PRESS RELEASE

UBI Group (UBI Banca + 3 Acquired Banks) results for the period ended 31st December 2017

Solid capital ratios

- **Fully loaded consolidated CET1 ratio[1] of 11.43% (11.54% as at 30th September 2017), inclusive of the update of the historical data series (-27 bps) and two synthetic securitisations of performing loans (+23 bps), in accordance with the Business Plan**
  It should be recalled that the 3 Acquired Banks are included under the standardised approach; roll-out of the IRB model is expected in 2018
- **The CET1 ratio includes a proposal to pay a dividend of 11 eurocents per share, on a total dividend pay-out of €125.5 million (€107.1 million in 2016)**
- **LCR and NSFR > 100%**
- **Leverage ratio of 5.85% phased-in and 5.78% fully loaded (5.82% and 5.77% respectively as at 30th September 2017)**

First indications regarding IFRS9

- **The sale of a substantial package of non-performing loans over the next three years was decided in order to accelerate the achievement of a gross non-performing loan ratio of less than 10% between 2019 and 2020, depending on market conditions**
- **The First Time Adoption impact on CET1 will therefore affect loans in "stage 2" (envisaged in the Business Plan) and "stage 3" (not envisaged in the Business Plan)**
- **The fully loaded impact of First Time Adoption of IFRS 9 is expected, inclusive of all the components envisaged, to total approximately -12 bps on the CET1[2]**
- **The Group has decided to opt for adhesion to the transitional provisions which allow the phase-in of IFRS9 over five years[3], thereby rendering the impact of FTA lower than -1 basis point for 2018.**

Positive operating results in 2017 (UBI Banca 12 months + 3 Acquired Banks 9 months):

- **Profit for the year for the enlarged Group of €690.6 million (compared with a loss of €830.2 million for UBI Stand-Alone in 2016)**
- **Profit for the enlarged Group net of non-recurring items of €188.7 million[4] (compared with a loss of €474.4 million for UBI Stand-Alone in the 2016)**

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[1] The fully loaded CET1 ratio does not include the effect of the use of the DTAs of the 3 Acquired Banks, estimated at approximately €550 million.
The phased-in CET1 ratio amounts as at 31 December 2017 to 11.56% (11.65% in September 2017). The SREP ratio for 2018 is 8.625%.

[2] Please also refer to the paragraph IFRS9: First Time Adoption on page 9

[3] These transitional provisions are set by Regulation (EU) 2017/2395 of the European Parliament and Council, which amends Regulation No. 575/2013 (the "CRR"). The benefit of the transitional provisions is recognised for a period of 5 years, according to decreasing quotas (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021, 25% in 2022).

[4] The main non-recurring items in 2017, net of taxes and non-controlling interests are as follows: a profit of €37.4 million on the disposal of held-to-maturity investments; costs of €33.3 million for the project to integrate the three acquired banks; costs of €6.6

4Q 2017 / 3Q 2017: operations performed positively in the first months of the integration of the 3 acquired banks

- **4Q profit net of non-recurring items of €21.4 million compared with €37.3 million in 3Q 2017**
  4Q stated result of -€11.9 million (+€6.3 million in 3Q 2017)

- **Operating income of €983.2 million and net operating income of €345.6 million, both recording an increase compared with 3Q 2017 (+14.8% and +53.5% respectively) and with 2Q 2017 (+4.5% and +13.5% respectively)**

- **Net interest income of €478.9 million (inclusive of the TLTRO2 effect amounting to €68.8 million recognised in 4Q 2017) compared with €402.5 million in 3Q 2017.**
  Excluding the TLTRO2 effect, net interest income was up for the third consecutive quarter to €410.1 million (€402.5 million in 3Q 2017 and €398.1 million in 2Q 2017) as a result of good performance by the contribution from general banking business with customers, which rose to €376 million (€368 million in 3Q 2017 and €356 million in 2Q 2017)
- **Net fee and commission income of €395 million (€389.8 million in 3Q 2017 and €410.5 million in 2Q 2017). Net of performance fees and up-front fees, recurring fees and commissions grew to €344.4 million compared with €339.4 million in 3Q 2017, largely in line with €349.4 million in 2Q 2017, notwithstanding the impact of the integration of the acquired banks and the changes to customer portfolios that took place in 4Q 2017**

- **Operating expenses stood at €637.5 million, with no significant changes, notwithstanding seasonal factors, compared with €631.3 million in 3Q 2017 and €636.2 million in 2Q 2017 as a result of savings on costs achieved by UBI. Furthermore, operating expenses are still not fully benefiting from staff redundancies that took place during the year (a total of 1,379 staff[5]), which will be added to in 2018 by around 550 redundancies planned under trade union agreements signed**

- **Net impairment losses on loans of €310.7 million. This figure is impacted by the effects, up to now recognisable, of the inspection in progress by the ECB on the corporate loan portfolio (Specialised Lending, Large Corporates, Small Businesses, with the exclusion of Retail businesses) of the Group (UBI Banca, UBI Leasing and UBI Factor, performing and non-performing). The procedure, commenced at the end of September 2017, will be concluded in the first part of 2018. On the basis of evidences collected up to now by the Bank, the substantial accuracy of the classification of the loans analysed, both performing and non-performing, appears to be confirmed.**
- **For 2017, net impairment losses on loans stood at 79 basis points of total loans, notwithstanding a higher 4Q 2017**

million for the Single Bank Project; early staff exit costs of €41.1 million; write-down of the Atlante Fund investment amounting to €64.7 million; Interbank Deposit Protection Fund intervention expenses of €28.1 million; impairment losses of €2.9 million on property, plant and equipment. Badwill must be added to the items mentioned above: following the final allocation this amounts to €640.8 million (€616.2 million in September 2017 and 612.3 million in June 2017 in relation to the then still provisional allocation of this item).

[5] Approximately 700 staff recruited during the year.

Balance sheet figures (UBI Banca+3 Acquired Banks) compared with 31st December 2016:

- **Net lending to customers of €92.3 billion, down €1.4 billion compared with December 2016, essentially due to a reduction in net non-performing loans, down €1.1 billion on December 2016 to €8.2 billion (8.8% of total net loans compared with 9.9% in December 2016)**
- **Gross non-performing loans of €13.8 billion (-4% vs €14.4 billion as at 31st December 2016) accounting for 14.03% of total gross loans.**
  Following the final allocation of badwill which took place in 4Q 2017, steps were taken to recognise loans from the 3 acquired banks at fair value as at the date of acquisition, which is to say at the purchase price (gross value - impairment – badwill allocated), indicating solely the net book value, in accordance with IFRS 3 for Business Combinations[6].
  Following that recognition, gross non-performing loans as at 31st December 2017 amounted to €12.7 billion, accounting for 13.01% of total gross loans.

- **Assets under management + *banc assurance* of €65.4 billion, +11.7% vs €58.6 billion as at 31st December 2016 and further growth of 2.7% compared with September 2017.**

- **Total funding from ordinary Group customers[7] (direct and indirect) of €176.9 billion, notwithstanding the derecognition of €4.1 billion relating to the sale of UBI International in 4Q 2017 (€176.1 billion in December 2016).**

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Bergamo, 8th February 2018 – The Management Board of Unione di Banche Italiane Spa has approved the proposed separate and consolidated Annual Reports for the year ended 31st December 2017, inclusive of a proposal to distribute a dividend per share of €0.11 on the 1,141,300,266 ordinary shares outstanding (net of treasury shares repurchased), to give a maximum dividend pay-out of €125.5 million, drawn from the extraordinary reserve, which will be submitted for approval to the Supervisory Board on 6th March 2018.
That proposal will be submitted to a shareholders meeting that will be held in a single session on 6th April 2018.
If approved by the Shareholders' Meeting in the amount proposed, the dividend will be paid with ex dividend date, record date and payment date on 21st, 22nd and 23rd May 2018 respectively.

