- financial assets designated at fair value
- other financial assets mandatorily at fair value
- financial assets at fair value through other comprehensive income
- financial assets at amortised cost
- other assets
3. Liquidity generated/absorbed by financial liabilities:
- financial liabilities at amortised cost
- financial liabilities held for trading
- financial liabilities designated at fair value
- other liabilities
Net liquidity generated/absorbed by operating activities
B. INVESTMENT ACTIVITIES
Liquidity generated/absorbed by:
- equity investments
- collected dividends on equity investments
- property, plant and equipment
- intangible assets
- purchases/sales of subsidiaries and business units
Net liquidity generated/absorbed by investment activities
C. FUNDING ACTIVITIES
- issue/purchase of treasury shares
- issue/purchase of equity instruments
- dividend distribution and other
- sale/purchase of minority control
Net liquidity generated/absorbed by funding activities
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD

Financial Instruments

- **IAS 32: Definition of Financial Instrument**

- Contract that gives rise to a financial asset (FA) of one entity and a financial liability (FL) or equity instruments of another entity

- **IFRS 9: with respect to FAs and FLs provides the criteria for their:**

- **Recognition;** - **Classification** - **Measurement**

- **Recognition occurs when a FI is acquired (FA) or issued (FL)**

- At initial recognition, an entity measures a FA or FL at its fair value +/- transaction costs directly attributable to the acquisition or issue of the FA or FL

- **Classification of FAs aims to define (exceptions allowed) the valuation criteria to use for measuring the assets on the book**

- It depends on the:

- characteristics of the FA's related contractual cash flows
- business model for which the FA is held

- **Classification of FLs is stated directly in terms of the valuation criteria prescribed by the norms or elected for use by the bank**

Classification of FAs

- **Three classes of FAs that, following initial recognition, are measured using different valuation principles**
 - HTC (Held To Collect) → “Amortized Historical Cost” (AHC)
 - HCS (Held to Collect & Sell) → «Fair Value to Other Comprehensive Income»
 - All Other FAs → «Fair Value Through Profit & Loss» (FV-P&L)
- **Contractual cash flows criterion**
 - The SPPI Test (Solely Payments of Principal and Interests) must be passed for the asset to qualify as either HTC or HCS
- **Business model for which assets are held criterion**
 - The Business Model Test discriminates between HTC and HCS
- **In limited instances the bank can elect to use a different valuation principle from the one dictated by the above approach**
 - e.g., in case of equities instruments included in the banking book, the bank may elect to use the Fair Value to Other Comprehensive Income (FV-OCI)

HTC: FAs valued at Amortized Historical Cost

- **SPPI Test OK**

- Their cash flows consist of solely payments of principal & interests
 - payments fixed or quantifiable at pre-specified contractual dates

- **Hold to Collect Business Model OK**

- They are held in order to collect such cash flows till the maturity of the asset
 - business model must be identified & formalized
 - eligibility for an HTC business model requires compliance with pre-specified:
 - limits for either frequent but not significant sales, or for infrequent sales even though their amount is significant
 - parameters to identify legitimate sales triggered by an increase in credit risk

- **Usually classified as HTC**

- loans (previously classified as Loans & Receivables)
- debt securities in the banking book held to maturity (previously classified HTM)

- **Valuation Principle**

- principal reimbursed is deducted
- impairment test performed

HCS: FAs measured at FV-OCI

- **SPPI Test OK**

- FAs originating cash flows consisting of solely payments of principal & interests at pre-specified contractual dates

- **A Dual Business Model**

- FAs held to collect contractual cash flows and, possibly, receipts from their sale

- **Classified as HCS**

- Debt Securities are held in the banking book, but remain available for sale too
 - under IAS39 they were usually classified in the “Available for Sale” (AFS) class

- **Valued at Fair Value through Other Comprehensive Income (FV-OCI)**

- fair value changes are included in the Income Statement contributing to the Net Income only in two cases: impairment and FX returns;
- otherwise they generate capital reserve valuations (+/-) in the balance sheet that will be transferred to the Income Statement only upon the asset disposal

- **Valuation at FV, but also subject to the Impairment Test**

Impairment

- **Impairment Loss**

- durable (≠ permanent) reduction, occurring discretely in time, in the asset's recoverable amount below its carrying amount as stated in the balance sheet (net of the corresponding valuation reserve, if positive)
- a reduction in the FV is a necessary but not sufficient condition for impairment since the loss causing a FV change might:
 - i) not be durable
 - ii) be compensated by an existing positive reserve
- a significant and persisting reduction of the FV below the amortized historical costs of the asset is objective evidence of an impairment loss

- **Impairment Procedure (Test)**

- assets not valued at FV-P&L must be periodically tested for impairment
- comparison of the asset's amortized historical cost with its fair value
- the FV is usually derived as the sum of the asset's discounted cash flows and terminal value (mark-to-model; value in use)

FAs measured at FV Through Profit & Loss (FV-PL)

- **Residual class of all remaining bank's FAs**, i.e. all assets that:
 - fail the SPPI Test (except equity instruments elected to be valued at FV-OCI)
 - are held for trading (HFT)
- **This class covers:**
 - all financial instruments in the trading book (debt, equity, derivatives,..)
 - equities in the banking book (for which the FV-OCI option was not exercised)
 - Including unlisted equity instruments and related derivatives (no more cost exemption)
 - units of both open end and closed end mutual fund
 - a marginal number of debt instruments failing the SPPI test
 - structured securities;
 - instruments that create concentrations of credit risk (tranches)
 - an even more marginal number of loans
- **Such FAs are valued at Fair Value through Profit and Loss (FV-PL)**
 - Any detected change in the fair value is included in the Income Statement contributing to the Net Income of the period
- **No impairment procedure is undertaken**

Impairment: which assets and which losses

- **Assets subject to impairment:**
 - Goodwill
 - Property, plant, equipment, other intangible assets (different from D&A)
 - Equity Investments, if not at FV-PL
 - Financial assets in the HTC portfolio (carried at amortized historical cost)
 - Financial assets in the HCS portfolio (carried at FV-OCI)
- **The Impairment Test is usually undertaken asset by asset**
- **It usually detects incurred (durable) losses**
- **However, FAs in both HTC & HCS portfolios are an exception**
 - impairment test aims to detect expected losses right from FAs' initial recognition
 - the calculation of expected losses must consider forward looking information, also including those concerning the evolution of the macroeconomic scenario
 - both features are meant to secure a more timely recognition of the losses

Impairment on HTC and HCS Financial Assets

- The Impairment Procedure to estimate the Expected Loss varies according to the «stage» of the FAs in the HTC and HCS portfolio

– Stage 1

- from the initial recognition of the asset (if not already impaired) till when its credit risk increases significantly

– Stage 2

- from when a Significant Increase in the asset's Credit Risk (SICR) occurs (compared to its credit risk level at initial recognition) until the asset becomes impaired
 - SICR detected by comparing PD at recognition with PD at the reporting date

– Stage 3

- from when the asset is recognized as “impaired” (non performing)

Impairment Models by HTC/HCS Asset's Stage

- **Stage 1**

- recognition of Expected Credit Loss [ECL] over Next 12 Months (NTM)
- NTM-ECL calculated at the appropriate aggregate portfolio level

- **Stage 2**

- recognition of Lifetime Expected Credit Loss (LECL)
- LECL calculated at the appropriate aggregate portfolio level

