Interim financial report

as at and for the period ended 30th September 2017

Translation from the Italian original which remains the definitive version

UBI Banca
UNIONE DI BANCHE ITALIANE

Legislative Decree No. 25 of 15th February 2016 implemented Directive 2013/50/EU (the "Transparency II" Directive) which, amongst other things, repealed the obligation to publish "Resoconti intermedi" *(quarterly interim financial reports, the accounting documents introduced in 2007 to replace the* "Relazioni trimestrali"*, also quarterly reports by the "Transparency" Directive 2004/109/EC which harmonised transparency obligations concerning information on issuers with shares admitted for trading on regulated markets).*
*This decree, in force since 18th March 2016, amended the Consolidated Finance Law (Legislative Decree No. 58/1998), with reference in particular to "Financial reports" pursuant to Art. 154-*ter*, eliminating the obligation to publish interim financial reports for the first and third quarters.*
*In view of the option provided for by the Directive and on the basis of observations made by the market when two consultations were held by the Consob, this Commission amended the Issuers' Regulations with Resolution No. 19770 of 26th October 2016, which introduced Art. 82-*ter *(additional periodic financial reports), which came into force from 2nd January 2017.*
On the basis of this provision, listed companies have the option to choose whether or not to publish periodic financial reports that are additional to the annual and half yearly financial reports provided for by Art. 154-ter of the Consolidated Finance Law. If they choose to publish these on a voluntary basis, they must disclose this to market, specifying the items of information they intend to provide in order for the decisions taken to be clear and stable over time. Any decision taken to interrupt the publication must be accompanied by the reasons and disclosed publicly; this will take effect starting from the subsequent financial year.

The Management Board of UBI Banca resolved to continue with the format aleady in use for its quarterly financial reports, with possible simplifications of the contents not strictly indispensable for an understanding of performance in the period, until possible alternative decisions are taken, considering also the establishment of different practices in the sector.

Joint Stock Company
Head Office and General Management: Piazza Vittorio Veneto 8, Bergamo (Italy)
Operating offices: Bergamo, Piazza Vittorio Veneto 8; Brescia, Via Cefalonia 74
Member of the Interbank Deposit Protection Fund and the National Guarantee Fund
Tax Code, VAT No. and Bergamo Company Registration No. 03053920165
ABI (Italian Banking Association) 3111.2 Register of Banks No. 5678 Register of banking groups No. 3111.2
Parent of the Unione di Banche Italiane Banking Group
Share capital as at 23rd October 2017: €2,843,177,160.24 fully paid up
www.ubibanca.it

Contents

Key

The following abbreviations are used in the tables:

- dash (-): when the item does not exist;
- not significant (n.s.): when the phenomenon is not significant;
- not available (n.a.): when the information is not available;
- a cross "X": when no amount is to be given for the item (in compliance with Bank of Italy instructions).

All figures are given in thousands of euros, unless otherwise stated.

UBI Banca: company officers

Honorary Chairmen	Gino Trombi
	Emilio Zanetti

Supervisory Board
(Appointed by a Shareholders' meeting on 2nd April 2016)

Chairman	Andrea Moltrasio
Senior Deputy Chairman	Mario Cera
Deputy Chairman	Pietro Gussalli Beretta
Deputy Chairman	Armando Santus
	Francesca Bazoli
	Letizia Bellini Cavalletti
	Pierpaolo Camadini
	Ferruccio Dardanello (*)
	Alessandra Del Boca
	Giovanni Fiori
	Patrizia Michela Giangualano
	Paola Giannotti
	Lorenzo Renato Guerini
	Giuseppe Lucchini
	Sergio Pivato

Management Board
(appointed by the Supervisory Board on 14th April 2016)

Chairwoman	Letizia Maria Brichetto Arnaboldi Moratti
Deputy Chairman	Flavio Pizzini
Chief Executive Officer	Victor Massiah (**)
	Silvia Fidanza
	Osvaldo Ranica
	Elvio Sonnino
	Elisabetta Stegher

General Management

General Manager	Victor Massiah (**)
Senior Deputy General Manager	Elvio Sonnino
Deputy General Manager	Frederik Geertman
Deputy General Manager	Rossella Leidi

Senior Officer Responsible in accordance with Art. 154 *bis* of the Consolidated Finance Law	Elisabetta Stegher
Independent Auditors	DELOITTE & TOUCHE Spa

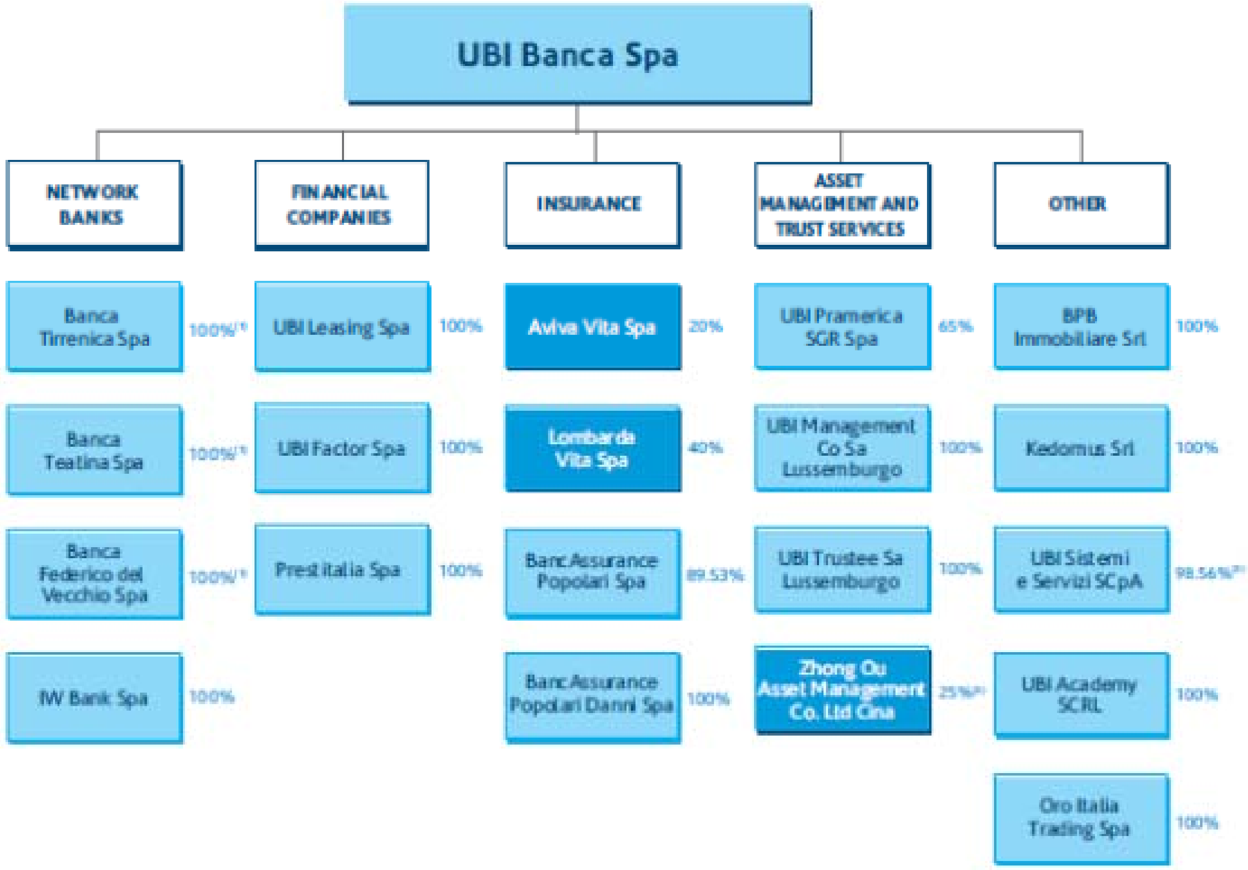
(*) Appointed by an Ordinary Shareholders' Meeting held on 7th April 2017 to fill a vacancy on the Supervisory Board following the resignation of Gian Luigi Gola in December 2016. The Board Member will remain in office until the expiry of the term of office of the original board member replaced and that is until the Shareholders' Meeting that will be held after the end of the financial year 2018.

(**) Appointed Chief Executive Officer and General Manager by the Management Board on 15th April 2016.

* * *

Reference is made with regard to the corporate governance system adopted by UBI Banca and to the roles, responsibilities, composition, functioning and powers of the governing bodies in particular, to the detailed illustration contained in the "Report on Corporate Governance and Ownership Structure of UBI Banca Spa (in accordance with Art. 123-bis of the Consolidated Finance Law)" attached to the 2016 Annual Report and also to the corporate governance section of the Group's corporate website www.ubibanca.it.

UBI Banca Group: the main investments as at 1st November 2017



Fully consolidated companies

Companies accounted for using the equity method

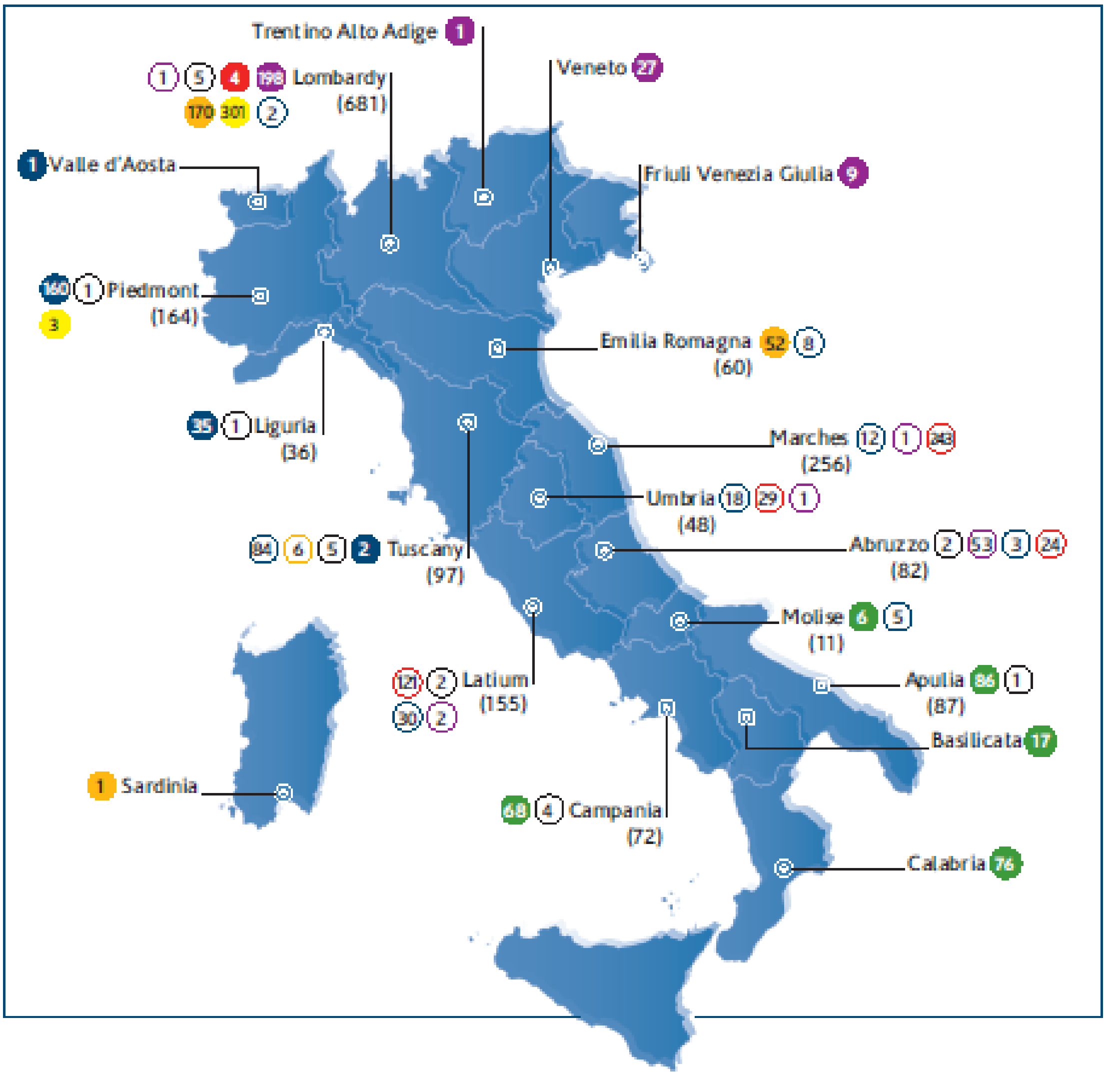
(1) With reference to the banks acquired on 10th May, Banca Adriatica Spa and Cassa di Risparmio di Loreto Spa were merged by incorporation with effect from 23rd October 2017; Banca Tirrenica and Banca Federico del Vecchio Spa will be merged by incorporations on 27th November 2017, while Banca Teatina Spa in February 2018.

(2) The remaining 1.44 % is held by Cargeas Assicurazioni Spa (the former UBI Assicurazioni Spa).

(3) On 12th September 2017, UBI Banca finalised an agreement for the sale of 10% of the share capital to the company's management team.

The percentages relate to the total interests held (direct and indirect) by the Group in the entire share/quota capital.

UBI Banca Group: branch network as at 1st November 2017



Branches in Italy	1,881
UBI Banca Spa	4
UBI Banca Spa - North West Macro Geographical Area	198
UBI Banca Spa - Milan Emilia Romagna Macro Geographical Area	223
UBI Banca Spa - Bergamo and West Lombardy Macro Geographical Area	304
UBI Banca Spa - Brescia and North East Macro Geographical Area	235
UBI Banca Spa - Central Italy Macro Geographical Area	417
UBI Banca Spa - South Macro Geographical Area	253
Banca Tirrenica Spa	162
Banca Federico del Vecchio Spa	6
Banca Teatina Spa	58
IW Bank Spa	21

Branches abroad **5**

UBI Banca Spa
Nizza, Mentone, Antibes (France), Munich (Germany), Madrid (Spain)

International presences

UBI Factor Spa
Krakow (Poland)

UBI Management Co. Sa
Luxembourg

Zhong Ou Asset Management Co. Ltd
Shanghai (China)

UBI Trustee Sa
Luxembourg

Representative offices
São Paolo (Brazil), Moscow, Mumbai, Hong Kong, Shanghai, Dubai, New York, Casablanca

UBI Banca Group: key figures and performance indicators[1]

	30.9.2017 (*)	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
STRUCTURAL INDICATORS										
Net loans and advances to customers/total assets	72.4%	72.8%	72.2%	70.3%	71.2%	70.1%	76.8%	78.0%	80.1%	79.0%
Direct banking funding from customers/total liabilities	74.5%	75.8%	78.1%	76.5%	74.5%	74.6%	79.2%	81.8%	79.5%	80.0%
Net loans and advances to customers/direct funding from customers	97.2%	96.1%	92.4%	91.9%	95.5%	94.0%	97.0%	95.4%	100.8%	98.7%
Equity *(inclusive of profit/loss)*/total liabilities	7.7%	8.0%	8.5%	8.1%	8.3%	7.4%	6.9%	8.4%	9.3%	9.1%
Assets under management/indirect funding from individual customers	64.5%	66.5%	61.1%	57.1%	55.2%	54.3%	51.2%	54.6%	53.2%	53.1%
Financial leverage ratio *(total assets - intangible assets)/(equity inclusive of profit/loss + equity attributable to non-controlling interests - intangible assets)*	15.4	15.0	13.2	14.0	14.7	17.0	18.5	19.3	17.1	17.3
PROFIT INDICATORS										
ROE *(net profit)/(equity inclusive of profit/loss)*	7.3%	n.s.	1.2%	2.4%	2.4%	0.8%	3.9%	1.6%	2.4%	0.6%
ROTE *[net profit/tangible equity (equity inclusive of profit/loss - intangible assets)]*	8.9%	n.s.	1.4%	2.9%	3.4%	1.2%	5.9%	3.1%	4.6%	1.2%
ROA *(net profit/total assets)*	0.56%	n.s.	0.10%	0.19%	0.20%	0.06%	0.27%	0.13%	0.22%	0.06%
The cost:income ratio *(operating expenses/operating income)*	69.0%	69.0%	64.5%	61.8%	62.3%	64.3%	69.5%	70.6%	64.4%	63.9%
Staff costs/operating income	42.3%	40.9%	38.4%	38.2%	37.9%	39.0%	41.4%	41.5%	37.5%	38.8%
Net impairment losses on loans/net loans to customers *(loan losses)*	0.59%	1.91%	0.95%	1.08%	1.07%	0.91%	0.61%	0.69%	0.88%	0.59%
Net interest income/operating income	44.2%	48.0%	48.4%	53.3%	50.9%	52.8%	61.7%	61.3%	61.5%	68.7%
Net fee and commission income/operating income	44.4%	42.8%	38.6%	36.0%	34.5%	33.5%	34.7%	33.9%	31.1%	33.3%
Net result on financial activities/operating income	7.1%	4.9%	8.6%	5.9%	9.4%	7.3%	0.2%	1.0%	3.2%	-5.9%
RISK INDICATORS										
Net bad loans/net loans to customers	4.34%	4.87%	5.07%	4.70%	3.89%	3.18%	2.49%	1.91%	1.36%	0.88%
Net impairment losses on non-performing loans / gross non-performing loans *(coverage for non-performing loans)*	46.13%	45.08%	38.64%	38.56%	41.60%	42.60%	43.31%	48.69%	51.57%	54.58%
Coverage for bad loans, gross of write-offs of positions subject to bankruptcy proceedings and the relative impairment losses (2)	58.83%	58.48%	52.25%	53.36%	56.05%	57.63%	59.06%	63.62%	66.10%	
Net non-performing loans/net loans and advances to customers	8.97%	9.84%	11.45%	11.10%	10.53%	8.73%	6.30%	5.17%	4.62%	2.40%
CAPITAL RATIOS										
Basel 3 phased-in from 31 3 2014 (3)										
Tier 1 ratio *(Tier 1 capital after filters and deductions/RWAs)*	11.65%	11.48%	12.08%	12.33%	13.23%	10.79%	9.09%	7.47%	7.96%	7.73%
Common Equity Tier 1 ratio *(CET1 capital after filters and deductions/RWAs)*	11.65%	11.48%	12.08%	12.33%	12.60%	10.29%	8.56%	6.95%	7.43%	7.09%
Total capital ratio *(total own funds/RWAs)*	14.32%	14.10%	13.93%	15.29%	18.91%	16.01%	13.50%	11.17%	11.91%	11.08%
Total own funds (figures in thousands of euro)	9,635,184	8,389,105	8,545,017	9,441,598	11,546,144	12,203,619	12,282,153	10,536,200	10,202,555	9,960,812
of which: Tier 1 capital after filters and deductions	7,842,293	6,829,283	7,408,894	7,615,265	8,075,247	8,263,720	8,276,278	7,047,888	6,816,876	6,944,723
Risk weighted assets (RWAs)	67,289,212	59,483,864	61,344,866	61,762,588	61,045,600	76,589,350	91,010,213	94,360,909	85,677,000	89,891,825
INCOME STATEMENT, BALANCE SHEET FIGURES (in thousands of euro), **STRUCTURAL DATA** (numbers)										
Profit (loss) for the period/year attributable to the shareholders of the Parent	702,415	(830,150)	116,765	(725,767)	250,830	82,708	(1,841,488)	172,121	270,099	69,001
Profit (loss) for the period/year attributable to the shareholders of the Parent before the impact of the Business Plan (previously redundancy expenses and impairment)	117,382	(565,812)	182,774	233,230	314,550	184,581	349,373	177,293	289,022	88,810
(Profit) loss for the year/period attributable to the shareholders of the Parent normalised	167,271	(474,357)	195,132	146,537	100,220	97,324	111,562	105,116	173,380	425,327
Operating income	2,595,325	3,119,499	3,370,864	3,409,630	3,437,292	3,526,311	3,438,339	3,496,061	3,906,247	4,089,739
Operating expenses	(1,789,489)	(2,153,466)	(2,175,181)	(2,108,222)	(2,141,798)	(2,266,660)	(2,389,626)	(2,468,564)	(2,514,347)	(2,611,348)
Net loans and advances to customers	93,879,802	81,854,280	84,586,200	85,644,223	88,421,467	92,887,969	99,689,770	101,814,829	98,007,252	96,368,452
of which: net bad loans	*4,077,228*	*3,987,303*	*4,287,929*	*4,025,079*	*3,437,125*	*2,951,939*	*2,481,417*	*1,939,916*	*1,332,576*	*848,671*
Net non-performing loans	*8,418,899*	*8,055,608*	*9,688,549*	*9,508,105*	*9,312,273*	*8,105,174*	*6,279,884*	*5,261,129*	*4,532,234*	*2,315,913*
Direct banking funding from customers	96,554,059	85,166,013	91,512,399	93,207,269	92,603,936	98,817,560	102,808,654	106,760,045	97,214,405	97,591,237
Indirect funding from customers	98,806,557	82,116,612	79,547,957	75,892,408	71,651,786	70,164,384	72,067,569	78,078,869	78,791,834	74,288,053
of which: assets under management	*63,741,153*	*54,631,219*	*48,567,539*	*43,353,237*	*39,553,848*	*38,106,037*	*36,892,042*	*42,629,553*	*41,924,931*	*39,430,745*
Total banking funding from customers	195,360,616	167,282,625	171,060,356	169,099,677	164,255,722	168,981,944	174,876,223	184,838,914	176,006,239	171,879,290
Equity attributable to the shareholders of the Parent *(inclusive of profit/loss)*	9,957,725	8,989,578	9,981,862	9,804,048	10,339,392	9,737,882	8,939,023	10,979,019	11,411,248	11,140,207
Intangible assets	1,712,579	1,695,973	1,757,468	1,776,925	2,918,509	2,964,882	2,987,669	5,475,385	5,523,401	5,531,633
Total assets	129,634,126	112,383,917	117,200,765	121,786,704	124,241,837	132,433,702	129,803,692	130,558,569	122,313,223	121,955,685
Branches in Italy (**)	1,881	1,524	1,554	1,668	1,725	1,727	1,875	1,892	1,955	1,944
Total staff at the end of the period *(actual employees in service + workers on agency leasing contracts)*	21,818	17,560	17,716	18,132	18,337	19,090	19,407	19,699	20,285	20,680
Average total staff (4) *(actual employees in service + workers on agency leasing contracts)*	20,696	16,494	16,756	17,462	17,625	18,490	18,828	19,384	20,185	20,606
Financial advisors	746	787	824	713	671	672	713	786	880	924

(*) The figures as at and for the period ended 30th September 2017 relate to the UBI Banca Group inclusive of the New Banks that were included in the consolidation from 1st April 2017. The figures for previous periods on the other hand are based on historical data and therefore on the UBI Banca "Stand-Alone" Group.

(**) Branches existing as at 1st November 2017 are reported in the column for 30th September 2017.

The notes to the table are reported on the following page.

(1) The indicators have been calculated using the reclassified figures contained in the section "Reclassified consolidated financial statements, reclassified income statement net of the most significant non-recurring items and reconciliation schedules" in the Interim Consolidated Management Report.

The profit indicators for the first nine months of 2017 have been calculated by annualising the profit for the period relating to the Parent. Badwill has not been annualised, in consideration of the exceptional nature of that accounting item.
In consideration of the loss recorded, profit indicators have not been given for 2016 because they hold little significance.
The profit indicators for 2014 and 2011 were calculated on profit for the year before redundancy expenses and impairment losses.

Account has been taken with regard to the Alternative Performance Measures reported in this financial report and in particular in the Interim Consolidated Management Report of the ESMA guidelines issued on 5th October 2015, which the Consob incorporated in its supervisory practices (Communication No. 0092543 of 3rd December 2015). Those guidelines became applicable from 3rd July 2016.
Furthermore, on 18th August 2016, the Management Board approved the new UBI Banca Group guidelines on the identification of non-recurring items.

Information on the share is given in the pages that follow.

(2) The coverage for bad loans inclusive of write-offs as at 31st December 2015 onwards has been calculated using financial accounting data; the percentages shown for previous periods, however, remain of a management accounting nature.

(3) Capital ratios as at 31st December 2013 and as at 31st December 2012 were calculated according to AIRB Basel 2 rules and relate to the following ratios respectively:
- the Tier 1 ratio *(Tier 1 capital/risk weighted assets);*
- the core Tier 1 ratio after specific deductions from the Tier 1 capital *(Tier 1 capital net of preference shares and savings or privileged shares held by non-controlling interests/risk weighted assets);*
- the Total capital ratio *(regulatory capital + Tier 3/risk weighted assets).*

For previous periods the figures were calculated according to the Basel 2 standard rules.

(4) Part time employees have been calculated within average total staff according to convention on a 50% basis.

The rating

The ratings assigned to the UBI Banca Group by the main international agencies are given below.

MOODY'S	
Long-term Bank deposits rating (I)	Baa2
Short-term Bank deposits rating (II)	Prime-2
Baseline Credit Assessment (BCA) (III)	ba2
Long-term Issuer Rating (IV)	Baa3
Long-term Counterparty Risk Assessment (V)	Baa2(cr)
Short-term Counterparty Risk Assessment (V)	Prime-2(cr)
Outlook	Stable
RATINGS ON ISSUES	
Senior unsecured rating	Baa3
Subordinated debt	Ba3
Covered Bonds (First Programme – residential mortgages)	Aa2

(I) The ability to repay long-term deposits (with original maturity of one year or more) in local currency.
(Aaa: best rating – C: default)

(II) The ability to repay short-term deposits (with original maturity of 13 months or less) in local currency.
(Prime-1: highest quality – Not prime: not classifiable within any of the prime categories)

(III) The BCA is not a rating but an opinion on the intrinsic financial strength of the bank in the absence of external support.
(Aaa: best rating – C: default)

(IV) Rating on the ability of the issuer to honour senior debt and bonds
(Aaa: best rating – C: default)

(V) The counterparty risk (CR) assessment is not a rating but an opinion on the likelihood of a default on certain senior operating obligations and other contractual commitments entered into by the bank.
[Aaa(cr): best rating – C (cr): Default]
[P-1 (cr): best rating – Not prime (cr): not classifiable within any of the prime categories]

S&P GLOBAL RATINGS	
Short-term Issuer Credit Rating (i)	A-3
Long-term Issuer Credit Rating (i)	BBB-
Stand Alone Credit Profile (SACP) (ii)	bbb-
Outlook (long-term rating)	Stable
RATINGS ON ISSUES	
Senior unsecured debt	BBB-
Subordinated debt	BB

(i) The issuer credit rating reflects the agency's opinion of the intrinsic creditworthiness of the bank combined with an assessment of the potential for future support that the bank might receive in the event of default (from government or from the group to which it belongs).
Short-term: ability to repay short-term debt with a maturity of less than one year (A-1: best rating – D: default)
Long-term: ability to pay interest and principal on debt with a maturity of longer than one year
(AAA: best rating – D: default)

(ii) The SACP is a rating of the intrinsic creditworthiness of the bank in the absence of external support (from government or from the group to which it belongs). It is calculated on the basis of an "anchor SACP", which summarises economic and industry risk for the Italian banking sector. This is then adjusted to take account of bank-specific factors such as capitalisation, market positioning, exposure to risk and the funding and the liquidity situation, which are also assessed from a comparative viewpoint.

FITCH RATINGS	
Short-term Issuer Default Rating (1)	F3
Long-term Issuer Default Rating (2)	BBB-
Viability Rating (3)	bbb-
Support Rating (4)	5
Support Rating Floor (5)	NF (No Floor)
Outlook (Long-term Issuer Default Rating)	Negative
RATINGS ON ISSUES	
Senior unsecured debt	BBB-
Subordinated debt	BB+

(1) The ability to repay debt in the short-term (less than 13 months) (F1+: best rating – D: default)

(2) The ability to promptly meet financial commitments in the long-term, independently of the maturity of individual obligations. This rating is an indicator of the probability that an issuer will default.
(AAA: best rating – D: default)

(3) An assessment of a bank's intrinsic strength in the event that it cannot rely on forms of external support (aaa: best rating - f: default)

(4) A rating of the likelihood of possible external support (from the state or large shareholders) if the bank finds itself in difficulty.
[1: high probability of external support – 5: no reliance may be placed on any possible support (as is the case for European banks subject to the BRRD resolution regime)]

(5) This rating gives additional information, closely linked to the Support Rating, in that for each level of the Support Rating it identifies the minimum level which the Issuer Default Rating could reach if negative events were to occur (No Floor for European banks subject to the BRRD resolution regime).

DBRS	
Long-term Issuer rating (I)	BBB (high)
Short-term Issuer rating *(new rating)* (I)	R-1 (low)
Long-term Senior Debt (II)	BBB (high)
Short-term Debt (II)	R-1 (low)
Long-term Deposits *(new rating)* (III)	BBB (high)
Short-term Deposits *(new rating)* (III)	R-1 (low)
Intrinsic Assessment (IV)	BBB (high)
Support Assessment (V)	SA3
Long-Term Critical Obligations rating (VI)	A
Short-Term Critical Obligations rating (VI)	R-1 (low)
Trend (all ratings)	Negative
RATINGS ON ISSUES	
Senior unsecured	BBB (high)
Subordinated debt	BBB (low)
Covered Bonds (First Programme – residential mortgages)	AA (low)
Covered Bonds (Second Programme – commercial mortgages)	A

On the 27th November DBRS reduced by one notch the Long-term Issuer Rating, from "BBB (high)" to "BBB", and Short-Term Issuer rating, from "R-1 (low)" to "R-2 (high)". For further information please refer to the press release published on the same date.

(I) The issuer rating is not a rating on issues but on the issuer, because it is an assessment of its creditworthiness. The rating is assigned on a long-term basis using the long-term rating scale and on a short-term basis using the relative scale. In the banking sector, the Issuer Rating represents the final rating on the credit worthiness of a bank which incorporates both the Intrinsic Assessment and possible considerations regarding external support.
LTIR – AAA: highest credit quality – C: very highly speculative
STIR - R-1 (high): highest credit quality – R-5: very highly speculative

(II) The ability to repay long-term debt (maturing in more than one year), or short-term debt.
LTSD – AAA: highest credit quality – C: very highly speculative
STD – R-1 (high): highest credit quality - R-5: very highly speculative

(III) The ability to repay long-term deposits (maturing in more than one year) and short-term deposits.
LTD – AAA: highest credit quality – C: very highly speculative
R-1 (high): highest credit quality – R-5: very highly speculative

(IV) The Intrinsic Assessment (IA) is a rating of the intrinsic financial strength of a bank in the absence of external support. It assesses a bank's intrinsic fundamentals in five areas: commercial network, earnings capacity, liquidity and funding, risk profile and capitalisation.
AAA: best rating – C: worst rating

(V) External support assessment (Group to which it belongs or government) in case of need.
[SA1: internal support from the group to which it belongs; SA2: external support (government); SA3: no external support; SA4: potential support to the group to which it belongs

(VI) The Critical Obligations Rating (COR) is a rating on default risks intrinsic to some classes of obligations/exposures considered critical that have a higher probability of being excluded from bail-in (such as those resulting from derivatives, payment services, covered bond issues, etc.).
LTCOR – AAA: highest credit quality – C: very highly speculative
STCOR – R-1 (high): highest credit quality – R-5: very highly speculative.