The operating performance of the Group

From 1st April 2017, and therefore for three quarters, the consolidated results of the UBI Group for the financial year 2017 **include the three recently acquired banks**.
Following the mergers of Banca Adriatica and Banca Tirrenica - and the relative banking subsidiaries - into UBI Banca, which took place in the fourth quarter of 2017, the disaggregated figures for UBI

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6 IFRS 3 – Business combinations – Appendix B – Application guidance
Assets with uncertain cash flows (valuation allowances)
B41 The acquirer shall not recognise a separate valuation allowance as of the acquisition date for assets acquired in a business combination that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure. For example, because this IFRS requires the acquirer to measure acquired receivables, including loans, at their acquisition-date fair values, the acquirer does not recognise a separate valuation allowance for the contractual cash flows that are deemed to be uncollectible at that date.
Please also see the "Balance Sheet" section and tables A.1 and A.2 attached, for further details.
7 Includes Direct funding, calculated net of institutional funding and repurchase agreements with the *Cassa di Compensazione e Garanzia* and Indirect funding (AUC, AUM and bancassurance).

Stand-Alone and the 3 acquired banks are no longer available for the financial year 2017, which therefore makes the comparison with 2016, which relates to UBI Stand-Alone, less significant.
On the other hand, the quarterly comparison, which will be examined in detail, is significant.

<u>The full year 2017</u>

The full year 2017 ended for the enlarged UBI Group with a **stated profit of €690.6 million** (compared with a loss of €830.2 million for UBI Stand-Alone in 2016) and a **profit net of non-recurring items of €188.7 million** (compared with a loss of €474.4 million for UBI Stand-Alone in the 2016).

Operating income generated by the enlarged UBI Group contributed €3,578.5 million to the result, <u>up by approximately €459 million</u> compared with €3,119.5 million achieved by UBI Stand-Alone in 2016, while **operating expenses**, which do not yet include savings on costs forecast under the Business Plan, stood at €2,427 million, <u>up only €274 million</u> compared with €2,153.5 million recorded by UBI Stand-Alone in 2016, as a result of action taken to contain expenses put in place in 2017.

In detail, the following main results were recorded in 2017:
- **net interest income** of €1,626.6 million (+8.6% vs UBI Stand-Alone in 2016), which includes €68.8 million of TLTRO2 “bonus” ,following the confirmation of growth envisaged in the reference loan perimeter;
- **net fee and commission income** of €1,546.3 million (+15.8% vs UBI Stand-Alone in 2016), which confirms the low percentage of up-front fees and performance fees (14.2% of the total taken together, compared with 16.7% for UBI Stand-Alone in 2016) and consequently a virtuous focus on “recurring” fees and commissions;
- **net profit from trading and hedging activity** of €252.6 million (€153.7 million in 2016), which relates primarily to UBI business and includes a substantial contribution from the sale of AFS and HTML securities (approximately €170 million in 2017 compared with €120 million in 2016) and the valuation, as part of the trading result, of call options on the Group’s equity investment portfolio amounting to €62.7 million.
- a **positive result by the insurance companies** brought to the Group by Banca Tirrenica, amounting to €12.4 million, not present in the 2016 results for the Stand-Alone UBI Group.
- **staff costs** came to €1,480.9 million inclusive of the 3 banks compared with €1,275.3 million for UBI Stand-Alone at the end of 2016. The increase is attributable to the entrance to the Group of an average of 3,500 staff from the acquired banks for a theoretical cost of approximately €224 million over nine months, mitigated by redundancy plans signed in recent years (-€48 million) which made it possible to offset natural increases in wages.
  Overall, 1,379[8] staff left the enlarged Group in 2017 and it is forecast that this will be added to by approximately 550 staff who will leave in 2018;
- **other administrative expenses** for the enlarged Group amounting to €787.6 million compared with €734.7 million for UBI Stand-Alone in 2016 and **net impairment losses on intangible assets and property, plant and equipment** of €158.4 million compared with €143.5 million for UBI Stand-Alone in 2016, which, because of the integration process in progress, are not yet benefiting from the expected cost savings synergies expected over the course of the Business Plan. This said, the migrations of Banca Adriatica in October 2017 and of Banca Tirrenica in November 2017 onto the UBI Banca IT system made it possible already to close over 100 branches, bringing the total number of the Group’s domestic branches from 1,524 at the end of December 2016 to 1,948 after the inclusion of the 3 banks and then to 1,838 at the end of 2017.

In 2017, **net impairment losses on loans** stood at €728.3 million[9] or 79 basis points of total net loans, and in the fourth quarter of the year they included the effects, recognisable now, of the inspection in

[8] Approximately 700 staff recruited during the year.
[9] Net of the reversal of the purchase price allocation amounting to €64 million.

progress by the ECB on corporate loan portfolio (Specialised Lending, Large Corporate, Corporate, Small Business with the exclusion of Retail Businesses) of the Group (UBI Banca, UBI Leasing and UBI Factor, performing and non-performing). The procedure, commenced at the end of September 2017, will be concluded in the first part of 2018. On the other hand, in 2016 net impairment losses on loans relating to UBI Stand-Alone (€1,565.5 million), included the impacts of the Business Plan measures, which led in that year to the end of the "shortfall".

During the year, approximately €134 million of **net impairment losses on other financial assets and liabilities** were recognised, connected primarily with the write-down by €89.3 million of the investment in the Atlante Fund and to the expenses of €42 million incurred for the intervention by the Interbank Deposit Protection Fund to assist CR Cesena, Rimini and S. Miniato, all non-recurring.[10]

Taxes on income for the year came to €120.4 million to give a tax rate of 42.84% (39.32% normalised) and they relate solely to taxes for the year, with no benefit resulting from the recognition of DTAs on the prior year losses of the 3 acquired banks, for which the necessary conditions for recognition will be satisfied on the basis of expected future taxable income. It is underlined that taxes on income include €40 million of current taxation and approximately €130 million of taxes relating to the release of deferred tax assets on components of prior year costs, for which the tax deductibility manifested in the current year and which resulted in a negative tax base for UBI Banca, against which tax assets amounting to approximately €50 million were recognised.

Again in 2017 **one-off expenses** were recognised in relation to the Group Business Plan and the ongoing integration of the 3 banks acquired. The following were recognised, net of taxes and non-controlling interests: redundancy plan expenses (primarily in relation to the trade union agreement signed in October 2017) amounting to €41 million net; residual costs of €6.6 million for the Single Bank Project; and expenses for the integration of the 3 banks acquired amounting to €33.2 million in addition to impairment losses of €2.9 million on real estate properties. On the other hand, expenses were recognised in 2016 in relation to the launch of the UBI Stand-Alone Business Plan for a total of approximately €261.3 million.
Finally, the year benefited from the recognition in the income statement of a total of €640.8 million as a consequence of the final allocation of badwill, most of which had already been provisionally included in the results to 30th June and to 30th September 2017.

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Income statement results for 4Q 2017 compared with 3Q 2017 (UBI Banca + 3 Acquired Banks)

The fourth quarter of the year was particularly important with regard to the integration of the three banks acquired in May 2017. As already reported, the migrations of Banca Adriatica and Banca Tirrenica and the relative subsidiaries took place in October and November 2017 respectively and the migration of Banca Teatina is confirmed for the last week of February 2018. At the same time seven new commercial macro geographical areas have been firmly established to cover the country and managers appointed and reporting lines defined. The planned branch closures went ahead and the re-classification of the commercial portfolios of customers was carried to conclusion, all these being enabling actions for the new evolving Group structure and the generation of cost and income synergies in accordance with the Business Plan.

Notwithstanding these important reorganisation activities, the fourth quarter of the year recorded **operating income of €983.2 million, up on both the third quarter (+14.8%) and on the second quarter of the year (+4.5%)**.