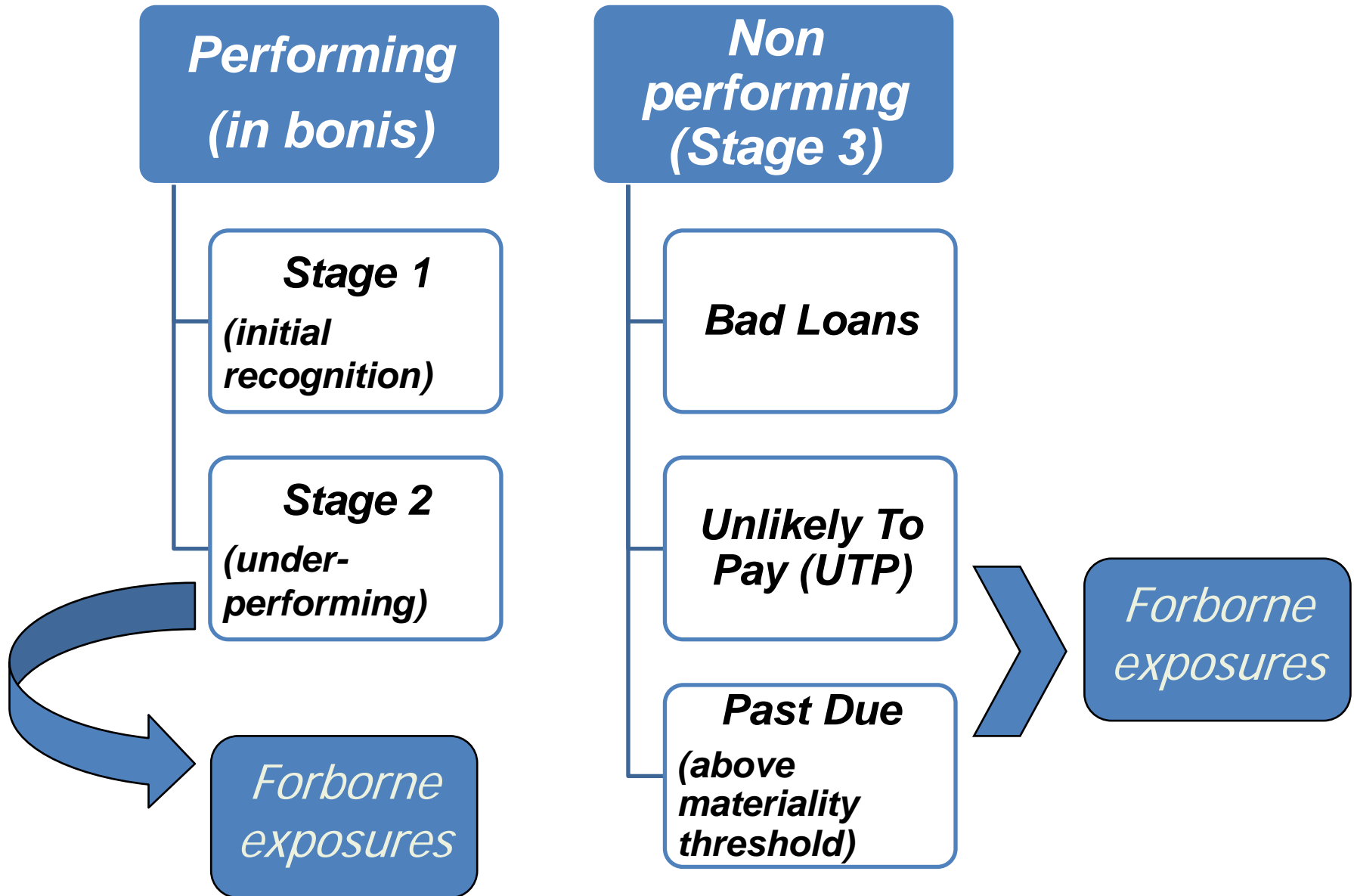
- **Stage 3**

- recognition of Lifetime Expected Credit Loss (LECL)
- LECL calculated at the asset by asset level
 - Shortcut may be adopted
 - recently introduced the so called “calendar provisioning”

Further Elements of the Impairment System

- **Methods for tracking the credit quality of FAs' in HTC & HCS**
- **Rules for discriminating between Stage 1 and Stage 2**
- **Rules for detecting movements in both directions**
 - conditions for recognizing a SICR
 - conditions for returning from Stage 2 to Stage 1
- ***[Lifetime PD at reporting – Lifetime PD at recognition] > threshold***
 - the threshold differs for type of portfolios, initial rating class, residual maturity
 - each thresholds is set through a calibration exercise

Loan Classification: *performing* vs. *non performing*



Discriminating Between Stage 1 and 2 Assets

- **Lifetime PD at reporting date** vs. **Lifetime PD at recognition**
- **Changes in PD may derive from:**
 - realized rating changes
 - changes in the forecast of future macroeconomic factors
- **Signals of large rating changes**
 - 30+ day past due position, subject to the regulatory threshold for materiality
 - adoption of forbearance measures
 - indicators from credit monitoring systems (inclusion in watch lists)
- **Loans vs. Debt Securities**
 - Loans are usually static holdings
 - Debt securities (ISIN level) often subject to sales/purchases post initial recognition
 - Staging of debt securities requires a method to identify the rating (PD) at initial recognition of their remaining quantities for comparison with their reporting date PD

Expected Credit Loss (ECL):

- All estimates derived from the related risk model (standard / IRB)

$$ECL = PD * LGD * EAD$$

- PD = probability of default; LGD= loss given default; EAD = exposure at default
- Appropriate adjustments to ensure compliance with IFRS9 are needed
 - ❑ Point in Time (PIT) PD rather than Through the Cycle (TTC) PD
 - ❑ Removal of the economic downturn component from the LGD calculation
 - ❑ Lifetime PD & LGD in place of the NTM PD & LGD in case of Stage 2 assets
 - ❑ Use of effective interest rates of individual transactions in discounting process

Expected Credit Loss: forward looking factors

- ❑ **Best estimate of the effects of future economic conditions affecting the forward looking PDs and LGDs for performing assets, especially if Stage 2**
 - ❑ forward looking estimate
 - ❑ using more macroeconomic scenarios to address non linearities
 - ❑ calculation of the weighted (by each scenario's probability) average loss
 - ❑ Estimation of the loss under the most likely scenario plus an overlay adjustment (add on) to account for the least likely scenarios

- ❑ **Valuation of Credit Impaired (stage 3) assets is also affected**
 - ❑ Valuation must pair current and future macroeconomic conditions
 - ✓ no upside scenario
 - ❑ Impact on several relevant parameters
 - ✓ recovery rates, collateral, time to recovery,
 - ✓ probability of status change / continuation

Equity Holdings

- **Equities in the trading book**
 - Always reported as «FAs at FV-PL»
 - in the sub-caption «FAs held for trading»
- **Equities (minority shareholdings) in the banking book**
 - default case: «FAs at FV-PL»
 - in the sub-caption «Other FAs mandatorily at FV»
 - elective case: «FAs at FV-OCI»,
 - if and only if such classification:
 - is elected immediately upon the asset recognition;
 - is irrevocable;
 - changes in the asset's value never recycled to P&L, even at the time of disposal
- **Equity holdings in firms under «joint control» or «significant influence»**
 - Valued at equity

Cash & Equivalents

ASSETS	AMOUNTS AS AT	
	06.30.2019	12.31.2018
10. Cash and cash balances	32,578	30,991

1.1 Cash and cash balances: breakdown

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
a) Cash	9,005,671	8,848,377
b) Demand deposits with Central banks	21,985,690	55,645,034
Total	30,991,361	64,493,411

Financial Assets at FV – P&L : HFT Portfolio

20. Financial assets at fair value through profit or loss:	89,038	86,137
a) financial assets held for trading	67,344	65,231
b) financial assets designated at fair value	-	-
c) other financial assets mandatorily at fair value	21,694	20,906

2.1 Financial assets held for trading: breakdown by product

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 06.30.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. Financial assets (non-derivatives)						
1. Debt securities	11,350	2,844	697	12,375	2,553	651
1.1 Structured securities	4	1,817	-	85	1,585	1
1.2 Other debt securities	11,346	1,027	697	12,290	968	650
2. Equity instruments	7,420	15	-	7,490	27	1
3. Units in investment funds	1,433	849	40	1,340	486	47
4. Loans	1,447	5,563	-	1,759	6,311	39
4.1 Reverse Repos	-	1,053	-	-	2,659	-
4.2 Other	1,447	4,510	-	1,759	3,652	39
Total (A)	21,650	9,271	737	22,964	9,377	738
B. Derivative instruments						
1. Financial derivatives	1,800	33,156	538	2,237	28,376	1,328
1.1 Trading	1,800	33,097	538	2,237	27,016	1,326
1.2 Linked to fair value option	-	22	-	-	35	-
1.3 Other	-	37	-	-	1,325	2
2. Credit derivatives	30	147	15	14	187	10
2.1 Trading	30	147	15	14	185	10
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	2	-
Total (B)	1,830	33,303	553	2,251	28,563	1,338
Total (A+B)	23,480	42,574	1,290	25,215	37,940	2,076

Total Level 1, Level 2 and Level 3

67,344

65,231

30

Financial Assets at FV–P&L: Other Components

2.3 Financial assets designated at fair value: breakdown by product

There are no amounts to be shown.

2.5 Other financial assets mandatorily at fair value: breakdown by product

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 06.30.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	8,194	7,130	290	7,154	8,762	640
1.1 Structured securities	-	-	30	-	5	29
1.2 Other debt securities	8,194	7,130	260	7,154	8,757	611
2. Equity instruments	1,524	42	408	417	44	398
3. Units in investment funds	39	42	1,006	37	30	903
4. Loans	-	1,885	1,134	-	1,733	788
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	1,885	1,134	-	1,733	788
Total	9,757	9,099	2,838	7,608	10,569	2,729
Total Level 1, Level 2 and Level 3			21,694			20,906

Financial Assets at FV-OCI

30. Financial assets at fair value through other comprehensive income

77,779

88,280

3.1 Financial assets at fair value through other comprehensive income: breakdown by product

(€ million)

ITEMS/VALUES	AMOUNTS AS AT 06.30.2019			AMOUNTS AS AT 12.31.2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	64,084	11,692	231	76,843	9,337	269
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	64,084	11,692	231	76,843	9,337	269
2. Equity instruments	1	1,010	761	1	1,055	775
3. Loans	-	-	-	-	-	-
Total	64,085	12,702	992	76,844	10,392	1,044
Total Level 1, Level 2 and Level 3	77,779			88,280		

Financial Assets at FV-OCI: a different view

3.2 Financial assets at fair value through other comprehensive income: breakdown by borrowers/issuers

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT 12.31.2018
1. Debt securities	86,449,024
a) Central Banks	-
b) Governments and other Public Sector Entities	78,170,426
c) Banks	5,830,011
d) Other financial companies	791,845
<i>of which: insurance companies</i>	-
e) Non-financial companies	1,656,742
2. Equity instruments	1,831,133
a) Banks	1,116,415
b) Other issuers	714,718
- Other financial companies	518,783
<i>of which: insurance companies</i>	19,821
- Non-financial companies	193,744
- Other	2,191
3. Loans and advances	-
a) Central Banks	-
b) Governments and other Public Sector Entities	-
c) Banks	-
d) Other financial companies	-
<i>of which: insurance companies</i>	-
e) Non-financial companies	-
f) Households	-
Total	88,280,157

Financial Assets at FV-OCI: Impairment

3.3 Financial assets at fair value through other comprehensive income: gross value and total accumulated impairments

(€ '000)

	GROSS VALUE				TOTAL ACCUMULATED IMPAIRMENTS			PARTIAL ACCUMULATED WRITE-OFFS(*)
	STAGE 1		STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	
		OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK						
Debt securities	86,053,335	66,030,763	436,001	69	32,657	7,696	28	-
Loans and advances	-	-	-	-	-	-	-	-
Total 12.31.2018	86,053,335	66,030,763	436,001	69	32,657	7,696	28	-
<i>of which: purchased or originated credit-impaired financial assets</i>	-	-	-	-	-	-	-	-

Financial Assets at Historical Amortized Costs- I

40. Financial assets at amortised cost:	580,504	579,311
a) loans and advances to banks	81,352	73,643
b) loans and advances to customers	499,152	505,668

Financial assets at amortised cost: breakdown by product of loans and advances to banks