On 14th July 2017, **DBRS** announced a series of actions on European issuers designed to standardise the "nomenclature" of its long and short-term ratings of banking organisations. None of these actions gave rise to changes to the ratings assigned.
More specifically the following new rating areas were introduced, with a distinction between long and short-term and the separation between "debt" and "deposits" (which could in future lead to assessment of these liabilities in different terms and therefore with possible different ratings): Long-term Issuer rating, Long-term Senior Debt, Long-term Deposits, together with the corresponding Short-term Issuer rating, Short-term Debt and Short-term Deposits.

* * *

On 6th October 2017 **Moody's** confirmed its "Baa2" long-term rating assigned to Italy with the Outlook again negative. On the following 17th October this agency again affirmed its negative Outlook for the banking system in Italy.
Moody's underlined that expectations for Italian banks in the next 12-18 months continued to be conditioned by pressure to reduce stocks of problem loans, by persistent low profitability and by significant exposures to Italian sovereign debt risk, although in a context of a modest economic recovery and lower inflows of bad loans. Furthermore, according to the agency, the decline in progress in stocks of bonds held by retail customers is increasing the risk of losses for depositors and bondholders in a resolution scenario.

On 27th October 2017 the agency **S&P Global Ratings** upgraded its ratings for Italy, raising its long-term rating to "BBB" from "BBB-" before and its short-term rating to "A-2" from the previous "A-3" rating with a stable Outlook.
The improvement in the rating for Italy takes into account improved prospects for domestic economic growth (real GDP is expected to increase 1.4% this year and 1.3% on average over the two-year period 2018-2019), increased investments, steady employment growth and an expansionary monetary policy.
S&P forecasts that the government will reach its objective of a deficit to GDP ratio of 2.1% and start a period of reducing that ratio. Finally, the rating upgrade reflects the solution to the crises of Monte dei Paschi and regional Venetian banks as well as a progressive reduction in stocks of bad loans.

The upgrade of the sovereign rating was followed by a review of ratings assigned to Italian banks, announced on 31st October 2017. In this regard the agency confirmed the ratings assigned to UBI Banca, with a stable Outlook.

The UBI Banca share

Share performance

The UBI Banca share is traded on the *Mercato Telematico Azionario* (electronic stock exchange) of Borsa Italiana in the blue chip segment and forms part of the 40 shares in the FTSE/Mib Index.

Performance comparisons for the Unione di Banche Italiane share

Amounts in euro	29.9.2017 A	30.6.2017 B	% change A/B	31.3.2017 C	30.12.2016 D	% change A/D	30.9.2016 E	% change A/E
Unione di Banche Italiane shares								
- official price	4.366	3.851	13.4%	3.403	2.485	75.7%	1.886	131.5%
- reference price	4.386	3.766	16.5%	3.429	2.490	76.2%	1.954	124.5%
FTSE Italia All-Share index	25,025	22,746	10.0%	22,568	20,936	19.5%	18,033	38.8%
FTSE Italia Banks index	12,213	11,128	9.7%	10,174	9,511	28.4%	7,653	59.6%

Note: the historical prices changed following the application of an adjustment factor of 0.953116 (Borsa Italiana Notice No. 11940 of 9th June 2017) in relation to the increase in the share capital.

Source: Datastream

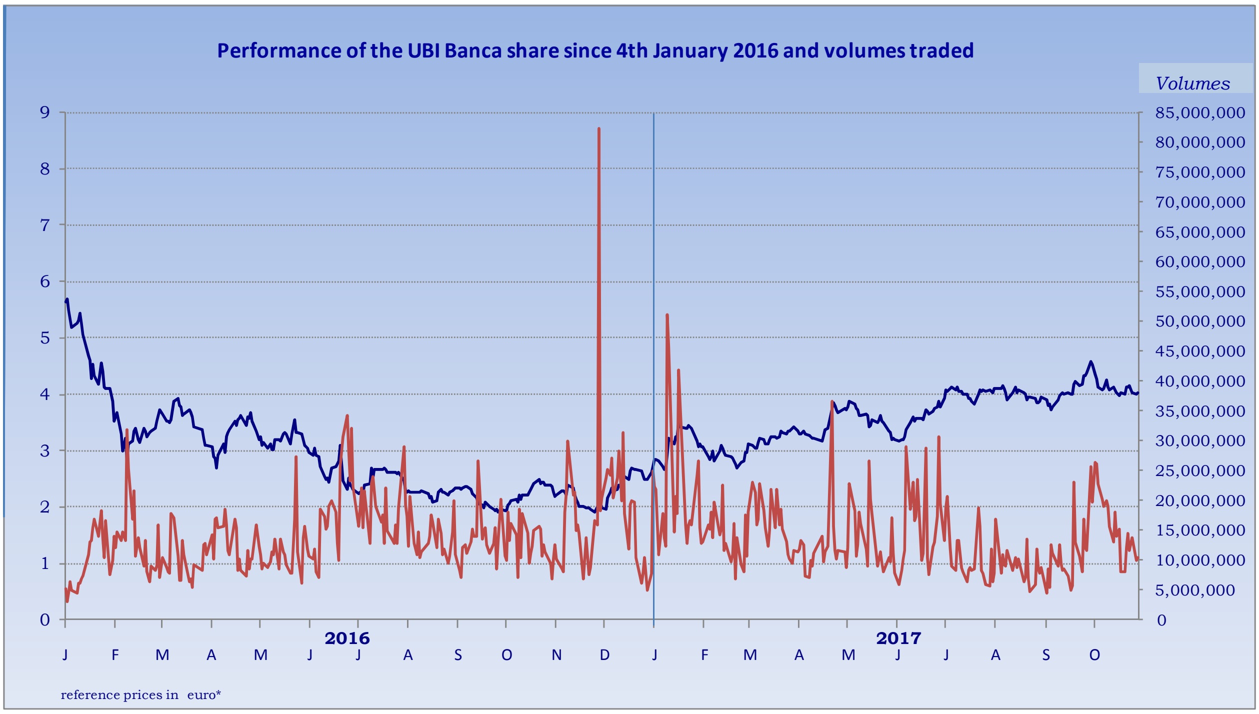
The positive trend for the UBI Banca share continued into the third quarter, reflecting the general performance of markets and those in Italy in particular.
On the one hand, the improvement in the general economic situation increased the climate of investors' confidence as they once again showed interest in Italian stocks and on the other hand the solutions found for some banks experiencing difficulties favoured a recovery in stock market prices of banking shares.
In this context, the price of the UBI Banca share recorded positive performance in the quarter (the official price was up 13.4%) and remarkable performance over nine months (+75.7%) as it recovered from the severe penalties inflicted in the past by the negative sentiment shown towards the sector. Positive performance, although not so high, was also recorded by the FTSE Italia banks index (up 9.7% on June and 28.4% on December 2016) and the FTSE Italia All-Share (+10.0% and +19.5%).
Notwithstanding the upgrade to the rating by some analysts, after the end of the quarter the share was affected by uncertainties over the possible impacts of an addendum to guidelines on NPLs that the European Central bank had put out for consultation and it ended October at around four euro.

During the first nine months of 2017 trading in UBI Banca shares on the electronic stock exchange involved 2.6 billion shares for a value of €9.2 billion (volumes traded in the same period of 2016 involved 2.6 billion shares for a value of €7.7 billion).

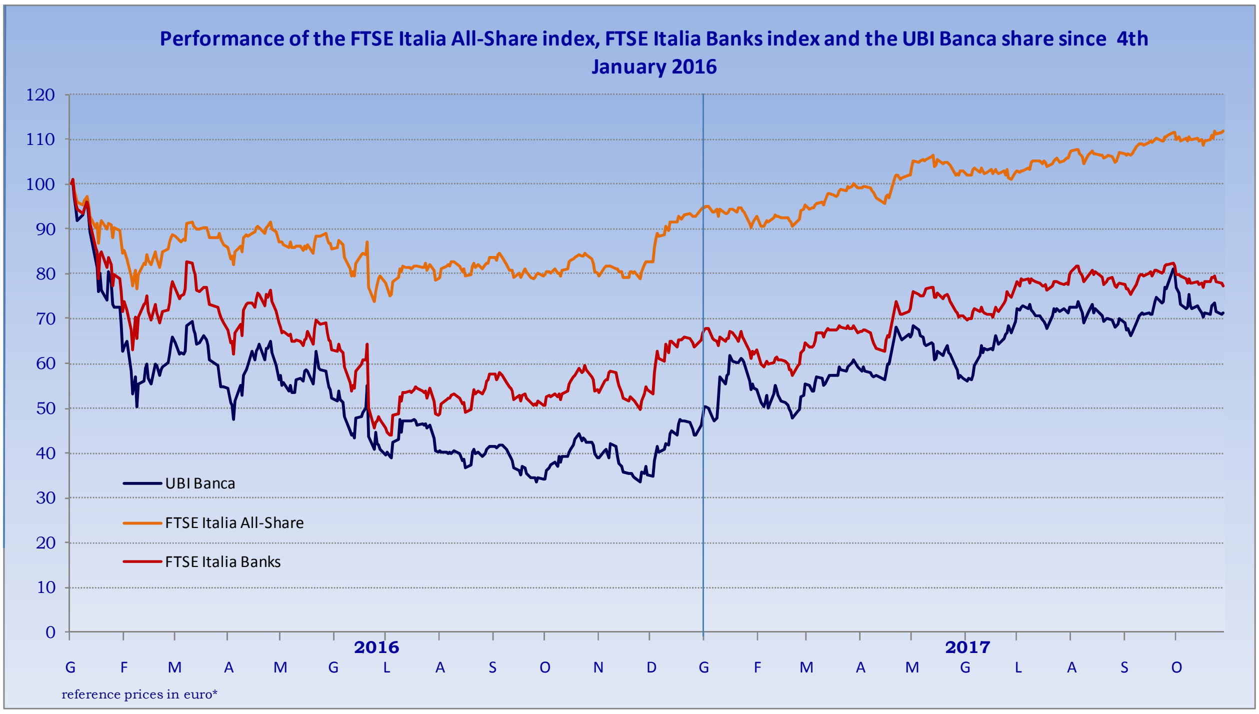
At the end of the period the stock market capitalisation (calculated on the official price) had risen to around €5 billion from €4.4 billion at the end of June (€2.4 billion at the end of 2016), which ranked UBI Banca in fourth place among listed Italian commercial banking groups[1].

At European level, the UBI Group was again among the first 40 institutions on the basis of the classification drawn up by the Italian Banking Association in its European Banking Report, which considers the EU15 countries plus Switzerland (EBR International Flash, October 2017).

1 The Group is positioned in the sixth place if all listed banking groups are considered.



The peak recorded in the volume of trades on 30th November 2016 occurred in the closing auction.



* Adjusted due to the application of the factor indicated by Borsa Italiana in relation to the share capital increase.

The main information concerning the UBI Banca share is summarised below, along with the principal stock market indicators, which have been calculated using consolidated figures.

The UBI Banca share and the main stock market indicators

	January - September 2017	**FY 2016** Stand-Alone UBI Banca Group
Number of shares outstanding at the end of period/year	1,144,244,506	976,300,395
Average price of the UBI share *(average of the official prices quoted daily by Borsa Italiana Spa)* - in euro	3.537	2.887
Minimum price (recorded during trading) - in euro	2.451	1.814
Maximum price (recorded during trading) - in euro	4.408	5.862
Dividend per share - in euro	n.a.	0.11
Dividend yield *(dividend per share/average price)*	n.a.	3.81%
Total dividends - in euro (*)	n.a.	107,162,640
Book Value *[Consolidated equity of the Group (excluding profit for the period/year for the part not relating to badwill/including loss divided by No. shares]* - in euro	8.63	9.21
Stock market capitalisation at the end of period/year (official prices) - in millions of euro	4,996	2,426
Price/book value *[Stock market capitalisation at the end of period/year divided by (consolidated equity attributable to shareholders of the Parent excluding profit for the period/year for the part not relating to badwill/including the loss)]*	0.51	0.27
Price / book value calculated by deducting intangible assets attributable to the shareholders of the Parent from consolidated equity	0.61	0.33

(*) The dividend payout for 2016 was calculated on the 974,205,820 shares outstanding on 28th February 2017 (the date on which the new share capital was officially filed following the share exchanges of the shares of the former Banca Popolare di Ancona Spa, the former Banca Carime Spa and the formal Banca di Valle Camonica Spa for UBI Banca shares. This figure does not include the 3,031,974 treasury shares held in portfolio on that same date.

The historical prices changed following the application of an adjustment factor of 0.953116 (Borsa Italiana Notice No. 11940 of 9th June 2017) in relation to the increase in the share capital. It also follows that the market capitalisation at the end of 2016 changed compared with the figure of €2.545 billion published previously.

INTERIM CONSOLIDATED MANAGEMENT REPORT

FOR THE PERIOD ENDED 30TH SEPTEMBER 2017

Significant events in the third quarter of 2017

The conclusion of the share capital increase

As already illustrated in the interim financial report for the period ended 30th June 2017 (the section "Significant events in the first half of 2017") which may be consulted, on 7th April 2017, a Shareholders' Meeting, held in extraordinary session, approved a proposal to confer an authorisation on the Management Board to increase the share capital by a maximum amount of €400 million.

Having obtained the required authorisation from the Supervisory Board, the Management Board resolved, in implementation of an authorisation received from a Shareholders' Meeting, to proceed to the issuance of a maximum of 167,006,712 ordinary shares of UBI Banca, with no nominal amount stated, of the same class of the UBI Banca ordinary shares already outstanding, to be offered as an option to shareholders of UBI Banca with the right to them, at a ratio of six newly issued shares for every 35 shares held, at a subscription price of €2.395 for each new share, to be recognised entirely as share capital, for a maximum amount of €399,981,075.24.

Once all the necessary authorisations had been obtained, the option right offer period began on 12th June and ended on 27th June 2017, during which 967,529,640 option rights were exercised for the subscription of 165,862,224 shares, accounting for 99.31% of the total shares offered for consideration of €397,240,026.48.

All the remaining 6,676,180 rights not exercised during the subscription period, valid for the subscription of 1,144,488 shares, corresponding to 0.69% of the total shares offered, for a value of €2,741,048.76, were offered on the stock market and sold through IW Bank in the first trading session held on 30th June 2017, in accordance with Art. 2441, paragraph 3 of the Italian Civil Code.

Exercise of the unexercised rights purchased on the stock market and the relative shares took place on 5th July 2017, with the same value date.

On conclusion of the procedure for the exercise of option rights pursuant to Art. 2441 of the Italian Civil Code, as reported in the press release issued on 5th July, a total of 167,006,652 ordinary shares had been subscribed accounting for over 99.99% of the newly issued ordinary shares of UBI Banca for a countervalue of €399,980,931.54.

In accordance with the terms of the underwriting agreement signed in their capacity as underwriters by Credit Suisse, Banca IMI, Banco Santander and Mediobanca for the entire amount of the share capital increase, the remaining 60 shares resulting from the 350 unexercised rights for a value of €143.70 were subscribed on 7th July.

The total amount of the share capital increase, amounting to €399,981,075.24, was stated entirely as share capital.

In compliance with the provisions of Art. 2444 of the Italian Civil Code, certification of the full subscription of the share capital increase, with an indication of the amount of the new share capital (€2,843,075,560.24 divided into 1,144,244,506 ordinary shares with no nominal value), was filed on 7th July 2017 with the Company Registrar of Bergamo, who made an amendment to it on the following 14th July.

The table below summarises the changes in the share capital that occurred in 2017, with account also taken of shares issued as a result of the merger by incorporation of CARILO - Cassa di Risparmio di Loreto, details of which are given in the section that follows.

UBI BANCA SHARE CAPITAL: CHANGES IN 2017

Date	Number of shares issued	Amount of shares issued	Reasons	Number of total outstanding shares	Share capital
31.12.2016				**976,300,395**	**2,440,750,987.50**
28.02.2017	937,399	2,343,497.50	Mergers of three network banks	977,237,794	2,443,094,485.00
	of which:				
	618.315	*1.545.787,50*	*Banca Popolare di Ancona*		
	24.050	*60.125,00*	*Banca Carime*		
	295.034	*737.585,00*	*Banca di Valle Camonica*		
14.07.2017	167,006,712	399,981,075.24	Share capital increase	1,144,244,506	2,843,075,560.24
30.09.2017				**1,144,244,506**	**2,843,075,560.24**
23.10.2017	40,640	101,600.00	CARILO merger	1,144,285,146	2,843,177,160.24

All the shares issued in 2017 have normal dividend entitlement from 1st January 2017.

Implementation of the 2017-2020 Business Plan (updated to take account of the acquisition of the New Banks)

▪ The integration of the New Banks

As already reported, the closing took place on 10th May 2017 for the purchase by UBI Banca of 100% of the share capital of Nuova Banca delle Marche (which on that date held 98.86% of CARILO - Cassa di Risparmio di Loreto), Nuova Banca dell'Etruria e del Lazio (which held, amongst other things, 100% of Banca Federico del Vecchio) and Nuova Cassa di Risparmio di Chieti (the half-year financial report may be consulted for a detailed description of the steps which preceded the closing of this operation).

The project to integrate the New Banks, in terms of both the IT platform and the business model, involves the merger of the five banks acquired into the Parent.
The relative Merger Project pursuant to Art. 2501 *ter* of the Italian Civil Code was prepared by the Management Board and the Supervisory Board of UBI Banca, for the aspects which concerned them, on 10th and 11th May 2017 respectively. On the days that followed a similar resolution was also passed by the boards of directors of each of the banks to be merged.

On 25th May 2017 an application was submitted to the Bank of Italy/ECB for the merger of the five banks to be merged and for possible changes to UBI Banca's share capital as a result of the merger of CARILO - Cassa di Risparmio di Loreto: the relative authorisation was issued on 3rd August.

Following the issue of the required regulatory authorisations by the ECB on 23rd August, resolutions to amend the relative articles of association passed in extraordinary sessions of Shareholders' Meetings of the New Banks held after the closing became effective when they were filed with the respective company registrars. More specifically, Nuova Banca delle Marche, Nuova Banca dell'Etruria e del Lazio and Nuova Cassa di Risparmio di Chieti made amendments, amongst other things, to their registered names and transferred their registered office to Bergamo[1] with effect from 6th September. The new company names were as follows: Banca Adriatica for Nuova Banca delle Marche, Banca Tirrenica for Nuova Banca dell'Etruria e del Lazio and Banca Teatina for Nuova Cassa di Risparmio di Chieti.

In a meeting held on 12th September, the Supervisory Board approved the Merger Project for the five banks acquired in accordance with articles 2505 and 2505 *bis* of the Italian Civil Code and Art. 38.1, letter u) of the Articles of Association. The relative resolution was filed on 13th September with the Bergamo Company Registrar.
Again on 12th September the merger project was approved by the competent governing bodies of the Companies to be Merged and that is the boards of directors of Banca Adriatica, Banca Tirrenica, Banca Teatina and Banca Federico del Vecchio and by a Shareholders' Meeting of CARILO - Cassa di Risparmio di Loreto. All the resolutions were filed with the competent company registrars on 13th September.

1 As agreed in the sales contract dated 18th January 2017.

* * *

In order to make it possible to integrate the New Banks in a manner that is fully compatible with the operating model already implemented in the UBI Banca Group, it was necessary to proceed first, before merging them, to the execution or definition of the following operations within the Group:

- *the transfer to Prestitalia Spa of the salary or pension backed loans of the New Banks (the block transfer in accordance with Art. 58 of Legislative Decree No. 385/1993 – the Consolidated Banking Law).*

  As already reported in the half-year financial report, UBI Banca's Management Board, on 18th July 2017, and Prestitalia's Board of Directors, on the following 2nd August, approved the transfer without recourse of the loans *en bloc* to Prestitalia (relating to loans backed by salary or pension or by delegation of payment) from Banca Adriatica (the former Nuova Banca delle Marche), Banca Tirrenica (former Nuova Banca dell'Etruria e del Lazio) and Banca Teatina (the former Nuova Cassa di Risparmio di Chieti).

  The transfer from Banca Adriatica and Banca Tirrenica was concluded on 13th September, with effect for operating purposes from 1st September 2017, and it regarded loans with a net value of €12.5 million (of which €0.8 million from Banca Adriatica and €11.7 million from Banca Tirrenica), the migration of which onto Prestitalia's IT operating platform was concluded in the days that followed.

  More specifically, each and every loan of money resulting from financing contracts and in general each sum due, which the transferring banks had the right to receive from principal debtors, from government administrations, from insurance companies and/or from any other third party following the disbursement of the financing, was transferred. Unless specified otherwise, only loans resulting from financing contracts already concluded and active as at 1st September 2017, for which the required cumulative conditions had been verified, were transferred. All the other rights, (inclusive of guarantee rights) held by the transferring banks in relation to the loans and more specifically each substantial and legal right and claim (including for damages), action and exception, power and prerogative relating to them or in any case accessory to them deriving from all applicable laws were transferred to Prestitalia, without the need for any formality and notation, except for filing of the transfer with the Company Registrar and any alternative forms of disclosure of the transfer laid down by the Bank of Italy in accordance with Art. 58 of Legislative Decree No. 385/1993.

  On the other hand, completion of the transaction with Banca Teatina is scheduled to take effect from 1st December 2017;

- *the transfer to UBI Leasing Spa of activities carried out by Banca Adriatica and Banca Tirrenica (transfer of lines of business).*

  On 18th July 2017 the Management Board approved, amongst other things, a project to reorganise the perimeter of the leasing activities relating to Banca Adriatica (the former Nuova Banca delle Marche) and to Banca Tirrenica (the former Nuova Banca dell'Etruria e del Lazio), to be implemented by means of the contribution of the two separate lines of business to UBI Leasing on the basis of the provisions of Art. 2343 *ter* of the Italian Civil Code.
  The final terms and conditions of the contribution were approved, for those matters that concerned them, by the Board of Directors of Banca Adriatica on 19th July, by the Board of Directors of Banca Tirrenica, on 24th August, and by the Board of Directors di UBI Leasing on 28th August.
  Again on 28th August, a Shareholders' Meeting of UBI Leasing approved an increase in the share capital by €3,395,002 at the service of the contribution of the two lines of business, subject to the prior elimination of the nominal value of the shares, through the issue of 778,313 ordinary shares to be allotted as follows: (i) 566,713 shares, to Banca Adriatica; (ii) 211,600 shares to Banca Tirrenica.
  Immediately following the Shareholders' Meeting of UBI Leasing, the deed was signed for the contribution of the two lines of business to UBI Leasing, with effect for legal and accounting purposes from 1st September 2017. The IT migration onto UBI Leasing's systems took place on the weekend of the 16th and 17th September, which confirmed the operational start-up of the lines of business contributed on the following 18th September.

  Each of the two lines of business was transferred with balances settled. With regard to receivables transferred, the net book value of the finance lease receivables contributed by Banca Adriatica was €716 million and that of Banca Tirrenica was €172 million, to give a total of €888 million;

- *The transfer to UBI Sistemi e Servizi of the "ICT and Back Office" activities of the New Banks by means of the transfer of the relative lines of business from UBI Banca to UBI.S.*

  In order to bring the organisational model of the New Banks closer to that of UBI Banca and to simplify the process of the transfer of "ICT and Back Office" activities firstly to UBI Banca and then UBI.S, changes were made to the organisational structures of these banks on 20th September 2017.

  The overall project approved by the Board of Directors of UBI.S on 14th September 2017 involves the following:

  - the acquisition by UBI.S of 100% of the stake held by Banca Tirrenica in Etruria Informatica Srl, a company that specialises in the provision of IT services mainly to third parties. The relative deed of transfer was signed on 18th October 2017 and it takes effect from 1st November;
  - the transfer to UBI.S from UBI Banca of three separate lines of business with effect from the first day of the month following that of the merger of each bank. The lines of business consist of a set of assets, liabilities, contractual relationships and employment relationships relating to the following main fields of activity: IT, service delivery (administrative support, supplies and logistics management) and real estate.

* * *

In view of the very many activities required (especially of an IT nature), the execution of the entire project to integrate the New Banks has been divided into three steps, the first of which has already been carried out at the date of this report.

- The first step involved Banca Adriatica and CARILO - Cassa di Risparmio di Loreto and it was concluded on 23rd October.

  The deeds for the mergers of the two banks into the Parent were signed on 16th October and filed on the following 17th October with the competent Company Registrars in accordance with Art. 2504 of the Italian Civil Code. They took effect with regard to third parties from 23rd October and for accounting and tax purposes from 1st October 2017.

  The share capital of both Banca Adriatica and that of CARILO was cancelled on the date of effect.

  While the merger of Banca Adriatica did not generate any change in the number of shares and in the share capital of UBI Banca because it is 100% owned by UBI Banca, the merger of CARILO involved the issue of 40,640 UBI Banca shares with no nominal value and with normal dividend entitlement allotted with a share exchange of 64,000 CARILO shares (1.14% of the CARILO share capital) held by the sole non-controlling shareholder on the basis of an exchange ratio of 0.635 UBI Banca shares to every one CARILO share, with a consequent increase of €101,600 in the share capital[2].

  As of 23rd October, the new share capital of UBI Banca therefore stood at €2,843,177,160.24 representing a total of 1,144,285,146 shares. The mergers of Banca Adriatica and CARILO did not involve any other amendments to UBI Banca's Articles of Association.

  The migrations of the two banks onto UBI Banca's IT platform were carried out successfully over the weekend of 21st-22nd October. They regarded a total of 285 branches and operating facilities, approximately 2.7 million registered customers, 580 thousand current accounts and over 137 thousand securities deposits and a total of around 2,600 employees were involved in the preparatory and post migration phases.

  Rationalisation of geographical coverage was carried out at the same time as the merger of the two banks which involved 65 units[3]. The following branches were closed: 44 branches (37 belonging to Banca Adriatica and 7 to CARILO) and 3 mini-branches belonging to Banca Adriatica[4]; 64 branches

2 The issuance of new shares was made necessary because the non-controlling shareholder of CARILO did not exercise its right to sell all or part of the shares that it held to UBI Banca in accordance with Art. 2505 *bis* of the Italian Civil Code. The right to sell could have been exercised at a price of €1.4 per share, as determined by a meeting of the Board of Directors of CARILO in compliance with the provisions of Art. 2437 *ter* of the Italian Civil Code and within a time limit of fifteen days from the date of the filing of the merger resolution passed by a CARILO Shareholders' Meeting.

3 In addition to the actions described, a unit belonging to Banca Adriatica entitled ("Online branch") also ceased operations.

4 Details of the closures carried out on 23rd October 2017 are as follows:

- BANCA ADRIATICA: Bologna Via Riva Reno, 6; Ravenna; Reggio nell'Emilia; Cattolica (Rimini); Novafeltria Via Garibaldi, 6 (Rimini); Guidonia Montecelio (Rome); Rome Via Crescenzio, 45/53; Via Tiburtina, 533/535; Piazza San Giovanni Bosco, 30; Via Andrea Doria, 74/76/78; Viale Somalia, 227/229; Velletri (Rome); Ancona Via Ricostruzione, 6; Camerano (Ancona); Fabriano Via Martiri della Libertà, 44 (Ancona); Falconara Marittima Via XX Settembre, 4 (Ancona); Jesi Via Caduti sul Lavoro, 2/3; Viale della Vittoria, *were transformed into mini-branches (62 for Banca Adriatica and 2 for CARILO), while 16 branches and 2 mini-branches belonging to UBI Banca were merged with a Banca Adriatica unit and transferred to the premises of the latter.*

At the same time, again with effect from 23rd October, the organisational configuration of UBI Banca was modified. The changes, approved by the competent governing bodies, involved the following:

- *a change in the configuration of the distribution network in the Central South area, with the division of these, in the first initial stage, into two Macro Geographical Areas (South Macro Geographical Area and Central Macro Geographical Area);*
- *the consequent roll-out of some specialist central units for each of the two Macro Geographical Areas, consistent with the organisational model already in operation in UBI Banca for the other Macro Geographical Areas (e.g.: the Human Resource Management and Development Macro Geographical Area);*
- *the roll-out of specialist units in new areas of activity not present in the UBI Banca model (e.g. in service credit recovery - REV).*

On 30th October 2017 UBI Banca signed a contract with UBI.S for the transfer to the latter of a line of business which includes all the "ICT and Back Office" activities of Banca Adriatica. The operation became effective from 1st November.

- The second step, which involves Banca Tirrenica and Banca Federico del Vecchio, is currently in progress and will be concluded on 27th November.

  Since Banca Tirrenica and Banca Federico del Vecchio are either directly or indirectly 100% controlled by UBI Banca, the relative mergers will not generate any effect on the number of shares or the share capital of the merging bank. More generally, this merger will not produce any effect on the Articles of Association of the latter.

  The following actions will be carried out with legal effect from the same date as the mergers: at Banca Tirrenica 31 branches will cease operations, while 6 will be transformed into mini-branches; on the other hand 8 branches and 3 mini-branches of UBI Banca will be merged with Banca Tirrenica units and transferred to them[5].

  Changes will be made to the organisational configuration of UBI Banca consistent with the process for the progressive mergers of the New Banks into the Parent. The changes, approved by the competent governing bodies, involve the following:

  - *a change in the configuration of the distribution network in the Central Area, with the creation of a Macro Geographical Area entitled "MGA Latium Tuscany Umbria" and the relative organisational units (3 new Local Departments), which will cover the areas of Latium and Umbria, previously part of the Central MGA. The perimeter of the latter will be changed as a consequence and be renamed Marches Abruzzo Macro Geographical Area;*
  - *the consequent roll-out of some specialist central units for the Latium Tuscany Umbria Macro Geographical Area, consistent with the organisational model already in operation at UBI Banca in the other Macro Geographical Areas (e.g.: the Human Resource Management and Development Macro Geographical Area);*
  - *the roll-out of specialist units in new areas of activity not present in the UBI Banca model (e.g. Gold Operations).*

  On 28th November 2017 UBI Banca is scheduled to sign a contract with UBI.S for the transfer to the latter of a line of business which includes all the "ICT and Back Office" activities of Banca Tirrenica. The operation will take effect from 1st December.

- The third step regards Banca Teatina and will be completed by the end of February 2018.

  Here too, because Banca Teatina is 100% controlled by UBI Banca, the merger will have no effect on the number of shares, the share capital or the articles of association of the merging bank.