[10] In 2016 this item amounting to approximately €130 million, of which €73 million non-recurring relating to the write-down of the investment in the Atlante Fund and the remainder relating primarily to the write-down of equity investments.

The following occurred within the item:

- **net interest income** rose to €478.9 million, benefiting both from organic growth and from the contribution of the TLTRO2 "bonus" recognised after verifying achievement of the required growth in the reference loan perimeter. Net of the TLTRO2 contribution, net interest income came to €410.1 million, up from the previous €402.5 million and from €398 million in 2Q 2017, showing constant growth as result of the contribution from general banking business with customers, which rose to approximately €376 million (€368 million in 3Q 2017 and €356 million in 2Q 2017). The reduction in the cost of funding continued with the mark-up down to -78 basis points in 4Q 2017 compared with -83 bp in 3Q 2017 and -87 bp in 2Q 2017, which allowed the spread to climb back by 2 basis points to 162 bp in 4Q 2017, despite the constant pressure on the mark-up. On the other hand, the contribution from the securities portfolio fell, due primarily to a reduction in the amount of Italian government securities held (€11.2 billion in December 2017 compared with €16.6 billion in December 2016);

- **net fee and commission income** grew to €395 million, up 1.3% compared with €389.8 million in 3Q 2017 (€410.5 million in 2Q 2017), notwithstanding less placement of securities and distribution of insurance products in the fourth quarter compared with previous quarters[11], in relation to activities to integrate the banks acquired and to the commercial reorganisation, while fees and commissions from general banking business with customers remained substantially stable. Up-front fees and performance fees totalled approximately 13% of the total, a percentage which was unchanged compared with 3Q 2017 and down on 2Q 2017;

- the result for **financial activities** was €67.5 million, up on 3Q 2017 (€36.4 million) primarily due to the valuation, as part of the trading result, of call options on the Group's equity investment portfolio amounting to €62.7 million;

- **net income on insurance operations**, relating to the companies brought to the Group by Banca Tirrenica, amounted to €3.7 million in 4Q 2017, compared with the previous €4.6 million in the third quarter and €4.1 million in the second quarter.

Operating expenses totalled €637.5 million in 4Q 2017, affected by the usual seasonal factors compared with the third quarter of the year (€631.3 million) and were more or less in line with 2Q 2017 (€636.2 million). In detail:

- **staff costs** amounted to €384.3 million and compared with 3Q 2017 (€379.8 million) they included seasonal items within "wages and salaries" typical of the last quarter of the year including national trade union agreement increases and grants to the personnel (totalling over €9 million) as well as expenses in relation to migrations (€2 million approx.) and provisions for company trade union agreements, not fully offset by savings resulting from trends for staff numbers (€8 million approx. for a reduction in average staff numbers of 379) and from containment of variable remuneration;
- **other administrative expenses** fell to €209.8 million in 4Q 2017 compared with €211.8 million in 3Q 2017. The benefit of lower contribution expenses to the Resolution Fund (€8.1 million compared with €33.6 million in 3Q 2017) was partially offset by greater costs for carrying out project activities connected, amongst other things, with migrations and branch closures, as well as advertising campaigns launched towards the end of the year. **Depreciation and amortisation** grew compared with the third quarter by approximately €4 million to €43.5 million. It included new depreciation and amortisation incurred for new expenditure made above all to support revenues, and also as a result of the impact of write-offs connected with branch closures as a consequence of the migrations in the last quarter.

As a result of the performance described above, **net operating income** came to €345.6 million, up 53.5% on €225.1 million in 3Q 2017 and 13.5% in 2Q 2017.

[11] Approximately €2 billion of Funds/Sicav and life insurance policies placed in 4Q 2017 compared with €2.8 billion in 3Q 2017 and €3.3 billion in 2Q 2017.

Net impairment losses on loans of €310.7 million[12] were recognised in the fourth quarter, up on previous quarters due on the one hand to the usual seasonal factors, and on the other hand following the inclusion of the effects, now recognisable, of the inspection in progress by the ECB on the corporate loan portfolio (Specialised Lending, Large Corporate, Corporate, Small Business with the exclusion of Retail Businesses) of the Group (UBI Banca, UBI Leasing and UBI Factor, performing and non-performing). The procedure, commenced at the end of September 2017, will be concluded in the first part of 2018. On the basis of evidences collected up to now by the Bank, the substantial accuracy of the classification of the loans analysed, both performing and non-performing, appears to be confirmed.

Again in 4Q 2017 **one-off expenses** were recognised in relation to the Group Business Plan and the ongoing integration of the 3 banks acquired. The following were recognised, net of taxes and non-controlling interests: redundancy plan expenses (primarily in relation to trade union agreements signed in October 2017) amounting to €37.5 million net; expenses for the integration of the 3 banks acquired amounting to €12 million; and €2.9 million of impairment losses on real estate properties.
Finally, in the fourth quarter of the year the final allocation of the badwill arising from the operation to acquire the 3 banks took place. This led in the fourth quarter to an addition of €24.6 million to the capital gain already provisionally recognised amounting to €612.9 million in 2Q 2017 and to €3.3 million in 3Q 2017.

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The balance sheet (UBI Banca + 3 Acquired Banks)

Net lending to customers as at 31st December 2017 totalled €92.3 billion, down €1.4 billion compared with €93.8 billion in December 2016, primarily as a result of a decrease of €1.1 billion recorded by net non-performing loans, which at the end of the year amounted to €8.2 billion (8.8% of total net loans compared with 9.9% at the end of 2016).

With regard to gross loans, following the final allocation of badwill, steps were taken in the fourth quarter, in compliance with the provisions of IFRS 3 on business combinations, to state the non-performing loans related to the three banks acquired at fair value as at the acquisition date, which is to say at the purchase price (i.e. net of provisions and the badwill allocated). This treatment has effect both on the amount for gross non-performing loans and the provisions, while it has no impact on net non-performing loans.
This treatment is also in line with the provisions of IFRS 9 as confirmed in the recent update to Circular No. 262 (POCI).
The table reporting net loan exposures for acquired loans under IRFS3, which will be adopted from now on, is attached.
<u>The comments that follow relate to the new treatment under IFRS 3 described in tables A.1 and A.2 attached</u>.

At the end of 2017 **total gross non-performing loans**, amounting to €12,652 million, had fallen (-1.6% compared with September 2017) and accounted for **13% of total gross loans**.

Flows of loans from performing to non-performing status, which totalled €1,684.4 million for the new UBI perimeter, remained low.

If loan write-offs are included, **coverage for total non-performing loans stood at 45.59%** (44.57% in September 2017). **Loan write-offs** amounted to €2.3 billion. If loan write-offs are excluded, coverage for total non-performing loans was 35.5%, up on 34.5% in September 2017.

[12] Including the reversal of the PPA of 9.8 million in 4Q 2017.

At the end of December 2017 **net non-performing loans** came to €8,160.7 million, (€8,418.9 million in September 2017 and €9,258 million in December 2016), accounting for 8.8% of total net loans.
In terms of composition by class of loan:

- total net bad loans amounted to €4,035.6 million (down by approximately €40 million compared with September 2017). If loan write-offs are included, coverage for bad loans at the end of 2017 was 58.36% (57.95% in September 2017). A similar trend was seen in coverage for bad loans net of loan write-offs, which reached 45.05% (44.62% in September 2017);
- the "unlikely-to-pay" category amounted to €3,970 million net (€4,069 million in September 2017), with coverage of 22.8% (21.65% in September 2017);
- net positions past due and/or in arrears amounted to €155.2 million, compared with €272.6 million in September 2017, with coverage of 6.4%.

As concerns **funding**, as already reported the **sale of UBI International was concluded in 4Q 2017**, with the loss of approximately €1 billion of sight deposits and €3.1 billion of indirect funding.

