

POSTE ITALIANE: BOARD OF DIRECTORS APPROVES RESULTS AS OF 31 MARCH 2017

- **Total consolidated revenues: € 9.5 billion, -2.3% (€ 9.8 billion in Q1 2016)**
- **Consolidated operating profit: € 526 million, -6.4% (€ 562 million in Q1 2016)**
- **Consolidated net profit: € 351 million, -4.4% (€ 367 million in Q1 2016)**
- **Client assets under management/administration: € 498 billion, +1% (€ 493 billion at YE 2016)**

Rome, 10 May 2017 – The Board of Directors of Poste Italiane S.p.A. (“Poste Italiane”), chaired by Maria Bianca Farina, reviewed and approved today the Interim Financial Report as of 31 March 2017, drawn up in compliance with the measurement, recognition and classification criteria laid down by international accounting standards (IAS/IFRS).

Consolidated economic and financial highlights (EUR/million):

| | Q1 2017 | Q1 2016 | Change |
|--|------------------|-------------------|--------------|
| Total revenue | 9,539 | 9,759 | -2.3% |
| Operating profit | 526 | 562 | -6.4% |
| Net profit | 351 | 367 | -4.4% |
| | 31.3.2017 | 31.12.2016 | |
| Client assets under management/administration | 498,435 | 493,347 | +1.0% |
| Net industrial financial position-Surplus | 103 | 893 | n.m. |

Matteo Del Fante, Chief Executive Officer and General Manager, commented on the results as follows:

“I am extremely proud to have been appointed Chief Executive Officer of Poste Italiane, a Group which I had the pleasure to appreciate during my previous professional experiences.

In the weeks since my appointment I have been working closely with the management team - to whom I extend my thanks – in order to ensure the continuity of the Company's managerial and operating processes.

Regarding the Q1 results, total revenues were substantially in line with the same period of last year, despite the sharp contraction in the insurance market as well as the inevitable decline in traditional mail. On the other hand, the parcels and logistics segments grew significantly compared to the same period of the previous year.

The next few months will be key to the preparation of the new strategic plan which will enable the Group to continue its pursuit of growth. In particular we will be focusing on

broadening our product offering in insurance and asset management. With regards to financial services, we will concentrate on reinforcing payment systems, leveraging our client base and our recent acquisition of the SIA stake. We will also give further impetus to developing innovative services for the public administration. On the postal-logistics front, we will continue to strengthen our parcels business, driven by e-commerce and ongoing improvements on the quality of postal services.

All this will help strengthen the Group's cash generation in support of our 2017 dividend policy, which we will be finalising over the next few months and we expect to be reasonably similar to the last two years.”

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In addition to the standard financial indicators required by IFRS, Poste Italiane also utilises a number of alternative performance indicators, with a view to providing a clearer assessment of the business performance and financial position. The meaning and makeup of such indicators are described in the annex, in line with the ESMA/2015/1415 Guidelines of 5 October 2015.

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In the first quarter of 2017, the Group's **total revenues**, inclusive of insurance premiums, fell -2.3% compared with the same period of the previous year, to € 9.5 billion. The Insurance Services and Asset Management segment, in a market that has seen a sharp contraction in insurance premiums, contributed € 7.1 billion of total revenues, with a slight decline of -2.1%. Financial Services also fell slightly, recording revenues of € 1.5 billion (-2.4%) and Postal and Business Services posted revenues of € 914 million (-2.4%), reflecting the structural decline in mail volumes in Italy (-9%). Revenues for the Express Delivery, Logistics and Parcels segment grew to € 174 million, up 11% compared with the same period of the previous year.

The **operating profit**, of € 526 million, decreased by -6.4% compared with the same period of the previous year (€ 562 million). The decrease was due to lower revenues from Postal and Business Services and Financial Services, only partially offset by the stronger result in Insurance Services and Asset Management.

The **net profit** is € 351 million, also showing a slight decline versus €367 million in the same period of the previous year.