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2019			AMOUNTS AS AT 12.31.2018		
	BOOK VALUE		OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	BOOK VALUE		OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS
	STAGE 1 AND STAGE 2	STAGE 3		STAGE 1 AND STAGE 2	STAGE 3	
A. Loans and advances to Central Banks	25,140	-	-	19,274	-	-
1. Time deposits	325	-	-	120	-	-
2. Compulsory reserves	9,209	-	-	10,877	-	-
3. Reverse repos	15,149	-	-	7,741	-	-
4. Other	457	-	-	536	-	-
B. Loans and advances to banks	56,212	-	-	54,369	-	-
1. Loans	52,726	-	-	50,529	-	-
1.1 Current accounts and demand deposits	13,387	-	-	11,669	-	-
1.2 Time deposits	10,264	-	-	8,741	-	-
1.3 Other loans	29,075	-	-	30,119	-	-
- Reverse repos	22,389	-	-	22,869	-	-
- Lease Loans	1	-	-	1	-	-
- Other	6,685	-	-	7,249	-	-
2. Debt securities	3,486	-	-	3,840	-	-
2.1 Structured	2	-	-	2	-	-
2.2 Other	3,484	-	-	3,838	-	-
Total	81,352	-	-	73,643	-	-

Financial Assets at Historical Amortized Costs - II

40. Financial assets at amortised cost:	580,504	579,311
a) loans and advances to banks	81,352	73,643
b) loans and advances to customers	499,152	505,668

Financial assets at amortised cost: breakdown by product of loans and advances to customers

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2019			AMOUNTS AS AT 12.31.2018		
	BOOK VALUE		OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS	BOOK VALUE		OF WHICH: PURCHASED OR ORIGINATED CREDIT- IMPAIRED FINANCIAL ASSETS
	STAGE 1 AND STAGE 2	STAGE 3		STAGE 1 AND STAGE 2	STAGE 3	
1. Loans	452,971	13,403	30	454,500	14,865	17
1.1 Current accounts	32,404	1,420	6	32,763	1,555	8
1.2 Reverse repos	37,141	-	-	38,263	-	-
1.3 Mortgages	163,732	5,491	7	162,155	5,890	7
1.4 Credit cards and personal loans, including wage assignment	17,136	288	-	17,653	281	-
1.5 Lease loans	18,391	1,997	-	18,453	2,275	-
1.6 Factoring	12,967	169	-	14,001	188	-
1.7 Other loans	171,200	4,038	17	171,212	4,676	2
2. Debt securities	32,740	38	-	36,258	45	-
2.1 Structured securities	20	-	-	21	-	-
2.2 Other debt securities	32,720	38	-	36,237	45	-
Total	485,711	13,441	30	490,758	14,910	17

Hedging Derivatives & ΔFV of Hedged Items

50. Hedging derivatives	4,681,517	3,431,070
60. Changes in fair value of portfolio hedged items (+/-)	2,438,598	2,244,685

	AMOUNTS AS AT 12.31.2018				AMOUNTS AS AT 12.31.2017			
	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial derivatives	98,986	4,578,280	4,251	199,826,000	1	3,428,674	2,395	192,313,287
1) Fair value	98,986	4,432,071	4,186	191,898,211	1	2,942,405	309	182,441,587
2) Cash flows	-	146,209	65	7,927,789	-	486,269	2,086	9,871,700
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	98,986	4,578,280	4,251	199,826,000	1	3,428,674	2,395	192,313,287
Total Level 1, Level 2 and Level 3	4,681,517				3,431,070			

CHANGES TO HEDGED ASSETS/GROUP COMPONENTS	AMOUNTS AS AT	
	12.31.2018	12.31.2017
1. Positive changes	4,303,297	3,695,007
1.1 Of specific portfolios	1,395,694	516,886
a) Financial assets at amortised cost <i>Loans and receivables</i>	1,395,694	516,886
b) Financial assets at fair value through other comprehensive income <i>Available-for-sale financial assets</i>	-	-
1.2 Overall	2,907,603	3,178,121
2. Negative changes	1,864,699	1,450,322
2.1 Of specific portfolios	644,954	75,912
a) Financial assets at amortised cost <i>Loans and receivables</i>	644,954	75,912
b) Financial assets at fair value through other comprehensive income <i>Available-for-sale financial assets</i>	-	-
2.2 Overall	1,219,745	1,374,410
Total	2,438,598	2,244,685

Equity Investments (valued at Equity)

70. Equity investments

5,670

5,502

Equity investments in joint ventures and in companies under significant influence (consolidated at net equity): annual changes

	NUMBER OF COMPANIES
A. Opening balance (from previous year)	66
B. Increased by	-
B.1 Newly established companies	-
B.2 Change of the consolidation method	-
B.3 Entities consolidated for the first time in the year	-
C. Reduced by	12
C.1 Disposal/Liquidation	7
C.2 Change of the consolidation method	4
C.3 Absorption by other entities	1
C.4 Other changes	-
D. Closing balance	54

7.6 Valuation and significant assumptions to establish the existence of joint control or significant influence

The Group has classified among associates the entities governed through voting rights with reference to which it can participate in defining the operating or financial policies through possession of at least 20% of the voting rights or the possibility of appointing members of the governing body.

The Group has classified its investees among jointly-controlled equity investments in the presence of agreements that state that decisions on significant activities are taken with the unanimous consent of all parties that share control.

Property, Plant & Equipment – I/II

90. Property, plant and equipment

9,176

8,408

9.1 Property, plant and equipment used in the business: breakdown of assets carried at cost

(€ '000)

ASSETS/VALUES	AMOUNTS AS AT	
	12.31.2018	12.31.2017
1. Owned assets	6,183,998	6,220,238
a) Land	1,224,207	1,201,374
b) Buildings	2,151,588	2,147,528
c) Office furniture and fitting	231,930	287,159
d) Electronic systems	464,082	475,361
e) Other	2,112,191	2,108,816
2. Leased assets	5	49,502
a) Land	-	14,916
b) Buildings	5	31,850
c) Office furniture and fitting	-	-
d) Electronic systems	-	-
e) Other	-	2,736
Total	6,184,003	6,269,740
<i>of which: obtained by the enforcement of collateral</i>	<i>723</i>	<i>-</i>

Property, Plant & Equipment – II/II

9.2 Property, plant and equipment held for investment: breakdown of assets carried at cost

(€ '000)

ASSETS/VALUES	AMOUNTS AS AT 12.31.2018				AMOUNTS AS AT 12.31.2017			
	BOOK VALUE	LEVEL 1	FAIR VALUE		BOOK VALUE	LEVEL 1	FAIR VALUE	
			LEVEL 2	LEVEL 3			LEVEL 2	LEVEL 3
1. Owned assets	1,471,311	-	88,561	2,077,418	2,121,656	14,821	97,488	2,458,780
a) Land	820,940	-	25,836	1,080,285	1,006,961	6,114	21,446	1,157,906
b) Buildings	650,371	-	62,725	997,133	1,114,695	8,707	76,042	1,300,874
2. Leased assets	46,282	-	-	56,400	10,512	-	-	10,512
a) Land	14,551	-	-	22,336	10,000	-	-	10,000
b) Buildings	31,731	-	-	34,064	512	-	-	512
Total	1,517,593	-	88,561	2,133,818	2,132,168	14,821	97,488	2,469,292
<i>of which: obtained by the enforcement of collateral</i>	17,697	-	-	14,925	-	-	-	-
Total Level 1, Level 2 and Level 3				2,222,379				2,581,601

9.4 Property, plant and equipment held for investment: breakdown of assets designated at fair value

(€ '000)

ASSETS/VALUES	AMOUNTS AS AT 12.31.2018			AMOUNTS AS AT 12.31.2017		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Owned assets	-	-	47,147	-	-	47,380
a) Land	-	-	274	-	-	272
b) Buildings	-	-	46,873	-	-	47,108
2. Leased assets	-	-	-	-	-	-
a) Land	-	-	-	-	-	-
b) Buildings	-	-	-	-	-	-
Total	-	-	47,147	-	-	47,380
<i>of which: obtained by the enforcement of collateral</i>	-	-	-	-	-	-
Total Level 1, Level 2 and Level 3			47,147			47,380

Under IAS40.32A the Group uses the revaluation model (fair value) to measure investment properties linked with liabilities which pay a return linked to the fair value of the relevant investments.

Intangible Assets

100. Intangible assets	2,802	3,507
<i>of which: goodwill</i>	886	1,484

10.1 Intangible assets: breakdown by asset type

(€ million)

ASSETS/VALUES	AMOUNTS AS AT 06.30.2019		AMOUNTS AS AT 12.31.2018	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	X	886	X	1,484
A.1.1 Attributable to the Group	X	886	X	1,484
A.1.2 Attributable to minorities	X	-	X	-
A.2 Other intangible assets	1,916	-	1,930	93
A.2.1 Assets carried at cost	1,916	-	1,930	93
a) Intangible assets generated internally	1,497	-	1,499	-
b) Other assets	419	-	431	93
A.2.2 Assets measured at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	1,916	886	1,930	1,577

Total finite and indefinite life	2,802	3,507
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Tax Assets (A-110) & Tax Liabilities (L-60)

110. Tax assets:	12,896	13,078
a) current	972	1,032
b) deferred	11,924	12,046
60. Tax liabilities:	962	825
a) current	608	402
b) deferred	354	423

11.1 Deferred tax assets: breakdown

(€ '000)

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
Deferred tax assets arising from Italian law 214/2011	8,309,594	8,315,432
Deferred tax assets arising from tax losses	386,737	733,421
Deferred tax assets arising from temporary differences	4,668,339	3,212,029
Financial assets and liabilities (different from loans and deposits)	536,456	453,934
Loans and deposits to/from banks and customers	1,070,913	181,989
Hedging and hedged item revaluation	511,266	299,111
Property, plant and equipment and intangible assets different from goodwill	195,921	191,958
Goodwill and equity investments	1,232	10,597
Current assets and liabilities held for sale	-	1,003
Other assets and Other liabilities	362,944	291,019
Provisions, pension funds and similar	1,989,607	1,782,288
Other	-	130
Accounting offsetting	(1,318,862)	(1,642,299)
Total	12,045,808	10,618,583