In December 2017 the positive trend for **total funding from ordinary customers** (which comprises direct funding from ordinary customers and indirect funding) consolidated to stand at €176.9 billion notwithstanding the loss of €4.1 billion relating to UBI International in 4Q 2017 (compared with €181.4 billion in September 2017 and €176.1 billion in December 2016, which included UBI International).

More specifically, **direct funding from ordinary customers**, amounting to €80.4 billion (€82.6 billion in September 2017 and €86.3 billion in December 2016) was down both following the loss of approximately €1 billion relating to UBI International in the last quarter and also as a result of the progressive maturity of bonds placed with captive customers - not replaced partly as a result of bail-in regulations - and a decrease in the more costly items of funding, which is to say term deposits and certificates of deposit.

In December 2017 **indirect funding** again responded to the investment requirements of customers excellently as it reached €96.5 billion, notwithstanding the loss of €3.1 billion relating to UBI International, as it passed from the previous €98.8 billion in September 2017 and from €89.8 billion in December 2016. In detail, at the end of the year:

- assets under management in the strict sense reached €43.8 billion (+1.3% compared with September 2017 and +9.2% compared with December 2016);
- insurance funding stood at €21.6 billion (+5.5% compared with September 2017 and +17.2% compared with December 2016);
- assets under custody amounted to €31 billion, down compared with €35.1 billion in September 2017 due to the loss of €3.1 billion relating to UBI International, but in line with €31.2 billion in December 2016.

Group exposure to the ECB in TLTRO2s had risen, with value date 29th March 2017, to €12.5 billion from €10 billion obtained in June 2016. The entire amount relates to UBI Stand-Alone.
The contractual maturity schedule for that TLTRO2 exposure, recognised under "due to banks", and therefore not included in direct funding, involves repayment of €10 billion in June 2020 and €2.5 billion in March 2021.

The Group continues to benefit from its solid liquidity position, with ratios (Net Stable Funding Ratio and Liquidity Coverage Ratio) constantly higher than one and total **eligible assets** as at 31st December 2017 of €26 billion (of which €12.1 billion available), already net of haircuts.

The Group's **financial assets** decreased further in the fourth quarter to reach a mark-to-market value at the end of the year of €16.8 billion (€17.5 billion in September 2017 and €21.9 billion in December 2016), of which €11.2 billion relating to Italian government securities (€12 billion in September 2017 and €16.6 billion in December 2016).

Again at the end of December 2017, the consolidated **equity** of the UBI Banca Group, inclusive of profit for the period, stood at €9,925.2 million.

In terms of **capital ratios**, at the end of December 2017 the fully loaded CET1 ratio stood at 11.43% (11.54% in September 2017 and the phased-in CET1 ratio was 11.56% (11.65% in September 2017). The ratios include the effect of the update of the historical data series (-27 bps) and two synthetic securitisations of performing loans (+23 bps). At the end of the year the fully loaded Total Capital Ratio was 13.99% and in phased-in terms it was 14.13% (14.20% and 14.32% respectively at the end of September 2017).

Finally, the **leverage ratio** was 5.85% phased-in and 5.78% fully loaded (5.82% and 5.77% respectively as at 30th September 2017).

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The human resources of the UBI Banca Group were composed of 21,414 staff as at 31st December 2017 compared with 21,818 in September 2017 and 22,122 in June 2017.
At the end of the year the domestic branch network was composed of 1,838 branches compared with 1,881 as at 1st November 2017 and 1,948 in June 2017.

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IFRS9: First Time Adoption

The impacts of First Time Adoption were identified as part of the project to transition to the new international standard IFRS 9. The main areas relate to the following:

- the classification of financial instruments consistent with the Bank's Business Model;
- the retrospective application of "Modification & Derecognition accounting"; and
- impairment of financial instruments (performing loans, non-performing loans and debt securities).

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

Altogether the negative impact of First Time Adoption on net equity as at 1st January 2018 is preliminarily estimated at approximately €930 million, gross of the theoretical tax effect. The recognition of taxes will be performed in compliance with the applicable accounting standards and the accounting policies of the Group.
As concerns the impacts on regulatory capital (CET1), the Group has opted for the transitional regime provided for by Regulation EU to 2017/2395, which allows the negative impacts resulting from the application of the accounting standard in question to be recognised gradually. As a consequence, the expected impact on 2018 regulatory capital is lower than -1 basis point. <u>The expected impact on the fully loaded regulatory capital ratio is estimated at approximately -12 basis points,</u> as the expected evolution of regulatory capital forecast for 2018 and in particular, amongst other things, the expected validation of the new internal models for credit risk as well as the roll-out of those models to include the perimeter of the banks acquired in 2017, will allow the impact of First Time Adoption to be almost completely absorbed.

Statement of the Senior Officer Responsible for the preparation of corporate accounting documents

Elisabetta Stegher, as the Senior Officer Responsible for preparing the corporate accounting documents of Unione di Banche Italiane Spa, hereby declares, in compliance with the second paragraph of article 154 *bis* of the *Testo unico delle disposizioni in materia di intermediazione finanziaria* (Consolidated Finance Law), that the financial information contained in this press release is reliably based on the records contained in corporate documents and accounting records.

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Outlook for operations net of non recurring items

The trend for operating income is one of growth compared with 2017, as a result of the effect of the following main components:

- growth in net interest income as a result, amongst other things, of a further reduction in the cost of funding;
- a further growing contribution from fees and commissions both with regard to asset management business and general banking business with customers.

The path taken to optimise operating expenses will continue as a result in particular of the benefits related to incentive schemes and the complete integration of the new banks also following the IT migration.

It is also forecast that credit risk will remain particularly low in the performing portfolio, inflows of new non-performing loans will reduce and the performance of credit recovery will improve, with a consequent containment of loan losses.

On the basis of these trends, the net normalised result for 2018 is expected to show important growth compared with the previous year.

The following is also envisaged during the course of 2018:

- with the migration of Banca Teatina by the end of February, the completion of the integration of the new banks on time and within the budgeted integration costs;
- the disposal of the first tranche of the portfolio of non-performing loans identified, within the context of the First Time Adoption of the new international standard IFRS 9 in force from 1st January 2018.

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TABLE A.1 – IFRS 3: Loans and advances to customers as at 31 December 2017

Amount in €/000		31 Dec 2017 *(open balances)*	Derecognition of provisions	Netting of badwill allocated *(including reversal till 31 Dec '17)*	31 Dec 2017 IFRS3
BAD LOANS	gross exposure	7,620,742	(217,607)	(59,571)	7,343,564
	impairment losses	(3,585,128)	217,607	59,571	(3,307,950)
	net carrying amount	4,035,614			4,035,614
	coverage	***47.04%***			***45.05%***
	coverage incl. write-offs	***59.51%***			***58.36%***
UNLIKEY TO	gross exposure	6,018,317	(433,649)	(441,964)	5,142,704
	impairment losses	(2,048,382)	433,649	441,964	(1,172,769)
	net carrying amount	3,969,935			3,969,935
	coverage	***34.04%***			***22.80%***
PAST DUE	gross exposure	165,736			165,736
	impairment losses	(10,542)			(10,542)
	net carrying amount	155,194			155,194
	coverage	***6.36%***			***6.36%***
TOTAL NPEs	**gross exposure**	**13,804,795**	**(651,256)**	**(501,535)**	**12,652,004**
	impairment losses	**(5,644,052)**	**651,256**	**501,535**	**(4,491,261)**
	net carrying amount	**8,160,743**			**8,160,743**
	coverage	***40.88%***			***35.50%***
	coverage incl. write-offs	***49.47%***			***45.59%***
PERFORMING	gross exposure	84,588,483			84,588,483
	impairment losses	(411,143)			(411,143)
	net carrying amount	84,177,340			84,177,340
	coverage	***0.49%***			***0.49%***
TOTAL LOAN	**gross exposure**	**98,393,278**	**(651,256)**	**(501,535)**	**97,240,487**
	impairment losses	**(6,055,195)**	**651,256**	**501,535**	**(4,902,404)**
	net carrying amount	**92,338,083**			**92,338,083**
	coverage	***6.15%***			***5.04%***
	gross NPEs on gross total loans	***14.03%***			***13.01%***
	net NPEs on net total loans	***8.84%***			***8.84%***