The Group **net financial position** shows a €4.3 billion surplus versus €6.2 billion at year-end 2016, mainly due to a €1,649 million decrease in the fair value of the financial instruments. The cash generated by operating activities was € 518 million and was used for the acquisition of a stake in FSIA Investimenti for € 222 million as well as for capital expenditure of € 81 million.

The **net industrial financial position** shows cash for € 103 million.

Capital expenditure for the period, before disposals, comes to € 81 million and is primarily related to the digitalisation of telecommunication networks and to property renovation and restructuring.

During the first quarter of 2017, the **client assets under management/administration** rose to € 498 billion, up 1% from € 493 billion at year-end 2016. This was attributable mainly to growth in BancoPosta direct deposits to current accounts (+5 billion euros) and in the technical provisions of the Life insurance segment.

As regards the **distribution networks**, the process of modernisation and digitalisation of post offices continued in Q1 2017 with the roll-out of wi-fi connectivity in 3,585 post offices from the start of the project and the installation of a “new queue management” system already present in 2,078 offices. These initiatives continue to further improve the quality of customer services, including the opening of 26 multilingual offices across the nation to simplify access to the Group’s services for “new Italians”.

Information on the main operating segments is reported below.

FINANCIAL SERVICES

- **Market revenues of € 1.5 billion, down -2.4%**
- **Operating profit down -14.6% to € 228 million**
- **BancoPosta’s average deposits total € 55 billion, up 10% versus year end 2016**
- **3.7 million *Postepay Evolution* cards issued and active as of 31 March 2017**

Total revenues, of €1.7 billion, showed a decline of -2% primarily attributable to the lower fees from postal savings and interest income on current account deposits, in line with market performance, only in part mitigated by the growth in revenues from active management of the securities portfolio held by Bancoposta, the positive contribution of Postepay cards and the placement fees for loan products.

The **operating profit** comes to €228 million, down -14.6% from the same period in the previous year (€ 267 million).

BancoPosta’s average deposits (including long-term repos) amount to € 54.5 billion, up 10% from € 49.6 billion at year-end 2016.

The number of *Postepay Evolution* cards – the personal rechargeable prepaid card with IBAN code – issued since the product was first launched (July 2014) has exceeded 3.9 million, with 409,317 cards issued in the first quarter of 2017.

Poste Italiane, through BancoPosta, has continued to strengthen its services for Italian households by expanding the range of consumer loans and mortgages, with different solutions in terms of length, amount and repayment flexibility.

INSURANCE SERVICES AND ASSET MANAGEMENT

- **Insurance and asset management revenues down -2.1% to € 7.1 billion**
- **Operating profit of € 155 million, up 43.5%**

Total revenues, inclusive of other income from insurance operations, come to € 7.1 billion, down -2.1% compared with the same period of the previous year (€ 7.2 billion), mainly due to the slight fall in insurance premiums, offset by the positive net inflows from mutual funds (fees +77% compared with the same period of the previous year). More

specifically, Poste Vita, the leading Italian insurance provider with technical provisions amounting to € 115.3 billion (€ 113.5 billion at the end of December 2016) collected premiums for € 5.9 billion, posting a slight decline of -3.2% compared with Q1 2016, notwithstanding the fall of more than -24% in new production by the Italian insurance market in general in the same period.

Operating profit was € 155 million, up 43.5% compared with the same period of the previous year (€ 108 million), thanks to the increase in assets under management (mutual funds and technical provisions).

POSTAL AND BUSINESS SERVICES

- **Market revenues of € 914 million, down -2.4% (€ 936 million)**

Total revenues amount to € 2.2 billion (inclusive of € 1.3 billion in captive revenue, mainly due to distribution services), down -1.7% compared with the same period of 2016 (€ 2.3 billion). The fall in market revenues for mail services, while less steep than the previous year (-5.4%, versus -5.9% in the same period of 2016), is due to the structural decline in volumes of postal products (-9%).

The slowing in the decline in revenues, besides tariff effects and the growth in the parcels segment is also explained by the measures taken to improve the quality of traditional postal services and the efficiency of the related operating processes.