11.2 Deferred tax liabilities: breakdown

(€ '000)

	AMOUNTS AS AT	
	12.31.2018	12.31.2017
Deferred tax liabilities arising from temporary differences	1,741,054	2,076,325
Financial assets and liabilities (different from loans and deposits)	545,458	693,103
Loans and deposits to/from banks and customers	135,716	140,795
Hedging and hedged item revaluation	461,171	525,417
Property, plant and equipment and intangible assets different from goodwill	353,385	355,657
Goodwill and equity investments	24,078	23,744
Assets and liabilities held for sale	-	282
Other assets and Other liabilities	185,837	295,200
Other	35,409	42,127
Accounting offsetting	(1,318,031)	(1,634,683)
Total	423,023	441,642

Other Assets

130. Other assets	8,824	7,334
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13.1 Other assets: breakdown

(€ '000)

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2018	12.31.2017
Margin with derivatives clearers (non-interest bearing)	247	248
Gold, silver and precious metals	19,056	25,840
Accrued income and prepaid expenses other than capitalised income	544,610	424,187
Positive value of management agreements (so-called servicing assets)	3,669	
Cash and other valuables held by cashier	277,847	230,817
- Current account cheques being settled, drawn on third parties	277,517	230,330
- Current account cheques payable by group banks, cleared and in the process of being debited	296	343
- Money orders, bank drafts and equivalent securities	-	41
- Coupons, securities due on demand, revenue stamps and miscellaneous valuables	34	103
Interest and charges to be debited to	199,342	183,574
- Customers	170,437	178,280
- Banks	28,905	5,294
Items in transit between branches not yet allocated to destination accounts	2	26,558
Items in processing	461,787	857,551
Items deemed definitive but not-attributable to other items	2,670,301	2,752,803
- Securities and coupons to be settled	47,652	6,444
- Other transactions	2,622,649	2,746,359
Adjustments for unpaid bills and notes	40,298	280,161
Tax items other than those included in Item 110	1,912,441	1,970,932
Commercial credits pursuant to IFRS15	14,533	
Other items	1,189,619	2,204,966
Total	7,333,752	8,957,637

Non Current Assets (A120) & Related Liabilities (L70)

120. Non-current assets and disposal groups classified as held for sale	3,115	1,800
L70 Liabilities associated with assets classified as held for sale	632	540

12.1 Non-current assets and disposal groups classified as held for sale: breakdown by asset type

	(€ million)	
	AMOUNTS AS AT	
	06.30.2019	12.31.2018
A. Assets held for sale		
A.1 Financial assets	863	711
A.2 Equity investments	12	25
A.3 Property, plant and equipment	2,051	940
<i>of which: obtained by the enforcement of collateral</i>	3	1
A.4 Intangible assets	8	7
A.5 Other non-current assets	142	78
Total (A)	3,076	1,761
<i>of which: carried at cost</i>	1,967	1,612
<i>of which: designated at fair value - level 1</i>	7	8
<i>of which: designated at fair value - level 2</i>	12	57
<i>of which: designated at fair value - level 3</i>	1,090	84
B. Discontinued operations		
B.1 Financial assets at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily at fair value	-	-
B.2 Financial assets at fair value through other comprehensive income	-	-
B.3 Financial assets at amortised cost	-	-
B.4 Equity investments	23	23
B.5 Property, plant and equipment	-	-
<i>of which: obtained by the enforcement of collateral</i>	-	-
B.6 Intangible assets	-	-
B.7 Other assets	16	16
Total (B)	39	39
<i>of which: carried at cost</i>	-	-
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	-	-
<i>of which: designated at fair value - level 3</i>	39	39
C. Liabilities associated with assets classified as held for sale		
C.1 Deposits	184	158
C.2 Securities	-	-
C.3 Other liabilities	418	347
Total (C)	602	505
<i>of which: carried at cost</i>	519	505
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	-	-
<i>of which: designated at fair value - level 3</i>	83	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	30	35
Total (D)	30	35
<i>of which: carried at cost</i>	-	-
<i>of which: designated at fair value - level 1</i>	-	-
<i>of which: designated at fair value - level 2</i>	-	-
<i>of which: designated at fair value - level 3</i>	30	35

Classification & Valuation of Financial Liabilities

- Derivatives (if negative mark-to-market) & FLs held for trading (shorts)
 - valued at FV-P&L, as anything else in the trading book
- **For FLs in the banking book, there are 2 alternatives (& a further twist)**
 - Default case → Amortized Historical Costs
 - FLs for which the Fair Value Option (FVO) is exercised:
 - Loan Commitments & Financial Guarantee Contracts → FV-P&L
 - For all remaining FLs, the FV change must be split:
 - part due to changes in credit risk → FV-OCI
 - remaining part → FV-P&L

Financial Liabilities at Amortized Historical Cost - I

10. Financial liabilities at amortised cost:	680,492	686,036
a) deposits from banks	132,695	125,895
b) deposits from customers	455,363	478,988
c) debt securities in issue	92,434	81,153

Financial liabilities at amortised cost: breakdown by product of deposits from banks

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT	
	06.30.2019	12.31.2018
1. Deposits from central banks	59,272	56,678
2. Deposits from banks	73,423	69,217
2.1 Current accounts and demand deposits	12,260	11,597
2.2 Time deposits	17,027	14,757
2.3 Loans	42,516	41,864
2.3.1 Repos	26,520	25,774
2.3.2 Other	15,996	16,090
2.4 Liabilities relating to commitments to repurchase treasury shares	-	-
2.5 Lease deposits	-	-
2.6 Other deposits	1,620	999
Total	132,695	125,895

Financial liabilities at amortised cost: breakdown by product of debt securities in issue

(€ million)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT	
	06.30.2019	12.31.2018
A. Debt securities		
1. Bonds	85,648	73,353
1.1 Structured	2,856	1,673
1.2 Other	82,792	71,680
2. Other securities	6,786	7,800
2.1 Structured	98	110
2.2 Other	6,688	7,690
Total	92,434	81,153

Financial Liabilities at Amortized Historical Cost - II

10. Financial liabilities at amortised cost:	680,492	686,036
a) deposits from banks	132,695	125,895
b) deposits from customers	455,363	478,988
c) debt securities in issue	92,434	81,153

Financial liabilities at amortised cost: breakdown by product of deposits from customers

(€ million)

TYPE OF TRANSACTION/VALUES	AMOUNTS AS AT	
	06.30.2019	12.31.2018
1. Current accounts and demand deposits	334,696	350,492
2. Time deposits	64,866	63,267
3. Loans	48,708	60,169
3.1 Repos	42,953	56,964
3.2 Other	5,755	3,205
4. Liabilities relating to commitments to repurchase treasury shares	-	-
5. Lease deposits	2,344	-
6. Other deposits	4,749	5,060
Total	455,363	478,988

Financial Liabilities Held for Trading

20. Financial liabilities held for trading

40,410

43,111

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2019					AMOUNTS AS AT 12.31.2018				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
A. Cash liabilities										
1. Deposits from banks	20	563	6	-	568	-	1,624	2	-	1,625
2. Deposits from customers	501	6,604	619	70	7,292	1,400	9,637	1,547	-	11,184
3. Debt securities	3,068	-	2,682	233	2,913	3,375	-	2,525	310	2,840
3.1 Bonds	1,521	-	1,329	131	1,459	1,770	-	1,194	178	1,378
3.1.1 Structured	1,521	-	1,329	131	X	1,770	-	1,194	178	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	1,547	-	1,353	102	1,454	1,605	-	1,331	132	1,462
3.2.1 Structured	1,547	-	1,353	102	X	1,605	-	1,331	132	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	3,589	7,167	3,307	303	10,773	4,775	11,261	4,074	310	15,649
B. Derivatives instruments										
1. Financial derivatives	X	2,144	26,736	431	X	X	2,243	23,965	929	X
1.1 Trading derivatives	X	2,144	26,403	390	X	X	2,243	23,775	894	X
1.2 Linked to fair value option	X	-	61	-	X	X	-	49	-	X
1.3 Other	X	-	272	41	X	X	-	141	35	X
2. Credit derivatives	X	28	174	120	X	X	11	197	121	X
2.1 Trading derivatives	X	28	164	120	X	X	11	189	121	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	10	-	X	X	-	8	-	X
Total (B)	X	2,172	26,910	551	X	X	2,254	24,162	1,050	X
Total (A+B)	X	9,339	30,217	854	X	X	13,515	28,236	1,360	X
Total Level 1, Level 2 and Level 3										
					40,410					43,111

Note:

Fair value* = Fair value calculated excluding the value changes due to the change of credit worthiness of the issuer compared to the issue date.

Financial Liabilities designated at FV

30. Financial liabilities designated at fair value

11,346

9,318

3.1 Financial liabilities designated at fair value: breakdown by product

(€ million)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 06.30.2019					AMOUNTS AS AT 12.31.2018				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*	NOMINAL VALUE	FAIR VALUE			FAIR VALUE*
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
1. Deposits from banks	5	-	4	1	5	5	-	4	1	5
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	5	-	4	1	X	5	-	4	1	X
<i>of which:</i>										
- loan commitments given	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. Deposits from customers	555	-	552	46	604	566	-	534	45	583
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	555	-	552	46	X	566	-	534	45	X
<i>of which:</i>										
- loan commitments given	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. Debt securities	10,660	408	9,808	527	10,682	9,099	427	8,126	181	8,781
3.1 Structured	9,771	-	9,466	478	X	8,356	-	7,797	160	X
3.2 Other	889	408	342	49	X	743	427	329	21	X
Total	11,220	408	10,364	574	11,291	9,670	427	8,664	227	9,369
Total Level 1, Level 2 and Level 3					11,346					9,318

Note:

Fair value* = Fair value calculated excluding the value changes due to the change of credit worthiness of the issuer compared to the issue date.