  The closure of 12 Banca Teatina branches is planned, while another 12 will be transformed into mini-branches and 8 UBI Banca branches will be merged with Banca Teatina units and transferred to the premises of the latter.

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26 (Ancona); Loreto (Ancona); Monte San Vito Piazza della Repubblica, 17 (Ancona); Montemarciano Via Verga 7 (Ancona); Senigallia Via Rossini, 1 (Ancona); Monte Roberto (Ancona); Castelbellino Via Roma, 36 (Ancona); Ascoli Piceno Via E. Mari, 18; Fermo Via Trento, 168 – corner of Piazza Mascagni, 1/2/3; Porto San Giorgio (Fermo); Camerino (Macerata); Cingoli Via G. Rossini, 54 (Macerata); Matelica (Macerata); Tolentino Via Brodolini, 50/52 (Macerata); Acqualagna (Pesaro and Urbino); Fano Via C.Battisti, 19/25 (Pesaro and Urbino); Macerata Feltria (Pesaro and Urbino); Mondavio Via Cesanense, 30 (Pesaro and Urbino); Pesaro Via del Novecento, 11; Via della Repubblica, 38; Via V. Rossi, 71; Sant'Angelo in Lizzola (Pesaro and Urbino); Borgo Pace (Pesaro and Urbino);

- CASSA DI RISPARMIO DI LORETO: Ancona Via Ruggeri, 3/O; Corso Garibaldi, 44/46; Campocavallo (Ancona); Castelfidardo Via 25 April, 67/69 (Ancona); Civitanova Marches (Macerata); Porto Recanati (Macerata); Recanati (Macerata).

5 The actions described will be accompanied by the close down of operations for a unit belonging to Banca Tirrenica entitled ("Online branch").

UBI Banca is scheduled to sign a contract with UBI.S at the end of February for the transfer to the latter of a line of business which includes all the "ICT and Back Office" activities of Banca Teatina. The operation will take effect from 1st March 2018.

Finally, it will be recalled that as already occurred for Banca Adriatica, the merger of the others three banks acquired into UBI Banca will not generate any effect on the number of shares and on the share capital of the merging bank because these are either directly or indirectly 100% held by the Parent.

It must finally be considered that while on the one hand the merger of the recently acquired banks makes it possible to rationalise the geographical coverage of the Group as far as conventional branches are concerned, on the other hand the evolution of the distribution model will lead to the roll-out of new "Top Private Banking" and "Corporate & Investment Banking" units, some of which already in existence at the date of this report, and/or the transformation of existing "Corners" into Top Private Banking Centres or Corporate Centres.

The supplementary business plan for insurance business

Following the entrance within the scope of consolidation of the companies BancAssurance Popolari Spa and BancAssurance Popolari Danni Spa (the former Etruria Group), the Management Board, on 5th September 2017, and the Supervisory Board, on the following 12th September, approved a supplementary Business Plan dedicated specifically to insurance business.

In compliance with the agreements made when the acquisition of the New Banks was concluded, on the basis of constraints relating to the organisational structure of the insurance partners and the significance of the business, the following strategic guidelines were defined:

- BancAssurance Popolari (life and pensions sector): maintenance and development of the company with the progressive full integration into the Group model (alignment of the product range with that of other UBI Group partners, integration on the sales platforms, etc.);
- BancAssurance Popolari Danni (non-life sector): suspension of production by the company as of the date of the merger of Banca Tirrenica into UBI Banca (27th November 2017).

The scope of the Business Plan therefore focused on life and pensions business and was developed consistent with the indications of the Group plan and with the capital endowment of the company.

The 2017-2020 BAP Life Business Plan can be summarised as follows:

- a distribution perimeter of approximately 230 branches (Tuscany, Umbria and Latium);
- production in 2020 of premiums of approximately €400 million;
- net profits of between €6 million and €8 million over the course of the plan;
- a solvency ratio significantly higher than the capital requirements required by the regulator.

▪ Trade union negotiations

Trade union negotiations in the reporting period regarded both the process commenced on 15th June concerning the legal and contractual procedures relating to the update of the Business Plan, and the completion of the harmonisation of supplementary company employment contracts in relation to the Stand-Alone UBI Banca Group.

With regard to the latter, on 26th July 2017 the Group signed an agreement with all trade unions which supplemented the Trade Union Memorandum of Intent of 11th December 2016. The following was carried out in this respect:

- conclusion of the harmonisation in a single agreement of the supplementary company agreements still existing relating to UBI Banca (and to the former merged network banks) and to UBI.S.;
- acceptance of approximately 621 applications for adherence to the "solidarity fund" (the remaining quota with respect to the redundancies already decided resulting from the implementation of the Single Bank Project) submitted under the redundancy plan contained in the December Memorandum of Intent, which involved voluntary redundancies for at least 1,300 employees.
  These additional redundancies are planned to take place by 31st March 2018 (185 had already been completed as at 30th September 2017), ahead of schedule with regard to the Business Plan targets (the relative expenses had already been fully recognised in 2016).
  These redundancies allow implementation of generation turnover and also support for youth employment, with the recruitment of 250 new staff by the end of 2019 also by means of the confirmation of temporary contract positions (100 approx.) existing in the Group as permanent.

Meetings with trade unions resumed at the beginning of September in relation to the update of the Business Plan to take account of the acquisition of the New Banks. The agreement with trade union organisations was signed on 26th October 2017.
This agreement, concluded at the same time as the first of the three mergers, contains a framework of rules to be applied in the progressive steps for the implementation of the Business Plan. It is designed to go hand-in-hand with processes for the Group's reorganisation and strategic development and at the same time to manage the repercussions on the working conditions of staff according to criteria of social and economic sustainability, with attention paid to employment and geographical mobility, but nevertheless within the necessary limits set for the overall restructuring and increased efficiency of the Group, designed to achieve the objectives and synergies set out in that same Business Plan.

The agreement is based on the following key aspects:
- the activation of an incentivised redundancy plan, which will allow a total of approximately 400 staff in the Group (of which 74 relating to the New Banks), who satisfy the relative pension requirements by 31st December 2024, to gain voluntary access to pension treatment, which is to say to the benefits of the sector "solidarity fund". Those redundancies are scheduled to take place starting from January 2018. These redundancies will involve further expenses of approximately €50 million gross which will be recognised in the consolidated income statement in the fourth quarter of 2017, with expected synergies in line with Business Plan forecasts;
- the continuation and expansion of part-time working in all Group companies, the maintenance of flexibility connected, amongst other things, with the temporary suspension of work agreed for the New Banks, together with the right of all Group staff to apply voluntarily in 2018 for periods of extraordinary leave;
- the search for solutions, including organisational solutions, consisting of the identification of decentralised operating and command centres, designed to conserve employment and professional expertise directly in the local areas in which the staff concerned are located, supported also by appropriate personnel role-change and retraining programmes.

The continuation of the generation turnover plan was also agreed on the basis of the numbers already laid down in the Business Plan, with provisions for the recruitment by the end of 2018 of approximately 130 new staff, also to support youth employment.

▪ The long-term incentive scheme

On 7th April 2017 a Shareholders' Meeting approved a long-term incentive scheme for key management personnel ("identified staff") of the Group[6] to support the 2017-2020 Business Plan with the objective of bringing the interests of management increasingly into line with those of shareholders on a long-term basis.

The scheme approved contains innovative features new to the banking scene because it involves a direct financial commitment by the personnel concerned with the direct purchase on the market of shares in the

6 With the exception of members of governing bodies, corporate control functions and other specific positions.

Bank by each manager amounting to a predetermined percentage of annual gross salary. The shares remain locked-in and unavailable for the whole duration of the scheme.
The investment made by managers may increase as a result of the scheme's structure, which involves recognition of a growing number of shares based mainly on the achievement of objectives linked to the Business Plan (results in 2019 and in 2020) and on an increase in the share price.
Any bonuses earned will be paid in shares of the Bank, considered the most appropriate instrument to ensure that the interests of all shareholders and stakeholders are aligned with those of management.

On 20th September 2017 UBI Banca's Management Board took note of the number of staff participating: approximately 400,000 shares were purchased on the market with management's own funds for a total value of €1.6 million.
Finally, on 4th October the Bank started a programme to purchase treasury stock, again at the service of the aforementioned long-term incentive scheme, details of which are given in the section "Shareholders' equity and capital adequacy" of this report.

▪ The other projects

The other initiatives included in the "Transformation Plan" of the Business Plan are proceeding and they are regularly monitored and reported on to senior management in order to constantly assess the achievement of the expected results and that these initiatives comply with the goals set.

Developments in Group governance

In recent years the UBI Banca Group has carried out a wide-ranging revision of its organisational and governance model which involved the following:
- the approval in May 2014 of substantial changes to the Articles of Association designed to move the structure of UBI Banca in the direction of an "integrated popular bank", still based on the principle of a per capita vote, but able to facilitate a balanced representation on the governing bodies and with a more open approach to markets;
- the transformation into an ordinary joint-stock company in October 2015, with the discontinuation of the popular model;
- the implementation of the Single Bank Project between November 2016 and February 2017, with the discontinuation of the federal model;
- the expansion of the operating perimeter with the acquisition and mergers (currently ongoing) of the New Banks;
- the progressive revision of the scope of consolidation with a view to simplification and a significant reduction in the number of subsidiaries.

Continuing on with a programme of governance change designed to align the Group with best Italian and European practices, the Supervisory Board decided to start a detailed study of the current two-tier model, not common on the scene of Italian listed companies, in order to assess both its operational efficiency and its effectiveness in the allocation of roles and tasks defined for the "strategic supervision", "management" and "control" bodies, with account taken of the requirement to employ a governance model that is clearly comprehensible also in a supranational context.

The approach chosen in terms of projects was that of a working Group (Commission) consisting of members of the Supervisory Board which, by reporting periodically to the boards, was considered a more effective solution than that of full board meetings to carry out the necessary investigations.
This Commission, which was formed in June and started operating in July, is composed of the Chairman, Andrea Moltrasio, the Senior Deputy Chairman, Mario Cera, the two Deputy Chairmen Pietro Gussalli Beretta and Armando Santus and the Chairman of the Internal Control Committee, Giovanni Fiori.
The Commission is receiving support for its activities both from outside experts for comparative analyses with Italian and European practices and from organisational units

within the Bank (Chief General Counsel and Supervisory Board Support Area) for the development of possible solutions and for the related operational aspects.

The first results of the analyses and assessments conducted are expected to be available by the end of 2017.

The ECB sensitivity analysis: publication of the results

On 28th February 2017 the European Central Bank launched a specific stress test on banking book interest rate risk entitled "Sensitivity analysis of IRRBB – Stress Test 2017", because this had been identified as one of the main risks to which banks subject to direct supervision are exposed.
The purpose of the stress test, based on year-end 2016 numbers, was to provide the ECB with sufficient information to understand the sensitivity of assets and liabilities in the banking book and net interest income to changes in interest rates. Six hypothetical shocks were applied taken from the standards defined by the Basle Committee for banking supervision in the document "Standards – Interest rate risk in the banking book" published in April 2016 (the shocks consider different changes in the level and shape of the yield curve and they are conceived to identify potential vulnerabilities in the banking books of intermediaries).

On 9th October the supervisory authority published the results of the exercise which considered the management of interest rate risk by the majority of European banks to be appropriate.
Higher interest rates would lead to higher net interest income in the next three years for a majority of directly supervised banks, but to a small reduction on average in the economic value of their equity.
The test showed that a hypothetical increase in interest rates of 200 basis points would lead on aggregate to a rise in net interest income of 4.1% in 2017 and of 10.5% by 2019, while the economic value of equity would decrease by 2.7%.
Should interest rates stay at their end-2016 level and in the absence of any credit growth, the aggregate net interest income would however decrease by 7.5%. These projections are strongly influenced by the assumptions banks make about their customers' behaviour.

The results of the exercise were only given on an aggregate basis, but a quantitative breakdown was given of the impacts of a possible rise in interest rates over a time horizon of one year:

- 19% of banks *(including UBI Banca)* would record advantages both in terms of net interest income and equity (banks with a predominant presence of floating rate loans);
- 57% would record benefits for net interest income but not for equity;
- 4% would record a negative impact on net interest income but an advantage from the viewpoint of equity;
- the remaining 20% would be negatively affected on both measurements.

To summarise, 76% of banks would show growth in net interest income and 77% a negative impact on equity.

The ECB also asked banks about the behavioural models they use to measure and manage their interest rate risk and how they assess underlying risks. The exercise revealed that most deposit models are based solely on a period of decreasing interest rates and hence might entail high model risk.
In this respect we report that UBI Banca adopts a prudential approach to customer behaviour profiles in terms of the stickiness of deposits.

The stress test also illustrated how banks use interest rate derivatives for hedging risk exposures and reaching a target interest rate profile and how they adopt quite diverse "positioning" towards future interest rates movement.
As illustrated in the 2016 annual report, the management of interest rate risk in the UBI Banca Group hinges primarily on a natural hedge model, and that is the pursuit of a natural offsetting of risks generated by assets and liabilities with recourse to the use of derivatives only when that offsetting is considered inadequate or unacceptable.

The results also helped supervisors to calibrate "Pillar 2 Guidance" as part of the SREP, with the assignment of a "bonus" or a "penalty" in terms of capital requirements. Banks were divided into four classes and for the first two, consisting of 12 and 48 banks respectively, the reduction in capital requirements reached 25 basis points in the best cases, while at the same time the increase in requirements for the other two classes reached a maximum of 25 basis points.

Developments in the regulatory framework

Again in the quarter in question the general regulatory framework in which Italian banks operate was in a state of change, placing the burden of a wide variety of monitoring and compliance activities on those banks. The main interventions regarded the areas listed below.

Implementation of CRD IV[7] on suitability requirements and criteria for carrying out senior management duties

In order to implement the principles identified by the CRD IV, on 26th September 2017 the ESMA and the EBA issued joint guidelines on the notions of the suitability of members of management bodies and key function holders. These guidelines, which will come into force on 30th June 2018, provide common criteria for assessing the individual and collective knowledge, skills and experience of the members of the management body as well as their good reputation, honesty, integrity and independence.
The principles contained in the CRD IV in this regulatory area have been implemented in Italy (Legislative Decree No. 72/2015) by means of an amendment, amongst other things, to Art. 26 of the Consolidated Banking Law and by assigning the task to the Ministry of Economics and Finance (MEF) of identifying the suitability requirements and criteria which the senior officers of banks must satisfy, the limits on the accumulation of positions that can be occupied, the causes that may lead to the temporary suspension from a position and its duration and the cases in which suitability requirements and criteria also apply to key function holders in banks of greater importance.
The draft regulations significantly reinforce the suitability standards for senior officers, partly by raising the requirements already set by current regulations, but above all by introducing new profiles (integrity, skills, collective composition, independent judgement, availability of time, limits on the accumulation of positions). These requirements are added to by regulations to verify the availability of time for carrying out the duties of the position and by limits on the accumulation of positions, designed to prevent an excessive concentration of these and an inadequate commitment by a designated senior banking officer in terms of time. The version given out for consultation, concluded on 22nd September 2017, states that the provisions contained in the MEF decree shall apply with account taken of the EBA and ESMA guidelines already mentioned and those of the ECB issued in May 2017. The draft MEF regulation does not complete the implementation of the new Art. 26 of the Consolidated Banking Law because the timing and procedures for verification by the supervisory authority must be regulated by the Bank of Italy with its own regulations.
At the consultation stage the MEF was asked to clarify the relationships between the draft decree and the rules contained in the EBA and ESMA guidelines, or in other words to specify whether the provisions contained in the aforementioned decree implement the guidelines drawn up by the EBA, the ESMA and the ECB.

Internal governance[8]

The EBA has published its final report on its revised guidelines on internal governance. These guidelines specify the internal governance procedures, processes and mechanisms that banks and investment companies must define in order to identify, manage, monitor and report the risks to which they are or might be exposed.

Insurance regulations

Monitoring of new regulations issued by the competent authorities in the insurance field reveals an overall framework of substantial change designed to standardise approaches to the oversight and management of risks typical of a banking context. To give an example, but not limited to this, mention is

7 References to regulations: (i) "Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU" issued on 26th September 2017, which will come into force from 30th June 2018; and (ii) the consultation concluded on 22nd September 2017 on the Draft Ministerial Decree containing regulations on the suitability requirements and criteria for carrying out senior management duties.
8 Reference to regulations: "EBA Guidelines on internal Governance under Directive 2013/36/EU" issued on 26th September 2017, which will come into force from 30th June 2018.

made of the consultation, concluded on 17th October 2017, on the draft regulation containing measures on corporate governance.
This draft regulation revises sector measures contained in ISVAP (insurance authority) Regulation No. 20 of 26th March 2008 and ISVAP Regulation No. 39 of 9th June 2011 and it originates from changes introduced by the Solvency II Directive, by Commission Delegated Regulation (EU) 35/2015 and by EIOPA guidelines on governance.

Changes to the scope of consolidation

No changes were made to the scope of consolidation compared with 30th June 2017 except for those reported below:

- UBI Leasing Spa: on 1st August 2017 UBI Banca concluded the purchase, for a total price of €1,850,000, of 405,550 shares held by the non-controlling shareholder Banca Valsabbina Scpa, bringing its stakes in the share capital of that company up to 100% (€641,557,806.00 represented by 106,926,301 shares).
  As already mentioned, on 28th August, the Extraordinary Shareholders' Meeting of UBI Leasing, after first eliminating the nominal value of its ordinary shares, approved an increase in the share capital by a total €3,395,002 through the issue of 778,313 ordinary shares, with normal dividend entitlement, to be carried out by means of contributions in kind. The increase was reserved to Banca Adriatica (566,713 shares; €2,472,002) and to Banca Tirrenica (211,600 shares; €923,000); subscription of the shares took place by the contribution by these banks of lines of business consisting of leasing activities.
  The declaration required in accordance with Art. 2343 *quater*, paragraph 3 of the Italian Civil Code, as referenced by Art. 2440, paragraph 5 of the Italian Civil Code, was issued by the Board of Directors of UBI Leasing on 27th September 2017 and filed on 29th September with the Company Registrar of Brescia, thereby allowing the share capital increase approved on 28th August to be completed. The new share capital, fully subscribed and paid-up, therefore amounts to €644,952,808.00 and is represented by 107,704,614 ordinary shares with no nominal value, as also results from an update of Art. 5 of the Articles of Association.
  At the date of this report, the shareholders of UBI Leasing are composed of UBI Banca (99.80%) and Banca Tirrenica (0.20%). *The 0.52% stake held by Banca Adriatica was transferred to UBI Banca following the merger of the former bank which took effect from 23rd October;*
- Zhong Ou Asset Management Co. Ltd China: on 12th September 2017 the transfer was concluded by UBI Banca of 10% of the share capital to the management team of that company (this reduced the stake in the share capital held from 35% to 25%). This operation forms part of the agreements entered into in June 2015 according to which UBI Banca agreed to transfer one third of the stakes held in the fund management company to the relative managers on that company reaching set quantitative targets. The quota in question (11.7% of the total share capital) was therefore reclassified within non-current assets held for sale according to IFRS 5.
  The remaining 1.7% is still recognised within assets held for sale, while waiting to complete the transfer of the subsequent stage;
- UBI Banca International Sa: as provided for by a sales contract signed in April 2016, this company reduced its equity on 21st September 2017. The operation involved:
  - a reduction in the share capital from €70,613,580 to €36,618,000 as a result of the redemption of 66,658 shares at face value (falling therefore from 138,458 to 71,800 shares);
  - a distribution from the share premium reserve amounting to €14,200,624;
- Focus Gestioni SGR – in liquidation; this was removed from the Register of Companies on the 5th July 2017 following the conclusion of the voluntary liquidation approved by the Extraordinary Shareholders' Meeting held on the 15th September 2016; it took effect from the 1st October 2016.

Special purpose entities for securitisations

- Marche M5 Srl: at the end of July 2017, the securitisation of a portfolio of performing commercial mortgages and unsecured loans to SMEs was closed down in relation to the interest payment date of 27th July;
- Marche Mutui 4 Srl: at the end of August 2017, the securitisation of a mixed portfolio of performing residential and commercial mortgages was closed down in relation to the interest payment date of 25th August.
  With the early close down of these securitisations, already anticipated in the half-year financial report, the two special purpose entities belonging to the former Banca delle Marche Group were excluded from the scope of consolidation since the condition of substantial control of them (assets and liabilities originated by Group companies) was no longer satisfied.

The branch network

As a consequence of the action taken, mentioned above, to rationalise the distribution structure which accompanied the first stage of the integration of the New Banks in October, the branch network of the UBI Banca Group – which recorded no changes at the end of September compared with June – is currently composed of 1,886 branches, of which 1,881 operating in Italy[9].
Furthermore, the disposal of UBI Banca International Sa took effect from 1st November, with the consequent closure of its foreign headquarters in Luxembourg.

The distribution network of the UBI Banca Group – divided into six Macro Geographcial Areas – is shown on the map printed on the initial pages of this report.

The Top Private Banking (TPB) Division (a specialist service for "top private banking" clients)[10] and the Corporate & Investment Banking (CIB) Division which operates as the exclusive provider of account managers for Large Corporate Groups and as a supplier of evolved services and products for Mid Corporate clients[11] are also operational. They are composed as follows:

- Top Private Banking: 25 Centres and 45 "Corners"
  Centres increased by three units compared with 22 at the end of the first half, the result of a new private banking centre opened in Modena on 10th October and the transformation of Civitanova Marches and Pesaro "Corners" into private banking centres at the time of the completion of the first step of the integration of the New Banks which led also to the activation of seven new "Corners" (40 at the end of June);
- Corporate & Investment Banking (CIB): 44 Corporate Centres and 60 "Corners"
  As a consequence of the Banca Adriatica and CARILO mergers, the number of Centres (38 closures in the first half) recorded four new openings[12] and the transformation of the Ancona and San Benedetto del Tronto "Corners" into Centres. These conversions, together with the closure of the Concesio "Corner" in July and the closure of the Macerata, Todi and Perugia "Corners" in October, reduced the total number of "Corners" (66 at the end of June).

Finally, we report that geographical market coverage also continues to be provided by a network of 746 financial advisors belonging to IW Bank Spa (767 at the end of the first half; 787 at the end of 2016) currently undergoing a process to rationalise the associated portfolios managed.

9 We also report with regard to the Stand-Alone UBI Banca Group, that two mini-branches were closed in October: at 56 Via Fucini, Rome in the Central MGA and at Monte Marenzo (Lecco) in the Bergamo and West Lombardy MGA.
10 The Top Private Banking Division manages private banking clients with financial wealth (direct and indirect funding) of greater than €1 million.
11 Large Corporate: clients with at least €250 million of sales turnover; Mid Corporate: clients with sales turnover of between €50 million and €250 million.
12 Corporate Centres at: Roma litorale and Latium South; Urbino; Macerata; Umbria (Perugia).

Market positioning

The table summarises the market positioning of the UBI Banca Group at both national and regional level and in provinces where a more significant presence exists.
The figures are based on the latest available data from the Bank of Italy: 30th September 2017 for branches and 30th June 2017 for balance sheet items.

Market share in terms of branches at national level stood at 7.1%, with a significant increase in market coverage in the regions of central Italy which reflects the high concentration in that area of the branches of the acquired banks.
Furthermore, the Group continues to have a substantial presence in Milan (8.6%) and in Rome (7.1%), with shares of higher than 10% in as many as 23 Italian provinces.

National market share of conventional funding – which does not include bonds – stands at 4.7%, slightly up compared with 4.6% at the end of 2016, while the share of loans stands at 6%, marginally down from 6.2% in December 2016.

As a result, amongst other things, of the characteristics of the original banking groups, in some areas where the Group's presence is stronger it continues to have a market share of conventional funding and/or lending that is greater than the percentage of branches.

UBI Banca Group: market shares(*)

	30.9.2017	30.6.2017	
	Branches	Deposits (**) (***)	Lending (***)
North Italy	**6.4%**	**5.4%**	**6.2%**
Lombardy	**12.8%**	**8.7%**	**8.9%**
Prov. of Bergamo	*23.2%*	*32.3%*	*35.8%*
Prov. of Brescia	*21.7%*	*28.8%*	*28.9%*
Prov. of Como	*6.2%*	*5.9%*	*8.3%*
Prov. of Lecco	*6.1%*	*5.3%*	*9.6%*
Prov. of Mantua	*4.5%*	*3.6%*	*3.7%*
Prov. of Milan	*8.6%*	*4.1%*	*4.7%*
Prov. of Monza Brianza	*9.3%*	*8.4%*	*11.1%*
Prov. of Pavia	*14.6%*	*14.2%*	*12.3%*
Prov. of Sondrio	*6.0%*	*1.6%*	*4.6%*
Prov. of Varese	*24.1%*	*28.6%*	*22.5%*
Piedmont	**7.5%**	**5.3%**	**4.2%**
Prov. of Turin	*2.8%*	*2.2%*	*1.8%*
Prov. of Alessandria	*13.1%*	*7.5%*	*9.8%*
Prov. of Cuneo	*20.6%*	*18.4%*	*14.9%*
Prov. of Novara	*3.8%*	*4.5%*	*6.0%*
Liguria	**4.7%**	**3.9%**	**6.7%**
Prov. of Genoa	*4.3%*	*3.2%*	*6.0%*
Prov. of Imperia	*5.2%*	*3.1%*	*7.9%*
Prov. of La Spezia	*6.8%*	*10.1%*	*6.7%*
Prov. of Savona	*4.1%*	*2.8%*	*8.7%*
Emilia Romagna	**2.4%**	**1.4%**	**2.4%**
Prov. of Rimini	*8.3%*	*4.3%*	*6.9%*
Prov. of Bologna	*2.4%*	*1.2%*	*2.2%*
Prov. of Piacenza	*4.3%*	*2.9%*	*3.8%*
Central Italy	**10.4%**	**3.5%**	**6.2%**
Marches	**31.5%**	**39.1%**	**30.1%**
Prov. of Ancona	*35.0%*	*41.5%*	*38.5%*
Prov. of Macerata	*41.9%*	*58.5%*	*32.9%*
Prov. of Pesaro and Urbino	*30.5%*	*34.4%*	*25.1%*
Prov. of Fermo	*27.1%*	*26.2%*	*29.4%*
Prov. of Ascoli Piceno	*11.7%*	*11.8%*	*15.6%*
Umbria	**10.3%**	**6.6%**	**8.3%**
Prov. of Perugia	*12.1%*	*7.6%*	*9.0%*
Prov. of Terni	*4.4%*	*3.1%*	*5.4%*
Latium	**7.0%**	**1.2%**	**4.5%**
Prov. of Rome	*7.1%*	*1.1%*	*4.5%*
Prov. of Viterbo	*15.2%*	*13.1%*	*11.3%*
Prov. of Rieti	*9.7%*	*7.5%*	*6.0%*
Tuscany	***4.4%***	**3.4%**	**1.6%**
Prov. of Arezzo	19.2%	*20.9%*	*14.2%*
Prov. of Florence	3.6%	*2.2%*	*0.6%*
Prov. of Siena	5.8%	*2.9%*	*0.8%*
Prov. of Grosseto	*4.9%*	*4.9%*	*2.1%*
Prov. of Livorno	3.2%	*3.2%*	*2.0%*
South Italy	**9.0%**	**7.5%**	**6.7%**
Calabria	**17.7%**	**19.7%**	**13.5%**
Prov. of Catanzaro	*11.1%*	*12.9%*	*9.4%*
Prov. of Cosenza	*20.8%*	*27.1%*	*17.6%*
Prov. of Crotone	*15.2%*	*11.0%*	*9.0%*
Prov. of Reggio Calabria	*20.6%*	*16.1%*	*11.2%*
Prov. of Vibo Valentia	*12.5%*	*24.5%*	*17.9%*
Abruzzo	***14.8%***	**12.3%**	**11.7%**
Prov. of Chieti	32.7%	*32.5%*	*24.1%*
Prov. of L'Aquila	4.6%	*3.0%*	*1.5%*
Prov. of Pescara	11.8%	*9.5%*	*11.6%*
Prov. of Teramo	7.6%	*3.0%*	*6.6%*
Molise	**8.9%**	**6.6%**	**9.8%**
Prov. of Isernia	*22.2%*	*17.4%*	*20.3%*
Prov. of Campobasso	*5.2%*	*3.5%*	*7.1%*
Basilicata	**7.6%**	**10.4%**	**7.9%**
Prov. of Potenza	*7.2%*	*11.2%*	*8.6%*
Prov. of Matera	*8.2%*	*9.2%*	*6.7%*
Apulia	**7.4%**	**6.3%**	**4.8%**
Prov. of Bari	*9.7%*	*7.3%*	*5.1%*
Prov. of Brindisi	*10.2%*	*8.0%*	*6.3%*
Prov. of Barletta Andria Trani	*5.5%*	*5.9%*	*4.7%*
Prov. of Taranto	*8.4%*	*7.2%*	*5.4%*
Campania	**5.4%**	**4.1%**	**4.8%**
Prov. of Naples	*5.2%*	*3.6%*	*4.0%*
Prov. of Caserta	*8.1%*	*6.8%*	*9.1%*
Prov. of Salerno	*6.0%*	*5.0%*	*5.5%*
Total Italy	**7.1%**	**4.7%**	**6.0%**

(*) Source Bank of Italy: Statistics Database for share of branches; "matrix reports" for the balance sheet items.

(**) Current accounts, certificates of deposit, savings deposits. Bonds are excluded.

(***) Market share by location of the branch. The matrix report for lending refers to item 58335 02 relating to total loans for the private sector and it includes gross bad loans.