Parcels posted a 21% growth compared to the same period of 2016, for a total number of 28 million parcels handled in the first quarter of 2017, partly due to the developing growth of e-commerce in Italy.

Operating profit amounted to € 135 million (€ 177 million in the first quarter of 2016) explained - besides the aforementioned contraction of the market in traditional mail deliveries - by smaller intersegment revenues for distribution services provided to the financial segment and settled internally. The fact that total costs were substantially in line with the first quarter of 2016 was also thanks to the lower labour costs due to efficiency measures on the workforce.

RECENT EVENTS AND BUSINESS OUTLOOK

Key events during the period

Please be reminded that, following negotiations during the last quarter of 2016, on 8 February 2017 Poste Italiane signed an agreement to transfer to Invitalia - the national agency for the attraction of investment and business development - the entire equity package of Banca del Mezzogiorno-Medio Credito Centrale (BdM-MCC) for a total value of € 390 million. The operation is expected to close in 2017, subject to approval by the Ministry of Economic Development, the Bank of Italy and the European Central Bank.

On 15 February 2017 - in execution of the preliminary agreement signed on 16 September 2016 between Poste Italiane and CDP for the transfer from FSI Investimenti SpA (controlled by CDP Equity SpA via a 77% stake) to Poste of an indirect shareholding in SIA SpA (amounting to 14.85%), business leader in e-payments, payments and online

services - Poste completed the acquisition of a 30% stake in FSIA Investimenti Srl (holder of 49.5% of SIA), owned 100% by FSI Investimenti SpA. On completion of the deal, Poste paid 80% of the acquisition price – expected to come to 278 million euros. The final price might be adjusted, up or down, depending on the results obtained by SIA in its Net Financial Position at the end of 2016 and its operating performance for the full year 2017.

Main events subsequent to 31 March 2017

You are also reminded that the Poste Italiane S.p.A. Ordinary Shareholders' Meeting of 27 April 2017 in Rome, resolved, among other things:

- to approve the Annual Financial Statements of Poste Italiane S.p.A. as of 31 December 2016;
- to distribute the profits of Poste Italiane S.p.A. for financial year 2016, amounting to € 625 million: (i) for € 509 million in a shareholders' dividend of € 0.39 for each of the 1,306,110,000 ordinary shares (ii) and € 116 million to “Retained earnings”, of which € 110 million to BancoPosta’s Ring-Fenced Capital;
- to elect the Board of Directors, which will remain in office until approval of the Annual Financial Statements for FY 2019, in the persons of: Maria Bianca Farina – Chairman, Giovanni Azzone, Carlo Cerami, Matteo Del Fante, Antonella Guglielmetti, Francesca Isgrò, Mimi Kung, Roberto Rao, Roberto Rossi.

On 28 April 2017 the Board of Directors appointed Matteo Del Fante to serve as Chief Executive Officer and General Manager of the Company.

Business outlook

Poste Group will be working throughout the rest of 2017 to produce a new Business Plan designed to permit further balanced growth for the business, as well as continuing to pursue the Country's path of innovation with particular attention to services for the Public Administration.

In the Logistics-Postal segment the Group will continue the restructuring process already begun in recent years through the use of new automation technologies to support the production process. Our goal will be to raise the efficiency and quality of postal services and improve our competitive positioning in the Express Delivery and Parcels market.

With regard to Financial Services, 2017 will be, among other things, focused on our positioning in transaction banking, with particular focus on growth in receipts and payments, partly through the recent acquisition of the stake in SIA SpA. Meanwhile the Group's efforts will be directed to the valorisation of the client base, through targeted products and services, a refocus on Postal Savings, where work will continue to define the conditions of the agreement governing the provision of intermediation services in favour of CDP SpA, growth in the distribution of consumer credit products and consolidation of “digital banking” business as part of Poste Italiane’s wider multichannel strategy. In addition, we will continue to actively manage our portfolio of financial instruments in light of the persisting volatility in international and national financial markets, with the aim of stabilising overall returns in terms of interest income and capital gains.