Hedging Derivatives & Related Value Adjustm.

40. Hedging derivatives	6,032,029	3,567,845
50. Value adjustment of hedged financial liabilities (+/-)	3,229,796	3,041,990

4.1 Hedging derivatives: breakdown by type of hedging and by levels

(€ '000)

	AMOUNTS AS AT 12.31.2018				AMOUNTS AS AT 12.31.2017			
	NOTIONAL AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3	NOTIONAL AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3
A. Financial derivatives	200,237,636	100,445	5,906,926	24,658	153,222,035	79	3,509,219	58,547
1) Fair value	189,840,313	100,445	5,607,065	17,091	142,627,506	78	3,156,158	52,618
2) Cash flows	10,397,323	-	299,861	7,567	10,594,529	1	353,061	5,929
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	200,237,636	100,445	5,906,926	24,658	153,222,035	79	3,509,219	58,547

Total Level 1, Level 2 and Level 3	6,032,029	3,567,845
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5.1 Changes to hedged financial liabilities

(€ '000)

CHANGES TO HEDGED LIABILITIES/GROUP COMPONENTS	AMOUNTS AS AT	
	12.31.2018	12.31.2017
1. Positive changes to financial liabilities	5,847,663	4,439,009
2. Negative changes to financial liabilities	(2,617,867)	(1,397,019)
Total	3,229,796	3,041,990

Other Liabilities

80. Other liabilities	14,703	13,950
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(€ '000)

ITEMS/VALUES	AMOUNTS AS AT	
	12.31.2018	12.31.2017
Liabilities in respect of financial guarantees issued	5,219	5,669
<i>Impairment: of financial guarantees issued, of credit derivatives, of irrevocable commitments to distribute funds</i>		789,458
<i>Obligations for irrevocable commitments to distribute funds</i>		-
Accrued expenses and deferred income other than those to be capitalised for the financial liabilities concerned	534,448	468,269
Negative value of management agreements (so-called servicing assets)	-	
Payment agreements based on the value of own capital instruments classified as deposits pursuant to IFRS2	3,269	2,918
Other liabilities due to employees	2,494,516	3,034,472
Other liabilities due to other staff	39,770	41,832
Other liabilities due to Directors and Statutory Auditors	13,534	5,053
Interest and amounts to be credited to	270,986	245,508
- Customers	220,599	198,161
- Banks	50,387	47,347
Items in transit between branches and not yet allocated to destination accounts	40,028	36,016
Available amounts to be paid to others	371,132	425,199
Items in processing	974,237	1,242,270
Entries relating to securities transactions	99,051	257,808
Items deemed definitive but not attributable to other lines	4,251,352	4,533,006
- Accounts payable - suppliers	1,126,714	1,121,692
- Provisions for tax withholding on accrued interest, bond coupon payments or dividends	3,253	3,115
- Other entries	3,121,385	3,408,199
Liabilities for miscellaneous entries related to tax collection service	10	105
Adjustments for unpaid portfolio entries	954,881	19,539
Tax items different from those included in item 60	1,167,407	1,207,632
Other entries	2,730,767	3,258,722
Total	13,950,607	15,573,476

Provisions for risk and charges

100. Provisions for risks and charges:	9,567	10,961
a) commitments and guarantees given	1,138	1,140
b) post-retirement benefit obligations	5,314	4,767
c) other provisions for risks and charges	3,115	5,054

10.1 Provisions for risks and charges: breakdown

(€ million)

ITEMS/COMPONENTS	AMOUNTS AS AT	
	06.30.2019	12.31.2018
1. Provisions for credit risk on commitments and financial guarantees given	1,046	1,083
2. Provisions for other commitments and other guarantees given	92	57
3. Pensions and other post-retirement benefit obligations	5,314	4,767
4. Other provisions for risks and charges	3,115	5,054
4.1 Legal and tax disputes	817	2,476
4.2 Staff expenses	831	946
4.3 Other	1,467	1,632
Total	9,567	10,961

10.6 Provisions for risks and charges - other provisions

(€ million)

	AMOUNTS AS AT	
	06.30.2019	12.31.2018
4.3 Other provisions for risks and charges - other		
Real estate risks/charges	110	158
Restructuring costs	45	74
Allowances payable to agents	97	162
Disputes regarding financial instruments and derivatives	87	85
Costs for liabilities arising from equity investment disposals	199	184
Other	929	969
Total	1,467	1,632

Group Shareholders' Equity

120. Valuation reserves	(7,643)	(7,488)
130. Redeemable shares	-	-
140. Equity instruments	5,602	4,610
150. Reserves	23,719	20,503
160. Share premium	13,225	13,393
170. Share capital	20,995	20,940
180. Treasury shares (-)	(3)	(9)
190. Minority shareholders' equity (+/-)	411	927
200. Profit (Loss) for the period (+/-)	3,241	3,892

	AMOUNTS AS AT	
	06.30.2019	12.31.2018
1. Share capital	20,995	20,940
2. Share premium reserve	13,225	13,393
3. Reserves	23,719	20,503
4. Treasury shares	(3)	(9)
a. Parent Company	(2)	(2)
b. Subsidiaries	(1)	(7)
5. Revaluation reserve	(7,643)	(7,488)
6. Equity instruments	5,602	4,610
7. Net profit (loss)	3,241	3,892
Total	59,136	55,841

Reserves by type

13.4 Reserves from allocation of profit: other information

(€ million)

	AMOUNTS AS AT	
	06.30.2019	12.31.2018
Legal reserve	1,518	1,518
Statutory reserve	7,648	6,161
Other reserves	7,205	5,543
Total	16,371	13,222

Revaluation reserve: breakdown

(€ million)

ITEM/TYPES	AMOUNTS AS AT	
	06.30.2019	12.31.2018
1. Equity instruments designated at fair value through other comprehensive income	(286)	(265)
2. Financial Assets (other than equity instruments) at fair value through other comprehensive income	508	184
3. Hedging of equity instruments at fair value through other comprehensive income	-	-
4. Financial liabilities at fair value through profit or loss (changes in own credit risk)	(38)	41
5. Hedging instruments (non-designated elements)	-	-
6. Property, plant and equipment	-	-
7. Intangible assets	-	-
8. Hedges of foreign investments	-	-
9. Cash-flow hedges	32	73
10. Exchange differences	(2,043)	(2,326)
11. Non-current assets classified as held for sale	-	-
12. Actuarial gains (losses) on defined-benefit plans	(3,205)	(2,710)
13. Revaluation reserves of investments valued at net equity	(2,888)	(2,762)
14. Special revaluation laws	277	277
Total	(7,643)	(7,488)

Income Statement: Core Operating Income

10. Interest income and similar revenues

of which: interest income calculated with the effective interest method

20. Interest expenses and similar charges

30. Net interest margin

40. Fees and commissions income

50. Fees and commissions expenses

60. Net fees and commissions

Net Interest Income (NII): Revenues

1.1 Interest income and similar revenues: breakdown

ITEMS/TYPES	AS AT 06.30.2019			TOTAL	AS AT
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS		06.30.2018
					TOTAL
1. Financial assets at fair value through profit or loss	105	47	328	480	456
1.1 Financial assets held for trading	54	2	328	384	320
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	51	45	-	96	136
2. Financial assets at fair value through other comprehensive income	554	-	X	554	557
3. Financial assets at amortised cost	256	5,739	X	5,995	5,748
3.1 Loans and advances to banks	19	350	X	369	277
3.2 Loans and advances to customers	237	5,389	X	5,626	5,471
4. Hedging derivatives	X	X	25	25	251
5. Other assets	X	X	66	66	83
6. Financial liabilities	X	X	X	287	334
Total	915	5,786	419	7,407	7,429
<i>of which: interest income on impaired financial</i>	-	281	-	281	346
<i>of which: interest income on financial lease</i>	-	304	-	304	-

(€ million)

Net Interest Income (NII): Expenses

1.3 Interest expenses and similar charges: breakdown

(€ million)

ITEMS/TYPES	AS AT 06.30.2019				AS AT
	DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL	06.30.2018 TOTAL
1. Financial liabilities at amortised cost	(863)	(1,120)	X	(1,983)	(1,793)
1.1 Deposits from central banks	(58)	X	X	(58)	(35)
1.2 Deposits from banks	(233)	X	X	(233)	(176)
1.3 Deposits from customers	(572)	X	X	(572)	(467)
1.4 Debt securities in issue	X	(1,120)	X	(1,120)	(1,115)
2. Financial liabilities held for trading	(1)	(16)	(387)	(404)	(393)
3. Financial liabilities designated at fair value	(5)	(50)	-	(55)	(57)
4. Other liabilities and funds	X	X	(25)	(25)	(32)
5. Hedging derivatives	X	X	408	408	275
6. Financial assets	X	X	X	(165)	(165)
Total	(869)	(1,186)	(4)	(2,224)	(2,165)
<i>of which: interest income on lease deposits</i>	(22)	X	X	(22)	-

Net Fee & Commission Income (NFCI): Revenues

2.1 Fees and commissions income: breakdown

	(€ million)	
TYPE OF SERVICES/VALUES	AS AT 06.30.2019	AS AT 06.30.2018
a) Guarantees given	244	241
b) Credit derivatives	-	1
c) Management, brokerage and consultancy services	1,603	1,716
1. Securities trading	89	90
2. Currency trading	51	48
3. Portfolio management	186	179
3.1 Individual	75	80
3.2 Collective	111	99
4. Custody and administration of securities	106	123
5. Custodian bank	16	16
6. Placement of securities	257	333
7. Reception and transmission of orders	40	57
8. Advisory services	57	69
8.1 Relating to investments	42	48
8.2 Relating to financial structure	15	21
9. Distribution of third party services	801	801
9.1 Portfolio management	300	286
9.1.1 Individual	1	2
9.1.2 Collective	299	284
9.2 Insurance products	490	504
9.3 Other products	11	11
d) Collection and payment services	672	671
e) Securitisation servicing	2	-
f) Factoring	42	37
g) Tax collection services	-	-
h) Management of multilateral trading facilities	-	-
i) Management of current accounts	638	658
j) Other services	492	521
k) Security lending	18	18
Total	3,711	3,863