Changes in staff numbers

Group staff

Number	Employees actually in service 30.9.2017 A	30.6.2017 B	Changes A-B	31.12.2016 C	Changes A-C	Employees on the payroll 30.9.2017 D	30.6.2017 E	31.12.2016 F
UBI Banca Spa*	14,505	14,476	29	14,415	90	15,387	15,464	15,778
IW Bank Spa	302	309	-7	305	-3	296	296	293
UBI Banca International Sa	61	62	-1	88	-27	59	60	84
TOTAL FOR BANKS	**14,868**	**14,847**	**21**	**14,808**	**60**	**15,742**	**15,820**	**16,155**
UBI Sistemi e Servizi SCpA	1,632	1,650	-18	2,044	-412	844	847	862
UBI Leasing Spa	229	203	26	207	22	233	207	208
Prestitalia Spa	174	168	6	170	4	88	87	89
UBI Pramerica SGR Spa	157	154	3	154	3	122	120	120
UBI Factor Spa	144	141	3	144	0	122	120	124
UBI Academy SCRL	13	13	-	15	-2	-	-	-
BPB Immobiliare Srl	7	52	-45	4	3	7	52	4
UBI Trustee Sa	6	6	-	6	0	5	5	5
Kedomus Srl	5	5	-	3	2	-	-	-
UBI Management Company Sa	4	5	-1	5	-1	3	4	4
Centrobanca Sviluppo Impresa SGR Spa**	-	-	-	-	-	-	-	-
TOTAL	**17,239**	**17,244**	**-5**	**17,560**	**-321**	**17,166**	**17,262**	**17,571**
Workers on staff leasing contracts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL STAND-ALONE UBI BANCA GROUP STAFF	**17,239**	**17,244**	**-5**	**17,560**	**-321**	**17,166**	**17,262**	**17,571**
Banca Adriatica Spa***	2,427	2,649	-222			2,483	2,645	
Banca Tirrenica Spa***	1,360	1,416	-56			1,395	1,421	
Banca Teatina Spa***	506	514	-8			504	512	
CARILO - Cassa di Risparmio di Loreto Spa ***	110	116	-6			109	116	
Banca Federico Del Vecchio Spa***	82	88	-6			80	83	
Etruria Informatica Srl***	38	39	-1			42	43	
BancAssurance Popolari Spa***	37	38	-1			38	38	
BancAssurance Popolari Danni Spa***	9	8	1			8	8	
Assieme Srl ***	5	5	-			5	5	
Oro Italia Trading Spa***	5	5	-			2	2	
TOTAL UBI BANCA GROUP STAFF	**21,818**	**22,122**	**-304**			**21,832**	**22,135**	
TOTAL FTE STAFF	*21,139.3*	*21,441.9*	*-302.7*					
On secondment outside the Group								
- out	*20*	*20*	-	*18*	*2*			
- in						*6*	*7*	*7*
TOTAL WORKFORCE**	**21,838**	**22,142**	**-304**	**17,578**	**4,260**	**21,838**	**22,142**	**17,578**

* The mergers of the seven network banks into UBI Banca Spa were concluded in November 2016 and in February 2017.

** As at 30th September 2017, as also on the comparative reporting dates, two persons were working at the company, who were on partial secondment from other Group companies and were therefore not counted among employees actually in service.

*** Following the closing of the deal for the acquisition of the New Banks, which took place on 10th May, the companies indicated were included in the consolidation with effect from 1st April 2017.

**** The line shows the total staff numbers of the UBI Banca Group as at the 30th September and 30th June 2017, while the figures for 31st December 2016 relate to the Stand-Alone Group (prior to the acquisition of the New Banks).

The table above gives details for each company of the actual distribution of ordinary employees (workers on permanent and temporary contracts and on apprenticeship contracts) within the Group as at 30th September and 30th June 2017, adjusted to take account of secondments from and to other entities within or external to the Group (column A and B). For the Stand-Alone Group only a comparison is also given with figures for 31st December 2016 (column C), restated on a consistent basis. On the other hand, columns D, E and F give the number of employees on the payroll for each company as at 30th September and 30th June 2017 and 31st December 2016.

As at 30th September 2017, the total staff of the UBI Banca Group numbered 21,818, of which 4,579 attributable to the inclusion of the New Banks and companies acquired within the scope of consolidation, to give a CHANGE IN THE QUARTER of -304 staff.

On the other hand, in terms of full time equivalents (FTEs), that is with account taken of the part-time worker effect, Group staff numbered 21,139.3, to give a reduction in numbers of 302.7 compared with June.

The changes that took place in the period July-September were caused primarily by incentivised redundancies, only partially offset by new appointments, in accordance with the agreements stipulated.
With regard to the Stand-Alone UBI Banca Group, the workforce was affected in the quarter by 307 staff leaving, of which 45 were seasonal workers at BPB Immobiliare and 207 were applicants for voluntary incentivised redundancy schemes. More specifically, the latter were composed as follows:

- 22 staff left under the "2019/2020 Business Plan Trade Union Memorandum of Intent" signed on the 11th December 2016 which involved 622[13] voluntary redundancies in the first organisational restructuring stage related to the implementation of the Single Bank Project. The redundancies completed at the end of September amounted to over 95% of the total[14] (92% in June);
- on the other hand, 185 staff left under the agreement signed on 26th July 2017, which received 621 applications for access to the "solidarity fund" submitted under the aforementioned December memorandum. At the end of the quarter 30% of the total redundancies had been completed[15].

Consistent with commitments entered into by the Group in recent years, new recruits were appointed over the three-month period involving 185 staff, with a view to generation turnover and support for youth employment, which partially offset those staff who left.

As concerns, on the other hand, the New Banks acquired, 182 staff left in the third quarter as a result of natural attrition, the agreements signed in March and April 2017 (which involved a total of 359 staff, of which 148 left in the period with 192 remaining) and the redundancy agreements previously signed (16 staff left in the quarter with 88 remaining). Finally, no staff left under the July 2017 agreement[16].
Staff still waiting to leave as at 30th September 2017 numbered 292 (444 at the end of the first half).

As shown in the table, the trend was general at the level of individual banks and companies with the following exceptions:

- *UBI Banca*, which recorded an increase of 29 staff due to new appointments and to transfers of staff from the New Banks;
- *UBI Leasing,* which was effected by the transfer of 26 staff from Banca Adriatica and Banca Tirrenica following the contribution of their respective lines of business.

The table giving figures for type of contract shows that in the three months in question net staff on permanent contracts leaving were only marginally offset by the increase in staff on temporary contracts, which includes apprentices, which came to account for 1.9% of total workers on the payroll (1.6% in June).

Employees on the payroll

Number	30.9.2017	30.6.2017	Change
Total employees	**21,832**	**22,135**	**-303**
of which permanent	21,423	21,787	-364
on temporary contracts	248	227	21
apprentices (*)	161	121	40

(*) An apprenticeship is a contract for young people between the ages of 18 and 29, by which they acquire a qualification through training at work which provides them with specific occupational skills. The duration of the currently existing contracts in the UBI Banca Group is 24 months.

The aggregate reduction in staff by 303 that occurred in the quarter was composed of 489 departures (417 on permanent contracts and 72 on temporary contracts), against 186 appointments (47 on permanent contracts and 139 on temporary contracts).

In addition to the net recruitments on temporary contracts, the events summarised in the table also incorporated six "stabilisations" (i.e. conversions of temporary contracts to permanent contracts).

The percentage of employee workers on part-time contracts as at 30th September 2017 was 12.5%, while that of female personnel was 42.1%.

13 The 600 redundancies planned during the first stage of the Business Plan were added to by 22 redundancies relating to excess applications received under the April 2016 Agreement, accepted in the December 2016 Memorandum of Agreement.
14 The remaining 28 staff will leave gradually by the end of the first quarter of 2018.
15 The remaining 436 staff will leave gradually by the end of the second quarter of 2018.
16 Banca Teatina (named Nuova Cassa di Risparmio di Chieti at that time) signed an agreement in July to complete and supplement that of April 2017, which involved a further 12 redundancies.

* * *

Staff numbers (considered in terms of staff on the payroll) for the Stand-Alone UBI Banca Group in the PERIOD JANUARY-SEPTEMBER recorded 973 staff leaving (666 in June) under the aforementioned agreements and as a result of natural staff turnover, only partially offset by 542 new appointments[17] (357 in June).

17 The new appointments do not include the intragroup transfer of 26 staff from Banca Adriatica and Banca Tirrenica to UBI Leasing.

Reclassified consolidated financial statements, reclassified income statement net of the most significant non-recurring items and reconciliation schedules

Reclassified consolidated balance sheet

Figures in thousands of euro		30.9.2017 A	30.6.2017 B	Changes A-B	% changes A/B	31.12.2016 *Aggregate* C	Changes A-C	% changes A/C
	ASSETS							
10.	Cash and cash equivalents	2,483,097	2,986,091	-502,994	-16.8%	3,219,180	-736,083	-22.9%
20.	Financial assets held for trading	761,622	671,482	90,140	13.4%	881,457	-119,835	-13.6%
30.	Financial assets designated at fair value	115,811	161,374	-45,563	-28.2%	218,743	-102,932	-47.1%
40.	Available-for-sale financial assets	10,662,618	11,128,949	-466,331	-4.2%	13,516,860	-2,854,242	-21.1%
50.	Held-to-maturity investments	5,982,945	5,993,150	-10,205	-0.2%	7,327,544	-1,344,599	-18.3%
60.	Loans and advances to banks	6,109,768	8,793,116	-2,683,348	-30.5%	4,820,974	1,288,794	26.7%
70.	Loans and advances to customers	93,879,802	94,228,583	-348,781	-0.4%	93,769,311	110,491	0.1%
80.	Hedging derivatives	433,309	425,087	8,222	1.9%	466,715	-33,406	-7.2%
90.	Fair value change in hedged financial assets (+/-)	-34,615	-13,717	20,898	152.4%	39,398	-74,013	n.s.
100.	Equity investments	252,120	245,758	6,362	2.6%	254,384	-2,264	-0.9%
110.	Technical reserves of reinsurers	416	516	-100	-19.4%	369	47	12.7%
120.	Property, plant and equipment	1,808,786	1,815,457	-6,671	-0.4%	1,844,592	-35,806	-1.9%
130.	Intangible assets	1,712,579	1,715,241	-2,662	-0.2%	1,719,950	-7,371	-0.4%
	of which: goodwill	*1,465,260*	*1,465,260*	-	-	*1,468,808*	*-3,548*	*-0.2%*
140.	Tax assets	4,180,815	4,245,141	-64,326	-1.5%	4,393,975	-213,160	-4.9%
150.	Non-current assets and disposal groups held for sale	1,308	6,455	-5,147	-79.7%	5,681	-4,373	-77.0%
160.	Other assets	1,283,745	1,876,852	-593,107	-31.6%	1,645,992	-362,247	-22.0%
	Total assets	**129,634,126**	**134,279,535**	**-4,603,613**	**-3.5%**	**134,125,125**	**-4,490,999**	**-3.3%**
	LIABILITIES AND EQUITY							
10.	Due to banks	16,569,895	16,530,503	39,392	0.2%	14,458,089	2,111,806	14.6%
20.	Due to customers	70,279,772	70,112,391	167,381	0.2%	70,989,458	-709,686	-1.0%
30.	Debt securities issued	26,274,287	28,362,209	-2,087,922	-7.4%	32,268,779	-5,994,492	-18.6%
40.	Financial liabilities held for trading	717,358	710,665	6,693	0.9%	861,478	-144,120	-16.7%
50.	Financial liabilities designated at fair value	42,285	39,017	3,268	8.4%	40,329	1,956	4.9%
60.	Hedging derivatives	154,153	183,463	-29,310	-16.0%	279,455	-125,302	-44.8%
80.	Tax liabilities	228,807	243,275	-14,468	-5.9%	243,771	-14,964	-6.1%
100.	Other liabilities	2,571,223	5,226,358	-2,655,135	-50.8%	2,520,157	51,066	2.0%
110.	Post-employment benefits	365,220	376,866	-11,646	-3.1%	422,230	-57,010	-13.5%
120.	Provisions for risks and charges:	625,553	747,427	-121,874	-16.3%	751,965	-126,412	-16.8%
	a) pension and similar obligations	136,683	140,033	-3,350	-2.4%	145,373	-8,690	-6.0%
	b) other provisions	488,870	607,394	-118,524	-19.5%	606,592	-117,722	-19.4%
130.	Technical reserves	1,775,807	1,723,643	52,164	3.0%	1,675,012	100,795	6.0%
140.+170.+180. +190.+ 200.	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,255,310	9,260,113	-4,803	-0.1%	11,393,077	-2,137,767	-18.8%
210.	Non-controlling interests	72,041	67,560	4,481	6.6%	82,644	-10,603	-12.8%
220.	Profit (loss) for the period/year	702,415	696,045	6,370	0.9%	-1,861,319	2,563,734	n.s.
	Total liabilities and equity	**129,634,126**	**134,279,535**	**-4,645,409**	**-3.5%**	**134,125,125**	**-4,490,999**	**-3.3%**

The figures are for the new perimeter of the UBI Banca Group from 30th June 2017.
In order to allow an examination of balance sheet items over nine months on a consistent basis, the figures as at 31st December 2016 have been restated in "aggregate" form, thereby presenting them fully in line with the tables used to support the commentary contained in the subsequent sections.

Reclassified consolidated quarterly balance sheets

Figures in thousands of euro		30.9.2017	30.6.2017	31.3.2017 *Stand-Alone UBI Banca Group*	31.12.2016 *Stand-Alone UBI Banca Group*	30.9.2016 *Stand-Alone UBI Banca Group*	30.6.2016 *Stand-Alone UBI Banca Group*	31.3.2016 *Stand-Alone UBI Banca Group*
	ASSETS							
10.	Cash and cash equivalents	2,483,097	2,986,091	476,835	519,357	490,884	476,840	506,194
20.	Financial assets held for trading	761,622	671,482	627,034	729,616	677,514	681,543	966,772
30.	Financial assets designated at fair value	115,811	161,374	190,448	188,449	189,638	188,641	194,738
40.	Available-for-sale financial assets	10,662,618	11,128,949	8,475,803	9,613,833	14,144,698	15,417,870	15,699,461
50.	Held-to-maturity investments	5,982,945	5,993,150	7,274,195	7,327,544	3,403,798	3,452,886	3,445,469
60.	Loans and advances to banks	6,109,768	8,793,116	4,850,605	3,719,548	4,108,062	3,930,021	3,591,309
70.	Loans and advances to customers	93,879,802	94,228,583	84,521,597	81,854,280	82,010,978	83,906,862	84,072,553
80.	Hedging derivatives	433,309	425,087	424,061	461,767	792,164	791,268	714,946
90.	Fair value change in hedged financial assets (+/-)	-34,615	-13,717	10,591	23,963	68,955	63,857	61,469
100.	Equity investments	252,120	245,758	254,842	254,364	260,220	253,719	259,545
110.	Technical reserves of reinsurers	416	516	-	-	-	-	-
120.	Property, plant and equipment	1,808,786	1,815,457	1,637,718	1,648,347	1,652,607	1,659,827	1,673,882
130.	Intangible assets	1,712,579	1,715,241	1,686,920	1,695,973	1,688,282	1,685,184	1,747,089
	of which: goodwill	*1,465,260*	*1,465,260*	*1,465,260*	*1,465,260*	*1,465,260*	*1,465,260*	*1,465,260*
140.	Tax assets	4,180,815	4,245,141	2,982,254	3,044,044	2,981,776	3,006,517	2,790,272
150.	Non-current assets and disposal groups held for sale	1,308	6,455	5,811	5,681	64,401	63,883	70,283
160.	Other assets	1,283,745	1,876,852	924,423	1,297,151	832,951	1,081,317	895,255
	Total assets	**129,634,126**	**134,279,535**	**114,343,137**	**112,383,917**	**113,366,928**	**116,660,235**	**116,689,237**
	LIABILITIES AND EQUITY							
10.	Due to banks	16,569,895	16,530,503	16,665,755	14,131,928	13,800,894	13,691,017	11,495,105
20.	Due to customers	70,279,772	70,112,391	56,443,308	56,226,416	53,789,291	55,460,078	56,527,759
30.	Debt securities issued	26,274,287	28,362,209	27,562,538	28,939,597	30,794,003	32,064,830	33,124,613
40.	Financial liabilities held for trading	717,358	710,665	722,633	800,038	584,324	612,314	610,468
50.	Financial liabilities designated at fair value	42,285	39,017	-	-	-	-	-
60.	Hedging derivatives	154,153	183,463	195,586	239,529	1,100,804	1,110,942	1,000,034
80.	Tax liabilities	228,807	243,275	229,327	232,866	243,662	241,596	427,460
100.	Other liabilities	2,571,223	5,226,358	2,726,147	1,962,806	2,750,791	3,230,328	2,476,949
110.	Post-employment benefits	365,220	376,866	306,523	332,006	343,160	339,679	337,289
120.	Provisions for risks and charges:	625,553	747,427	466,939	457,126	587,569	591,468	255,392
	a) pension and similar obligations	136,683	140,033	69,230	70,361	72,347	73,527	68,981
	b) other provisions	488,870	607,394	397,709	386,765	515,222	517,941	186,411
130.	Technical reserves	1,775,807	1,723,643	-	-	-	-	-
140.+170. +180.+ 190.+ 200.	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,255,310	9,260,113	8,906,575	9,819,728	9,644,117	9,629,328	9,877,656
210.	Non-controlling interests	72,041	67,560	50,769	72,027	482,826	475,640	514,451
220.	Profit (loss) for the period/year	702,415	696,045	67,037	-830,150	-754,513	-786,985	42,061
	Total liabilities and equity	**129,634,126**	**134,279,535**	**114,343,137**	**112,383,917**	**113,366,928**	**116,660,235**	**116,689,237**

The figures are for the new perimeter of the UBI Banca Group from 30th June 2017.
The previous periods, on the other hand are for the Stand-Alone UBI Banca Group.

Reclassified consolidated income statement

Figures in thousands of euro

		9M 2017 A	*of which Stand-Alone UBI Banca Group*	*of which New Banks 2nd and 3rd Quarters*	*Allocation of Badwill*	9M 2016 *Stand-Alone UBI Banca Group* B	Changes A-B	% changes A/B	FY 2016 *Stand-Alone UBI Banca Group* C
10.-20.	Net interest income	1,147,672	*1,035,367*	*110,473*	*1,800*	1,133,126	14,546	1.3%	1,497,891
	of which: effects of the purchase price allocation	*(9,680)*	*(9,680)*	*-*	*-*	*(16,345)*	*(6,665)*	*(40.8%)*	*(19,707)*
	Net interest income excluding the effects of the PPA	*1,157,352*	*1,045,047*	*110,473*	*1,800*	*1,149,471*	*7,881*	*0.7%*	*1,517,598*
70.	Dividends and similar income	10,367	*6,087*	*4,280*	*-*	9,737	630	6.5%	9,678
	Profits of equity-accounted investees	16,546	*16,545*	*1*	*-*	18,939	(2,393)	(12.6%)	24,136
40.-50.	Net fee and commission income	1,151,232	*1,056,153*	*95,075*	*-*	988,845	162,387	16.4%	1,335,033
	of which performance fees	*9,599*	*9,599*	*-*	*-*	*8,058*	*1,541*	19.1%	*26,349*
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	185,121	*177,620*	*6,852*	*648*	106,344	78,777	74.1%	153,711
150.+160.	Net income from insurance operations	8,707	*-*	*8,693*	*-*	-	8,707	-	-
220.	Other net operating income/expense	75,680	*67,682*	*8,573*	*-*	77,003	(1,323)	(1.7%)	99,050
	Operating income	**2,595,325**	*2,359,454*	*233,947*	*2,448*	**2,333,994**	**261,331**	**11.2%**	**3,119,499**
	Operating income excluding the effects of the PPA	***2,605,005***	*2,369,134*	*233,947*	*2,448*	***2,350,339***	***254,666***	***10.8%***	***3,139,206***
180.a	Staff costs	(1,096,674)	*(942,699)*	*(153,983)*		(953,785)	142,889	15.0%	(1,275,306)
180.b	Other administrative expenses	(577,873)	*(474,777)*	*(105,177)*	*1,562*	(493,409)	84,464	17.1%	(734,654)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(114,942)	*(104,909)*	*(18,502)*	*8,470*	(105,995)	8,947	8.4%	(143,506)
	of which: effects of the purchase price allocation	*(5,809)*	*(5,809)*	*-*	*-*	*(8,712)*	*(2,903)*	*(33.3%)*	*(10,624)*
	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets excluding the effects of the PPA	*(109,133)*	*(99,100)*	*(18,502)*	*8,470*	*(97,283)*	*11,850*	*12.2%*	*(132,882)*
	Operating expenses	**(1,789,489)**	*(1,522,385)*	*(277,662)*	*10,032*	**(1,553,189)**	**236,300**	**15.2%**	**(2,153,466)**
	Operating expenses excluding the effects of the PPA	***(1,783,680)***	*(1,516,576)*	*(277,662)*	*10,032*	***(1,544,477)***	***239,203***	***15.5%***	***(2,142,842)***
	Net operating income	**805,836**	*837,069*	*(43,715)*	*12,480*	**780,805**	**25,031**	**3.2%**	**966,033**
	Net operating income excluding the effects of the PPA	***821,325***	*852,558*	*(43,715)*	*12,480*	***805,862***	***15,463***	***1.9%***	***996,364***
130.a	Net impairment losses on loans	(417,680)	*(453,904)*	*(17,955)*	*54,179*	(1,373,754)	(956,074)	(69.6%)	(1,565,527)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(130,363)	*(127,518)*	*(14,684)*	*11,839*	(50,853)	79,510	156.4%	(130,057)
190.	Net provisions for risks and charges	(10,461)	*(13,641)*	*3,180*	*-*	(30,201)	(19,740)	(65.4%)	(42,885)
240.+270.	Profits from the disposal of equity investments	1,080	*880*	*202*	*-*	1,942	(862)	(44.4%)	22,969
	Pre-tax profit (loss) from continuing operations	**248,412**	*242,886*	*(72,972)*	*78,498*	**(672,061)**	**920,473**	**n.s.**	**(749,467)**
	Pre-tax profit (loss) from continuing operations excluding the effects of the PPA	***263,901***	*258,375*	*(72,972)*	*78,498*	***(647,004)***	***910,905***	***n.s.***	***(719,136)***
290.	Taxes on income for the period/year from continuing operations	(112,193)	*(84,143)*	*(6,220)*	*(21,830)*	161,719	(273,912)	n.s.	182,388
	of which: effects of the purchase price allocation	*5,126*	*5,126*			*8,306*	*(3,180)*	*(38.3%)*	*10,048*
330.	(Profit) loss for the period/year attributable to non-controlling interests	(18,837)	*(18,494)*	*(343)*	*-*	9,565	(28,402)	n.s.	1,267
	of which: effects of the purchase price allocation	*284*	*284*	*-*	*-*	*1,475*	*(1,191)*	*(80.7%)*	*1,696*
	Profit (loss) for the period/year attributable to the shareholders of the Parent before the Business Plan and other impacts excluding the effects of the PPA	*127,461*	*150,328*	*(79,535)*	*56,668*	*(485,501)*	*612,962*	*n.s.*	*(547,225)*
	Profit (loss) for the period/year attributable to the shareholders of the Parent before the Business Plan and other impacts	**117,382**	*140,249*	*(79,535)*	*56,668*	**(500,777)**	**618,159**	**n.s.**	**(565,812)**
180.a	Redundancy expenses net of taxes and non-controlling interests	(3,593)	*-*	*(3,593)*	*-*	(207,897)	(204,304)	(98.3%)	(207,783)
210.	Impairment losses on brands net of taxes and non-controlling interests	-	*-*	*-*	*-*	(37,936)	37,936	100.0%	(37,936)
180.b	Single Bank Project expenses net of taxes and non-controlling interests	(6,455)	*(6,455)*	*-*	*-*	(7,903)	(1,448)	(18.3%)	(15,541)
200.	Impairment losses on property, plant and equipment net of taxes and non-controlling interests	-	*-*	*-*	*-*	-	-	-	(3,078)
180.b	Bridge Bank Project expenses net of taxes and non-controlling interests	(21,159)	*(21,159)*	*-*	*-*	-	(21,159)	-	-
265.	Negative consolidation difference	616,240	*-*	*-*	*616,240*	-	616,240	-	-
340.	**Profit (loss) for the period/year attributable to the shareholders of the Parent**	**702,415**	*112,635*	*(83,128)*	*672,908*	**(754,513)**	**1,456,928**	**n.s.**	**(830,150)**
	Total impact of the purchase price allocation on the income statement	*(10,079)*	*(10,079)*	*-*	*-*	*(15,276)*	*(5,197)*	*(34.0%)*	*(18,587)*

The reclassified income statement for the period ended 30th September 2017 relates to the new perimeter of the UBI Banca Group.
The comparative figures relate to the Stand-Alone UBI Banca Group, in consideration of the fact that the relative significance of the income statement figures for the New Banks is not sufficient to alter the original income structure of the Group.
In consideration of the modest relative size of the consolidation entries, a column giving details has not been presented and therefore the sum of the columns is not the same as the consolidated figure for the period ended the 30th September 2017.

Reclassified consolidated quarterly income statements

Figures in thousands of euro		2017			2016			
		3rd Quarter	1st Quarter *Stand-Alone UBI Banca Group*	2nd 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*
10.-20.	Net interest income	402,472	398,013	347,187	364,765	367,554	377,972	387,600
	of which: effects of the purchase price allocation	*(2,970)*	*(3,340)*	*(3,370)*	*(3,362)*	*(5,870)*	*(4,859)*	*(5,616)*
	Net interest income excluding the effects of the PPA	*405,442*	*401,353*	*350,557*	*368,127*	*373,424*	*382,831*	*393,216*
70.	Dividends and similar income	324	7,998	2,045	(59)	1,138	8,076	523
	Profits of equity-accounted investees	5,948	6,789	3,809	5,197	6,989	6,698	5,252
40.-50.	Net fee and commission income	389,837	410,534	350,861	346,188	321,392	330,307	337,146
	of which performance fees	*2,386*	*3,990*	*3,223*	*18,291*	*2,524*	*3,223*	*2,311*
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	36,364	83,397	65,360	47,367	23,755	66,875	15,714
150.+160.	Net income from insurance operations	4,562	4,145	-	-	-	-	-
220.	Other net operating income/expense	16,835	29,956	28,889	22,047	24,760	25,538	26,705
	Operating income	**856,342**	**940,832**	**798,151**	**785,505**	**745,588**	**815,466**	**772,940**
	Operating income excluding the effects of the PPA	***859,312***	***944,172***	***801,521***	***788,867***	***751,458***	***820,325***	***778,556***
180.a	Staff costs	(379,782)	(396,313)	(320,579)	(321,521)	(314,687)	(319,311)	(319,787)
180.b	Other administrative expenses	(211,834)	(199,694)	(166,345)	(241,245)	(166,083)	(155,526)	(171,800)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(39,640)	(40,207)	(35,095)	(37,511)	(34,265)	(35,688)	(36,042)
	of which: effects of the purchase price allocation	*(1,895)*	*(1,971)*	*(1,943)*	*(1,912)*	*(2,040)*	*(3,383)*	*(3,289)*
	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets excluding the effects of the PPA	*(37,745)*	*(38,236)*	*(33,152)*	*(35,599)*	*(32,225)*	*(32,305)*	*(32,753)*
	Operating expenses	**(631,256)**	**(636,214)**	**(522,019)**	**(600,277)**	**(515,035)**	**(510,525)**	**(527,629)**
	Operating expenses excluding the effects of the PPA	***(629,361)***	***(634,243)***	***(520,076)***	***(598,365)***	***(512,995)***	***(507,142)***	***(524,340)***
	Net operating income	**225,086**	**304,618**	**276,132**	**185,228**	**230,553**	**304,941**	**245,311**
	Net operating income excluding the effects of the PPA	***229,951***	***309,929***	***281,445***	***190,502***	***238,463***	***313,183***	***254,216***
130.a	Net impairment losses on loans	(135,052)	(147,826)	(134,802)	(191,773)	(167,381)	(1,051,034)	(155,339)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(31,558)	(82,663)	(16,142)	(79,204)	(386)	(50,719)	252
190.	Net provisions for risks and charges	(5,109)	2,108	(7,460)	(12,684)	(3,544)	(20,289)	(6,368)
240.+270.	Profits from the disposal of equity investments	468	496	116	21,027	339	1,201	402
	Pre-tax profit (loss) from continuing operations	**53,835**	**76,733**	**117,844**	**(77,406)**	**59,581**	**(815,900)**	**84,258**
	Pre-tax profit (loss) from continuing operations excluding the effects of the PPA	***58,700***	***82,044***	***123,157***	***(72,132)***	***67,491***	***(807,658)***	***93,163***
290.	Taxes on income for the period from continuing operations	(32,780)	(40,407)	(39,006)	20,669	(14,721)	210,792	(34,352)
	of which: effects of the purchase price allocation	*1,610*	*1,758*	*1,758*	*1,742*	*2,622*	*2,732*	*2,952*
330.	(Profit) loss for the period attributable to non-controlling interests	(6,393)	(6,362)	(6,082)	(8,298)	(7,707)	24,672	(7,400)
	of which: effects of the purchase price allocation	*94*	*95*	*95*	*221*	*445*	*509*	*521*
	Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan and other impacts excluding the effects of the PPA	*17,823*	*33,422*	*76,216*	*(61,724)*	*41,996*	*(575,435)*	*47,938*
	Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan and other impacts	**14,662**	**29,964**	**72,756**	**(65,035)**	**37,153**	**(580,436)**	**42,506**
180.a	Redundancy expenses net of taxes and non-controlling interests	(1,308)	(2,285)	-	114	(218)	(207,234)	(445)
210.	Impairment losses on brands net of taxes and non-controlling interests	-	-	-	-	-	(37,936)	-
180.b	Single Bank Project expenses net of taxes and non-controlling interests	(349)	(1,489)	(4,617)	(7,638)	(4,463)	(3,440)	-
200.	Impairment losses on property, plant and equipment net of taxes and non-controlling interests	-	-	-	(3,078)	-	-	-
180.b	Bridge Bank Project expenses net of taxes and non-controlling interests	(9,975)	(10,082)	(1,102)	-	-	-	-
265.	Negative consolidation difference	3,340	612,900	-	-	-	-	-
340.	**Profit (loss) for the period attributable to the shareholders of the Parent**	**6,370**	**629,008**	**67,037**	**(75,637)**	**32,472**	**(829,046)**	**42,061**
	Total impact of the purchase price allocation on the income statement	*(3,161)*	*(3,458)*	*(3,460)*	*(3,311)*	*(4,843)*	*(5,001)*	*(5,432)*

The reclassified income statement for the second and third quarters of 2017 relate to the new perimeter of the UBI Banca Group.
The figures for the comparative periods have not been restated in consideration of the relative significance of the income statement figures for the New Banks, which are not sufficient to alter the original income structure of the Group.