In addition, on 8 February 2017 a contract was signed between Poste Italiane and Invitalia for the transfer of the entire equity package of Banca del Mezzogiorno. The contract states that with its signing an interim period begins in which specific instructions apply as to how it is to be managed, with particular reference to the development of lending activity. The finalisation of the operation is subject to authorization by the Ministry of Economic Development, the Bank of Italy and the European Central Bank.

In the Insurance Segment, besides consolidating its leadership position in the Life market, the Group will work to extend the penetration of its Mutual Fund products and Class III policies, guaranteeing transparency and the maximum satisfaction of the needs of our clients. We will also continue to grow the protection and welfare segment, partly by strengthening the integrated social security, health and social care model, exploiting Poste Group's assets and social vocation.

The above objectives will all be pursued while reinforcing the Group's cash generation in support of a dividends policy, to be finalised over the next few months, which for FY 2017 we expect to be reasonably similar to that of the last two years.

Regarding the Parent's financial investments, the Company will continue to monitor, as foreseen by the prevailing contractual arrangements, the information made available by MidCo SpA - which controls 51% of Alitalia SAI, and placed in extraordinary administration on 2 May 2017 - in which on 23 December 2014 Poste Italiane subscribed Contingent Convertible Notes for an original value of 75 million euros with a 20-year duration. Over the next six months the airline's continuity will be assisted by a € 600 million bridge loan provided by the Italian state. Based on the information available at the date of this press release regarding the new developments and contractual terms of the notes, the credit granted to MIDCO SpA was valued consistently with the past, pending news which might reduce the uncertainties, at present unquantifiable, regarding its recoverability in accordance with original forecasts.

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Poste Italiane presents its quarterly financial report on a voluntary basis, with a summary picture of the business focusing on the key highlights in compliance with Consob Resolution no. 19770 of 26 October 2016 which gives listed companies whose Member State of origin is Italy, the faculty to voluntarily publish additional periodic financial information besides their annual and half-yearly reports.

The document containing the Interim Financial Report as of 31 March 2017 will be published by 15 May 2017, made available to the public at the Company's head office, on the Company's website (www.posteitaliane.it), on the website of the authorised storage system "eMarket Storage" (www.emarketstorage.com), and filed with Borsa Italiana S.p.A. (www.borsaitaliana.it), the Italian stock exchange management company. The disclosure regarding the filing will be issued in due course.

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A conference call will be held at 6 p.m. today, 10 May 2017, in order to present the results for the first quarter of 2017 to financial analysts and institutional investors. Journalists will be able to listen to the call. Supporting material will be made available in the "Investors" section of the website www.posteitaliane.it as the conference call begins.

Tables showing the results of the individual business units (before intersegment eliminations) are provided below, together with the period accounts (consolidated statement of financial position, consolidated statement of profit/loss for the period, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows).

A brief description of the “alternative performance indicators” used is also provided.

The manager responsible for financial reporting, Luciano Loiodice, pursuant to art. 154 bis, paragraph 2 of the Consolidated Law on Finance, declares that the accounting information contained in this release is consistent with the underlying documents, accounting books and records.

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Condensed financial information on the operating segments.

In compliance with the provisions of IFRS 8 – Operating Segments, an operating segment is a component of an entity: a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) and b) whose operating results are reviewed regularly by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Following is the key financial information on the operating segments of Poste Italiane Group.

FINANCIAL SERVICES

Results (EUR/million):

| | Q1 2017 | Q1 2016 | Var. |
|------------------------------|----------------|----------------|-------------|
| Market revenues | 1,518 | 1,556 | -2.4% |
| Intersegment revenues | 159 | 154 | 3.2% |
| Total revenues | 1,677 | 1,710 | -1.9% |
| Operating profit | 228 | 267 | -14.6% |

INSURANCE SERVICES AND ASSET MANAGEMENT

Results (EUR/million):

| | Q1 2017 | Q1 2016 | Var. |
|------------------------------|----------------|----------------|-------------|
| Market revenues | 7,057 | 7,210 | -2.1% |
| Intersegment revenues | - | - | - |
| Total revenues | 7,057 | 7,210 | -2.1% |
| Operating profit | 155 | 108 | 43.5% |