TABLE A.2 – IFRS 3: Loans and advances to customers as at 31 December 2017 and 30 September 2017

Amount in €/000		30 Sept 2017 (open balances)	31 Dec 2017 (open balances)	IFRS3 30 Sept 2017	IFRS3 31 Dec 2017
BAD LOANS	gross exposure	7,568,360	7,620,742	7,362,066	7,343,564
	impairment losses	(3,491,132)	(3,585,128)	(3,284,838)	(3,307,950)
	net carrying amount	4,077,228	4,035,614	4,077,228	4,035,614
	coverage	***46.13%***	***47.04%***	***44.62%***	***45.05%***
	coverage incl. write-offs	***58.83%***	***59.51%***	***57.95%***	***58.36%***
UNLIKEY TO PAY	gross exposure	6,166,735	6,018,317	5,193,373	5,142,704
	impairment losses	(2,097,678)	(2,048,382)	(1,124,316)	(1,172,769)
	net carrying amount	4,069,057	3,969,935	4,069,057	3,969,935
	coverage	***34.02%***	***34.04%***	***21.65%***	***22.80%***
PAST DUE	gross exposure	297,950	165,736	297,950	165,736
	impairment losses	(25,336)	(10,542)	(25,336)	(10,542)
	net carrying amount	272,614	155,194	272,614	155,194
	coverage	***8.50%***	***6.36%***	***8.50%***	***6.36%***
TOTAL NPEs	**gross exposure**	**14,033,045**	**13,804,795**	**12,853,389**	**12,652,004**
	impairment losses	**(5,614,146)**	**(5,644,052)**	**(4,434,490)**	**(4,491,261)**
	net carrying amount	**8,418,899**	**8,160,743**	**8,418,899**	**8,160,743**
	coverage	***40.01%***	***40.88%***	***34.50%***	***35.50%***
	coverage incl. write-offs	***48.57%***	***49.47%***	***44.57%***	***45.59%***
PERFORMING LOANS	gross exposure	85,886,308	84,588,483	85,886,308	84,588,483
	impairment losses	(425,405)	(411,143)	(425,405)	(411,143)
	net carrying amount	85,460,903	84,177,340	85,460,903	84,177,340
	coverage	***0.50%***	***0.49%***	***0.50%***	***0.49%***
TOTAL LOAN BOOK	**gross exposure**	**99,919,353**	**98,393,278**	**98,739,697**	**97,240,487**
	impairment losses	**(6,039,551)**	**(6,055,195)**	**(4,859,895)**	**(4,902,404)**
	net carrying amount	**93,879,802**	**92,338,083**	**93,879,802**	**92,338,083**
	coverage	***6.04%***	***6.15%***	***4.92%***	***5.04%***
gross NPEs on gross total loans		***14.04%***	***14.03%***	***13.02%***	***13.01%***
net NPEs on net total loans		***8.97%***	***8.84%***	***8.97%***	***8.84%***

Attachments
Financial statements

UBI Banca Group:

- Reclassified consolidated balance sheet
- Reclassified consolidated income statement
- Quarterly evolution of reclassified consolidated income statement
- Reclassified consolidated income statement net of the most significant non-recurring items: details (2017 and 2016)

- Consolidated balance sheet - Mandatory statement
- Consolidated income statement - Mandatory statement

Notes to the reclassified consolidated financial statements

The mandatory financial statements have been prepared on the basis of Bank of Italy Circular No. 262 of 22nd December 2005 and subsequent updates. Therefore, for the purposes of the preparation of these financial statements, the provisions of the fourth update of that document issued on 15th December 2015 have been observed.
These statements include the balance sheet and income statement figures for Banca Adriatica (the former Nuova Banca delle Marche), Banca Tirrenica (the former Nuova Banca dell’Etruria e del Lazio) and Banca Teatina (the former Nuova Cassa di Risparmio di Chieti) and their respective subsidiaries from 1st April 2017, taken as the date on which the acquisition of control took place in accordance with the IFRS 3.
The figures as at and for the year ended 31st December 2017 are fully comparable with those as at and for the periods ended 30th June 2017 and 30th September 2017, but they are not comparable with previous comparative periods which represent the UBI Banca Group without the contribution of the New Banks.

Reclassified financial statements have been prepared in order to allow a meaningful management commentary on capital and operating figures.
In detail:

- from a *balance sheet viewpoint*, the reclassified statement as at 31st December 2017 is presented with an “aggregate” comparative column as at 31st December 2016 (in order to also take account of figures relating to the New Banks) and this allows a consistent examination of balance sheet items on an annual basis.

  In order to improve the comparability of the reclassified financial statements, the balance sheet figures for the New Banks have been adjusted to take account of entries for non-performing loans that were transferred to REV in the first quarter of 2017 (second tranche) and to the Atlante Fund II in the second quarter of 2017, as well as the repayment of the performing loan to REV (resulting from the first transfer in January 2016) which took place in the first quarter of 2017, for a total of €2,485 million;

- from an *income statement viewpoint*, the reclassified income statement has been drawn up with the negative consolidation differences highlighted (allocation of badwill).

  With regard to the comparative periods, consideration was given to the very particular situation in which the New Banks found themselves in 2016, since these had been generated from resolutions of the preceding banks that had been placed under administration. As a result of those very particular situations it was not considered representative nor easy to understand if comparative income statement figures were presented to give an account of the Group’s profitability in 2016 inclusive of the new banks.
  The income statement for the UBI Banca Group (inclusive of the New Banks acquired) has been adjusted to eliminate the operating impacts (interest income, impairment losses on loans and losses on disposals) of the loan portfolio transferred to the Atlante Fund II on 10th May 2017 with effect from 1st January 2017.

These statements have not been subjected to audit by the independent auditors.

The "notes on the reclassified financial statements" contained in the periodic financial reports of the Group may be consulted for a fuller comprehension of the rules followed in preparing the reclassified financial statements.

In order to facilitate analysis of the Group's operating performance and in compliance with Consob Communication No. DEM/6064293 of 28th July 2006[1], a special detailed schedule has been included, which shows the impact on earnings of the principal non-recurring events and items.

[1] Following the entry into force (on 3rd July 2016) of ESMA guidelines 2015/1415 which the Consob incorporated in its issuer supervisory and monitoring practices, the UBI Banca Group criteria on the identification of non-recurring items (reported in the normalised statements) was revised. The new criteria which limit the nature of non-recurring expenses to clearly specified items of income and expense (connected for example with the adoption of a Business Plan, or with the impacts of valuations and disposals of property plant and equipment, tangible and financial assets and HTM investments, with the effects of regulatory and methodological changes and also with extraordinary events including those of a systemic nature) were approved by the Management Board on 18th October 2016.