Reclassified consolidated income statement net of the most significant non-recurring items

Figures in thousands of euro	9M 2017 A *net of non-recurring items*	*of which Stand-Alone UBI Banca Group net of non-recurring items*	9M 2016 B *Stand-Alone UBI Banca Group* *net of non-recurring items*	Changes A-B	% changes A/B
Net interest income (including the effects of the PPA)	1,147,672	1,035,367	1,133,126	14,546	1.3%
Dividends and similar income	10,367	6,087	9,737	630	6.5%
Profits of equity-accounted investees	16,546	16,545	18,939	(2,393)	(12.6%)
Net fee and commission income	1,151,232	1,056,153	988,845	162,387	16.4%
of which performance fees	*9,599*	*9,599*	*8,058*	*1,541*	*19.1%*
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	129,184	121,683	106,344	22,840	21.5%
Net income from insurance operations	8,707	-	-	8,707	n.s.
Other net operating income/expense	75,680	67,682	77,003	(1,323)	(1.7%)
Operating income (including the effects of the PPA)	**2,539,388**	**2,303,517**	**2,333,994**	**205,394**	**8.8%**
Staff costs	(1,096,674)	(942,699)	(953,785)	142,889	15.0%
Other administrative expenses	(577,873)	(474,777)	(493,409)	84,464	17.1%
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(114,942)	(104,909)	(105,995)	8,947	8.4%
Operating expenses (including the effects of the PPA)	**(1,789,489)**	**(1,522,385)**	**(1,553,189)**	**236,300**	**15.2%**
Net operating income (including the effects of the PPA)	**749,899**	**781,132**	**780,805**	**(30,906)**	**(4.0%)**
Net impairment losses on loans	(417,680)	(453,904)	(1,373,754)	(956,074)	(69.6%)
Net impairment losses on other financial assets and liabilities	(8,727)	(5,882)	(50,853)	(42,126)	(82.8%)
Net provisions for risks and charges	(10,461)	(13,641)	(30,201)	(19,740)	(65.4%)
Profits from the disposal of equity investments	1,080	880	1,942	(862)	(44.4%)
Pre-tax profit (loss) from continuing operations (including the effects of the PPA)	**314,111**	**308,585**	**(672,061)**	**986,172**	**n.s.**
Taxes on income for the period from continuing operations	(128,003)	(99,953)	161,719	(289,722)	n.s.
(Profit) loss for the period attributable to non-controlling interests	(18,837)	(18,494)	9,565	(28,402)	n.s.
Profit (loss) for the period attributable to the shareholders of the Parent	**167,271**	**190,138**	**(500,777)**	**668,048**	**n.s.**

The normalised reclassified income statement for the period ended 30th September 2017 relates to the new perimeter of the UBI Banca Group.
The comparative period relates to the Stand-Alone UBI Banca Group, in consideration of the fact that the relative significance of the income statement figures for the New Banks is not sufficient to alter the original income structure of the Group.

Reclassified consolidated income statement net of the most significant non-recurring items: details

Figures in thousands of euro	9M 2017	2017-2020 Business Plan: Allocation of Badwill	2017-2020 Business Plan: Profit on the disposal of HTM investments	2017-2020 Business Plan: Bridge Bank Project expenses	2017-2020 Business Plan: Single Bank Project expenses	2017-2020 Business Plan: Redundancy expenses	Other non-recurring items: Impairment losses on the Atlante Fund	Other non-recurring items: IDPF (interbank deposit protection fund) intervention expenses for CariCesena Carim and Carismi	9M 2017 *net of non-recurring items*	9M 2016 *Stand-Alone UBI Banca Group*	2019/2020 Business Plan: Redundancy expenses	2019/2020 Business Plan: Brand impairment	2019/2020 Business Plan: Single Bank Project expenses	9M 2016 *Stand-Alone UBI Banca Group net of non-recurring items*
Net interest income (including the effects of the PPA)	1,147,672								1,147,672	1,133,126				1,133,126
Dividends and similar income	10,367								10,367	9,737				9,737
Profits of equity-accounted investees	16,546								16,546	18,939				18,939
Net fee and commission income	1,151,232								1,151,232	988,845				988,845
of which performance fees	*9,599*								*9,599*	*8,058*				*8,058*
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	185,121		(55,937)						129,184	106,344				106,344
Net income from insurance operations	8,707								8,707	-				-
Other net operating income/expense	75,680								75,680	77,003				77,003
Operating income (including the effects of the PPA)	**2,595,325**	**-**	**(55,937)**	**-**	**-**	**-**	**-**	**-**	**2,539,388**	**2,333,994**	**-**	**-**	**-**	**2,333,994**
Staff costs	(1,096,674)								(1,096,674)	(953,785)				(953,785)
Other administrative expenses	(577,873)								(577,873)	(493,409)				(493,409)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(114,942)								(114,942)	(105,995)				(105,995)
Operating expenses (including the effects of the PPA)	**(1,789,489)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,789,489)**	**(1,553,189)**	**-**	**-**	**-**	**(1,553,189)**
Net operating income (including the effects of the PPA)	**805,836**	**-**	**(55,937)**	**-**	**-**	**-**	**-**	**-**	**749,899**	**780,805**	**-**	**-**	**-**	**780,805**
Net impairment losses on loans	(417,680)								(417,680)	(1,373,754)				(1,373,754)
Net impairment losses on other financial assets and liabilities	(130,363)						89,265	32,371	(8,727)	(50,853)				(50,853)
Net provisions for risks and charges	(10,461)								(10,461)	(30,201)				(30,201)
Profits from the disposal of equity investments	1,080								1,080	1,942				1,942
Pre-tax profit (loss) from continuing operations (including the effects of the PPA)	**248,412**	**-**	**(55,937)**	**-**	**-**	**-**	**89,265**	**32,371**	**314,111**	**(672,061)**	**-**	**-**	**-**	**(672,061)**
Taxes on income for the period from continuing operations	(112,193)		18,499				(24,548)	(9,761)	(128,003)	161,719				161,719
(Profit) loss for the period attributable to non-controlling interests	(18,837)								(18,837)	9,565				9,565
Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan and other impacts	**117,382**	**-**	**(37,438)**	**-**	**-**	**-**	**64,717**	**22,610**	**167,271**	**(500,777)**	**-**	**-**	**-**	**(500,777)**
Redundancy expenses net of taxes and non-controlling interests	(3,593)					3,593			-	(207,897)	207,897			-
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	(6,455)				6,455				-	(7,903)			7,903	-
Bridge Bank Project expenses net of taxes and non-controlling interests	(21,159)			21,159					-	-				-
Negative consolidation difference	616,240	(616,240)							-	-				-
Profit (loss) for the period attributable to the shareholders of the Parent	**702,415**	**(616,240)**	**(37,438)**	**21,159**	**6,455**	**3,593**	**64,717**	**22,610**	**167,271**	**(754,513)**	**207,897**	**37,936**	**7,903**	**(500,777)**
ROE (Profit *annualised*/(Equity + Profit for the period)) *Badwill not annualised*	7.3%								2.2%	n.s.				n.s.
Cost:income ratio (including the effects of PPA)	69.0%								70.5%	66.5%				66.5%

The normalised reclassified income statement for the period ended 30th September 2017 relates to the new perimeter of the UBI Banca Group.
The comparative period relates to the Stand-Alone UBI Banca Group, in consideration of the fact that the relative significance of the income statement figures for the New Banks is not sufficient to alter the original income structure of the Group.

Reconciliation schedule for the period ended 30th September 2017

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	9M 2017 Mandatory consolidated financial statements	Reclassifications Tax recoveries	 Profit of equity-accounted investees	 Depreciation for improve-ments to leased assets	 Net income from insurance operations	 2017-2020 BP Redundancy expenses	 2017-2020 BP Single Bank Project expenses	 2017-2020 PI Bridge Bank Project expenses	9M 2017 Reclassified consolidated financial statements
10.-20.	Net interest income	1,163,736				(16,064)				1,147,672
70.	Dividends and similar income	10,882				(515)				10,367
	Profits of equity-accounted investees	-		16,546						16,546
40.-50.	Net fee and commission income	1,151,517				(285)				1,151,232
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	196,882				(11,761)				185,121
150.+160.	Net income from insurance operations	(14,929)				23,636				8,707
220.	Other net operating income/expense	237,796	(170,840)		3,735	4,989				75,680
	Operating income	**2,745,884**	**(170,840)**	**16,546**	**3,735**	**-**	**-**	**-**	**-**	**2,595,325**
180.a	Staff costs	(1,100,267)					3,593			(1,096,674)
180.b	Other administrative expenses	(790,147)	170,840					9,620	31,814	(577,873)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(111,207)			(3,735)					(114,942)
	Operating expenses	**(2,001,621)**	**170,840**	**-**	**(3,735)**	**-**	**3,593**	**9,620**	**31,814**	**(1,789,489)**
	Net operating income	**744,263**	**-**	**16,546**	**-**	**-**	**3,593**	**9,620**	**31,814**	**805,836**
130.a	Net impairment losses on loans	(417,680)								(417,680)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(130,363)								(130,363)
190.	Net provisions for risks and charges	(10,461)								(10,461)
240.+270.	Profits (losses) from the disposal of equity investments	17,626		(16,546)						1,080
	Pre-tax profit from continuing operations	**203,385**	**-**	**-**	**-**	**-**	**3,593**	**9,620**	**31,814**	**248,412**
290.	Taxes on income for the period from continuing operations	(98,722)						(3,128)	(10,343)	(112,193)
330.	Profit for the period attributable to non-controlling interests	(18,488)						(37)	(312)	(18,837)
	Profit for the period attributable to the shareholders of the Parent before the Business Plan and other impacts	**86,175**	**-**	**-**	**-**	**-**	**3,593**	**6,455**	**21,159**	**117,382**
180.a	Redundancy expenses net of taxes and non-controlling interests	-					(3,593)			(3,593)
180.b	Single Bank Project expenses net of taxes and non-controlling interests	-						(6,455)		(6,455)
180.b	Bridge Bank Project expenses net of taxes and non-controlling interests	-							(21,159)	(21,159)
265.	Negative consolidation difference	616,240								616,240
340.	**Profit for the period attributable to the shareholders of the Parent**	**702,415**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**702,415**

Reconciliation schedule for the period ended 30th September 2016

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	9M 2016 *Stand-Alone UBI Banca Group* Mandatory consolidated financial statements	Reclassifications Tax recoveries	 Profit of equity-accounted investees	 Depreciation for improve-ments to leased assets	 Redundancy expenses (2019/2020 Business Plan and adjustments pursuant to 23 12 2015 Agreement)	 Brand impairment (2019/2020 Business Plan)	 Single Bank Project expenses (2019/2020 Business Plan)	9M 2016 *Stand-Alone UBI Banca Group* Reclassified consolidated financial statements
10.-20.	Net interest income	1,133,126							1,133,126
70.	Dividends and similar income	9,737							9,737
	Profits of equity-accounted investees			18,939					18,939
40.-50.	Net fee and commission income	988,845							988,845
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	106,344							106,344
220.	Other net operating income/expense	241,158	(167,041)		2,886				77,003
	Operating income	**2,479,210**	**(167,041)**	**18,939**	**2,886**	**-**	**-**	**-**	**2,333,994**
180.a	Staff costs	(1,278,196)				324,411			(953,785)
180.b	Other administrative expenses	(672,570)	167,041					12,120	(493,409)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(165,963)			(2,886)		62,854		(105,995)
	Operating expenses	**(2,116,729)**	**167,041**	**-**	**(2,886)**	**324,411**	**62,854**	**12,120**	**(1,553,189)**
	Net operating income	**362,481**	**-**	**18,939**	**-**	**324,411**	**62,854**	**12,120**	**780,805**
130.a	Net impairment losses on loans	(1,373,754)							(1,373,754)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(50,853)							(50,853)
190.	Net provisions for risks and charges	(30,201)							(30,201)
240.+270.	Profits from the disposal of equity investments	20,881		(18,939)					1,942
	Pre-tax profit (loss) from continuing operations	**(1,071,446)**	**-**	**-**	**-**	**324,411**	**62,854**	**12,120**	**(672,061)**
290.	Taxes on income for the period from continuing operations	293,779				(107,283)	(20,836)	(3,941)	161,719
330.	Loss for the period attributable to non-controlling interests	23,154				(9,231)	(4,082)	(276)	9,565
	Loss for the period attributable to the shareholders of the Parent before the Business Plan impact	**(754,513)**	**-**	**-**	**-**	**207,897**	**37,936**	**7,903**	**(500,777)**
180.a	Redundancy expenses net of taxes and non-controlling interests	-				(207,897)			(207,897)
210.	Impairment losses on brands net of taxes and non-controlling interests	-					(37,936)		(37,936)
200.	Single Bank Project expenses net of taxes and non-controlling interests	-						(7,903)	(7,903)
340.	**Loss for the period attributable to the shareholders of the Parent**	**(754,513)**	**-**	**-**	**-**	**-**	**-**	**-**	**(754,513)**

Reconciliation schedule for the year ended 31st December 2016

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	FY 2016 *Stand-Alone UBI Banca Group* **Mandatory consolidated financial statements**	Reclassifications Tax recoveries	Profit of equity-accounted investees	Depreciation for improve-ments to leased assets	Redundancy expenses (purs. to 11 12 2016 Agreement and adjustments purs. to 23 12 2015 Agreement)	Brand impairment (2019/2020 Business Plan)	Single Bank Project expenses (2019/2020 Business Plan)	Real estate property impairment	FY 2016 *Stand-Alone UBI Banca Group* **Reclassified consolidated financial statements**
10.-20.	Net interest income	1,497,891								1,497,891
70.	Dividends and similar income	9,678								9,678
	Profits of equity-accounted investees			24,136						24,136
40.-50.	Net fee and commission income	1,335,033								1,335,033
80.+90.+ 100.+110.	Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	153,711								153,711
220.	Other net operating income/expense	306,541	(212,416)		4,925					99,050
	Operating income	**3,302,854**	**(212,416)**	**24,136**	**4,925**	**-**	**-**	**-**	**-**	**3,119,499**
180.a	Staff costs	(1,599,717)				324,411				(1,275,306)
180.b	Other administrative expenses	(970,465)	212,416					23,395		(734,654)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(206,020)			(4,925)		62,854		4,585	(143,506)
	Operating expenses	**(2,776,202)**	**212,416**	**-**	**(4,925)**	**324,411**	**62,854**	**23,395**	**4,585**	**(2,153,466)**
	Net operating income	**526,652**	**-**	**24,136**	**-**	**324,411**	**62,854**	**23,395**	**4,585**	**966,033**
130.a	Net impairment losses on loans	(1,565,527)								(1,565,527)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(130,057)								(130,057)
190.	Net provisions for risks and charges	(42,885)								(42,885)
240.+270.	Profits from the disposal of equity investments	47,105		(24,136)						22,969
	Pre-tax profit from continuing operations	**(1,164,712)**	**-**	**-**	**-**	**324,411**	**62,854**	**23,395**	**4,585**	**(749,467)**
290.	Taxes on income for the year from continuing operations	319,619				(107,283)	(20,836)	(7,606)	(1,506)	182,388
330.	Loss for the year attributable to non-controlling interests	14,943				(9,345)	(4,082)	(248)	(1)	1,267
	Loss for the year attributable to the shareholders of the Parent before the Business Plan and other impacts	**(830,150)**	**-**	**-**	**-**	**207,783**	**37,936**	**15,541**	**3,078**	**(565,812)**
180.a	Redundancy expenses net of taxes and non-controlling interests	-				(207,783)				(207,783)
210.	Impairment losses on brands net of taxes and non-controlling interests	-					(37,936)			(37,936)
180.b	Single Bank Project expenses net of taxes and non-controlling interests	-						(15,541)		(15,541)
200.	Impairment losses on property, plant and equipment net of taxes and non-controlling interests	-							(3,078)	(3,078)
340.	**Profit for the year attributable to the shareholders of the Parent**	**(830,150)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(830,150)**

Notes to the reclassified consolidated financial statements

The interim financial statements as at and for the period ended 30th September 2017 have been prepared following the same procedures as for the half-year financial report for the period ended 30th June 2017, which constituted the first financial report for disclosure to the market published subsequent to the business combination operation relating to the acquisition of Banca Adriatica, Banca Tirrenica and Banca Teatina. More specifically, the scope of the full consolidation has been modified from the second quarter of 2017 to include the aforementioned directly controlled banks and companies.

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, Banca Tirrenica and Banca Teatina 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 period ended 30th September 2017 are fully comparable with those as at and for the period ended 30th June 2017, but they are not comparable with previous 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.
More specifically, with regard to the figures for the period ended 30th September 2017, the reclassified income statement has been prepared showing the contribution, detailed in single additional columns, of the Stand-Alone UBI Banca Group and of the new banks, together with the negative consolidation difference.
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. In detail:

- *from a balance sheet viewpoint*, the reclassified statement as at 30th September 2017 is presented with a comparative column as at 30th June 2017 and with an "aggregate" 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 a quarterly basis and over nine months, in terms that are fully in line with the tables contained in the sections that give a commentary.

  The statement reporting the quarterly balance sheets, on the other hand, shows figures inclusive of the New Banks as at 30th September 2017 and 30th June 2017, while all the previous periods relate to the Stand-Alone UBI Banca Group.

  In order to improve the comparability of the reclassified financial statements, the historical balance sheet figures for the New Banks have been adjusted to take account of non-performing loans that were transferred to REV II in the first quarter of 2017 and to the Atlante Fund in the second quarter 2017, as well as the repayment of the performing loan to REV I in the first quarter of 2017, for a total of €2,485 million;
- from an *income statement viewpoint* the reclassified statements for the period ended 30th September 2017 include columns providing details for the Stand-Alone UBI Banca Group, for the new banks (for the second quarter and third quarters of 2017) and for the allocation of badwill and these are compared with comparative figures (for all the periods prior to 30th June 2017) for the Stand-Alone UBI Banca Group. Given the relative significance of the income statement figures relating to the New Banks, which is not sufficient to alter the original income structure of the Group, the tables that support the commentary in the report (relating to the nine-month period) are presented consistently with the reclassified financial statements.

  Where it was considered appropriate, the tables that support the quarterly commentary in the report are presented with additional details relating to the Stand-Alone Group and/or 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 on 10th May 2017 with effect from 1st January 2017.

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

Along the same lines as practice followed with previous financial statements, the purchase price allocation shown in the reclassified income statements relates to the merger of the former Banca Lombarda e Piemontese Group into the former BPU Banca Group on 1st April 2007.

On the basis of the foregoing, along the same lines as in previous financial reports, the following rules have been applied to the reclassified financial statements to allow a vision that is more consistent with a management accounting style:

- the item profits (losses) of equity-accounted investees includes the profits (losses) of equity-accounted investees included within item 240 in the mandatory financial statements;
- net income from insurance operations comprises the following revenues of BancAssurance Popolari Spa and BancAssurance Popolari Danni Spa: net interest, dividends, net fees and commissions, the result for finance activities, net premiums (item 150), the balance on income and expenses of insurance operations (items 160 and 220);
- the item other net operating income/expense includes item 220, net of the reclassifications mentioned under other points;
- the tax recoveries recognised within item 220 of the mandatory financial statements (other net operating income/expenses) were reclassified as a reduction in indirect taxes included within other administrative expenses;
- the item net impairment losses on property, plant and equipment and intangible assets includes items 200 and 210 in the mandatory financial statements and also the instalments relating to the depreciation of leasehold improvements classified within item 220;
- the item profits (losses) from the disposal of equity investments includes the item 240, net of profits (losses) of equity-accounted investees and also item 270 in the mandatory financial statements;

* * *

- expenses incurred in relation to the new 2019/2020 Business Plan have been separated and stated on single lines (net of taxes and non-controlling interests) at the foot of the statements (the expenses were recognised in the income statement initially in the second quarter of 2016, at the time of its approval, with slight adjustments following, amongst other things, the update of the plan in May 2017) as follows:
  - redundancy expenses include part of item 180a in the mandatory financial statements;
  - expenses incurred for the Single Bank Project contain part of item 180b in the mandatory financial statements;
  - impairment of brands includes part of item 210;
  - the expenses incurred in relation to the acquisition of the Bridge Banks partially include item 180b.

- the negative consolidation difference (item 265) incorporates, as an income item, the badwill that arose at the time of the first consolidation from the difference between the purchase price and the equity of the New Banks.

- net impairment losses on property, plant and equipment (net of taxes and non-controlling interests), present in the fourth quarter of 2016, partially include item 200 in the mandatory financial statements.

The reconciliation of the items in the reclassified financial statements with the figures in the mandatory financial statements has been facilitated, on the one hand, with the insertion in the margin against each item of the corresponding number of the item in the mandatory financial statements with which it is reconciled and, on the other hand, with the preparation of special reconciliation schedules.

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], two special schedules have been included, the first a brief summary (which provides a comparison of the normalised results for the period) and the second more detailed, which shows the impact on earnings of the principal non-recurring events and items – since the relative effects on capital and cash flow, being closely linked, are not significant – which are summarised as follows:

January - September 2017:

- expenses connected with the 2017/2020 Business Plan (allocation of badwill, profit from the partial disposal of the HTM portfolio, acquisition of the former Bridge Banks, expenses incurred for the Single Bank Project, redundancy expenses incurred for the New Banks);
- impairment losses on investment in the Atlante Fund;
- expenses relating to the IDPF (Interbank Deposit Protection Fund) intervention for Caricesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato.

January - June 2016:

- expenses connected with the approval of the new 2019/2020 Business Plan (redundancy expenses, impairment losses on the former network bank brands and expenses mainly of an IT nature related to the Single Bank Project).

1 Following the entry into force (on 3rd July 2016) of ESMA guidelines 2015/1415 which the Consob (Italian securities market authority) incorporated in its issuer and supervisory and monitoring practices, the UBI Banca Group criteria for the identification of non-recurring items (reported in the normalised statements) have been subject to revision.
The new criteria approved by the Management Board on 18th October 2016 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).

The consolidated income statement

The income statement figures commented on are based on the reclassified consolidated financial statements (the income statement, the quarterly income statements and the income statement net of the more significant principal non-recurring items – in brief and detailed versions) contained in another section of this report and the tables furnishing details presented below are also based on those statements. The notes that follow those reclassified financial statements may be consulted as may the reconciliation schedules for a description of the reclassification.
The commentary examines changes that occurred in the third quarter of 2017 compared with the previous three months and also (highlighted with a slightly different background colour) those occurring in the first nine months of 2017 compared with the same period in 2016.
Furthermore, the data for the period ended 30th September 2017 includes the operating figures for the New Banks acquired relating to the second and third quarters only and also, in consideration of the relative significance of the results for them, the figures for the comparative period ended the 30th September 2016 as well as for the first quarter of 2017 have not been restated and therefore relate to the historical UBI Banca Group (termed the "stand-alone" UBI Banca Group).

The income statement commentary focuses on the performance recorded in the third and second quarters of the year and that is in the two periods which fully represent the operations of the whole perimeter of the UBI Banca Group (the New Banks were in fact acquired on 1st April 2017) and give a consistent comparison for the first time.
After the significant result achieved in the second quarter, which had benefited from an amount, recognised in the income statement as a lump sum, originating from the badwill arising from the acquisition of the New Banks, the third quarter of 2017 ended basically with a break-even result. A **profit** of €6.4 million was recognised of which €1.8 million relating to the Stand-Alone Group and the remaining part to the New Banks (the aggregate result of an operating loss of €41.7 million and a refinement of the badwill for the period and also of the relative reversal amounting to a profit of €46.2 million).
The second quarter on the other hand recorded a profit of €629 million (€43.8 million relating to the Stand-Alone Group, -€41.4 million to the operating income of the New Banks, €612.9 million from the allocation of badwill and +€13.8 million from the relative reversal[1]).
Consolidation entries also contributed to the results for the two quarters, although these were completely negligible.

The UBI Banca Group ended the first nine months of the year with a **profit** of €702.4 million, consisting of the contribution from the Stand-Alone UBI Banca Group of €112.6 million and from the New Banks of €83.1 million and inclusive of the amount relating to the badwill arising from the acquisition of the New Banks (€616.2 million net to the 30th September) and of the badwill reversal amounting to €56.7 million. This figure shows an appreciable improvement compared with the loss of €754.5 million recorded in the same period of 2016.
The loss was the consequence of the recognition of a series of expenses (including redundancy expenses, impairment losses on the network bank brands in view of the creation of a Single Bank, improvements to the IT system and net impairment losses on loans[2]) already planned in detail under the 2019/2020 Business Plan and designed to achieve the objectives contained in the plan.

In quarterly terms, **operating income** totalled €856.3 million, of which €733 million relating to the "old" Group and €122 million to the New Banks. That amount compares with €941 million earned in the second quarter consisting of €828 million from the Stand-Alone Group and €112 million from the New Banks. At the level of net interest income both performance

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1 The income statement and balance sheet results include the impact of the allocation of badwill amounting as at 31th March 2017 to €995 million. That allocation, which results from the restatement of the assets and liabilities acquired at fair value as at the date of the first consolidation, led to the write-down mainly of non-performing loans, while the value of medium to long-term performing loans was in line with the stated value. Much smaller write-downs were recognised on medium to long-term funding, on software and on contracts relating to real estate property funds, while slightly positive values were found for assets under management (it is underlined that on the basis of the complexity of the allocation, IFRS allow the allocation process to be completed by the end of the following 12 months).
Following the allocation mentioned above, a portion remained (termed "bargain purchase"), which was recognised temporarily in the income statement in the second quarter amounting to €612.9 million. That portion was increased in the third quarter by a net amount of €3.3 million following the availability of new information relating to facts and circumstances existing on the acquisition date.
The adjustments made to balance sheet items as part of the purchase price allocation also gave rise, already from the second quarter, to a "reversal" (the sum of the positive negative impacts) amounting to +€13.8 million in the second quarter and to +€42.9 million in the third quarter.
See in particular the information given in the section "Accounting policies" in the "Condensed interim consolidated financial statements as at and for the period ended 30th September 2017".

2 This totalled €840 million (net of taxes and non-controlling interests) and was comprised solely of the net impairment losses (€851 million gross) which determined a consequent absorption of the provision shortfall.

indicators performed positively. This was stronger for the New Banks which benefited in particular from action taken to contain the cost of funding, while no fee and commission income was earned by the Stand-Alone Group (linked to seasonal factors amongst other things) and a smaller contribution was made by the finance result after significant profit-taking in the second quarter with the partial disposal of HTM investments.

Ordinary operations generated **operating income** over the nine-month period of €2.6 billion, (+11.2% compared with €2.3 billion earned in the same period of 2016) of which €2.4 billion attributable to the Stand-Alone Group and €234 million to the New Banks.

Quarterly net interest income

Figures in thousands of euro	2017						1st Quarter
	3rd Quarter	*of which Stand-Alone UBI Banca Group*	*of which New Banks*	2nd Quarter	*of which Stand-Alone UBI Banca Group*	*of which New Banks*	*Stand-Alone UBI Banca Group*
Banking business with customers	367,622	*306,941*	*60,608*	355,889	*301,566*	*54,322*	300,899
Financial activities	44,247	*43,183*	*1,130*	48,959	*47,058*	*1,835*	48,797
Interbank business	(9,527)	*(5,456)*	*(4,056)*	(6,947)	*(5,131)*	*(1,789)*	(2,515)
Other items	130	*9*	*121*	112	*10*	*102*	6
Net interest income	**402,472**	*344,677*	*57,803*	**398,013**	*343,503*	*54,470*	**347,187**

In consideration of the presence of consolidation entries, the sum of the columns is not the same as the consolidated figure. The figures for the New Banks include the effect of the badwill reversal.

As shown in the table, *net interest income* rose to €402.5 million in the third quarter following an improvement both for the New Banks (€57.8 million net, of which over €60 million generated from ordinary banking business with customers, up by over €6 million in the quarter) and also, although in less significant terms, for the Stand-Alone Group (€344.7 million compared with €343.5 million before).
The quarterly comparison in particular shows growth in ordinary banking business with customers in both periods. For the Stand-Alone Group the improvement benefited from positive performance by volumes of assets, in terms of average interest-bearing balances, especially for the medium to long-term component with signs of recovery also for the short-term component (+0.9%), notwithstanding the effect of a still negative interest rate partially offset by a reduction in volumes of medium to long-term funding. The spread on business with customers remained almost stable (-2 bp) in the two quarters with a mark-down which, confirming the trend in the previous quarter, is slowly improving. The growth in ordinary banking business that was recorded for the new Banks is attributable to the action taken to reduce the cost of mainly short-term funding.
A slight contraction was recorded for financial activities (-€4.7 million), the aggregate result of lower volumes in the securities portfolio and in particular in the AFS (-€1.6 million for interest income) and HTML (-€3.6 million) portfolios, partially offset by lower hedging costs incurred during the period (-€1 million) after action taken to make structural changes to interest rate risk management in December 2016.
The balance on interbank business was again negative and up on the second quarter due primarily to the performance recorded by the New Banks, which incorporated both the absence of interest income due to the elimination of business with banks outside the Group and also to the effects of liquidity invested with the ECB, acquired in May, following the sale of non-performing loans to the Atlante II Fund.

The analysis over nine months shows *net interest income* of €1.15 billion, of which €1.035 billion from the Stand-Alone Group compared with €1.13 billion in 2016. The decrease for the Stand-Alone perimeter was caused above all by changes in the interest rate structure over the two periods[3], but also by the impacts of volumes of business, as follows[4]:

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3 The average one-month Euribor rate remained negative, falling to -0.38% in the first nine months of 2017 from -0.33% calculated for the first nine months of 2016.

4 The calculation of net balances for the Stand-Alone UBI Banca Group was performed by allocating interest income and expense on hedging derivatives and interest expense on financial liabilities held for trading within the different areas of business (with customers, financial, with banks).
In accordance with its own policies and also with international accounting policies, the Group did not recognise the benefit obtained from TLTRO IIs in the first nine months of 2017.

- business with customers generated net interest interest income of €909.4 million compared with €966.8 million before. The contraction was due to the trend for volumes of lending which fell year-on-year in terms of average loans, calculated on management accounting figures for gross interest-bearing loans, which were still negative overall (notwithstanding the positive trend for the medium to long-term component). However, it was due above all to the interest rate effect on the overall lending portfolio, although partially offset by the downward trend for medium to long-term funding and the relative lower cost. The contribution from medium to long-term funding made it possible to broadly offset the negative impacts from short-term funding. In this context the customer spread reduced by approximately 13 basis points compared with September 2016, affected by a greater reduction in interest rates on lending compared with funding. The result for business with customers also includes differentials received mainly on bond hedges (€102.5 million, compared with €142.6 million before);
- the securities portfolio generated net interest income of €139 million (€172 million in 2016), in the presence of investments in debt securities which were down over twelve months by €2.9 billion. While a greater contribution was provided by the HTM portfolio, which increased as a result of former AFS securities that were reclassified in the fourth quarter of 2016, income from held-for-trading securities reduced to zero and a reduction was recorded in the contribution from AFS bonds (€95 million compared with €232.6 million before), partly as a consequence of profit-taking that took place over time. This item also incorporated costs on uncovered short positions (-€425 thousand) and partial hedges on fixed income securities (the differentials paid on derivatives came to €15 million compared with €94.6 million in 2016 following action taken to terminate interest rates swaps entered into in December);
- business on the interbank market recorded a loss of €13.1 million (-€6.4 million in 2016), determined primarily by interest expense paid to non-central banks due to an increase in the debt exposure compared with 2016 in the presence, moreover, of an increase in the average investment of liquidity with the ECB.