POSTAL AND BUSINESS SERVICES

Results (EUR/million):

| | Q1 2017 | Q1 2016 | Var. |
|------------------------------|----------------|----------------|-------------|
| Market revenues | 914 | 936 | -2.4% |
| Intersegment revenues | 1,334 | 1,352 | -1.3% |
| Total revenues | 2,248 | 2,288 | -1.7% |
| Operating profit | 135 | 177 | -23.7% |

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ALTERNATIVE PERFORMANCE INDICATORS

We report below the meaning and content of the “alternative performance indicators”, which are not required by IAS/IFRS but have been used in this release with a view to providing a clearer assessment of the Group’s operating performance and financial position.

GROUP NET FINANCIAL POSITION: the sum of financial liabilities, insurance technical provisions, financial assets, reinsurers’ share of technical provisions, BancoPosta cash

and deposits and cash and cash equivalents. This indicator is also given separately for each operating segment.

NET INDUSTRIAL FINANCIAL POSITION: the sum of the net financial position of the Postal and Business Services segment and the net financial position of the Other Services segment, before adjusting for intersegment transactions.

Breakdown of Net Financial Position (EUR/million):

| | Postal and Business Services | Financial Services | Insurance Services and Asset Management | Other Services | Eliminations | Consolidated |
|---|------------------------------|--------------------|---|----------------|--------------|--------------|
| Balance at 31 March 2017 | | | | | | |
| Financial liabilities | (2,499) | (60,871) | (1,024) | (2) | 1,826 | (62,570) |
| Technical provisions for insurance business | | | (115,494) | | | (115,494) |
| Financial assets | 1,171 | 58,954 | 116,751 | 32 | (1,683) | 175,225 |
| Technical provisions attributable to reinsurers | | | 72 | | | 72 |
| Cash and deposits attributable to BancoPosta | | 2,957 | | | | 2,957 |
| Cash and cash equivalents | 1,393 | 897 | 2,144 | 8 | (316) | 4,126 |
| Net financial position | 65 | 1,937 | 2,449 | 38 | (173) | 4,316 |
| Net industrial financial position | 65 | | | 38 | | 103 |
| Balance at 31 December 2016 | | | | | | |
| Financial liabilities | (1,947) | (59,225) | (1,012) | (2) | 1,265 | (60,921) |
| Technical provisions for insurance business | | | (113,678) | | | (113,678) |
| Financial assets | 1,236 | 58,681 | 115,596 | 29 | (1,180) | 174,362 |
| Technical provisions attributable to reinsurers | | | 66 | | | 66 |
| Cash and deposits attributable to BancoPosta | | 2,494 | | | | 2,494 |
| Cash and cash equivalents | 1,556 | 1,320 | 1,324 | 21 | (319) | 3,902 |
| Net financial position | 845 | 3,270 | 2,296 | 48 | (234) | 6,225 |
| Net industrial financial position | 845 | | | 48 | | 893 |

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FINANCIAL STATEMENTS OF POSTE ITALIANE GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€m)