UBI Banca Group: Reclassified consolidated balance sheet

Figures in thousands of euro	31.12.2017	31.12.2016 *Aggregate*	Changes	% changes
ASSETS				
Cash and cash equivalents	811,578	3,219,180	-2,407,602	-74.8%
Financial assets held for trading	924,475	881,457	43,018	4.9%
Financial assets designated at fair value	92,290	218,743	-126,453	-57.8%
Available-for-sale financial assets	9,861,978	13,516,860	-3,654,882	-27.0%
Held-to-maturity investments	5,937,872	7,327,544	-1,389,672	-19.0%
Loans and advances to banks	7,836,002	4,820,974	3,015,028	62.5%
Loans and advances to customers	92,338,083	93,769,311	-1,431,228	-1.5%
Hedging derivatives	169,907	466,715	-296,808	-63.6%
Fair value change in hedged financial assets (+/-)	-2,035	39,398	-41,433	-105.2%
Equity investments	243,165	254,384	-11,219	-4.4%
Technical reserves of reinsurers	347	369	-22	-6.0%
Property, plant and equipment	1,811,743	1,844,592	-32,849	-1.8%
Intangible assets	1,728,328	1,719,950	8,378	0.5%
of which: goodwill	*1,465,260*	*1,468,808*	-3,548	-0.2%
Tax assets	4,170,387	4,393,975	-223,588	-5.1%
Non-current assets and disposal groups held for sale	962	5,681	-4,719	-83.1%
Other assets	1,451,059	1,645,992	-194,933	-11.8%
Total assets	**127,376,141**	**134,125,125**	**-6,748,984**	**-5.0%**
LIABILITIES AND EQUITY				
Due to banks	16,733,006	14,458,089	2,274,917	15.7%
Due to customers	68,434,827	70,989,458	-2,554,631	-3.6%
Debt securities issued	26,014,943	32,268,779	-6,253,836	-19.4%
Financial liabilities held for trading	411,653	861,478	-449,825	-52.2%
Financial liabilities designated at fair value	43,021	40,329	2,692	6.7%
Hedging derivatives	100,590	279,455	-178,865	-64.0%
Tax liabilities	223,397	243,771	-20,374	-8.4%
Other liabilities	2,742,088	2,520,157	221,931	8.8%
Post-employment benefits	350,779	422,230	-71,451	-16.9%
Provisions for risks and charges:	536,265	751,965	-215,700	-28.7%
a) pension and similar obligations	137,213	145,373	-8,160	-5.6%
b) other provisions	399,052	606,592	-207,540	-34.2%
Technical reserves	1,780,701	1,675,012	105,689	6.3%
Share capital, share premiums, reserves, valuation reserves and treasury shares	9,234,626	11,393,077	-2,158,451	-18.9%
Non-controlling interests	79,688	82,644	-2,956	-3.6%
Profit (loss) for the period/year	690,557	-1,861,319	2,551,876	n.s.
Total liabilities and equity	**127,376,141**	**134,125,125**	**-6,748,984**	**-5.0%**

The figures as at 31st December 2017 relate to the new perimeter of the UBI Banca Group. The figures as at 31st December 2016 have been restated in "aggregate" form.

UBI Banca Group: Reclassified consolidated income statement

Figures in thousands of euro	2017 A	*of which: Allocation of Badwill*	2016 *Stand-Alone UBI Banca Group* B	Changes A-B	% changes A/B	4th Quarter 2017 C	*of which: Allocation of Badwill*	4th Quarter 2016 *Stand-Alone UBI Banca Group* D	Changes C-D	% changes C/D
Net interest income	1,626,615	2,976	1,497,891	128,724	8.6%	478,943	1,176	364,765	114,178	31.3%
Dividends and similar income	13,090	-	9,678	3,412	35.3%	2,723	-	(59)	2,782	n.s.
Profits of equity-accounted investees	23,391	-	24,136	(745)	(3.1%)	6,845	-	5,197	1,648	31.7%
Net fee and commission income	1,546,263	-	1,335,033	211,230	15.8%	395,031	-	346,188	48,843	14.1%
of which performance fees	*22,894*	-	*26,349*	*(3,455)*	*(13.1%)*	*13,295*	-	*18,291*	(4,996)	*(27.3%)*
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	252,613	-	153,711	98,902	64.3%	67,492	(648)	47,367	20,125	42.5%
Net income from insurance operations	12,369	(475)	-	12,369	-	3,662	(475)	-	3,662	n.s.
Other net operating income/expense	104,140	-	99,050	5,090	5.1%	28,460	-	22,047	6,413	29.1%
Operating income	**3,578,481**	**2,501**	**3,119,499**	**458,982**	**14.7%**	**983,156**	**53**	**785,505**	**197,651**	**25.2%**
Staff costs	(1,480,942)	-	(1,275,306)	205,636	16.1%	(384,268)	-	(321,521)	62,747	19.5%
Other administrative expenses	(787,630)	3,726	(734,654)	52,976	7.2%	(209,757)	2,165	(241,245)	(31,488)	(13.1%)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(158,463)	(6,105)	(143,506)	14,957	10.4%	(43,521)	(14,575)	(37,511)	6,010	16.0%
Operating expenses	**(2,427,035)**	**(2,379)**	**(2,153,466)**	**273,569**	**12.7%**	**(637,546)**	**(12,410)**	**(600,277)**	**37,269**	**6.2%**
Net operating income	**1,151,446**	**122**	**966,033**	**185,413**	**19.2%**	**345,610**	**(12,357)**	**185,228**	**160,382**	**86.6%**
Net impairment losses on loans	(728,343)	63,973	(1,565,527)	(837,184)	(53.5%)	(310,663)	9,794	(191,773)	118,890	62.0%
Net impairment losses on other financial assets and liabilities	(133,963)		(130,057)	3,906	3.0%	(3,600)	(11,838)	(79,204)	(75,604)	(95.5%)
Net provisions for risks and charges	(9,009)	5,327	(42,885)	(33,876)	(79.0%)	1,452	5,327	(12,684)	(14,136)	n.s.
Profits (losses) from the disposal of equity investments	859	-	22,969	(22,110)	(96.3%)	(221)	-	21,027	(21,248)	n.s.
Pre-tax profit (loss) from continuing operations	**280,990**	**69,422**	**(749,467)**	**1,030,457**	**n.s.**	**32,578**	**(9,074)**	**(77,406)**	**109,984**	**n.s.**
Taxes on income for the period/year from continuing operations	(120,367)	(22,454)	182,388	(302,755)	n.s.	(8,173)	(624)	20,669	(28,842)	n.s.
(Profit) loss for the period/year attributable to non-controlling interests	(27,023)	-	1,267	(28,290)	n.s.	(8,186)	-	(8,298)	(112)	(1.3%)
Profit (loss) for the period/year attributable to the shareholders of the Parent before the Business Plan and other impacts	**133,600**	**46,968**	**(565,812)**	**699,412**	**n.s.**	**16,219**	**(9,698)**	**(65,035)**	**(81,254)**	**(124.9%)**
Redundancy expenses net of taxes and non-controlling interests	(41,093)	-	(207,783)	(166,690)	(80.2%)	(37,500)	-	114	(37,614)	n.s.
Impairment losses on brands net of taxes and non-controlling interests	-	-	(37,936)	37,936	100.0%	-	-	-	-	-
Single Bank Project expenses net of taxes and non-controlling interests	(6,615)	-	(15,541)	(8,926)	(57.4%)	(160)	-	(7,638)	(7,478)	(97.9%)
Impairment losses on property, plant and equipment net of taxes and non-controlling interests	(2,908)	-	(3,078)	(170)	(5.5%)	(2,908)	-	(3,078)	(170)	(5.5%)
Bridge Bank Project expenses net of taxes and non-controlling interests	(33,237)	-	-	(33,237)	-	(12,079)	-	-	(12,079)	-
Negative consolidation difference	640,810	640,810	-	640,810	-	24,570	24,570	-	24,570	-
Profit (loss) for the period/year attributable to the shareholders of the Parent	**690,557**	**687,778**	**(830,150)**	**1,520,707**	**n.s.**	**(11,858)**	**14,872**	**(75,637)**	**(63,779)**	**(84.3%)**

The reclassified income statement for the year ended 31st December 2017 relates to the new perimeter of the UBI Banca Group, while as with the figures for the fourth quarter of 2016, those for the year ended 31st December 2016 relate to the Stand-Alone UBI Banca Group.