Net Fee & Commission Income (NFCI): Expenses

2.2 Fees and commissions expenses: breakdown

	(€ million)	
SERVICES/VALUES	AS AT 06.30.2019	AS AT 06.30.2018
a) Guarantees received	(65)	(69)
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services	(151)	(142)
1. Trading financial instruments	(25)	(26)
2. Currency trading	(6)	(6)
3. Portfolio management	(19)	(13)
3.1 Own portfolio	(9)	(7)
3.2 Third party portfolio	(10)	(6)
4. Custody and administration of securities	(76)	(71)
5. Placement of financial instruments	(3)	(9)
6. Off-site distribution of financial instruments, products and services	(22)	(17)
d) Collection and payment services	(315)	(212)
e) Other services	(55)	(55)
f) Security lending	(13)	(15)
Total	(599)	(493)

Income Statement: Other Operating Income

70. Dividend income and similar revenues

80. Net gains (losses) on trading

90. Net gains (losses) on hedge accounting

+

100. Gains (Losses) on disposal and repurchase of:

a) financial assets at amortised cost

b) financial assets at fair value through other comprehensive income

c) financial liabilities

+

110. Net gains (losses) on other financial assets/liabilities at fair value through profit or loss:

a) financial assets/liabilities designated at fair value

b) other financial assets mandatorily at fair value

+ caption 60 = 120. Operating income

Dividend and Similar Income

3.1 Dividend income and similar revenues: breakdown

(€ million)

ITEMS/REVENUES	AS AT 06.30.2019		AS AT 06.30.2018	
	DIVIDENDS	SIMILAR REVENUES	DIVIDENDS	SIMILAR REVENUES
A. Financial assets held for trading	151	-	278	-
B. Other financial assets mandatorily at fair value	9	2	10	3
C. Financial assets at fair value through other comprehensive income	13	-	20	-
D. Equity investments	2	-	5	-
Total	175	2	313	3
Total dividends and similar revenues		177		316

The item “A. Financial assets held for trading” includes mainly the dividends received relating to the following equity securities: Intesa Sanpaolo (€18 million), Siemens Ag. NA O.N. (€11 million), Daimler Ag. NA O.N. (€10 million). In 2018 the item “Financial assets held for trading” mainly includes the dividends received relating to the following equity securities: Daimler Ag. NA O.N. (€35 million), Allianz SE NA O.N. (€19 million), Siemens Ag. NA (€17 million), BASF SE NA O.N. (€16 million).

The item “C. Financial assets at fair value through other comprehensive income” includes €10 million in dividends received relating to the shareholding in Banca d'Italia (€10 million in 2018).

Net Gains (Losses) on Trading

4.1 Net gains (losses) on trading: breakdown

(€ million)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2019				NET PROFIT [(A+B)-(C+D)]
	CAPITAL GAINS (A)	REALISED PROFITS(B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	
1. Financial assets held for trading	1,975	1,703	(953)	(959)	1,766
1.1 Debt securities	366	455	(79)	(425)	317
1.2 Equity instruments	550	878	(97)	(478)	853
1.3 Units in investment funds	120	83	(12)	(44)	147
1.4 Loans	171	5	(96)	-	80
1.5 Other	768	282	(669)	(12)	369
2. Financial liabilities held for trading	118	201	(498)	(237)	(416)
2.1 Debt securities	86	125	(294)	(76)	(159)
2.2 Deposits	-	-	-	(2)	(2)
2.3 Other	32	76	(204)	(159)	(255)
3. Financial assets and liabilities: exchange differences	X	X	X	X	(31)
4. Derivatives	95,880	58,484	(96,092)	(59,303)	(854)
4.1 Financial derivatives	95,598	58,234	(95,797)	(59,034)	(822)
- On debt securities and interest rates	90,023	53,529	(90,289)	(53,490)	(227)
- On equity securities and share indices	3,217	3,556	(4,035)	(3,257)	(519)
- On currency and gold	X	X	X	X	177
- Other	2,358	1,149	(1,473)	(2,287)	(253)
4.2 Credit derivatives	282	250	(295)	(269)	(32)
<i>of which: economic hedges linked to the fair value option</i>	X	X	X	X	-
Total	97,973	60,388	(97,543)	(60,499)	465

Net Gains (Losses) on Hedge Accounting

5.1 Net gains (losses) on hedge accounting: breakdown

(€ million)

P&L COMPONENT/VALUES	AS AT 06.30.2019	AS AT 06.30.2018
A. Gains on		
A.1 Fair value hedging instruments	6,295	2,569
A.2 Hedged financial assets (in fair value hedge relationship)	1,825	464
A.3 Hedged financial liabilities (in fair value hedge relationship)	36	188
A.4 Cash-flow hedging derivatives	7	12
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	8,163	3,233
B. Losses on		
B.1 Fair value hedging instruments	(5,421)	(2,741)
B.2 Hedged financial assets (in fair value hedge relationship)	(330)	(369)
B.3 Hedged financial liabilities (in fair value hedge relationship)	(2,386)	(93)
B.4 Cash-flow hedging derivatives	(4)	(14)
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	(8,141)	(3,217)
C. Net hedging result (A-B)	22	16
<i>of which: net gains (losses) of hedge accounting on net positions</i>	-	-

Net Gains on Disposal/Repurchase of FAs & FLs

6.1 Gains (Losses) on disposal/repurchase: breakdown

(€ million)

ITEMS/P&L ITEMS	AS AT 06.30.2019			AS AT 06.30.2018		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
A. Financial assets						
1. Financial assets at amortised cost	102	(54)	48	85	(83)	2
1.1 Loans and advances to banks	-	(10)	(10)	3	(6)	(3)
1.2 Loans and advances to customers	102	(44)	58	82	(77)	5
2. Financial assets at fair value through other comprehensive income	182	(79)	103	244	(113)	131
2.1 Debt securities	182	(79)	103	244	(113)	131
2.2 Loans	-	-	-	-	-	-
Total assets (A)	284	(133)	151	329	(196)	133
B. Financial liabilities at amortised cost						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	5	(11)	(6)	6	(17)	(11)
Total liabilities (B)	5	(11)	(6)	6	(17)	(11)
Total financial assets/liabilities			145			122

Net Gains on other FAs at FV-P&L

7.1 Net gains (losses) on other financial assets/liabilities at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(€ million)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2019				
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A+B)-(C+D)]
1. Financial assets	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
2. Financial liabilities	260	89	(580)	(163)	(394)
2.1 Debt securities	242	89	(513)	(162)	(344)
2.2 Deposits from banks	8	-	(33)	-	(25)
2.3 Deposits from customers	10	-	(34)	(1)	(25)
3. Financial assets and liabilities in foreign currency: exchange differences	X	X	X	X	-
Total	260	89	(580)	(163)	(394)

7.2 Net change in other financial assets/liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily at fair value

(€ million)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2019				
	CAPITAL GAINS (A)	REALISED PROFITS (B)	CAPITAL LOSSES (C)	REALISED LOSSES (D)	NET PROFIT [(A+B)-(C+D)]
1. Financial assets	406	31	(114)	(65)	258
1.1 Debt securities	209	30	(40)	(48)	151
1.2 Equity securities	60	-	(44)	-	16
1.3 Units in investment funds	32	-	(14)	-	18
1.4 Loans	105	1	(16)	(17)	73
2. Financial assets: exchange differences	X	X	X	X	-
Total	406	31	(114)	(65)	258

Income Statement: Income from Banking

120. Operating income

130. Net losses/recoveries on credit impairment relating to:

a) financial assets at amortised cost

b) financial assets at fair value through other comprehensive income

140. Gains/Losses from contractual changes with no cancellations

150. Net profit from financial activities



Cost of risk

Insurance Business (if any)

160. Net premiums

170. Other net insurance income/expenses

180. Net profit from financial and insurance activities

Net Losses/Recoveries on Credit Impairment

8.1 Net impairment losses for credit risk relating to financial assets at amortised cost: breakdown

(€ million)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2019						AS AT
	WRITE-DOWNS			WRITE-BACKS		TOTAL	06.30.2018
	LEVEL 1 AND LEVEL 2	LEVEL 3		LEVEL 1 AND LEVEL 2	LEVEL 3		
	WRITE-OFF	OTHER				TOTAL	
A. Loans and advances to banks	(15)	-	-	9	-	(6)	11
- Loans	(14)	-	-	9	-	(5)	9
- Debt securities	(1)	-	-	-	-	(1)	2
<i>of which: acquired or originated impaired loans</i>	-	-	-	-	-	-	-
B. Loans and advances to customers	(951)	(149)	(2,764)	915	1,776	(1,173)	(1,070)
- Loans	(938)	(149)	(2,764)	906	1,775	(1,170)	(1,093)
- Debt securities	(13)	-	-	9	1	(3)	23
<i>of which: acquired or originated impaired loans</i>	(2)	-	(3)	1	7	3	(8)
Total	(966)	(149)	(2,764)	924	1,776	(1,179)	(1,059)

8.2 Net change for credit risk relating to financial assets at fair value through other comprehensive income: breakdown

(€ million)

TRANSACTIONS/P&L ITEMS	AS AT 06.30.2019						AS AT
	WRITE-DOWNS			WRITE-BACKS		TOTAL	06.30.2018
	LEVEL 1 AND LEVEL 2	LEVEL 3		LEVEL 1 AND LEVEL 2	LEVEL 3		
	WRITE-OFF	OTHER				TOTAL	
A. Debt securities	(13)	-	-	5	-	(8)	(7)
B. Loans	-	-	-	-	-	-	-
- Loans and advances to customers	-	-	-	-	-	-	-
- Loans and advances to banks	-	-	-	-	-	-	-
<i>of which: acquired or originated impaired financial assets</i>	-	-	-	-	-	-	-
Total	(13)	-	-	5	-	(8)	(7)