| ASSETS | at 31 March 2017 | at 31 December 2016 |
|---|-------------------------|----------------------------|
| Non-current assets | | |
| Property, plant and equipment | 2,026 | 2,080 |
| Investment property | 55 | 56 |
| Intangible assets | 506 | 513 |
| Investments accounted for using the equity method | 501 | 218 |
| Financial assets | 158,146 | 155,819 |
| Trade receivables | 4 | 4 |
| Deferred tax assets | 1,039 | 799 |
| Other receivables and assets | 3,073 | 2,682 |
| Technical provisions attributable to reinsurers | 72 | 66 |
| Total | 165,422 | 162,237 |
| Current assets | | |
| Inventories | 137 | 137 |
| Trade receivables | 2,674 | 2,168 |
| Current tax assets | 15 | 15 |
| Other receivables and assets | 807 | 989 |
| Financial assets | 17,079 | 18,543 |
| Cash and deposits attributable to BancoPosta | 2,957 | 2,494 |
| Cash and cash equivalents | 4,126 | 3,902 |
| Total | 27,795 | 28,248 |
| Non-current assets and disposal groups held for sale | 2,665 | 2,720 |
| TOTAL ASSETS | 195,882 | 193,205 |
| LIABILITIES AND EQUITY | | |
| Equity | | |
| Share capital | 1,306 | 1,306 |
| Reserves | 1,194 | 2,374 |
| Retained earnings | 4,805 | 4,454 |
| Equity attributable to owners of the Parent | 7,305 | 8,134 |
| Equity attributable to non-controlling interests | - | - |
| Total | 7,305 | 8,134 |
| Non-current liabilities | | |
| Technical provisions for insurance business | 115,494 | 113,678 |
| Provisions for risks and charges | 700 | 658 |
| Employee termination benefits and pension plans | 1,299 | 1,347 |
| Financial liabilities | 6,871 | 8,404 |
| Deferred tax liabilities | 517 | 746 |
| Other liabilities | 1,050 | 1,071 |
| Total | 125,931 | 125,904 |
| Current liabilities | | |
| Provisions for risks and charges | 909 | 849 |
| Trade payables | 1,398 | 1,506 |
| Current tax liabilities | 257 | 88 |
| Other liabilities | 2,339 | 2,147 |
| Financial liabilities | 55,699 | 52,517 |
| Total | 60,602 | 57,107 |
| Liabilities related to assets held for sale | 2,044 | 2,060 |
| TOTAL EQUITY AND LIABILITIES | 195,882 | 193,205 |

CONSOLIDATED STATEMENT OF PROFIT/LOSS FOR THE PERIOD

(€m)

| | For the three months ended 31 March 2017 | For the three months ended 31 March 2016 |
|---|--|--|
| Revenue from sales and services | 2,095 | 2,161 |
| Insurance premium revenue | 5,916 | 6,116 |
| Other income from financial and insurance activities | 1,513 | 1,467 |
| Other operating income | 15 | 15 |
| Total revenue | 9,539 | 9,759 |
| Cost of goods and services | 592 | 600 |
| Net change in technical provisions for insurance business and other claims expenses | 6,574 | 6,728 |
| Other expenses from financial and insurance activities | 135 | 197 |
| Personnel expenses | 1,480 | 1,505 |
| Depreciation, amortisation and impairments | 142 | 151 |
| Capitalised costs and expenses | (9) | (4) |
| Other operating costs | 99 | 20 |
| Operating profit/(loss) | 526 | 562 |
| Finance costs | 23 | 28 |
| Finance income | 25 | 31 |
| Profit/(Loss) on investments accounted for using the equity method | 4 | 3 |
| Profit/(Loss) before tax | 532 | 568 |
| Income tax expense | 181 | 201 |
| PROFIT FOR THE PERIOD | 351 | 367 |
| of which, attributable to owners of the Parent | 351 | 367 |
| of which, attributable to non-controlling interests | - | - |
| | | |
| Earnings per share | 0.269 | 0.281 |
| Diluted earnings per share | 0.269 | 0.281 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€m)

| | For the three months ended 31 March 2017 | For the year ended 31 December 2016 | For the three months ended 31 March 2016 |
|--|--|--|--|
| Profit/(Loss) for the period | 351 | 622 | 367 |
| Items to be reclassified in the Statement of profit or loss for the period | | | |
| Available-for-sale financial assets | | | |
| Increase/(decrease) in fair value during the period | (1,197) | (1,673) | (198) |
| Transfers to profit or loss | (438) | (592) | (369) |
| Cash flow hedges | | | |
| Increase/(decrease) in fair value during the period | (10) | (15) | 43 |
| Transfers to profit or loss | (4) | (22) | (17) |
| Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the period | 473 | 627 | 153 |
| Share of after-tax comprehensive income/(loss) of investees accounted for using equity method | - | - | - |
| After-tax increase/(decrease) in reserves related to group of assets and liabilities held for sale | (4) | - | - |
| Items not to be reclassified in the Statement of profit or loss for the period | | | |
| Actuarial gains/(losses) on provisions for employee termination benefits and pension plans | - | (51) | - |
| Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the period | - | 18 | - |
| Share of after-tax comprehensive income/(loss) of investees accounted for using equity method | - | - | - |
| Total other comprehensive income | (1,180) | (1,708) | (388) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | (829) | (1,086) | (21) |
| of which, attributable to owners of the Parent | (829) | (1,086) | (21) |
| of which, attributable to non-controlling interests | - | - | - |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€m