Interest and similar income: composition

Figures in thousands of euro	Debt instruments	Financing	Other transactions	9M 2017 (*)	*of which Stand-Alone UBI Banca Group*	*of which New Banks (*)*	9M 2016 *Stand-Alone UBI Banca Group*
1. Financial assets held for trading	869	-	1,423	2,292	*682*	*1,610*	2,863
2. Financial assets designated at fair value	-	-	-	-	-	-	-
3. Available-for-sale financial assets	97,878	-	-	97,878	*95,118*	*2,760*	232,643
3. Held-to-maturity investments	58,705	-	-	58,705	*58,705*	-	33,701
5. Loans and advances to banks	169	6,728	18	6,915	*7,272*	*604*	6,360
6. Loans and advances to customers	7,505	1,349,896	84	1,357,485	*1,183,789*	*173,696*	1,322,436
7. Hedging derivatives	X	X	85,184	85,184	*87,520*	-	47,888
8. Other assets	X	X	310	310	*29*	*281*	764
Total	**165,126**	**1,356,624**	**87,019**	**1,608,769**	*1,433,115*	*178,951*	**1,646,655**

Interest and similar expense: composition

Figures in thousands of euro	Borrowings	Securities	Other transactions	9M 2017 (*)	*of which Stand-Alone UBI Banca Group*	*of which New Banks (*)*	9M 2016 *Stand-Alone UBI Banca Group*
1. Due to central banks	(10,720)	X	-	(10,720)	*(5,423)*	*(5,297)*	(3,683)
2. Due to banks	(15,285)	X	-	(15,285)	*(15,052)*	*(1,152)*	(8,958)
3. Due to customers	(67,204)	X	(22)	(67,226)	*(31,125)*	*(36,175)*	(36,555)
4. Debt securities issued	X	(367,123)	-	(367,123)	*(345,719)*	*(21,404)*	(461,707)
5. Financial liabilities held for trading	(565)	-	(116)	(681)	*(425)*	*(256)*	(2,593)
6. Financial liabilities designated at fair value	-	-		-	-	-	-
7. Other liabilities and provisions	X	X	(62)	(62)	*(4)*	*(58)*	(33)
8. Hedging derivatives	X	X	-	-	-	*(2,336)*	-
Total	**(93,774)**	**(367,123)**	**(200)**	**(461,097)**	*(397,748)*	*(66,678)*	**(513,529)**
Net interest income				**1,147,672**	*1,035,367*	*112,273*	**1,133,126**

(*) The figures for the New Banks relate to the second and third quarters of 2017 only and include the effects of the allocation of badwill.
In consideration of the presence of consolidation entries, the sum of the columns is not the same as the consolidated figure.
Interest on non-performing loans, exclusive of interest on arrears, relates almost entirely to loans to customers and amounted to €76.7 million for the period ended 30th September, a decrease of approximately €32 million compared with September 2016.

Dividends of €10.4 million were received, concentrated mainly in the second quarter, of which €4.3 million from the New Banks (including €3 million attributable to stakes held in the Bank of Italy) and €6.1 million from the original Group. The latter included the following: €3.6 million from UBI Banca's AFS portfolio (€1.4 million of which from stakes held in the Bank of Italy by the former BRE and by the former Carime, €1.2 million from S.A.C.B.O. and €1 million from ICBPI) and €1 million from private equity investments classified under the fair value option.
The item totalled €9.7 million over the first nine months of 2016, of which €3.9 million relating to AFS securities and €4.3 million relating primarily to the FVO portfolio. The latter included €2.5 million from an extraordinary distribution of reserves by a private equity company. In addition to the portfolios held by UBI Banca, €1.4 million relating to the former BRE and the former Banca Carime was recorded, as the return on stakes held in the Bank of Italy.

Profits of equity accounted investees[5] at the end of September came to €16.5 million (€18.9 million in the comparative period), of which the most substantial contributions were from Zhong Ou (€4.2 million compared with €6.4 million before) and Lombarda Vita (down to the €5.8 million from €7.9 million in 2016), while the remaining part came mainly from the Aviva Vita Group (€6.3 million compared with €4.9 million, the latter being inclusive of €0.4 million from Aviva Assicurazioni Vita, merged into Aviva Vita with effect from 31st December 2016).

Net fee and commission income fell in the third quarter to €389.8 million compared with €410.5 million in the second quarter: of which €47.9 million (€47.1 million in the previous period) attributable to the New Banks (earned mainly in the more conventional areas of business even if the third quarter showed good growth in income from the placement of securities and the distribution of products) and €341.9 million to the historical UBI Banca Group (€363.4 million in the comparative period), in the presence of *performance fees* relating to UBI Pramerica SGR, marginally down in the two periods (€2.4 million compared with €4 million previously[6]).
The overall performance, partly affected by seasonal factors typical of the third quarter, recorded the following: trading and advisory services[7] down €11.4 million to €205.8 million due to reductions for the placement of securities (Sicav's in particular) and the distribution of third party services (insurance policies specially).

Fees and commissions for banking services also decreased to €184 million from €193.4 million as a result of lower income from collection and payment services (due to smaller numbers of transactions performed, affected by the aforementioned seasonal factors) and from other services down to €71.1 million from €78.3 million previously, notwithstanding stable performance by commitment fees. The item was also affected by a contraction of €3.5 million in fees and commissions on unsecured guarantees granted for loans and receivables relating to the former Centrobanca.

Quarterly net fee and commission income

Figures in thousands of euro	2017				
	3rd Quarter	*of which Stand-Alone UBI Banca Group*	2nd Quarter	*of which Stand-Alone UBI Banca Group*	1st Quarter *Stand-Alone UBI Banca Group*
Management, trading and advisory services* (net of the corresponding expense items):	**205,804**	*191,283*	**217,174**	*206,883*	**203,107**
trading in financial instruments	1,054	*614*	1,425	*1,017*	831
portfolio management	93,258	*93,157*	93,043	*92,355*	87,120
custody and administration of securities	1,166	*513*	534	*556*	307
depository bank	-	-	-	-	-
placement of securities	60,991	*54,515*	71,131	*66,042*	65,545
receipt and transmission of orders	7,121	*6,752*	8,963	*8,570*	9,420
advisory activities	2,958	*2,909*	1,758	*1,709*	1,937
distribution of third party services	53,044	*46,611*	56,565	*52,879*	55,039
portfolio management	*175*	*4*	*182*	*4*	*5*
insurance products	*45,059*	*41,629*	*50,601*	*47,461*	*50,318*
other products	*7,810*	*4,978*	*5,782*	*5,414*	*4,716*
financial instruments, products and services distributed through indirect networks	(13,788)	*(13,788)*	(16,245)	*(16,245)*	(17,092)
Banking services (net of the corresponding expense items):	**184,033**	*150,630*	**193,360**	*156,496*	**147,754**
guarantees	10,862	*10,002*	11,361	*10,170*	12,395
foreign exchange trading	2,147	*1,691*	2,286	*1,799*	1,775
collection and payment services	33,792	*22,899*	35,740	*24,569*	24,299
servicer activities for securitisation operations	15	-	100	-	-
services for factoring transactions	3,089	*3,089*	3,118	*3,118*	2,986
current account administration	63,038	*51,069*	62,504	*50,598*	48,742
other services	71,090	*61,880*	78,251	*66,242*	57,557
Net fee and commission income	**389,837**	*341,913*	**410,534**	*363,379*	**350,861**

5 The item consists of the profits of the companies recognised on the basis of the percentage interest held by the Group.
6 Performance fees accounted for 0.6% of net fee and commission income compared with 1.0% in the previous three months.
7 The amount consists of management, trading and advisory services net of the corresponding expense items and is calculated excluding currency trading.

The analysis over nine months shows consolidated *net fee and commission* income of €1.15 billion up 16.4% year-on-year, of which €95.1 million relating to the New Banks and €1.056 billion to the Stand-Alone Group, also up from €988.8 million in the same period of 2016. Details for the original perimeter are as follows:

- management, trading and advisory services contributed €601.3 million[8] to the result, up by €46 million on the same period of 2016, of which +€1.5 million relating to greater performance fees earned by UBI Pramerica. The improvement is largely attributable to good results for portfolio management (+€36.8 million above all from mutual investment funds and Sicav's, the result of higher average volumes of assets under management) and also to the distribution of third party services and life insurance policies in particular (+€20 million approx., in relation to average volumes subscribed) as well as to the placement of securities (+€1.6 million, as a function of the total volumes subscribed). A slight fall occurred in earnings from trading (-€2.1 million) and the receipt and transmission of orders (-€1.8 million). Expenses, consisting of the sale of financial instruments, products and services through indirect networks were up by €7.3 million to €47.1 million, due to the effect of higher volumes of financial business that financial advisors originated outside branches;
- ordinary banking business[9] improved its contribution to €454.9 million from €433.5 million in 2016. Contributions to the item came from current account administration (+€12.5 million due to higher profitability on conventional accounts, together with the contribution from bundled accounts) and from other services (+€13.5 million, mainly in relation to unsecured guarantees on loans and receivables in the former Centrobanca perimeter business, while commitment fees, €95.1 million of which were recognised within the item, in relation to trends for average volumes of short-term lending, fell €6.3 million). On the other hand the fall in revenues from collection and payment services, factoring and guarantees issued/received continued.

Fee and commission income: composition

Figures in thousands of euro	9M 2017 (*)	of which Stand-Alone UBI Banca Group	of which New Banks (*)	9M 2016 Stand-Alone UBI Banca Group
a) guarantees granted	35,114	*33,058*	*2,250*	34,062
c) management, trading and advisory services	706,781	*685,355*	*26,661*	622,352
1. trading in financial instruments	11,355	*10,263*	*1,092*	12,763
2. foreign exchange trading	6,209	*5,265*	*944*	5,178
3. portfolio management	280,649	*279,755*	*962*	242,000
3.1. individual	58,926	*58,032*	*962*	55,549
3.2. collective	221,723	*221,723*	*-*	186,451
4. custody and administration of securities	6,954	*6,144*	*810*	6,189
5. depository banking	-	*-*	*-*	-
6. placement of securities	204,809	*198,102*	*11,862*	188,297
7. receipt and transmission of orders	25,504	*24,742*	*762*	26,558
8. advisory activities	6,653	*6,555*	*98*	5,125
8.1 on investments	6,653	*6,555*	*98*	5,125
9. distribution of third party services	164,648	*154,529*	*10,131*	136,242
9.1. portfolio management	362	*13*	*349*	16
9.1.1. individual	362	*13*	*349*	16
9.2. insurance products	145,978	*139,408*	*6,570*	119,593
9.3. other products	18,308	*15,108*	*3,212*	16,633
d) collection and payment services	133,038	*108,471*	*24,568*	107,992
e) servicer activities for securitisation transactions	115	*-*	*115*	-
f) services for factoring transactions	9,193	*9,193*	*-*	10,299
i) current account administration	174,284	*150,409*	*23,875*	137,898
j) other services	238,986	*217,273*	*21,714*	203,968
Total	**1,297,511**	*1,203,759*	*99,183*	**1,116,571**

Fee and commission expense: composition

Figures in thousands of euro	9M 2017 (*)	of which Stand-Alone UBI Banca Group	of which New Banks (*)	9M 2016 Stand-Alone UBI Banca Group
a) guarantees received	(496)	*(491)*	*(199)*	(1,128)
c) management and trading services:	(74,488)	*(78,817)*	*(889)*	(61,858)
1. trading in financial instruments	(8,045)	*(7,801)*	*(268)*	(8,177)
2. foreign exchange trading	(1)	*-*	*(1)*	(36)
3. portfolio management	(7,228)	*(7,123)*	*(121)*	(6,192)
3.1. own	(61)	*-*	*(76)*	-
3.2. on behalf of third parties	(7,167)	*(7,123)*	*(45)*	(6,192)
4. custody and administration of securities	(4,947)	*(4,768)*	*(179)*	(3,839)
5. placement of financial instruments	(7,142)	*(12,000)*	*(320)*	(3,752)
6. financial instruments, products and services distributed through indirect networks	(47,125)	*(47,125)*	*-*	(39,862)
d) collection and payment services	(39,207)	*(36,704)*	*(2,504)*	(32,945)
e) other services	(32,088)	*(31,594)*	*(516)*	(31,795)
Total	**(146,279)**	*(147,606)*	*(4,108)*	**(127,726)**
Net fee and commission income	**1,151,232**	*1,056,153*	*95,075*	**988,845**

(*) The figures for the New Banks relate to the second and third quarter of 2017. The sum of the columns is not the same as the consolidated figure due to the presence of consolidation entries.

As concerns the result for *financial activities* a quarterly analysis shows a significant contraction in the item to €36.4 million from €83.4 million before.

As shown in the detail in the table, the performance was affected primarily by disposal and repurchase activities for which the contribution fell to €24.5 million (caused primarily as follows: +€31.9 million in net profits on the sale mainly of government securities held in the AFS portfolio, -€3.2 million from the disposal of non-performing loans and -€5.2 million from

8 The amount consists of management, trading and advisory services net of the corresponding expense items and is calculated excluding currency trading.

9 All the changes were calculated by subtracting commission expense from the respective commission income.

the repurchase of securities in issue) from €55.8 million previously (+€55.9 million from the partial disposal of investments in the HTM portfolio, +€29.5 million from net profits on the sale of Italian and foreign government and corporate securities, -€25.6 million from the disposal of non-performing positions and -€3 million from the repurchase of debt securities in issue). Trading also made a lower contribution amounting to €9.7 million (€19 million in the previous quarter): while forex trading was almost unchanged (€9.7 million compared with €9.4 million before), the item was affected by decreases in the result for derivatives on debt securities (-€6 million), for debt securities themselves (-€1.6 million) and also for equities and the relative derivatives (-€1.4 million). Fair value movements in assets designated at fair value contributed €637 thousand compared with €7.9 million before, arising from the liquidation of private equity investments in the real estate and health sectors.

Quarterly performance by financial activities

Figures in thousands of euro	2017				
	3rd Quarter	*of which Stand-Alone UBI Banca Group*	**2nd Quarter**	*of which Stand-Alone UBI Banca Group*	**1st Quarter** *Stand-Alone UBI Banca Group*
Net trading income	9,739	*11,419*	19,004	*18,747*	23,950
Net hedging income	1,457	*960*	721	*291*	(2,089)
Total assets	*29,708*	*15,380*	*58,813*	*61,664*	*43,310*
Total liabilities	*(5,177)*	*(2,109)*	*(3,022)*	*(2,610)*	*(2,809)*
Profit from disposal or repurchase	24,531	*13,271*	55,791	*59,054*	40,501
Net income on financial assets and liabilities designated at fair value	637	*638*	7,881	*7,880*	2,998
Net income	**36,364**	*26,288*	**83,397**	*85,972*	**65,360**

Over nine months *financial activities* generated a profit of €185.1 million, of which €177.6 million attributable to the Stand-Alone UBI Banca Group. The latter figure, which compares with €106.3 million earned in the same period of 2016, benefited from a gain on a partial disposal in the HTM portfolio (non-recurring). In detail:

- trading made a positive contribution of €54.1 million (the comparative figure was +€23.5 million) composed as follows: +€3.6 million from debt securities; +€9.7 million for equities and the relative derivatives (almost all listed on regulated markets and with equity indices as the underlying); +€27.2 million for forex trading in relation to business with corporate clients [10]; and +€13.4 million for derivatives on debt securities and interest rates (profits/losses, gains/losses and accruals). The latter, which also incorporate business carried out on behalf of customers, reflect both trading in derivatives (including possible unwinding) and fair value movements in the derivatives themselves (for investment and balanced on the market) as well as the realisation of the relative differentials, which were negative in the first part of the year notwithstanding the growth, although small, in interest rate swaps on long-term maturities);
- hedging, which consists of the change in the fair value of derivatives and of the relative items hedged, generated a loss of €838 thousand for the Stand-Alone UBI Banca Group, attributable above all to increases in the value of the mortgages and loans hedged (+€989 thousand in 2016, mainly in relation to fair value movements in the derivatives on bonds, partly offset by the negative impacts resulting from derivatives on assets);
- the disposal of AFS instruments and the repurchase of financial liabilities generated profits of €112.8 million, of which +€67.1 million from the sale of Italian government securities and +€19.9 million from sovereign debt securities, +€55.9 million (normalised) from the partial disposal of the HTM portfolio that occurred in June, -€26 million from the disposal of non-performing positions and also -€7.5 million from the repurchase of debt securities in issue as part of normal business with customers. Profits on the sale/repurchase of financial assets/liabilities in 2016 came to €89.1 million of which: +€109.2 million from the sale of financial assets [of which +€96.5 million from the sale of Italian government securities; +€3.2 million from corporate bonds issued by banks and emerging countries; +€9.2 million from Visa Europe Ltd shares; +€6 million from the earn-out on the sale of ICBPI in December 2015, +€9.2 million from the redemption of the Sviluppo Impresa Fund

10 The Group does not enter into speculative positions and the results relate to business with customers and on own behalf generally balanced on the market. As a consequence, the items in question (line items 1.5, 4.1 and 3) must be considered together as a whole. On the whole the items relate to the results of spot and forward currency trading by customers (transactions closed and/or existing) and also transactions on behalf of customers balanced operationally by UBI Banca on the market.

(liquidated on 16th August 2016); +€15.4 million from the disposal of bad loans] and €20.1 million from the repurchase of debt securities in issue as part of normal business with customers;

- fair value movements in investments in Tages Funds and private equity investments generated a positive result of €11.5 million (-€7.2 million in 2016, caused by losses on Tages Funds and on a residual position in a hedge fund, completely written down, and also by the translation effect, only partly offset by increases in the fair value of private equity investments).

Net trading income

Figures in thousands of euro	Gains (A)	Profits from trading (B)	Losses (C)	Losses from trading (D)	Net income 9M 2017 [(A+B)-(C+D)]	*of which Stand-Alone UBI Banca Group*	9M 2016 Stand-Alone UBI Banca Group
1. Financial assets held for trading	**3,507**	**20,418**	**(210)**	**(3,681)**	**20,034**	*19,222*	**16,707**
1.1 Debt instruments	552	3,836	(5)	(813)	3,570	*3,318*	3,945
1.2 Equity instruments	1,471	603	(45)	(54)	1,975	*1,923*	(879)
1.3 Units in UCITS	12	107	(160)	(31)	(72)	*(44)*	(561)
1.4 Financing	-	-	-	-	-	-	-
1.5 Other	1,472	15,872	-	(2,783)	14,561	*14,025*	14,202
2. Financial liabilities held for trading	**-**	**419**	**-**	**(90)**	**329**	*329*	**1,596**
2.1 Debt instruments	-	419	-	(90)	329	*329*	1,596
2.2 Payables	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**(2,738)**	*3,535*	**(1,432)**
4. Derivative instruments	**236,590**	**149,231**	**(164,271)**	**(202,307)**	**35,068**	*31,030*	**6,628**
4.1 Financial derivatives	236,590	149,231	(164,271)	(202,307)	35,068	*31,030*	6,628
- on debt instruments and interest rates	*233,634*	*131,304*	*(163,107)*	*(190,544)*	*11,287*	*13,395*	*(2,025)*
- on equity instruments and share indices	*1,752*	*9,461*	*(12)*	*(3,453)*	*7,748*	*7,745*	*(1,911)*
- on currencies and gold	*X*	*X*	*X*	*X*	*15,825*	*9,682*	*10,236*
- other	*1,204*	*8,466*	*(1,152)*	*(8,310)*	*208*	*208*	*328*
4.2 Credit derivatives	-	-	-	-	-	-	-
Total	**240,097**	**170,068**	**(164,481)**	**(206,078)**	**52,693**	*54,116*	**23,499**

Net hedging income (loss)

Figures in thousands of euro	9M 2017	*of which Stand-Alone UBI Banca Group*	9M 2016 Stand-Alone UBI Banca Group
Net hedging income (loss)	**89**	*(838)*	**989**

Profit from disposal or repurchase

Figures in thousands of euro	Profits	Losses	Net profit 9M 2017	*of which Stand-Alone UBI Banca Group*	9M 2016 Stand-Alone UBI Banca Group
Financial assets					
1. Loans and advances to banks	-	-	-	-	-
2. Loans and advances to customers	1,172	(30,734)	(29,562)	*(26,006)*	(15,359)
3. Available-for-sale financial assets	111,325	(5,869)	105,456	*90,423*	124,564
3.1 Debt instruments	*107,835*	*(5,845)*	*101,990*	*86,991*	*99,687*
3.2 Equity instruments	*762*	*(24)*	*738*	*704*	*15,590*
3.3 Units in UCITS	*2,728*	*-*	*2,728*	*2,728*	*9,287*
3.4 Financing	*-*	*-*		*-*	*-*
4. Held-to-maturity investments	55,937	-	55,937	*55,937*	-
Total assets	**168,434**	**(36,603)**	**131,831**	*120,354*	**109,205**
Financial liabilities					
1. Due to banks	-	-	-	-	-
2. Due to customers	-	-	-	-	-
3. Debt securities issued	869	(11,877)	(11,008)	*(7,528)*	(20,116)
Total liabilities	**869**	**(11,877)**	**(11,008)**	*(7,528)*	**(20,116)**
Total	**169,303**	**(48,480)**	**120,823**	*112,826*	**89,089**

Net profit (loss) on financial assets and liabilities designated at fair value

Figures in thousands of euro	9M 2017	*of which Stand-Alone UBI Banca Group*	9M 2016 Stand-Alone UBI Banca Group
Net profit (loss) on financial assets and liabilities designated at fair value	**11,516**	*11,516*	**(7,233)**

Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	**185,121**	*177,620*	**106,344**

Net income on insurance operations, relating to the New Banks and to the second and third quarters only, came to €8.7 million: €4.6 million in the third quarter and €4.1 million in the second quarter.
Other net operating income/expense fell to €16.8 million in the third quarter compared with approximately €30 million in the preceding three months. The decrease was caused primarily by lower tax recoveries (-€6.5 million) and higher prior year expenses amounting to €9.5 million, essentially in relation to expenses for legal defence and revocation (clawback) proceedings expenses, in the presence of a modest reduction in fast credit processing fees (-€0.8 million).
It must always be considered that because the underlying items of prior year income and expense items are of a varied and non-structural nature, they often fluctuate greatly from one period to another.

Over nine months *other net operating income/expense* came to approximately €76 million, of which €8.6 million relating to the New Banks and €67.7 million to the old perimeter, compared with approximately €77 million in the period January-September 2016. The composition of this item included a contraction in tax recoveries, while fast credit processing fees, recognised within prior year income, fell to €27 million from €34 million before. Finally, an increase was recorded in prior year expenses for the reasons mentioned above.

Other net operating income/expense

Figures in thousands of euro	9M 2017 (*)	of which Stand-Alone UBI Banca Group	of which New Banks (*)	9M 2016 Stand-Alone UBI Banca Group
Other operating income	**133,485**	*111,410*	*22,590*	**116,117**
Recovery of expenses and other income on current accounts	18,769	*12,877*	*5,892*	13,566
Recovery of insurance premiums	14,950	*14,007*	*943*	15,383
Recoveries of taxes	170,840	*161,099*	*9,741*	167,041
Rents and other income for property management	4,652	*3,748*	*986*	3,431
Recovery of expenses on finance lease contracts	11,558	*11,523*	*35*	12,402
Other income and prior year income	83,556	*69,255*	*14,734*	71,335
Reclassification of "tax recoveries"	*(170,840)*	*(161,099)*	*(9,741)*	*(167,041)*
Other operating expenses	**(57,805)**	*(43,728)*	*(14,017)*	**(39,114)**
Depreciation of leasehold improvements	(3,735)	*(2,193)*	*(1,542)*	(2,886)
Costs relating to finance lease contracts	(8,171)	*(8,171)*	-	(8,324)
Expenses for public authority treasury contracts	(1,894)	*(1,893)*	-	(2,632)
Other expenses and prior year expense	(47,740)	*(33,664)*	*(14,017)*	(28,158)
Reclassification of depreciation of leasehold improvements	*3,735*	*2,193*	*1,542*	*2,886*
Total	**75,680**	*67,682*	*8,573*	**77,003**

(*) The figures for the period ended 30th September 2017 include those for the New Banks for the second and third quarters of 2017 only. In consideration of the presence of consolidation entries, the sum of the columns is not the same as the consolidated figure.

Operating expenses totalled €631.3 million in the period July-September (€636.2 million in the second quarter), of which €135.8 million attributable to the New Banks (€141.8 million in the preceding quarter) and €500.6 million (€499.7 million) to the Stand-Alone UBI Banca Group. In detail:

- *staff costs* (which do not include redundancy expenses recognised under a separate item) fell from €396.3 million to €379.8 million. This decrease occurred in both perimeters (-€5.3 million at Stand-Alone level and -€11.2 million for the New Banks), benefiting from savings from staff leaving in the quarter (see the section entitled "Changes in staff numbers");
- *other administrative expenses,* on the other hand (€211.8 million in the third quarter compared with €199.7 million in the second quarter), rose by approximately €12 million, of which €6.5 million attributable to the Stand-Alone UBI Banca Group and €5.9 million to the New Banks.
  The increase relates to the item "membership fees" which, in the third quarter, included the payment of the ordinary contribution to the Deposit Guarantee Scheme amounting to €25.2 million. That expense was partially offset by lower expenses for professional and advisory services (-€6.3 million in the quarter, with the decrease evenly distributed between the two perimeters) and for advertising expenses (-€5.6 million);
- *depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets* remained stable (€39.6 million in the third quarter compared with €40.2

million previously) as a result of substantial offsetting between depreciation and amortisation on technology and real estate assets.

In the first nine months of the year **operating expenses** came to €1,789.5 million up from €1,553.2 million in the same period of 2016 (which, however, related to the Stand-Alone Group only), to record growth of €236.3 million.

The Stand-Alone UBI Banca Group recorded total operating expenses of €1,522.4 million (-€30.8 million compared with 2016), while they came to €277.7 million for the New Banks.

For the purposes of a consistent comparison, the commentary is on the old perimeter of the UBI Banca Group.

- *Staff costs* fell from €953.8 million to €942.7 million, the aggregate result of savings from changes in staff numbers generated in relation to redundancies under trade union agreements (-283 staff on average) and also of the benefits resulting from the adoption of various different forms of working agreed with trade unions. These actions made it possible to fully offset the inertia factor in wage growth, the result, amongst other things, of the impact of the national trade union agreement, and also individual redundancy expenses and internal communication/training initiatives. As shown in the table, all the main items relating to employee personnel recorded decreases with the exception of the item "other employee benefits" (+€4.3 million), partly as a result of lower reimbursements for training programmes and higher costs for internal communication. The item also includes a reduction in the pay-out for board members' and statutory auditors' fees (-€3.6 million) as a consequence of the process to rationalise corporate structure in progress in the Group which led to a reduction in both the number of board members and in the relative fees paid.

Staff costs: composition

Figures in thousands of euro	9M 2017 (*)	*of which Stand-Alone UBI Banca Group*	*of which New Banks (*)*	9M 2016 Stand-Alone UBI Banca Group
1) Employees	**(1,087,529)**	*(934,966)*	*(151,211)*	**(942,771)**
a) Wages and salaries	(765,044)	*(661,517)*	*(102,175)*	(669,676)
b) Social security charges	(203,886)	*(175,865)*	*(28,021)*	(177,905)
c) Post-employment benefits	(38,671)	*(36,672)*	*(1,999)*	(36,370)
d) Pension expense	(34)	-	*(34)*	-
e) Provision for post-employment benefits	(2,343)	*(617)*	*(1,726)*	(1,677)
f) Pensions and similar obligations:	(1,860)	*(587)*	*(1,273)*	(853)
- defined contribution	(1,273)	-	*1,273*	-
- defined benefit	(587)	*(587)*	-	(853)
g) Payments to external supplementary pension funds:	(33,752)	*(28,389)*	*(5,363)*	(29,246)
- defined contribution	(32,491)	*(28,106)*	*(4,385)*	(29,133)
- defined benefit	(1,261)	*(283)*	*(978)*	(113)
h) Expenses resulting from share based payments	-	-	-	-
i) Other employee benefits	(41,939)	*(31,319)*	*(10,620)*	(27,044)
2) Other staff in service	**(1,095)**	*(1,468)*	*(983)*	**(1,120)**
- Expenses for agency staff on staff leasing contracts	(10)	*(10)*	-	(81)
- Other expenses	(1,085)	*(1,458)*	*(983)*	(1,039)
3) Directors and statutory auditors	**(7,886)**	*(6,265)*	*(1,625)*	**(9,894)**
4) Expenses for retired staff	**(164)**	-	*(164)*	**-**
Total	**(1,096,674)**	*(942,699)*	*(153,983)*	**(953,785)**

- Other administrative expenses fell to €474.8 million from €493.4 million before, partly in consideration of lower indirect taxation (-€9.4 million year-on-year) as a result above all of the disappearance of intragroup VAT on service fees after the creation of the Single Bank (-€8.5 million). Current expenses recorded a fall of €9.2 million which mainly regarded outsourced services (-€3.5 million) in relation to the conclusion of a marketing campaign, which involved sweepstake prizes, concluded in the first half of 2016 and membership fees (-€6.1 million), which included €27.7 million in the first nine months of 2017 for the ordinary quota of the contribution to the Resolution Fund[11] (€32 million in the first nine months of 2016) and the ordinary contribution to the Deposit Guarantee Scheme amounting to €25.2 million (€26.4 million in 2016). The other components showed no

11 In the first quarter of 2017 an estimate of the ordinary contribution was recognised, amounting to €31.6 million, adjusted in the second quarter following an official notification by the Bank of Italy.
Similarly in the first quarter of 2016 an estimate of the ordinary quota due for the year amounting to €31.9 million had been recognised within other administrative expenses, but the final contribution that was then posted was €32 million.

significant changes and the marginal increases and reductions recorded year-on-year substantially offset one against the other.