Income Statement: Operating Costs

190. Administrative expenses:

a) staff costs

b) other administrative expenses

200. Net provisions for risks and charges:

a) commitments and financial guarantees given

b) other net provisions

210. Net value adjustments/write-backs on property, plant and equipment

220. Net value adjustments/write-backs on intangible assets

230. Other operating expenses/income

240. Operating costs

Administrative Expenses: Staff

12.1 Staff expenses: breakdown

	(€ million)	
TYPE OF EXPENSES/VALUES	AS AT 06.30.2019	AS AT 06.30.2018
1) Employees	(3,059)	(3,205)
a) Wages and salaries	(2,193)	(2,269)
b) Social charges	(511)	(541)
c) Severance pay	(17)	(15)
d) Social security costs	-	-
e) Allocation to employee severance pay provision	(6)	(9)
f) Provision for retirements and similar provisions	(62)	(86)
- Defined contribution	(1)	(1)
- Defined benefit	(61)	(85)
g) Payments to external pension funds	(111)	(118)
- Defined contribution	(110)	(117)
- Defined benefit	(1)	(1)
h) Costs arising from share-based payments	(31)	(34)
i) Other employee benefits	(128)	(133)
2) Other staff	(7)	(26)
3) Directors and Statutory Auditors	(4)	(4)
4) Early retirement costs	-	-
5) Recoveries of payments for second employees to other companies	10	16
4) Early retirement costs	(18)	-
Total	(3,078)	(3,219)

Other Administrative Expenses: Other

12.5 Other administrative expenses: breakdown

	(€ million)	
TYPE OF EXPENSES/SECTORS	AS AT 06.30.2019	AS AT 06.30.2018
1) Indirect taxes and duties	(347)	(348)
1a. Settled	(345)	(348)
1b. Unsettled	(2)	-
2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	(485)	(488)
3) Guarantee fee for DTA conversion	(57)	(58)
4) Miscellaneous costs and expenses	(1,352)	(1,729)
a) Advertising marketing and communication	(76)	(110)
b) Expenses relating to credit risk	(122)	(132)
c) Indirect expenses relating to personnel	(59)	(68)
d) Information & Communication Technology expenses	(517)	(595)
Lease of ICT equipment and software	(36)	(34)
Software expenses: lease and maintenance	(117)	(110)
ICT communication systems	(36)	(34)
Services ICT in outsourcing	(267)	(357)
Financial information providers	(61)	(60)
e) Consulting and professionals services	(94)	(114)
Consulting	(76)	(91)
Legal expenses	(18)	(23)
f) Real estate expenses	(203)	(390)
Premises rentals	(34)	(210)
Utilities	(75)	(74)
Other real estate expenses	(94)	(106)
g) Operating costs	(281)	(320)
Surveillance and security services	(24)	(24)
Money counting services and transport	(26)	(27)
Printing and stationery	(17)	(18)
Postage and transport of documents	(38)	(40)
Administrative and logistic services	(74)	(120)
Insurance	(44)	(45)
Association dues and fees and contributions to the administrative expenses deposit guarantee funds	(39)	(36)
Other administrative expenses - other	(19)	(10)
Total (1+2+3+4)	(2,241)	(2,623)

Net Provisions for Risks and Charges

13.1 Net provisions for credit risk from loans commitments and financial guarantees given: breakdown

(€ million)

	AS AT 06.30.2019		
	PROVISIONS	REALLOCATION SURPLUS	TOTAL
Loan commitments	(130)	176	46
Financial guarantees given	(196)	180	(16)

13.2 Net provisions for other commitments and guarantees given: breakdown

(€ million)

	AS AT 06.30.2019		
	PROVISIONS	REALLOCATION SURPLUS	TOTAL
Other commitments	(6)	3	(3)
Other guarantees given	(48)	19	(29)

13.3 Net provisions for risks and charges: breakdown

(€ million)

ASSETS/P&L ITEMS	AS AT 06.30.2019			AS AT 06.30.2018 TOTAL
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	
1. Other provisions				
1.1 Legal disputes	(145)	559	414	(474)
1.2 Staff costs	-	1	1	-
1.3 Other	(306)	57	(249)	(82)
Total	(451)	617	166	(556)

Other Operating Income / Expenses

Other net operating income: breakdown

(€ million)

P&L ITEMS/VALUE	AS AT 06.30.2019	AS AT 06.30.2018
Total of other operating expenses	(457)	(336)
Total of other operating income	865	814
Other net operating income	408	478

16.1 Other operating expenses: breakdown

(€ million)

TYPE OF EXPENSE/VALUE	AS AT 06.30.2019	AS AT 06.30.2018
Costs for operating leases	(1)	(2)
Non-deductible tax and other fiscal charges	(1)	(1)
Write-downs on leasehold improvements	(27)	(28)
Costs relating to the specific service of financial leasing	(47)	(42)
Other	(381)	(263)
Total of other operating expenses	(457)	(336)

Net Adjustments on Tangible / Intangible Assets

14.1 Net value adjustments/write-backs on property, plant and equipment: breakdown

(€ '000)

ASSETS/P&L ITEMS	YEAR 2018			NET PROFIT (A+B-C)
	DEPRECIATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	
A. Property, plant and equipment				
A.1 Owned	(647,121)	(94,628)	99,017	(642,732)
- Used in the business	(602,713)	(32,845)	22,595	(612,963)
- Held for investment	(44,408)	(36,658)	76,019	(5,047)
- Inventories	X	(25,125)	403	(24,722)
A.2 Finance lease	(359)	(933)	36,283	34,991
- Used in the business	-	(933)	-	(933)
- Held for investment	(359)	-	36,283	35,924
Total A	(647,480)	(95,561)	135,300	(607,741)
B. Non-current assets and groups of assets held for sale	X	(11,760)	13,427	1,667
- Used in the business	X	(4,448)	12,850	8,402
- Held for investments	X	(7,312)	577	(6,735)
- Inventories	X	-	-	-
Total (A+B)	(647,480)	(107,321)	148,727	(606,074)

15.1 Net value adjustments/write-backs on intangible assets: breakdown

(€ '000)

ASSETS/P&L ITEMS	YEAR 2018			NET PROFIT (A+B-C)
	AMORTISATION (A)	IMPAIRMENT LOSSES (B)	WRITE-BACKS (C)	
A. Intangible assets				
A.1 Owned	(411,841)	(13,376)	-	(425,217)
- Generated internally by the company	(288,782)	(10,142)	-	(298,924)
- Other	(123,059)	(3,234)	-	(126,293)
A.2 Finance leases	-	-	-	-
B. Non-current assets and disposal group classified as held for sale	X	-	-	-
Total	(411,841)	(13,376)	-	(425,217)

Income Statement: Bottom Line

180. Net profit from financial and insurance activities	(+)
240. Operating costs	(-)
250. Gains (Losses) of equity investments	
260. Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	
270. Goodwill impairment	(-)
280. Gains (Losses) on disposals on investments	
290. Profit (Loss) before tax from continuing operations	
300. Tax expenses (income) for the period from continuing operations	(-)
310. Profit (Loss) after tax from continuing operations	
320. Profit (Loss) after tax from discontinued operations	
330. Profit (Loss) for the period	
340. Minority profit (loss) for the period	
350. Parent Company's profit (loss) for the period	

Gains (Losses) on Equity Investments

17.1 Gains (Losses) of equity investments: breakdown

P&L ITEMS/SECTORS	YEAR 2018	YEAR 2017
	(€ '000)	
1) Jointly owned companies - Equity		
A. Income	306,155	293,741
1. Revaluations	298,927	285,289
2. Gains on disposal	7,228	-
3. Write-backs	-	8,452
4. Other gains	-	-
B. Expenses	(850,741)	(17)
1. Write-downs	(28)	(17)
2. Impairment losses	(850,713)	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit	(544,586)	293,724
2) Companies under significant influence		
A. Income	500,982	305,465
1. Revaluations	350,786	303,100
2. Gains on disposal	123,097	171
3. Write-backs	27,099	2,194
4. Other gains	-	-
B. Expenses	(53,848)	(22,863)
1. Write-downs	(5,468)	(6,879)
2. Impairment losses	(45,924)	(8,328)
3. Losses on disposal	(2,456)	(7,656)
4. Other expenses	-	-
Net profit	447,134	282,602
Total	(97,452)	576,326

Net Gains on Prop., Plant, Eq. & Intang. Assets at FV

18.1 Net gains (losses) on property, plant and equipment and intangible assets measured at fair value: breakdown

(€ '000)

ASSETS/P&L COMPONENTS	YEAR 2018				NET PROFIT (A-B+C-D)
	REVALUATIONS (A)	WRITEDOWNS (B)	EXCHANGE DIFFERENCES		
			POSITIVE (C)	NEGATIVE (D)	
A. Property, plant and equipment	621	(623)	958	-	956
A.1 Owned	621	(623)	958	-	956
- Used in the business	-	-	-	-	-
- Held for investment	621	(623)	958	-	956
- Inventories	-	-	-	-	-
A.2 Held by finance leases	-	-	-	-	-
- Used in the business	-	-	-	-	-
- Held for investment	-	-	-	-	-
B. Intangible assets	-	-	-	-	-
B.1 Owned	-	-	-	-	-
- Generated internally by the company	-	-	-	-	-
- Other	-	-	-	-	-
B.2 Held by finance leases	-	-	-	-	-
Total	621	(623)	958	-	956

Disposal of Investment // Discontinued Operations

20.1 Gains and losses on disposal of investments: breakdown

(€ '000)