| | Equity | | | | | | | | | | |
|--|---------------|---------------|------------------------|--------------------|-------------------------|---|---|--|---|--|--------------|
| | Share capital | Reserves | | | | | Reserve for investees accounted for using equity method | Retained earnings / (Accumulated losses) | Total equity attributable to owners of the Parent | Equity attributable to non-controlling interests | Total equity |
| | | Legal reserve | BancoPosta RFC reserve | Fair value reserve | Cash flow hedge reserve | Reserves related to disposal groups and liabilities held for sale | | | | | |
| Balance at 1 January 2016 | 1,306 | 299 | 1,000 | 2,739 | 9 | - | - | 4,305 | 9,658 | - | 9,658 |
| Total comprehensive income for the period | - | - | - | (407) | 19 | - | - | 367 | (21) | - | (21) |
| Attribution of profit to reserves | - | - | - | - | - | - | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | - | - | - |
| Changes due to share-based payments | - | - | - | - | - | - | - | - | - | - | - |
| Other changes | - | - | - | - | - | - | - | - | - | - | - |
| Change in scope of consolidation | - | - | - | - | - | - | - | - | - | - | - |
| Other shareholder transactions | - | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 March 2016 | 1,306 | 299 | 1,000 | 2,332 | 28 | - | - | 4,672 | 9,637 | - | 9,637 |
| Total comprehensive income for the period | - | - | - | (1,241) | (46) | - | - | 222 | (1,065) | - | (1,065) |
| Attribution of profit to reserves | - | - | - | - | - | - | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | (444) | (444) | - | (444) |
| Changes due to share-based payments | - | - | - | - | - | - | - | - | - | - | - |
| Other changes | - | - | - | - | - | - | 2 | - | 2 | - | 2 |
| Reclassifications to reserves related to disposal groups and liabilities held for sale | - | - | - | 1 | - | (1) | - | - | - | - | - |
| Change in scope of consolidation | - | - | - | - | - | - | - | - | - | - | - |
| Other shareholder transactions | - | - | - | - | - | - | - | 4 | 4 | - | 4 |
| Amount due from MEF following cancellation of EC Decision of 16 July 2008 | - | - | - | - | - | - | - | 6 | 6 | - | 6 |
| Taxation | - | - | - | - | - | - | - | (1) | (1) | - | (1) |
| Balance at 31 December 2016 | 1,306 | 299 | 1,000 | 1,092 | (18) | (1) | 2 | 4,454 | 8,134 | - | 8,134 |
| Total comprehensive income for the period | - | - | - | (1,166) | (10) | (4) | - | 351 | (829) | - | (829) |
| Attribution of profit to reserves | - | - | - | - | - | - | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | - | - | - |
| Changes due to share-based payments | - | - | - | - | - | - | - | - | - | - | - |
| Other changes | - | - | - | - | - | - | - | - | - | - | - |
| Change in scope of consolidation | - | - | - | - | - | - | - | - | - | - | - |
| Other shareholder transactions | - | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 March 2017 | 1,306 | 299 | 1,000 | (74) | (28) | (5) | 2 | 4,805 | 7,305 | - | 7,305 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€m)