Other administrative expenses: composition

Figures in thousands of euro	9M 2017	of which Stand-Alone UBI Banca Group	of which New Banks (*)	9M 2016 Stand-Alone UBI Banca Group
A. Other administrative expenses	**(545,435)**	*(445,806)*	*(100,150)*	**(455,004)**
Rent payable	(51,116)	*(34,982)*	*(16,221)*	(36,929)
Professional and advisory services	(78,781)	*(68,185)*	*(10,596)*	(64,063)
Rentals hardware, software and other assets	(31,470)	*(25,539)*	*(5,930)*	(23,280)
Maintenance of hardware, software and other assets	(35,346)	*(31,233)*	*(4,115)*	(32,382)
Tenancy of premises	(36,557)	*(30,678)*	*(5,899)*	(31,691)
Property maintenance	(16,952)	*(14,012)*	*(2,940)*	(13,726)
Counting, transport and management of valuables	(10,338)	*(8,513)*	*(1,825)*	(8,831)
Membership fees	(71,543)	*(61,732)*	*(9,810)*	(67,823)
Information services and land registry searches	(9,137)	*(6,813)*	*(2,324)*	(6,409)
Books and periodicals	(914)	*(781)*	*(133)*	(849)
Postal	(11,878)	*(9,168)*	*(2,710)*	(9,677)
Insurance premiums	(23,309)	*(22,407)*	*(902)*	(24,543)
Advertising	(16,970)	*(16,256)*	*(714)*	(15,905)
Entertainment expenses	(1,005)	*(910)*	*(95)*	(1,003)
Telephone and data transmission expenses	(38,269)	*(32,405)*	*(5,864)*	(32,291)
Services in outsourcing	(46,572)	*(28,786)*	*(18,198)*	(32,273)
Travel expenses	(10,731)	*(9,677)*	*(1,054)*	(10,292)
Credit recovery expenses	(29,624)	*(27,987)*	*(1,636)*	(25,494)
Forms, stationery and consumables	(5,097)	*(4,378)*	*(719)*	(4,842)
Transport and removals	(6,097)	*(4,297)*	*(1,800)*	(4,481)
Security	(4,392)	*(3,747)*	*(646)*	(4,934)
Other expenses	(9,337)	*(3,320)*	*(6,019)*	(3,286)
B. Indirect taxes	**(32,438)**	*(28,971)*	*(3,465)*	**(38,405)**
Indirect taxes and duties	(11,930)	*(9,962)*	*(1,968)*	(18,631)
Stamp duty	(156,182)	*(147,247)*	*(8,935)*	(154,970)
Municipal property tax	(17,188)	*(15,524)*	*(1,664)*	(15,695)
Other taxes	(17,978)	*(17,337)*	*(639)*	(16,150)
Reclassification of "tax recoveries"	*170,840*	*161,099*	*9,741*	*167,041*
Total	**(577,873)**	*(474,777)*	*(103,615)*	**(493,409)**

(*) The figures for the New Banks relate to the second and third quarters of 2017 and include the effects of the allocation of badwill. In consideration of the presence of consolidation entries, the sum of the columns is not the same as the consolidated figure.

- *depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets* were almost unchanged at €105 million (-€1.1 million), the aggregate result of growth in depreciation and amortisation of IT components (+€5.6 million), lower depreciation of real estate assets (-€3.8 million, partly due to branch closures) and a fall in the purchase price allocation (-€2.9 million, attributable to impairment losses on the former network bank brands recognised at the end of the year).

Net operating income fell on a quarterly basis to €225.1 million from €304.6 million in the second quarter.
Over nine months net operating income generated €805.8 million, of which €837.1 million relating to the Stand-Alone UBI Banca Group, a result which compares with €780.8 million in the same period of 2016.

Net impairment losses on loans were recognised amounting to €135 million in the third quarter of the year, down by €12.8 million on the second quarter (€147.8 million
A net positive effect contributed to the item of which €32 million attributable to the New Banks (of which -€7.7 million resulting from impairment in the period and +€39.7 million from the reversal of the allocation of badwill) and €167 million to impairment losses of the Stand-Alone Group.
The New Banks recorded a net positive effect of €4.2 million in the second quarter consisting of -€10.2 million of impairment losses and of +€14.4 million as a result of the badwill reversal, while the old perimeter recorded impairment losses of €152 million.
As shown in the table, in the third quarter the item was composed of specific write-downs amounting to €146.7 million (€148.9 million in the second quarter) and specific reversals of €11.6 million (€1 million in the previous period).

The loan loss rate (calculated as total net impairment losses as a percentage of the portfolio of net loans to customers at the end of period) stood at 0.58%, down from 0.63% in the second quarter (annualised data).

Net impairment losses/reversals of impairment losses on loans: quarterly performance

Figures in thousands of euro	Specific	Portfolio	1st Quarter	Specific	Portfolio	2nd Quarter	Specific	Portfolio	3rd Quarter	Specific	Portfolio	4th Quarter
2017 (*)	(131,363)	(3,439)	**(134,802)**	(148,868)	1,042	**(147,826)**	(146,707)	11,655	**(135,052)**			
2016	(150,151)	(5,188)	**(155,339)**	(1,045,673)	(5,361)	**(1,051,034)**	(177,884)	10,503	**(167,381)**	(209,024)	17,251	**(191,773)**
2015	(199,326)	9,134	**(190,192)**	(207,544)	8,637	**(198,907)**	(184,540)	16,006	**(168,534)**	(231,544)	(13,469)	**(245,013)**
2014	(212,210)	13,584	**(198,626)**	(237,289)	6,814	**(230,475)**	(210,219)	13,169	**(197,050)**	(242,443)	(60,023)	**(302,466)**
2013	(155,657)	(2,085)	**(157,742)**	(212,689)	(13,461)	**(226,150)**	(192,435)	(314)	**(192,749)**	(347,302)	(19,035)	**(366,337)**
2012	(122,221)	(8,949)	**(131,170)**	(225,562)	22,381	**(203,181)**	(161,535)	1,207	**(160,328)**	(373,308)	20,773	**(352,535)**
2011	(96,010)	(9,364)	**(105,374)**	(142,877)	(15,271)	**(158,148)**	(110,779)	(24,364)	**(135,143)**	(195,114)	(13,299)	**(208,413)**
2010	(105,366)	(26,493)	**(131,859)**	(184,080)	(5,765)	**(189,845)**	(124,200)	(9,811)	**(134,011)**	(217,327)	(33,890)	**(251,217)**
2009	(122,845)	(36,728)	**(159,573)**	(176,919)	(58,703)	**(235,622)**	(178,354)	(18,995)	**(197,349)**	(281,668)	9,001	**(272,667)**
2008	(64,552)	4,895	**(59,657)**	(85,136)	(8,163)	**(93,299)**	(77,484)	(25,384)	**(102,868)**	(219,512)	(90,887)	**(310,399)**

(*) The second and third quarters of 2017 include the figures for the New Banks.

In the period January-September 2017, consolidated net impairment losses stood at €417.7 million (€453.9 million for the old perimeter) compared with €1,373.8 million in the same period of 2016 relating to the Stand-Alone Group which, in accordance with the provisions of the 2019/2020 Business Plan, had incorporated provisions made to raise coverage for non-performing loans, and for bad loans and unlikely-to-pay loans in particular (with a consequent partial absorption of the provision shortfall and that is the shortfall of provisions to expected losses, which forms part of the definition of own funds for regulatory purposes).
As shown in the table, the €417.7 million recognised is the result of net specific write-downs of €426.9 million, of which €142.9 million relating to write-offs, and of portfolio reversals amounting to €9.2 million. The annualised *loan loss rate* was 0.59%[12].

Net impairment losses on loans: composition

Figures in thousands of euro	Impairment losses/ reversals of impairment losses, net: Specific	Portfolio	9M 2017 (*)	Impairment losses/ reversals of impairment losses, net: Specific	Portfolio	3rd Quarter 2017
Loans and advances to banks	(1)	-	(1)	(1)	16	15
Loans and advances to customers	(426,937)	9,258	(417,679)	(146,706)	11,639	(135,067)
Total	**(426,938)**	**9,258**	**(417,680)**	**(146,707)**	**11,655**	**(135,052)**

(*) The figures for the period ended 30th September 2017 include net impairment losses/reversals for the New Banks relating to the second and third quarters of 2017 only.

Figures in thousands of euro	Impairment losses/ reversals of impairment losses, net: Specific	Portfolio	9M 2016	Impairment losses/ reversals of impairment losses, net: Specific	Portfolio	3rd Quarter 2016 *Stand-Alone UBI Banca Group*
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	(1,373,708)	(46)	(1,373,754)	(177,884)	10,503	(167,381)
Total	**(1,373,708)**	**(46)**	**(1,373,754)**	**(177,884)**	**10,503**	**(167,381)**

We report the following other items recognised in the income statement:

- €31.6 million of *net impairment losses on other financial assets/liabilities*, down on €82.7 million in the second quarter. In the current quarter €32.4 million was recognised (normalised) consisting of expenses for commitments to the IDPF (Interbank Deposit Protection Fund) for intervention to assist Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato[13], while in the April-June

12 0.67% if calculated with account taken of the different time periods for the two perimeters.

13 Following the planned purchase of the three banks by Crédit Agricole Cariparma, expected to be completed by the end of the current year, and the related additional capital requirement presented by the acquirer on conclusion of the due diligence, on 7th September 2017 an extraordinary shareholders' meeting of the banks participating in the voluntary scheme approved an increase from €700 million to €795 million in the capital of the scheme itself. See in this respect the information given in the Explanatory Notes to the interim consolidated financial statements.

period the item included €70.6 million (normalised) of additional impairment to the investment in the Atlante Fund[14];

- €5.1 million of *net provisions for risks and charges*, which compare with €2.1 million of net releases of provisions in the second quarter which included €6.1 million of releases for staff by the New Banks, partially offset by provisions made for litigation and other probable risks relating to the Stand-Alone Group. In the third quarter the item mainly included additions to provisions for risks and charges and for litigation;
- €468 thousand of *profit on the disposal of investments*, in line with €496 thousand in the second quarter.

Following was recorded, on the other hand, over nine months:

- *net impairment losses on other financial assets/liabilities* of €130.4 million, of which €127.5 million attributable to the historical group (€50.9 million[15] in the 2016) and the remaining part to the New Banks (impairment of €14.7 million partially offset by €11.8 million for the quota that was allocated to badwill of the impact of the valuation of the stake held in the IDPF (Interbank Deposit Protection Fund) voluntary scheme for intervention to assist Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato. The €127.5 million figure includes €89.3 million relating to the write-down of the Atlante Fund and €32.4 million for the aforementioned IDPF expense;
- €10.5 million of *net provisions for risks and charges*, of which €13.6 million attributable to the Stand-Alone Group (€30.2 million in 2016)[16]. More specifically, provisions for revocation (clawback) action fell by around €5 million, while provisions for other litigation increased to €9.3 million from €4.6 million before and included €3.4 million of provisions made by the New Banks. There was then a release of a provision for staff costs amounting to €3.9 million relating to the New Banks, while provisions for other probable risks amounted to €4.3 million (mainly to cover claims received and expected) down from €20.2 million to September 2016, which included risks identified by specific statistical software procedures installed at the end of 2015 and €9.4 million set aside by UBI Factor to meet the risk of recourse legal action connected with factoring business);
- €1.1 million of *profit on the disposal of investments*, of which €0.9 million generated by the original group[17] mainly from disposals of real estate property assets.

Net provisions for risks and charges

Figures in thousands of euro	9M 2017 (*)	9M 2016 *Stand-Alone UBI Banca Group*
Net provisions for revocation clawback risks	(215)	(5,191)
Net provisions for staff costs	3,859	-
Net provision for bonds in default	(466)	(132)
Net provisions for litigation	(9,298)	(4,635)
Other net provisions for risks and charges	(4,341)	(20,243)
Total	**(10,461)**	**(30,201)**

(*) The figures for the period ended 30th September 2017 include the figures for the New Banks relating to the second and third quarters of 2017 only.

As a result of the performance described above, **pre-tax profit from continuing operations** in the third quarter came to €53.8 million, down from €76.7 million in the second quarter, affected by a fall in operating income.
Pre-tax profit totalled €248.4 million over nine months (€242.9 million for the Stand-Alone UBI Banca Group) compared with a loss of €672.1 million recorded in 2016.

Finally, *taxes on income for the period from continuing operations* amounted to €33.8 million, down compared with €40.4 million in the second quarter, mainly as a result of the contraction

14 The investment in the Atlante Fund had already been written down by €38.1 million in the first quarter of the year, as recognition of further impairment after a write-down of €19.4 million in December 2016 for an adjustment to the commitment to make a payment at the beginning of January 2017. Impairment of this fund totalling €108.7 million was recognised in 2017 (item 130b – offset by a reversal of €19.4 million – item 130d – for the adjustment to a commitment recognised in 2016).

15 Of which -€52.1 million under item 130b (€4.7 million relating to UBI Banca and former BRE financial instruments and €47.4 million to the virtual elimination of the remaining credit risk associated with derivative instruments resulting from non-performing loan positions of UBI Banca, the former Banco di Brescia and the former BPB) and +€1.2 million under item 130d (relating to net impairment losses on unsecured guarantees and sundry commitments inclusive of +€1.9 million arising from the difference between the final cost calculated and the expense previously recognised for the Interbank Deposit Protection Fund intervention to assist Banca Tercas).

16 The provisions amounting to €30.2 million that had been made related to revocation clawback actions and litigation, including a provision of €20.2 million relating to other probable risks (claims, risks identified by specific statistical procedures and also €9.4 million recognised by UBI Factor to meet the risk of recourse legal action connected with factoring business).

17 Gains from the disposal of investments came to €1.9 million in the first nine months of 2016, of which €1.3 million relating to the former Banca Carime.

in net operating income. The tax rate nevertheless remained high in both quarters, affected in particular by the failure to make use of tax assets relating to prior year losses of the New Banks, for which the necessary conditions for recognising these will only be met after the companies have been merged.

In the period January-September, *taxes on income for the period from continuing operations* amounted to €112.2 million[18], to give a tax rate of 45.16% (compared with a theoretical rate of 33.07%), impacted by the losses recognised by the New Banks without use of the tax effect (9.7 percentage points).

Net of that effect, the tax rate was affected mainly by the combined effects of IRES (corporate income tax) and IRAP (regional production tax), due to:
- non-tax deductible impairment losses, expenses, costs, and provisions (2.7 percentage points);
- the total non-deductibility for IRAP purposes of provisions for risks and charges and impairment losses on AFS securities and the partial non-deductibility of staff costs (staff employed on temporary contracts), other administrative expenses and depreciation and amortisation (4.2 percentage points).

These impacts were only only partially mitigated:
- by the ACE (aid to economic growth – allowance for corporate equity) concessions (1.7 percentage points), for which the benefit in 2017 has nevertheless been significantly reduced due to the effect of the reduction in the coefficient for the notional return (down from 4.75% in 2016 to 1.6% in 2017);
- by the valuation of equity investments according to the equity method, not significant for tax purposes (2.2 percentage points);
- by untaxed dividends and by reversals of impairment and gains on the disposal of shareholdings that benefit from the participation exemption regime (0.6 percentage points).

As a result of the performance reported and also of the profits earned by Group companies, in the third quarter *profit for the period attributable to non-controlling interests* (inclusive of the effects of consolidation entries) came to €6.4 million, unchanged quarter-on-quarter.

Over nine months *profit attributable to non-controlling interests* (inclusive of the effects of consolidation entries) came to €18.8 million (a loss of €9.5 million in 2016).

* * *

Finally, the following items (subject to normalisation) have been stated separately net of tax and non-controlling interests;
- *redundancy expenses* (€3.6 million, net of tax and non-controlling interests), relating to the New Banks, of which €1.3 million relating to the second quarter;
- *other administrative expenses*, consisting of expenses incurred for the completion of the Single Bank Project (€6.5 million, €9.6 million gross) of which €349 thousand relating to the second quarter;
- *other administrative expenses,* consisting of expenses incurred for the acquisition of the former Bridge Banks (€21.2 million, €31.8 million gross), of which approximately €10 million relating to the second quarter;
- *negative consolidation difference*, consisting of the allocation of badwill (€616.2 million, net of taxes and non-controlling interests), of which €3.3 million relating to the third quarter.

In the first nine months of 2016, the impacts on the income statement of factors designed to enable the achievement of the goals set in the 2019/2020 Business Plan were summarised, stated under separate items net of taxes and non-controlling interests. In detail:
- redundancy expenses (€207.2 million, €323.2 million gross), in relation to strong generation turnover, with approximately 2,750 redundancies over the course of the plan;
- *net impairment losses on intangible assets* – the purchase price allocation (€37.9 million, €62.8 million gross), relating to the network bank brands;
- *other administrative expenses* (€3.4 million, €5.2 million gross), for project expenses connected with the development and implementation of the Single Bank Project.

18 Tax receivables (IRES – corporate income tax) of €161.7 million were recorded in the first nine months of 2016, with a tax rate of 24.06%. The percentage rate for IRAP (regional production tax) on the other hand was nil due to the result for the period and the full deductibility of costs for personnel employed on permanent contracts, introduced with effect from 2015 by Art. 1, paragraph 20-25 of law No. 190 – 2014 (2015 *Legge di stabilità* "stability law" – annual finance law).

The comments that follow are based on items in the consolidated balance sheet contained in the reclassified consolidated financial statements on which the relative tables furnishing details are also based. The section "Consolidated companies: the principal figures" may be consulted for information on UBI Banca and other Group companies.

General banking business with customers: funding

In order to render the figures as at 30th September and as at 30th June 2017 comparable, the figures as at 31st December 2016 have been restated on an aggregate basis in order to take account of those relating to the New Banks which were included in the scope of consolidation from 1st April 2017.

Total banking funding

Total banking funding from customers

Figures in thousands of euro	30.9.2017 A	%	30.6.2017 B	%	Changes A/B amount	Changes A/B %	31.12.2016 aggregate C	%	Changes A/C amount	Changes A/C %
Direct banking funding	96,554,059	49.4%	98,474,600	50.7%	-1,920,541	-2.0%	103,258,237	53.5%	-6,704,178	-6.5%
Indirect funding	98,806,557	50.6%	95,829,633	49.3%	2,976,924	3.1%	89,782,736	46.5%	9,023,821	10.1%
of which: assets under management	*63,741,153*	*32.6%*	*62,043,961*	*31.9%*	1,697,192	2.7%	*58,580,569*	*30.3%*	5,160,584	8.8%
Total banking funding	**195,360,616**	**100.0%**	**194,304,233**	**100.0%**	**1,056,383**	**0.5%**	**193,040,973**	**100.0%**	**2,319,643**	**1.2%**
Total banking funding net of CCG and institutional funding	181,406,499		179,425,735		1,980,764	1.1%	176,064,253		5,342,246	3.0%
of which: ordinary captive customers	*180,931,274*		*178,951,387*		*1,979,887*	*1.1%*	*175,589,978*		*5,341,296*	*3.0%*

Total Group banking funding consisting of total amounts administered on behalf of customers totalled €195.4 billion as at 30th September 2017, up €1.1 billion on June and €2.3 billion compared with December 2016.

As shown in the table, if the total is considered net of institutional components (inclusive of the Cassa di Compensazione e Garanzia – *CCG, a central counterparty clearing house) and of non-captive totals (the former Centrobanca), then funding from ordinary captive customers stood at approximately €180.9 billion, an improvement of approximately €2 billion over three months and €5.3 billion over nine months.*

The positive performance of this item continues to be driven by indirect funding (up €3 billion approx. since the end of the first half and up €9 billion since the end of the year to €98.8 billion) and by the asset management component in particular (+€1.7 billion since June and +€5.2 billion since December 2016), compared with a reduction in direct banking funding (-€1.9 billion and -€6.7 billion to €96.6 billion) resulting primarily from total debt securities in issue, subscribed by non-institutional customers. Consistent with the Business Plan objectives and also with a view to protecting customers in the context of the bail-in rules, a process is in progress to transform maturing bond funding into assets under management. This is also encouraged by low market interest rates.

The downward trend for direct banking funding in the third quarter also incorporates the maturity (in mid-September) of a covered bond with a nominal value of €1 billion, reissued for €1.25 billion nominal at the beginning of October.

Direct banking funding

Direct banking funding of the UBI Banca Group amounting to €96.6 billion as at 30th September 2017 (of which €81.8 billion relating to the Stand-Alone UBI Banca Group and €14.8 billion to the New Banks) was down €1.9 billion over three months and €6.7 billion over nine months. As shown in the table, the fall recorded in both periods is attributable primarily to debt securities issued subscribed by ordinary captive customers for whom a migration is currently in progress towards direct funding instruments.

Amounts due to customers of €70.3 billion (€70.1 billion in June and €71 billion at the end of 2016) showed no significant changes in the quarter, although they did fall over nine months as a result of lower repurchase agreements entered into with the CCG. In detail:

- *current accounts and deposits* (up to €64 billion from €62.7 billion in June and €61.3 billion in December 2016) recorded growth of €1.3 billion in the quarter which involved both perimeters (+€0.7 billion for the Stand-Alone UBI Banca Group and +€0.6 billion for the New Banks). Deposits also benefited as at 30th September 2017 from liquidity accumulated in view of the settlement date for the placement of funds across the two quarterly periods[1] for both the Stand-Alone perimeter and customers of the New Banks thanks to their confidence in the new management;
- *term deposits* (€2.8 billion in September, €3.5 billion in June and €4 billion at the end of 2016), attributable almost entirely to the New Banks, are gradually contracting because they are no longer subject to the renewal on maturity;

Direct banking funding from customers

Figures in thousands of euro	30.9.2017 A	%	30.6.2017 B	%	Changes A/B amount	Changes A/B %	31.12.2016 aggregate C	%	Changes A/C amount	Changes A/C %
Current accounts and deposits	64,040,161	66.3%	62,769,372	63.7%	1,270,789	2.0%	61,328,124	59.4%	2,712,037	4.4%
Term deposits	2,781,248	2.9%	3,494,704	3.6%	-713,456	-20.4%	4,017,886	3.9%	-1,236,638	-30.8%
Financing	2,180,312	2.3%	2,487,007	2.5%	-306,695	-12.3%	4,118,888	4.0%	-1,938,576	-47.1%
- repurchase agreements	*1,836,413*	*1.9%*	*2,147,461*	*2.2%*	-311,048	-14.5%	*3,674,740*	*3.6%*	-1,838,327	-50.0%
of which: repos with the CCG	*1,683,914*	*1.7%*	*1,571,928*	*1.6%*	111,986	7.1%	*3,149,387*	*3.1%*	-1,465,473	-46.5%
- other	*343,899*	*0.4%*	*339,546*	*0.3%*	4,353	1.3%	*444,148*	*0.4%*	-100,249	-22.6%
Other payables	1,278,051	1.3%	1,361,308	1.4%	-83,257	-6.1%	1,524,560	1.4%	-246,509	-16.2%
Total amounts due to customers (item 20 liabilities)	**70,279,772**	**72.8%**	**70,112,391**	**71.2%**	**167,381**	**0.2%**	**70,989,458**	**68.7%**	**-709,686**	**-1.0%**
Bonds	24,438,561	25.3%	26,169,954	26.6%	-1,731,393	-6.6%	29,846,361	28.9%	-5,407,800	-18.1%
Certificates of deposit (a)+(b)	1,835,726	1.9%	2,186,614	2.2%	-350,888	-16.0%	2,422,418	2.4%	-586,692	-24.2%
Other certificates	-	0.0%	5,641	0.0%	-5,641	-100.0%	-	-	-	-
Total debt securities issued (*) (item 30 Liabilities)	**26,274,287**	**27.2%**	**28,362,209**	**28.8%**	**-2,087,922**	**-7.4%**	**32,268,779**	**31.3%**	**-5,994,492**	**-18.6%**
of which:										
securities subscribed by institutional customers:	12,270,203	12.7%	13,306,570	13.5%	-1,036,367	-7.8%	13,827,333	13.4%	-1,557,130	-11.3%
The EMTN programme (**)	*3,949,700*	*4.1%*	*3,992,880*	*4.0%*	-43,180	-1.1%	*4,298,583*	*4.2%*	-348,883	-8.1%
Negotiable European Commercial Paper Programme 1 (a)	-	-	-	-	-	-	*100,015*	*0.1%*	-100,015	-100.0%
The covered bond programme	*8,320,503*	*8.6%*	*9,313,690*	*9.5%*	-993,187	-10.7%	*9,428,735*	*9.1%*	-1,108,232	-11.8%
securities subscribed by ordinary customers:	14,004,084	14.5%	15,048,662	15.3%	-1,044,578	-6.9%	18,366,220	17.8%	-4,362,136	-23.8%
of the Group:										
- Certificates of deposit (b)	*1,835,726*	*1.9%*	*2,186,614*	*2.2%*	-350,888	-16.0%	*2,322,403*	*2.2%*	-486,677	-21.0%
- bonds	*11,693,133*	*12.1%*	*12,387,700*	*12.6%*	-694,567	-5.6%	*15,569,542*	*15.1%*	-3,876,409	-24.9%
external distribution networks:										
- Bonds issued by the former Centrobanca	*475,225*	*0.5%*	*474,348*	*0.5%*	877	0.2%	*474,275*	*0.5%*	950	0.2%
Total direct funding	**96,554,059**	**100.0%**	**98,474,600**	**100.0%**	**-1,920,541**	**-2.0%**	**103,258,237**	**100.0%**	**-6,704,178**	**-6.5%**
Due to customers net of the CCG	*68,595,858*		*68,540,463*		*55,395*	*0.1%*	*67,840,071*		*755,787*	*1.1%*
Total direct funding net of the CCG and institutional funding	*82,599,942*		*83,596,102*		*-996,160*	*-1.2%*	*86,281,517*		*-3,681,575*	*-4.3%*

(*) Within the item, subordinated securities, consisting of Lower Tier 2 issues, amounted to €3,266 million as at 30th September 2017 (of which €1,258 million consisting of two EMTNs), to €3,253 million as at 30th June (of which €1,256 million consisting of two EMTNs) and to €3,012 million as at 31st December 2016 (of which €768 million consisting of a EMTN).

(**) The corresponding nominal amounts were €3,905 million as at 30th September 2017 (of which €1,250 million nominal subordinated), €3,956 million as at 30th June (of which €1,250 million nominal subordinated) and €4,212 million as at 31st December 2016 (of which €750 million nominal investments).

1 Negotiable European Commercial Paper corresponding to the former French CDs.

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1 The amount subscribed as at 10th October, the closing date for the placement, was €592 million. Further details are given in the following section "Indirect funding".

- *repurchase agreements with the* Cassa di Compensazione e Garanzia (a central counterparty clearing house) (€1.7 billion in September, €1.6 billion in June and €3.1 billion at year-end), confirmed their volatile nature as a tool used to cover temporary liquidity requirements and, when necessary, to finance the securities portfolio. At the end of September the item related totally to the Stand-Alone UBI Banca Group (€1.1 billion in June and €2.3 billion in December)[2];
- *financing – other* (€344 million compared with approximately €340 million in June and €444 million in December) continues to remain marginal in amount and more or less unchanged. This item consists primarily of funds (€227 million) made available to UBI Banca by the *Cassa Depositi e Prestiti* (CDP – a state controlled fund and deposit institution) as part of action taken to support SMEs;
- *other payables* (€1.3 billion in September, €1.4 billion in June and €1.5 billion at the end of 2016) of which €740 million relates to the Stand-Alone UBI Banca Group (€802 million at the end of the first half and €738 million at the end of 2016).

Debt securities issued fell to €26.3 billion, down €2.1 billion on June and down approximately €6 billion compared with December. The item was composed as follows:
- €24.5 billion of *bonds* (€26.2 billion in June and €29.8 billion in December), down €1.7 billion over three months and €5.3 billion over nine months as a result of maturities not renewed (for the part subscribed by ordinary customers), but also due to timing differences for re-issues in cases of securities destined to institutional clients);
- €1.8 billion of *certificates of deposit* (€2.2 billion in June and €2.4 billion in December), consisting almost totally of instruments relating to customers of the New Banks. The institutional component, previously consisting of the European Commercial Paper Programme (the former French certificates of deposit), amounting to €100 million in December, matured in January and was not renewed in view of the disposal of UBI Banca International, the issuer company for the programme.

In terms of type of customer, FUNDING IN SECURITIES FROM INSTITUTIONAL CUSTOMERS was composed as follows:

- EMTNs (Euro Medium Term Notes) listed in Dublin and issued as part of a programme for a maximum issuance of €15 billion, amounting to €3.9 billion. No new issuances were made between July and September, but UBI Banca returned to markets in October with a senior five-year fixed-rate issue for €750 million (settlement date 17th October 2017).
  Over three months maturities and repurchases amounted to €51 million nominal of which €50 million were securities that matured.
  Over nine months issuances totalled €605 million nominal, all concentrated in March (of which €500 million for a subordinated public issuance and €105 million for a private placement) and maturities and repurchases totalled €912.4 million nominal (€880 million of maturities and €32.4 million of repurchases).
  It should be noted that the figures shown in the table also incorporate the effects of accounting adjustments on the securities;
- covered bonds amounting to €8.3 billion. No new placements were made during the quarter, nor over nine months, while a bond for €1 billion nominal matured in the period and was renewed at the beginning of the fourth quarter.
  UBI Banca did in fact issue a ten-year fixed-rate covered bond, with settlement date 4th October 2017, for €1.25 billion under its first covered bond programme.
  As already reported in the half-year financial report, amortisation of the "amortising" issue stipulated with the EIB was recorded amounting to €11.4 million.
  It should be noted that the changes shown in the table were also affected by the impacts of accounting adjustments on the securities.

  UBI Banca currently has nine covered bonds in issue under the first "multi-originator" programme backed by residential mortgages with a €15 billion ceiling for €9,114 billion

2 The remaining funding from repurchase agreements, amounting to €0.15 billion (€0.58 billion in June and €0.52 billion at the end of 2016), includes €0.14 billion acquired mainly from institutional clients of the Stand-Alone UBI Banca Group.

nominal net of amortisation totalling €136 million nominal[3]. The bonds are traded in Dublin.

As at 30th September 2017 the residential mortgage asset pool formed at UBI Finance to back the issuances amounted to €14.5 billion, of which 98.7% originated by UBI Banca and 1.3% by IW Bank.
The portfolio continued to show a high degree of fragmentation, including over 188 thousand mortgages with average residual debt of €77.2 thousand, distributed with approximately 67.1% in North Italy and in Lombardy especially (47.4% of the total).
With effect from 1st May, a transfer of residential mortgages to the programme was made by UBI Banca of remaining debt amounting to approximately €1.7 billion.

A second UBI Banca programme, again "multi-originator", is also operational with a ceiling of €5 billion, backed by commercial mortgages and by residential mortgages not used in the first programme. So far this programme, listed on the Dublin stock exchange, has only been used for self-retained issuances[4].

At the end of September the commercial and residential asset pool formed at UBI Finance CB 2 to back these issuances stood at €3 billion, of which 99.3% originated by UBI Banca and 0.7% by IW Bank.
The portfolio includes over 27 thousand mortgages with average residual debt of €110 thousand, distributed, as for the first programme, with a high concentration in North Italy (68.3%) and in Lombardy especially (46.4% of the total).
With effect from 1st June, a transfer of mortgages to the programme was made by UBI Banca of remaining debt amounting to €307 million.