UBI Banca Group: Reclassified consolidated quarterly income statements

Figures in thousands of euro	2017				2016			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter *Stand-Alone UBI Banca Group*	4th Quarter *Stand-Alone UBI Banca Group*	3rd Quarter *Stand-Alone UBI Banca Group*	2nd Quarter *Stand-Alone UBI Banca Group*	1st Quarter *Stand-Alone UBI Banca Group*
Net interest income	478,943	402,472	398,013	347,187	364,765	367,554	377,972	387,600
Dividends and similar income	2,723	324	7,998	2,045	(59)	1,138	8,076	523
Profits of equity-accounted investees	6,845	5,948	6,789	3,809	5,197	6,989	6,698	5,252
Net fee and commission income	395,031	389,837	410,534	350,861	346,188	321,392	330,307	337,146
of which performance fees	*13,295*	*2,386*	*3,990*	*3,223*	*18,291*	*2,524*	*3,223*	*2,311*
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	67,492	36,364	83,397	65,360	47,367	23,755	66,875	15,714
Net income from insurance operations	3,662	4,562	4,145	-	-	-	-	-
Other net operating income/expense	28,460	16,835	29,956	28,889	22,047	24,760	25,538	26,705
Operating income	**983,156**	**856,342**	**940,832**	**798,151**	**785,505**	**745,588**	**815,466**	**772,940**
Staff costs	(384,268)	(379,782)	(396,313)	(320,579)	(321,521)	(314,687)	(319,311)	(319,787)
Other administrative expenses	(209,757)	(211,834)	(199,694)	(166,345)	(241,245)	(166,083)	(155,526)	(171,800)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(43,521)	(39,640)	(40,207)	(35,095)	(37,511)	(34,265)	(35,688)	(36,042)
Operating expenses	**(637,546)**	**(631,256)**	**(636,214)**	**(522,019)**	**(600,277)**	**(515,035)**	**(510,525)**	**(527,629)**
Net operating income	**345,610**	**225,086**	**304,618**	**276,132**	**185,228**	**230,553**	**304,941**	**245,311**
Net impairment losses on loans	(310,663)	(135,052)	(147,826)	(134,802)	(191,773)	(167,381)	(1,051,034)	(155,339)
Net impairment losses on other financial assets and liabilities	(3,600)	(31,558)	(82,663)	(16,142)	(79,204)	(386)	(50,719)	252
Net provisions for risks and charges	1,452	(5,109)	2,108	(7,460)	(12,684)	(3,544)	(20,289)	(6,368)
Profits (losses) from the disposal of equity investments	(221)	468	496	116	21,027	339	1,201	402
Pre-tax profit from continuing operations	**32,578**	**53,835**	**76,733**	**117,844**	**(77,406)**	**59,581**	**(815,900)**	**84,258**
Taxes on income for the period/year from continuing operations	(8,173)	(32,780)	(40,407)	(39,006)	20,669	(14,721)	210,792	(34,352)
(Profit) loss for the period/year attributable to non-controlling interests	(8,186)	(6,393)	(6,362)	(6,082)	(8,298)	(7,707)	24,672	(7,400)
Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan and other impacts	**16,219**	**14,662**	**29,964**	**72,756**	**(65,035)**	**37,153**	**(580,436)**	**42,506**
Redundancy expenses net of taxes and non-controlling interests	(37,500)	(1,308)	(2,285)	-	114	(218)	(207,234)	(445)
Impairment losses on brands net of taxes and non-controlling interests	-	-	-	-	-	-	(37,936)	-
Single Bank Project expenses net of taxes and non-controlling interests	(160)	(349)	(1,489)	(4,617)	(7,638)	(4,463)	(3,440)	-
Impairment losses on property, plant and equipment net of taxes and non-controlling interests	(2,908)	-	-	-	(3,078)	-	-	-
Bridge Bank Project expenses net of taxes and non-controlling interests	(12,079)	(9,975)	(10,082)	(1,102)	-	-	-	-
Negative consolidation difference	24,570	3,340	612,900	-	-	-	-	-
Profit (loss) for the period attributable to the shareholders of the Parent	**(11,858)**	**6,370**	**629,008**	**67,037**	**(75,637)**	**32,472**	**(829,046)**	**42,061**

The reclassified income statement for the second, third and fourth quarters of 2017 relates to the new perimeter of the UBI Banca Group.

UBI Banca Group: Reclassified consolidated income statement net of the most significant non-recurring items (2017)

Figures in thousands of euro	2017	2017-2020 Business Plan					Other non-recurring items				2017 net of non-recurring items
		Allocation of Badwill	Profit on the disposal of HTM investments	Bridge Bank Project expenses	Single Bank Project expenses	Redundancy expenses	Impairment losses on the Atlante Fund	Profit on the disposal of PP&E and equity investments	Impairment losses on PP&E	IDPF (interbank deposit protection fund) intervention expenses for CariCesena Carim and Carismi	
Net interest income	1,626,615										1,626,615
Dividends and similar income	13,090										13,090
Profits of equity-accounted investees	23,391										23,391
Net fee and commission income	1,546,263										1,546,263
of which performance fees	*22,894*										*22,894*
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	252,613		(55,937)								196,676
Net income from insurance operations	12,369										12,369
Other net operating income/expense	104,140										104,140
Operating income	**3,578,481**	**-**	**(55,937)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,522,544**
Staff costs	(1,480,942)										(1,480,942)
Other administrative expenses	(787,630)										(787,630)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(158,463)										(158,463)
Operating expenses	**(2,427,035)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,427,035)**
Net operating income	**1,151,446**	**-**	**(55,937)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,095,509**
Net impairment losses on loans	(728,343)										(728,343)
Net impairment losses on other financial assets and liabilities	(133,963)						89,265			42,003	(2,695)
Net provisions for risks and charges	(9,009)										(9,009)
Profits from the disposal of equity investments	859							(859)			-
Pre-tax profit (loss) from continuing operations	**280,990**	**-**	**(55,937)**	**-**	**-**	**-**	**89,265**	**(859)**	**-**	**42,003**	**355,462**
Taxes on income for the period/year from continuing operations	(120,367)		18,499				(24,548)	555		(13,890)	(139,751)
(Profit) loss for the year attributable to non-controlling interests	(27,023)										(27,023)
Profit for the year attributable to the shareholders of the Parent before the Business Plan and other impacts	**133,600**	**-**	**(37,438)**	**-**	**-**	**-**	**64,717**	**(304)**	**-**	**28,113**	**188,688**
Redundancy expenses net of taxes and non-controlling interests	(41,093)					41,093					-
Impairment losses on brands net of taxes and non-controlling interests	-										-
Single Bank Project expenses net of taxes and non-controlling interests	(6,615)				6,615						-
Impairment losses on property, plant and equipment net of taxes and non-controlling interests	(2,908)								2,908		-
Bridge Bank Project expenses net of taxes and non-controlling interests	(33,237)			33,237							-
Negative consolidation difference	640,810	(640,810)									-
Profit (loss) for the year attributable to the shareholders of the Parent	**690,557**	**(640,810)**	**(37,438)**	**33,237**	**6,615**	**41,093**	**64,717**	**(304)**	**2,908**	**28,113**	**188,688**

The reclassified income statement for the year ended 31st December 2017 relates to the new perimeter of the UBI Banca Group.