For the three months ended
31 March 2017

For the three months ended
31 March 2016

| | 2,292 | 1,783 |
|---|--------------|--------------|
| Unrestricted net cash and cash equivalents at beginning of period | 2,292 | 1,783 |
| Cash subject to investment restrictions | 780 | 1 |
| Cash attributable to technical provisions for insurance business | 799 | 1,324 |
| Amounts that cannot be drawn on due to court rulings | 12 | 11 |
| Current account overdrafts | 2 | 5 |
| Cash received on delivery (restricted) and other restrictions | 17 | 18 |
| Cash and cash equivalents at beginning of period | 3,902 | 3,142 |
| Cash and cash equivalents at beginning of period | 3,902 | 3,142 |
| Profit/(loss) for the period | 351 | 367 |
| Depreciation, amortisation and impairments | 142 | 151 |
| Losses and impairments/(recoveries) on receivables | 10 | 7 |
| (Gains)/Losses on disposals | (1) | - |
| Impairment of disposal groups | 2 | - |
| (Increase)/decrease in inventories | - | (1) |
| (Increase)/decrease in receivables and other assets | (744) | (194) |
| Increase/(decrease) in payables and other liabilities | 197 | 359 |
| Movement in group of assets and liabilities held for sale | 26 | - |
| Movement in provisions for risks and charges | 106 | 9 |
| Movement in provisions for employee termination benefits and pension plans | (48) | (25) |
| Differences in accrued finance costs and income (cash correction) | 12 | 7 |
| Other changes | 5 | (10) |
| Net cash flow generated by/(used in) non-financial operating activities [a] | 58 | 670 |
| Increase/(decrease) in liabilities attributable to financial activities | 1,929 | 1,388 |
| Net cash generated by/(used for) held for trading financial assets attributable to financial activities | - | - |
| Net cash generated by/(used for) available-for-sale financial assets attributable to financial activities | 14 | (616) |
| Net cash generated by/(used for) held-to-maturity financial assets attributable to financial activities | (212) | 103 |
| (Increase)/decrease in cash and deposits attributable to BancoPosta | (463) | 338 |
| (Increase)/decrease in other assets attributable to financial activities | (790) | (508) |
| (Income)/expenses from financial activities | (610) | (599) |
| Cash generated by/(used for) assets and liabilities attributable to financial activities [b] | (132) | 106 |
| Net cash generated by/(used for) financial assets at fair value through profit or loss attributable to insurance activities | (1,381) | (1,347) |
| Increase/(decrease) in net technical provisions for insurance business | 3,890 | 4,266 |
| Net cash generated by/(used for) available-for-sale financial assets attributable to insurance activities | (999) | (2,132) |
| (increase)/decrease in other assets attributable to insurance activities | (46) | (114) |
| (Gains)/Losses on financial assets/liabilities measured at fair value | (238) | (322) |
| (Income)/expenses from insurance activities | (634) | (511) |
| Cash generated by/(used for) assets and liabilities attributable to insurance activities [c] | 592 | (160) |
| Net cash flow from/(for) operating activities [d]=[a+b+c] | 518 | 616 |
| <i>Investing activities</i> | | |
| Property, plant and equipment, investment property and intangible assets | (81) | (62) |
| Investments | (227) | - |
| Other financial assets | - | (103) |
| <i>Disposals</i> | | |
| Property, plant and equipment, investment property and intangible assets and assets held for sale | 2 | 2 |
| Investments | - | - |
| Other financial assets | 6 | - |
| Change in scope of consolidation | - | - |
| Net cash flow from/(for) investing activities [e] | (300) | (163) |
| Proceeds from/(Repayments of) borrowings | 6 | (502) |
| (Increase)/decrease in loans and receivables | - | - |
| Dividends paid | - | - |
| Net cash flow from/(for) financing activities and shareholder transactions [f] | 6 | (502) |
| Net increase/(decrease) in cash [g]=[d+e+f] | 224 | (49) |
| Cash and cash equivalents at end of period | 4,126 | 3,093 |
| Cash and cash equivalents at end of period | 4,126 | 3,093 |
| Cash subject to investment restrictions | (435) | - |
| Cash attributable to technical provisions for insurance business | (1,848) | (1,301) |
| Amounts that cannot be drawn on due to court rulings | (13) | (13) |
| Current account overdrafts | - | (12) |
| Cash received on delivery (restricted) and other restrictions | (20) | (11) |
| Unrestricted net cash and cash equivalents at end of period | 1,810 | 1,756 |