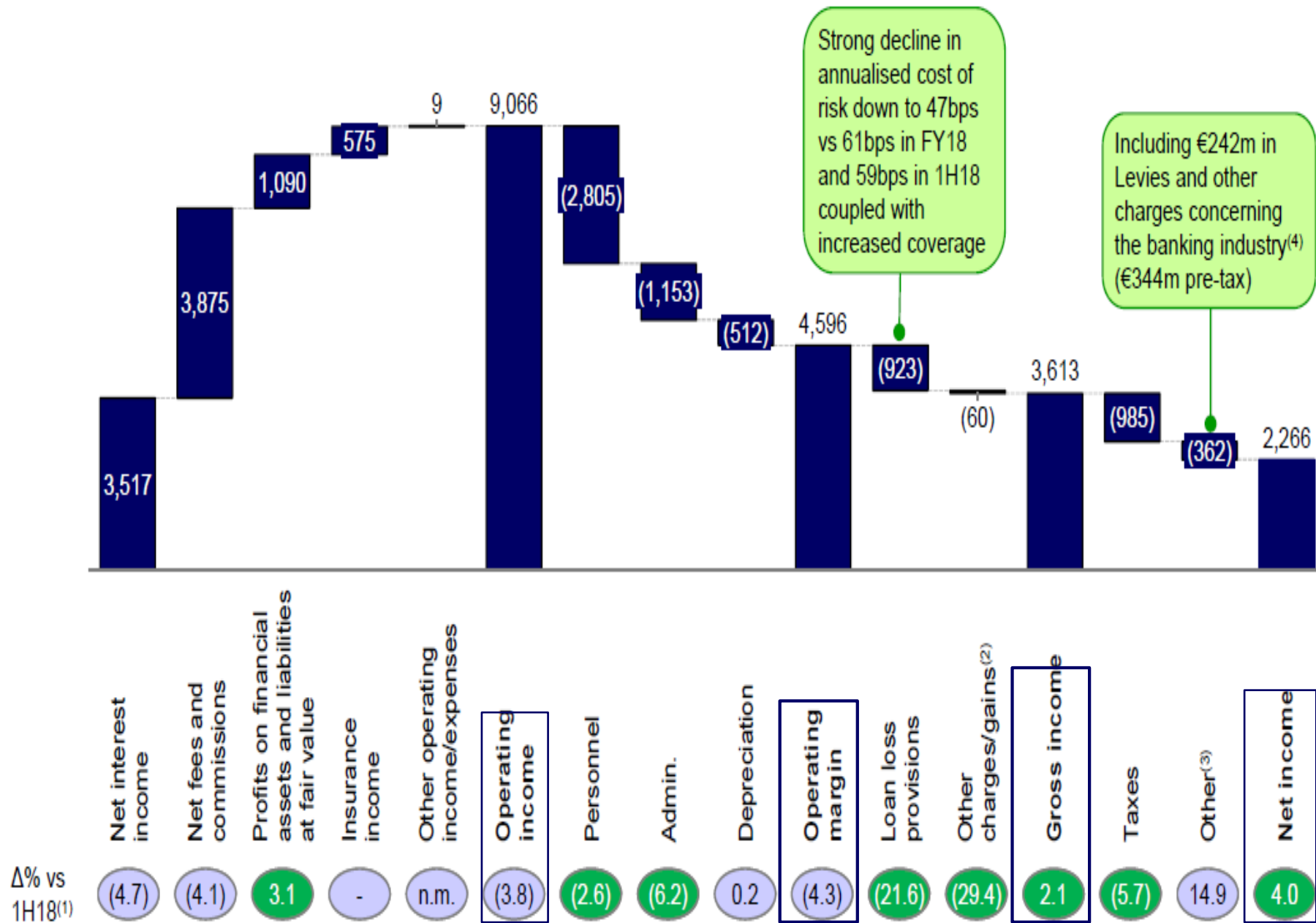
P&L ITEMS/SECTORS	YEAR 2018	YEAR 2017
A. Property		
- Gains on disposal	141,564	44,682
- Losses on disposal	(5,224)	(2,277)
B. Other assets		
- Gains on disposal	116,149	83,007
- Losses on disposal	(21,068)	(25,577)
Net Profit	231,421	99,835

22.1 Profit (Loss) after tax from discontinued operations: breakdown

(€ '000)

P&L ITEMS/SECTORS	YEAR 2018	YEAR 2017
1. Income	25,269	2,076,535
2. Expenses	(31,164)	(1,160,981)
3. Valuation of discontinued operations and related liabilities	-	(50,710)
4. Profit (Loss) on disposal	20,032	1,928,363
5. Tax	(622)	(111,609)
Profit (Loss)	13,515	2,681,598

(mln/€)	2Q18	1Q19 (IFRS 16)	2Q19 (IFRS 16)	2Q19 vs 2Q18	2Q19 vs 1Q19	1H18	1H19 (IFRS 16)	% change
Net interest income	458.6	445.6	440.6	(3.9%)	(1.1%)	896.4	886.2	(1.1%)
- of which: TLTRO2	12.7	12.4	12.5	(1.5%)	0.9%	25.2	24.9	(1.4%)
- of which: credit components (IFRS9 and PPA)	35.5	31.2	35.5	(0.0%)	13.9%	61.2	66.7	9.0%
- of which: IFRS9 contractual modifications without derecognition	(13.4)	(5.2)	(5.3)	(60.6%)	2.4%	(22.1)	(10.4)	(52.7%)
Net fee and commission income	400.6	400.9	412.0	2.8%	2.8%	808.0	812.9	0.6%
Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities at fair value through profit or loss	22.1	37.4	17.6	(20.2%)	(52.9%)	56.1	55.1	(1.8%)
Profits of equity-accounted investees	1.8	6.3	13.1	n.s.	107.5%	9.0	19.4	115.5%
Dividends and similar income	3.2	5.2	2.0	(36.9%)	(60.5%)	8.4	7.2	(13.8%)
Net income from insurance operations	5.5	3.5	3.9	(29.1%)	12.3%	11.0	7.4	(32.4%)
Other net operating income/expense	23.4	21.7	19.1	(18.5%)	(11.9%)	51.8	40.7	(21.3%)
Operating income	915.3	920.6	908.4	(0.8%)	(1.3%)	1,840.6	1,829.0	(0.6%)
Staff costs	(374.3)	(364.4)	(356.0)	(4.9%)	(2.3%)	(749.9)	(720.4)	(3.9%)
Other administrative expenses	(186.6)	(186.0)	(175.2)	n.s.	(5.8%)	(392.6)	(361.2)	n.s.
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(40.4)	(54.3)	(56.3)	n.s.	3.6%	(82.0)	(110.6)	n.s.
Operating expenses	(601.4)	(604.8)	(587.4)	(2.3%)	(2.9%)	(1,224.4)	(1,192.2)	(2.6%)
Net operating income	313.9	315.9	321.0	2.2%	1.6%	616.2	636.8	3.3%
Net impairment losses for credit risk relating to:	(146.1)	(130.0)	(263.4)	80.2%	102.6%	(270.5)	(393.4)	45.4%
- financial assets measured at amortised cost: loans to banks	0.3	(0.0)	0.8	n.s.	n.s.	(1.5)	0.7	n.s.
- financial assets measured at amortised cost: loans and advances to customers	(143.7)	(128.6)	(263.0)	83.1%	104.6%	(261.6)	(391.6)	49.7%
- financial assets measured at amortised cost: securities	0.0	(0.5)	(0.3)	n.s.	(43.1%)	(0.1)	(0.8)	n.s.
- financial assets as at fair value through other comprehensive income	(2.7)	(0.9)	(0.9)	(68.6%)	(4.9%)	(7.3)	(1.8)	(75.9%)
Net provisions for risks and charges - commitments and guarantees granted	3.5	(0.6)	2.5	n.s.	n.s.	14.5	1.9	(86.6%)
Net provisions for risks and charges - other net provisions	(15.7)	(3.5)	1.2	n.s.	n.s.	(17.1)	(2.2)	(87.0%)
Profits (losses) from the disposal of equity investments	0.2	0.3	3.9	(93.3%)	n.s.	1.0	4.2	n.s.
Pre-tax profit from continuing operations	155.8	182.1	65.3	(58.1%)	(64.2%)	344.1	247.4	(28.1%)
Taxes on income for the period from continuing operations	(55.6)	(50.8)	(9.2)	(83.4%)	(81.8%)	(116.9)	(60.0)	(48.6%)
Profits/losses for the period attributable to non-controlling interests	(7.8)	(6.4)	(7.3)	(6.5%)	13.6%	(13.8)	(13.7)	(0.7%)
Profit for the period attributable to the Parent before Business Plan and other impacts	92.4	124.9	48.8	(47.2%)	(61.0%)	213.4	173.6	(18.6%)
Redundancy expenses net of taxes and non-controlling interests	(0.2)	(42.6)	0.0	n.s.	n.s.		(42.6)	n.s.
Business Plan Project expenses net of taxes and non-controlling interests	(1.0)	(0.1)	(0.0)	n.s.	n.s.	(4.6)	(0.1)	n.s.
Profit for the period	91.2	82.2	48.7	(46.6%)	(40.7%)	208.9	130.9	(37.3%)
Profit for the period net of non-recurring items	101.1	124.9	58.5	(42.1%)	(53.2%)	222.1	183.4	(17.4%)



Financial Ratio Analysis

- Return on Equity (ROE) =

NII / Total Assets	*	(profitability from traditional D&L activity)
(NII+NFCI) / NII	*	(diversification towards service activity)
OI / (NII + NFCI)	*	(relevance of other source of revenues)
OM / OI	*	(cost efficiency from operations)
NOM / OM	*	(credit risk from lending)
GI / NOM	*	(relevance of other risks)
NI / GI	*	(effective tax rate)
NI fty / NI	*	(non current assets contribution)
NGI / NI fty	*	(minorities and impairment of intangibles)
Total Assets / Equity		(leverage)