UBI Banca Group: Reclassified consolidated income statement net of the most significant non-recurring items (2016)

Figures in thousands of euro	**2016** *Stand-Alone UBI Banca Group*	2019/2020 Business Plan			Other non-recurring items					**2016** *Stand-Alone UBI Banca Group net of non-recurring items*
		Redundancy expenses	Brand impairment	Single Bank Project expenses	Impairment losses on the Atlante Fund	Additional contribution to the Resolution Fund	Profit on the disposal of properties	Impairment losses on owned real estate properties	Impairment losses on AFS securities in the IDPF (interbank deposit protection fund) voluntary scheme	
Net interest income	1,497,891									1,497,891
Dividends and similar income	9,678									9,678
Profits of equity-accounted investees	24,136									24,136
Net fee and commission income	1,335,033									1,335,033
of which performance fees	*26,349*									*26,349*
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	153,711									153,711
Net income from insurance operations	-									-
Other net operating income/expense	99,050									99,050
Operating income	**3,119,499**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,119,499**
Staff costs	(1,275,306)									(1,275,306)
Other administrative expenses	(734,654)					74,651				(660,003)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(143,506)									(143,506)
Operating expenses	**(2,153,466)**	**-**	**-**	**-**	**-**	**74,651**	**-**	**-**	**-**	**(2,078,815)**
Net operating income	**966,033**	**-**	**-**	**-**	**-**	**74,651**	**-**	**-**	**-**	**1,040,684**
Net impairment losses on loans	(1,565,527)									(1,565,527)
Net impairment losses on other financial assets and liabilities	(130,057)				73,030				3,910	(53,117)
Net provisions for risks and charges	(42,885)									(42,885)
Profits from the disposal of equity investments	22,969						(21,945)			1,024
Pre-tax profit (loss) from continuing operations	**(749,467)**	**-**	**-**	**-**	**73,030**	**74,651**	**(21,945)**	**-**	**3,910**	**(619,821)**
Taxes on income for the period/year from continuing operations	182,388				(20,083)	(24,271)	7,257		(1,075)	144,216
(Profit) loss for the year attributable to non-controlling interests	1,267					(17)			(2)	1,248
Profit for the year attributable to the shareholders of the Parent before the Business Plan and other impacts	**(565,812)**	**-**	**-**	**-**	**52,947**	**50,363**	**(14,688)**	**-**	**2,833**	**(474,357)**
Redundancy expenses net of taxes and non-controlling interests	(207,783)	207,783								-
Impairment losses on brands net of taxes and non-controlling interests	(37,936)		37,936							-
Single Bank Project expenses net of taxes and non-controlling interests	(15,541)			15,541						-
Impairment losses on property, plant and equipment net of taxes and non-controlling interests	(3,078)							3,078		-
Bridge Bank Project expenses net of taxes and non-controlling interests	-									-
Negative consolidation difference	-									-
Profit (loss) for the year attributable to the shareholders of the Parent	**(830,150)**	**207,783**	**37,936**	**15,541**	**52,947**	**50,363**	**(14,688)**	**3,078**	**2,833**	**(474,357)**

The reclassified income statement for the year ended 31st December 2016 relates to UBI Banca Stand Alone Group.

UBI Banca Group: Consolidated balance sheet - mandatory statement -

ASSETS *(figures in thousands of euro)*	**31.12.2017**	**31.12.2016**
Cash and cash equivalents	811,578	519,357
Financial assets held for trading	924,475	729,616
Financial assets designated at fair value	92,290	188,449
Available-for-sale financial assets	9,861,978	9,613,833
Held-to-maturity investments	5,937,872	7,327,544
Loans and advances to banks	7,836,002	3,719,548
Loans and advances to customers	92,338,083	81,854,280
Hedging derivatives	169,907	461,767
Fair value change in hedged financial assets (+/-)	(2,035)	23,963
Equity investments	243,165	254,364
Technical reserves of reinsurers	347	
Property, plant and equipment	1,811,743	1,648,347
Intangible assets	1,728,328	1,695,973
of which:	-	
- goodwill	*1,465,260*	*1,465,260*
Tax assets:	4,170,387	3,044,044
a) current	1,497,551	435,128
b) deferred	2,672,836	2,608,916
- of which pursuant to Law No. 214/2011	1,817,819	1,956,572
Non current assets and disposal groups held for sale	962	5,681
Other assets	1,451,059	1,297,151
Total assets	127,376,141	112,383,917

LIABILITIES AND EQUITY *(figures in thousands of euro)*	**31.12.2017**	**31.12.2016**
Due to banks	16,733,006	14,131,928
Due to customers	68,434,827	56,226,416
Debt securities issued	26,014,943	28,939,597
Financial liabilities held for trading	411,653	800,038
Financial liabilities at fair value	43,021	
Hedging derivatives	100,590	239,529
Tax liabilities:	223,397	232,866
a) current	68,565	59,817
b) deferred	154,832	173,049
Liabilities associated with disposal groups held for sale	-	
Other liabilities	2,742,088	1,962,806
Post employment benefits	350,779	332,006
Provisions for risks and charges:	536,265	457,126
a) pension and similar obligations	137,213	70,361
b) other provisions	399,052	386,765
Technical reserves	1,780,701	
Valuation reserves	(114,820)	(73,950)
Reserves	3,209,460	3,664,366
Share premiums	3,306,627	3,798,430
Share capital	2,843,177	2,440,751
Treasury shares (-)	(9,818)	(9,869)
Non-controlling interests(+/-)	79,688	72,027
Profit (loss) for the year (+/-)	690,557	(830,150)
Total liabilities and equity	**127,376,141**	**112,383,917**

The figures as at 31st December 2017 relate to the new perimeter of the UBI Banca Group.
The figures as at 31st December 2016 pertain to the UBI Banca Stand Alone Group.

UBI Banca Group: Consolidated income statement
- mandatory statement -

Items *figures in thousands of euro*	**2017**	**2016**
Interest and similar income	2,261,451	2,161,121
Interest expense and similar	(610,213)	(663,230)
Net interest income (expense)	**1,651,238**	**1,497,891**
Fee and commission income	1,744,216	1,508,992
Fee and commission expense	(197,425)	(173,959)
Net fee and commission income	**1,546,791**	**1,335,033**
Dividends and similar income	13,684	9,678
Net trading income	122,368	69,947
Net hedging income (loss)	(419)	415
Income from disposal or repurchase of:	130,432	91,770
a) loans and receivables	(47,056)	(31,482)
b) available-for-sale financial assets	134,996	149,014
c) held-to-maturity investments	55,937	
d) financial liabilities	(13,445)	(25,762)
Net income (loss) on financial assets and liabilities designated at fair value	12,722	(8,421)
Gross income	**3,476,816**	**2,996,313**
Net impairment losses on:	(862,306)	(1,695,584)
a) loans and receivables	(728,343)	(1,565,527)
b) available-for-sale financial assets	(165,624)	(111,643)
d) other financial transactions	31,661	(18,414)
Net financial income	**2,614,510**	**1,300,729**
Net insurance premiums	155,128	-
Other income/expense of insurance operations	(173,384)	-
Net income from banking and insurance operations	**2,596,254**	**1,300,729**
Administrative expenses	(2,619,278)	(2,570,182)
a) staff costs	(1,542,463)	(1,599,717)
b) other administrative expenses	(1,076,815)	(970,465)
Net provisions for risks and charges	(9,009)	(42,885)
Net impairment losses on property, plant and equipment	(87,971)	(80,823)
Net impairment losses on intangible assets	(68,713)	(125,197)
Other net operating income/(expense)	319,825	306,541
Operating expenses	**(2,465,146)**	**(2,512,546)**
Profits of equity investments	23,391	24,136
Net impairment losses on goodwill	-	-
Negative consolidation difference	640,810	
Profits on disposal of investments	859	22,969
Pre-tax profit (loss) from continuing operations	**796,168**	**(1,164,712)**
Taxes on income for the year from continuing operations	(79,176)	319,619
Post-tax profit (loss) from continuing operations	**716,992**	**(845,093)**
Profit (loss) for the year	**716,992**	**(845,093)**
(Profit) loss attributable to non-controlling interests	(26,435)	14,943
Profit (loss) for the year attributable to the Parent	**690,557**	**(830,150)**

The income statement for the year ended 31st December 2017 relates to the new perimeter of the UBI Banca Group, while those for the year ended 31st December 2016 relate to the Stand-Alone UBI Banca Group.