As a consequence of the process to change the mix of investment choices currently in progress, SECURITIES FUNDING FROM ORDINARY CUSTOMERS fell to €14 billion (from €15 billion at the end of the first half and from €18.4 billion at the end of 2016), approximately 87% of which consisting of bonds. In detail:

- bonds issued by UBI Banca amounted to €11 billion (-€0.5 billion compared with June and -€3.4 billion compared with December). While issuances amounted to €40 million nominal (social bonds) over three months, bonds that matured came to €451.1 million nominal and repurchases of €298.1 million nominal were made.
  This business has focused since the beginning of the year on the issuance of social bonds for €75 million nominal, which allowed the Bank to donate part of the funding acquired to support projects of high social value, while securities totalling €2.7 billion nominal matured and repurchases of €847 million nominal were made;
- the bonds issued by the New Banks totalled €667 million (€828 million in June, €1.1 billion in December) and included approximately €515 million nominal issued in connection with securitisations still in existence;
- the remaining funding from non-captive customers was stable at €475 million. It consists of securities issued by the former Centrobanca and placed through indirect banking networks.

The table below summarises maturities for bonds in issue at the end of September 2017.

Maturities of bonds outstanding as at 30th September2017 *

Nominal amounts in millions of euro	4th Quarter 2017	2018	2019	2020	2021	Subsequent years	Total
UBI BANCA	1,107	6,484	6,400	2,280	1,134	5,515	22,920
Bonds ordinary customers	938	5,094	4,272	732	111	4	11,151
Bonds institutional customers	169	1,390	2,128	1,548	1,023	5,511	11,769
of which: EMTNs	*158*	*1,367*	*1,105*	*25*	*-*	*1,250*	*3,905*
Covered bonds	*11*	*23*	*1,023*	*1,523*	*1,023*	*4,261*	*7,864*
IW Bank	-	1	-	-	-	-	1
New Banks acquired	31	70	21	43	21	25	211
Bonds ordinary customers	31	70	21	43	21	25	211
Total	**1,138**	**6,555**	**6,421**	**2,323**	**1,155**	**5,540**	**23,132**

*The table does not include maturities of bonds (approximately €515 million nominal, €610 million nominal in June) issued in connection with the securitisations of the New Banks acquired.

3 Three self-retained issuances for €2.25 billion nominal also exist under that same programme, one for €0.5 billion nominal made in December 2015, a second for €1 billion concluded at the end of March 2016 and third for €750 million concluded in June 2016. Because these were repurchased by UBI Banca itself, these liabilities have not been recognised, in accordance with IFRS.

4 Totalling €2.010 billion nominal: two issuances in 2012 for a total of €860 million (net of the amortisation instalments falling due in the meantime), a €200 million issuance in March 2014, a fourth for €650 million completed in July 2015 and a fifth for €300 million concluded in June 2016. Because these were repurchased by UBI Banca itself, these liabilities have not been recognised, in accordance with IFRS.

Indirect banking funding and assets under management

Indirect banking funding from ordinary customers

Figures in thousands of euro	30.9.2017 A	%	30.6.2017 B	%	Changes A/B amount	Changes A/B %	31.12.2016 C aggregate	%	Changes A/C amount	Changes A/C %
Assets under custody	**35,065,404**	**35.5%**	**33,785,672**	**35.3%**	**1,279,732**	**3.8%**	**31,202,168**	**34.8%**	**3,863,236**	**12.4%**
Assets under management	**63,741,153**	**64.5%**	**62,043,961**	**64.7%**	**1,697,192**	**2.7%**	**58,580,569**	**65.2%**	**5,160,584**	**8.8%**
Customer portfolio management	7,184,449	7.3%	7,786,025	8.1%	-601,576	-7.7%	7,724,176	8.6%	-539,727	-7.0%
of which: fund based instruments	*1,865,444*	*1.9%*	*1,927,806*	*2.0%*	*-62,362*	*-3.2%*	*1,869,697*	*2.1%*	*-4,253*	*-0.2%*
Mutual investment funds and Sicav's	36,078,748	36.5%	34,552,903	36.1%	1,525,845	4.4%	32,430,680	36.1%	3,648,068	11.2%
Insurance policies and pension funds	20,477,956	20.7%	19,705,034	20.5%	772,922	3.9%	18,425,712	20.5%	2,052,244	11.1%
of which: Insurance policies	*20,278,216*	*20.5%*	*19,517,030*	*20.4%*	*761,186*	*3.9%*	*18,004,079*	*20.1%*	*2,274,137*	*12.6%*
Total	**98,806,557**	**100.0%**	**95,829,633**	**100.0%**	**2,976,924**	**3.1%**	**89,782,736**	**100.0%**	**9,023,821**	**10.1%**

At the end of September the **indirect funding** of the UBI Banca Group had reached €98.8 billion, up on all the comparative periods (+€3 billion since June; +€9 billion since December), essentially attributable to the Stand-Alone UBI Banca Group (+€2.6 billion; +€8.5 billion).

The extraordinary low levels reached by interest rates and yields to maturity on government securities, expected to remain stable in coming months, continued to favour a growing allocation of household investments to asset management and insurance products, in a context of good performance by prices on financial markets, which also helped to support inflows to assets under custody.

With a total of €63.7 billion – equivalent to 64.5% of the item total – *assets under management* recorded growth of €5.2 billion since December, of which €1.7 billion relating to the third quarter. The result was mainly attributable over both three and nine months to the stand-alone perimeter (+€1.5 billion since June; +€4.6 billion since December) accounting for approximately 93% of the item (€59.2 billion).
The table shows that the item was driven in both the comparative periods primarily by mutual investment funds and Sicav's, which rose to €36.1 billion (+€1.5 billion since June; +€3.6 billion since 2016), due to good performance by the historical Group (+€970 million; +€2.9 billion), while the New Banks also performed well [+€556 million (+38.1%); +€732 million (+57%)] with the placement of UBI Pramerica products starting in the third quarter.
As concerns the stand-alone perimeter, the performance described was also attributable to the results of the placement of UBI Pramerica and UBI Sicav products (€1.1 billion of mutual funds[5] between July and September and €2.3 billion of Sicav's[6] over nine months, €100 million of which in the last quarter), as well as the positive response from customers to the placement starting on 18th April 2017 of a new range of funds in the long-term "individual savings scheme" range[7].
Two new funds have also been distributed since 7th September 2017 (UBI Pramerica Euro Multifund II and UBI Pramerica Global Inflation Linked) for a total of €592.4 million not included in the total for the end of September because they were settled with value date 10th October 2017.
A stable contribution has also been made to growth in assets under management by insurance policies which amounted to €20.3 billion (of which €18.1 billion relating to the Stand-Alone Group), with an increase of €0.8 billion in the quarter and €2.3 billion since the beginning of

[5] UBI Pramerica Coupon Certa 2023 Fund; UBI Pramerica euro Multifund Fund; UBI Pramerica Global Multiasset II Fund; Arca 2022 Reddito Multivalore Plus II Fund (Classes P and R); Arca Coupon Attiva 2022 III Fund (Classes P and R).
[6] UBI Sicav Global Multiasset 15 (Class 2); UBI Sicav Global Stars (Class 2); UBI Sicav Euro Corporate Bond High Potential (Class 1 and Class 2); UBI Sicav Obiettivo Stabilità (Class 1 and Class 2); UBI Sicav Strategic Bond (Class A) and UBI Sicav Obiettivo Controllo (Class 1 and Class 2).
[7] The 2017 *Legge di stabilità* ("stability law" – annual finance law) (law of 11th December 2016, Art. 1, paragraphs 100 to 114) introduced into Italy along the lines of similar products existing in other countries, (e.g. France and Great Britain) long-term "Individual Savings Schemes" (ISS) in order to incentivise investments also in medium-size companies. The ISS is a savings instrument consisting of a special legal relationship (with particular characteristics and subject to a special conditional tax exemption regime) within which savers can allocate sums of cash or valuables in compliance with constraints set by the legislation. In order to allow UBI Banca Group customers to benefit from the opportunities offered by the ISS legislation, UBI Pramerica SGR, in agreement with UBI Banca, has created a new range of "UBI Pramerica MITO Funds" which consist at present of two funds: Fondo UBI Pramerica MITO 25 and Fondo UBI Pramerica MITO 50.

the year, relating mainly to the Stand-Alone Group in both periods (in line with the encouraging trend for insurance business which saw inflows of premiums in the quarter of €0.9 billion; €3.2 billion over nine months).
Customer portfolio management, which fell to €7.2 billion from €7.8 billion in June (€7.7 billion in December), was down €0.6 billion in the quarter, attributable primarily to the conversion of Banca Adriatica customer portfolio management products into other managed products (funds and Sicav's), while the stand-alone perimeter remained largely unchanged.

Assets under custody rose to €35.1 billion (of which €31.3 billion attributable to the Stand-Alone UBI Banca Group) to record growth of +€1.3 billion since June and +€3.9 billion since December, mainly attributable to the stand-alone perimeter (+€1.1 billion; +€3.9 billion), a reflection of a recovery in market prices and prices of equities in particular, while the background trend of a progressive change in the mix of customer portfolios into asset management instruments still continued.

* * *

At the end of September, Assogestioni[8] data relating to the UBI Banca Group asset management company for MUTUAL FUNDS AND SICAV'S, was as follows for assets under management originated[9]:

- net inflows over nine months were positive by €3 billion, amounting to 10.6% of assets under management originated at the end of 2016 (net inflows for the sector nationally on the other hand were positive by €57.4 billion[10], amounting to 6.4% of assets managed at the end of the previous year);
- a percentage increase in assets in the third quarter (+€1.1 billion; +3.8%), outperforming the sector nationally (+€20.3 billion; +2.1%). The comparison shown in the table over nine months also shows percentage growth in the Group's assets under management that is greater than that for the banking sample;
- assets managed of €31.3 billion, which positions the Group in ninth place with a market share of 3.18%, an improvement compared with all the comparative periods (3.13% in June; 3.14% in December).

It must nevertheless be considered that Assogestioni's sample also includes non-banking operators. Consequently, market shares for the UBI Banca Group in the asset management sector (mutual investment fund business) are naturally smaller than those for direct funding, lending and number of branches. If the analysis is restricted to banks only, the Group's market share as at 30th September 2017 was 6.15% compared with 6.05% in June and 5.91% in December, placing UBI Banca in fourth position among Italian operators in the sector.

The summary figures given in the table confirm the prudential approach of Group customers:

- a percentage of lower risk funds (monetary funds and bonds) that is again higher than the figure for the sector, but down over nine months (from 54.3% to 52.2%) as also occurred for the Assogestioni sample (down from 45.9% to 44.8%);
- at the same time a greater percentage of balanced funds – up from 27.9% to 31.9% compared with an average figure for the sector nationally up from 8.5% to 9.4% – also to be seen in relation to the new products (funds and Sicav's) placed;
- a percentage of equity funds down to 9.4% and constantly lower than the benchmark sample which rose to 21.9%;

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8 "Monthly map of assets under management", September 2017. The "Quarterly map of assets under management", June 2017, for those companies not included.

9 As already reported, as part of the periodic surveys performed by Assogestioni, since June 2012 the figure for assets under management for the UBI Banca Group also includes, in consideration of their nature, the management mandates granted to Pramerica Financial – the brand name used by Prudential Financial Inc. (USA) – a UBI Banca partner through UBI Pramerica SGR (€6.2 billion of mutual funds and Sicav's, of which €1.7 billion in equities and €4.5 billion in bonds as at 30th September 2017). This presentation provides a more consistent account of the actual assets under management of the UBI Banca Group.

10 On the basis of Assogestioni data, over 80% of net inflows nationally are attributable to foreign registered funds (+€46 billion) and to a residual extent to Italian registered funds (€11.4 billion). In terms of type of fund, the performance was driven by bond funds (+€24.7 billion), flexible funds (+€14.3 billion) and balanced funds (+€13.8 billion), while the contribution from equity funds was lower (+€6.8 billion), monetary funds decreased (-€1.8 billion) and hedge funds were more or less stable (-€0.4 billion).

- a fall in the percentage of flexible funds (6.5%) compared with a figure very much higher for the sector nationally (23.5%);
- no significant investment in hedge funds (0.4% for the Assogestioni sample).

Fund assets (including assets managed for the UBI Banca Group under a mandate)

UBI Banca Group Figures in millions of euro	30.9.2017 A	%	30.6.2017 B	%	Changes A/B amount	 %	31.12.2016 C	%	Changes A/C amount	 %
Equities	2,933	9.4%	2,870	9.5%	63	2.2%	2,762	9.9%	171	6.2%
Balanced	9,964	31.9%	8,949	29.7%	1,015	11.3%	7,831	27.9%	2,133	27.2%
Bond	15,806	50.5%	15,629	51.8%	177	1.1%	14,360	51.2%	1,446	10.1%
Monetary funds	544	1.7%	600	2.0%	-56	-9.3%	867	3.1%	-323	-37.3%
Flexible	2,045	6.5%	2,100	7.0%	-55	-2.6%	2,219	7.9%	-174	-7.8%
TOTAL (a)	**31,292**	**100.0%**	**30,148**	**100.0%**	**1,144**	**3.8%**	**28,039**	**100.0%**	**3,253**	**11.6%**

Sector (*) Figures in millions of euro	30.9.2017 A	%	30.6.2017 B	%	Changes A/B amount	 %	31.12.2016 C	%	Changes A/C amount	 %
Equities	215,627	21.9%	211,101	21.9%	4,526	2.1%	189,874	21.2%	25,753	13.6%
Balanced	92,781	9.4%	88,613	9.2%	4,168	4.7%	75,700	8.5%	17,081	22.6%
Bond	408,971	41.6%	402,745	41.8%	6,226	1.5%	376,393	42.1%	32,578	8.7%
Monetary funds	31,066	3.2%	32,586	3.4%	-1,520	-4.7%	33,809	3.8%	-2,743	-8.1%
Flexible	231,148	23.5%	224,312	23.3%	6,836	3.0%	213,110	23.9%	18,038	8.5%
Hedge funds	4,233	0.4%	4,171	0.4%	62	1.5%	4,517	0.5%	-284	-6.3%
TOTAL (b)	**983,826**	**100.0%**	**963,528**	**100.0%**	**20,298**	**2.1%**	**893,403**	**100.0%**	**90,423**	**10.1%**
Market share of the UBI Banca Group (a)/(b)	**3.18%**		**3.13%**				**3.14%**			
Market share of the UBI Banca Group limited to banks only	**6.15%**		**6.05%**				**5.91%**			

(*) The differences compared with the data published previously was due not only to the periodic revision of data carried out by Assogestioni (national association of asset management companies), but also to the exclusion of data reported by an asset management company with a marginal impact on total fund managed assets.

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As concerns, on the other hand, assets under management net of Group funds (which includes COLLECTIVE INSTRUMENTS AND CUSTOMER PORTFOLIO MANAGEMENT), at the end of September the UBI Banca Group was positioned in seventh place in the sector (in fifth place among Italian banking groups) with total assets for both ordinary and institutional customers amounting to €52.7 billion and a market share of 2.85%, a progressive increase compared with all the previous periods (2.81% in June; 2.78% in December).

If the analysis is restricted to banks only, the Group's market share in September 2017 was 6.48%, up on 6.39% in June and 6.30% at the end of 2016, placing UBI Banca stably in fourth position among operators in the sector.

Insurance funding and technical reserves

Direct insurance funding and technical reserves

Figures in thousands of euro	30.9.2017 A	%	30.6.2017 B	%	Changes A/B amount	Changes A/B %	31.12.2016 aggregate C	%	Changes A/C amount	Changes A/C %
Insurance business financial liabilities designated at fair value (item 50 liabilities)	**42,285**	**2.3%**	**39,017**	**2.2%**	**3,268**	**8.4%**	**40,329**	**2.4%**	**1,956**	**4.9%**
of which: Pension fund	*11,943*	*0.6%*	*11,941*	*0.7%*	*2*	*0.0%*	*11,248*	*0.7%*	*695*	*6.2%*
Unit-linked products	*30,342*	*1.7%*	*27,076*	*1.5%*	*3,266*	*12.1%*	*29,081*	*1.7%*	*1,261*	*4.3%*
Technical reserves (item 130 liabilities)	**1,775,807**	**97.7%**	**1,723,643**	**97.8%**	**52,164**	**3.0%**	**1,675,012**	**97.6%**	**100,795**	**6.0%**
Life sector	1,773,577	97.6%	1,721,020	97.7%	52,557	3.1%	1,672,395	97.4%	101,182	6.1%
of which: mathematical reserves	*1,766,757*	*97.2%*	*1,713,550*	*97.2%*	*53,207*	*3.1%*	*1,666,229*	*97.1%*	*100,528*	*6.0%*
reserves for sums to be paid	*6,407*	*0.4%*	*6,448*	*0.4%*	*-41*	*-0.6%*	*5,535*	*0.3%*	*872*	*15.8%*
other reserves	*413*	*0.0%*	*1,022*	*0.1%*	*-609*	*-59.6%*	*631*	*0.0%*	*-218*	*-34.5%*
Non-life sector	2,230	0.1%	2,623	0.1%	-393	-15.0%	2,617	0.2%	-387	-14.8%
Direct insurance funding and technical reserves	**1,818,092**	**100.0%**	**1,762,660**	**100.0%**	**55,432**	**3.1%**	**1,715,341**	**100.0%**	**102,751**	**6.0%**

Direct insurance funding and technical reserves stood at €1.8 billion as at 30th September 2017, an increase over both three months (+3.1%) and nine months (+6.0%).

Financial liabilities relating to insurance business designated at fair value were up by 8.4% in the quarter to €42.3 million (€39 million in June), representing the value of positions relating to "Branch III" (unit-linked products) or "Branch VI" (pension funds) insurance policies. The growth observed reflects both the effect of movements in the market prices of the securities contained in the insurance portfolios and also the contribution of net positive inflows recorded by the company in the period, which amounted to €3 million.

Technical reserves represent the value as at 30th September of insurance positions relating to "Branch I" and "Branch V" insurance policies that can be revalued, which amounted to €1.8 billion and represented the main component of the item, accounting for 94% of the increase in it. The 3% increase recorded over three months is to be seen mainly in relation to the impact of positive net inflows amounting to €40.7 million and only to a lesser extent by the increase in the value of insurance positions.

General banking business with customers: lending

In order to allow a consistent comparison with the figures as at 30th September and 30th June 2017, the figures as at 31st December have been restated in aggregate form, neutralising the effect of the amounts for the non-performing loans disposed of by the New Banks in the first half of 2017 and also the effect of the transfer of the first tranche of bad loans to REV that took place in 2016 and which were present in the financial position at the end of 2016 as a performing loan to that special purpose vehicle.

Performance of the loan portfolio[1]

Composition of loans to customers

Figures in thousands of euro	30.9.2017 A	%	*of which non-performing*	30.6.2017 B	%	*of which non-performing*	Changes A/B amount	Changes A/B %
Current account overdrafts	9,230,793	9.8%	*1,236,942*	10,178,399	10.8%	*1,268,106*	-947,606	-9.3%
Reverse repurchase agreements	1,003	0.0%	-	61,274	0.1%	-	-60,271	-98.4%
Mortgage loans and other medium to long-term financing	63,022,809	67.1%	*5,435,204*	62,799,336	66.6%	*5,470,549*	223,473	0.4%
Credit cards, personal loans and salary-backed loans	3,121,862	3.3%	*128,206*	3,079,715	3.3%	*135,998*	42,147	1.4%
Finance leases	6,631,317	7.1%	*1,064,617*	6,747,986	7.2%	*1,081,691*	-116,669	-1.7%
Factoring	2,103,303	2.3%	*299,468*	2,151,832	2.3%	*250,553*	-48,529	-2.3%
Other transactions	10,269,738	10.9%	*759,832*	9,735,934	10.3%	*791,672*	533,804	5.5%
Debt instruments:	6,654	0.0%	*1,251*	20,437	0.0%	-	-13,783	-67.4%
- structured instruments	*2*	*0.0%*	-	*6*	*0.0%*	-	*-4*	*-66.7%*
- other debt instruments	*6,652*	*0.0%*	*1,251*	*20,431*	*0.0%*	-	*-13,779*	*-67.4%*
Allocation Badwill (*)	-507,677	-0.5%	-506,621	-546,330	-0.6%	-546,330	*38,653*	*-7.1%*
Total	**93,879,802**	**100.0%**	***8,418,899***	**94,228,583**	**100.0%**	***8,452,239***	**-348,781**	**-0.4%**

(*) The figures as at 30th September 2017 and 30th June 2017 include the allocation of €560.8 million of badwill to the New Banks' non-performing portfolio, which gave rise in the second and third quarters to a positive reversal totalling €54.2 million (€14.5 million in the second quarter and €39.7 million in the third quarter).

Total loans of the UBI Banca Group as at 30th September 2017 amounted to €93.9 billion, down IN THE QUARTER by €0.35 billion (-0.4%), the aggregate result of practically no change for the old perimeter compared with a fall for the recently acquired banks (-€0.28 billion; -2.6%)[2]. While the quarterly performance for the new banks was affected above all by the short-term component, a disaggregated analysis shows important signs of improvement for the Stand-Alone Group. In fact on the basis of management accounting figures, *average balances* for gross interest-bearing loans (i.e. excluding bad loans) for the old perimeter not only confirm the trend for volumes of long-term loans, but also show the first signs of recovery for short-term lending (+€147 million; +0.9%).

The decrease of €0.35 billion recorded in the quarter was partially affected by the Parent's business with the *Cassa di Compensazione e Garanzia* (CCG – a central counterparty clearing

1 For the banking sector as a whole, on the basis of information for August published by the Bank of Italy (supplement to the statistics bulletin: *"Banche e Moneta: serie nazionali", October 2017),* the trend for *loans to residents belonging to the private sector* (adjusted to take account of securitisations and other loans disposed of and eliminated from the balance sheets of banks) confirms the gradual consolidation of the credit cycle with year-on-year growth unchanged compared with December, standing at 1.1%. In terms of borrowers, the positive trend for households at +2.7% (+1.9% at the end of 2016) is continuing, while that for non-financial companies was slightly downwards at -0.1% (+0.2% in December), notwithstanding the increasingly more accommodative supply conditions. According to early Italian Banking Association reports (Monthly Outlook, *Economia dei Mercati Finanziari-Creditizi*, October 2017), in September the annual change in loans to private sector residents was +1%.

2 The changes were calculated by sterilising the effect of the transfer to the stand-alone perimeter of the loans and receivables of the New Banks originated from leasing and salary and pension backed lending business (for a total net amount of €900.5 million).

house) (repurchase agreements and margin deposits for a total of -€110.5 million)[3] and by a reduction in non-performing loans (-€33.3 million).
Net of both these components lending to the economy consisting of *net performing loans (excluding the CCG)* stood at €85.3 billion (€85.5 billion at the end of June), a fall of €0.2 billion (-0.2%) attributable entirely to the New Banks.
From the viewpoint of composition by maturity, the trend for end-of-period balances does not yet fully incorporate the trends shown for average balances. The aggregate change is in fact the result of +€0.2 billion for the medium to long-term component, up to €66.2 billion accounting for 77.6% of the total, and of -€0.4 billion for short term types of lending, down to €19.1 billion.
Within the latter component, current account overdrafts (-€0.9 billion) were only marginally offset by an increase in "other transactions" (+€0.6 billion), which confirms the still weak demand for working capital from businesses, which increasingly more often prefer to replace short-term lending with TLTRO financing.

As concerns medium to long-term lending, the increase of €0.2 billion was attributable primarily to the stand-alone Group, as a result in particular of the new grants drawn from TLTRO funds (the total remaining debt existing in the three-month period was up €0.6 billion), compared with more or less stable performance by the New Banks.
On the basis of management accounting figures, at the end of September performing residential mortgages totalled €27.6 billion, of which €4.9 billion relating to the New Banks[4] and €22.7 billion (€22.4 billion at the end of December) to the stand-alone UBI Banca Group.

Composition of loans to customers

Figures in thousands of euro	30.9.2017 A	%	*of which non-performing*	31.12.2016 aggregate C	%	*of which non-performing*	Changes A/C amount	Changes A/C %
Current account overdrafts	9,230,793	9.8%	*1,236,942*	9,703,254	10.4%	*1,425,008*	-472,461	-4.9%
Reverse repurchase agreements	1,003	0.0%	-	120,991	0.1%	-	-119,988	-99.2%
Mortgage loans and other medium to long-term financing	63,022,809	67.1%	*5,435,204*	61,913,199	66.0%	*6,214,324*	1,109,610	1.8%
Credit cards, personal loans and salary-backed loans	3,121,862	3.3%	*128,206*	3,004,871	3.2%	*162,673*	116,991	3.9%
Finance leases	6,631,317	7.1%	*1,064,617*	7,303,772	7.8%	*1,532,435*	-672,455	-9.2%
Factoring	2,103,303	2.3%	*299,468*	2,465,964	2.6%	*270,071*	-362,661	-14.7%
Other transactions	10,269,738	10.9%	*759,832*	11,724,356	12.5%	*908,529*	-1,454,618	-12.4%
Debt instruments:	6,654	0.0%	*1,251*	18,274	0.0%	-	-11,620	-63.6%
- structured instruments	*2*	*0.0%*	-	*3*	*0.0%*	-	*-1*	*-33.3%*
- other debt instruments	*6,652*	*0.0%*	*1,251*	*18,271*	*0.0%*	-	*-11,619*	*-63.6%*
Allocation Badwill (*)	-507,677	-0.5%	-506,621	-	-	-	-	-
Effect of disposals in first half of 2017 (**)	-	-	-	-2,485,370	-2.6%	-1,255,445	-	-
Total	**93,879,802**	**100.0%**	***8,418,899***	**93,769,311**	**100.0%**	***9,257,595***	**110,491**	**0.1%**

(*) The figures as at 30th September 2017 include the allocation of €560.8 million of badwill to the New Banks' non-performing portfolio, which gave rise in the second and third quarters to a positive reversal totalling €54.2 million (€14.5 million in the second quarter and €39.7 million in the third quarter).

(*) In order to allow a consistent comparison, the figures as at 31st December 2016 have been restated in aggregate form and have been sterilised of the following impacts:
- the performing loan of the New Banks (€1.2 billion) to the special purpose vehicle Gestione Crediti Spa (REV), in relation to the transfer of a first tranche of bad loans that took place in January 2016, which was extinguished in the first quarter of 2017;
- the transfer to REV of the second tranche of bad loans that took place on 1st January 2017 and the subsequent transfer of non-performing loans to the Atlante II Fund concluded in the second quarter of 2017 (for a total of €1.3 billion).

If we consider, on the other hand, PERFORMANCE OVER NINE MONTHS, the total loan portfolio (performing+non-performing loans) remained more or less stable (+€110.5 million; +0.1%), the aggregate result of opposing trends for the old perimeter, which was up €1.3 billion (+1.5%), and for the recently acquired banks, which were down €1.2 billion (over 40% of which relating to non-performing loans as a consequence of the allocation of badwill)[2].

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3 Exposure to the CCG as at 30th September 2017 totalled €177.3 million of which €1 million in repos and €176.3 million in margin deposits (€287.8 million in June, of which €61.3 million in reverse repos and €226.5 million for margin deposits; €268.9 million in December of which €121 million in repos and €147.9 million for margin deposits).
4 It is underlined that although the impact was not significant, the figures for the New Banks include other types of lending, such as mortgage accounts, and in the case of Nuova Cassa di Risparmio di Chieti also non-residential mortgages.

In reality the increase of €110.5 million includes a reduction in net non-performing loans (-€0.8 billion) against a marginal change in exposures to the CCG (-€91.6 million)[5]. Net of both components, lending to the economy was up €1 billion (+1.2%), due to positive performance by the Stand-Alone Group (+€1.7 billion) and by the medium to long-term component in particular.
In consideration of the trend for the relative two aggregates, the *loan to deposit ratio* stood at 97.2%, compared with 95.7% in June and 90.8% in December.

As concerns *"large exposures"*, the September 2017 supervisory report, prepared on the basis of the provisions of the new Basel 3 rules, in force since 1st January 2014[6], shows six positions for an amount equal to or greater than 10% of the qualifying capital, for a total of €27.34 billion. In detail:

- €16.62 billion relates to the Ministry of the Economy and Finance mainly for investments in government securities by the Parent and the remaining amount relates to current and deferred tax assets (€16.8 billion in June);
- €5.26 billion relates to liquidity deposited with the Bank of Italy (of which approximately €2.7 billion relating to the Stand-Alone Group); €8.2 billion in June;
- €1.89 billion to the *Cassa di Compensazione e Garanzia* (€1.9 billion);
- €1.37 billion to investments in securities issued by the United States Treasury (€1.4 billion);
- €1.1 billion to investments in Spanish government securities (€1.4 billion);
- €1.1 billion to business with a major banking counterparty (mainly for repurchase agreements); €1 billion in June.

Large exposures

Figures in thousands of euro	30.9.2017	30.6.2017
Number of positions	6	7
Exposure	27,340,149	31,990,503
Risk positions	409,940	1,796,607

In addition to those reported above, an exposure of €1.3 billion was reported in June relating to the existence of credit facilities extended to a major (large corporate) group of companies.

In consideration, amongst other things, of the application of a zero weighting factor for transactions with the government, only three actual risk positions for the Group existed, after weightings, for an amount of €0.4 billion, mainly attributable to the banking counterparty mentioned. The percentage of the qualifying capital is well below the limit of 25% set for banking groups for each of the exposures reported.

Concentration of risk (*)
(largest customers or groups as a percentage of total loans and guarantees)

Customers or Groups	30.9.2017	30.6.2017
Largest 10	3.9%	3.9%
Largest 20	6.3%	6.2%
Largest 30	7.8%	7.6%
Largest 40	8.9%	8.7%
Largest 50	9.8%	9.6%

(*) Management accounting figures.

In terms of *concentration*, the Group continues to show low levels of concentration, which confirms the constant attention that it pays to this important qualitative aspect of the portfolio.

5 Exposure to the CCG as at 31st December 2016 totalled €268.9 million, of which €121 million in repos and €147.9 million for margin deposits
6 Bank of Italy Circulars No. 285 and No. 286 of 17th December 2013 and subsequent updates.

Financing with funds provided by the European Central Bank (TLTRO)

With regard to targeted longer-term refinancing operations (TLTROs), as already reported, on 10th March 2016 the ECB approved a new programme entitled "New series of targeted longer-term refinancing operations (TLTRO II)", which involves four quarterly operations (from June 2016 to March 2017) each with a life of four years.
The UBI Banca Group applied for funds under that programme totalling €12.5 billion, against a maximum of €14.5 billion that could be applied for[7]. In detail:

- *in June 2016 the Group took part in the first of four auctions. It fully repaid funds obtained from the previous TLTRO operations totalling €8.1 billion[8] and was allotted new funds amounting to €10 billion with the due date on 24th June 2020;*
- *in March 2017 the Group took part in the fourth and last auction and obtained liquidity of €2.5 billion with the due date on 24th March 2021[9].*

Financing granted to customers drawn from those funds amounted to €11.9 billion as at 30th September 2017, with a remaining outstanding debt of €9.2 billion (€8.6 billion in June; €6.9 billion at the end of 2016). Loans approved and not yet granted as at that same date amounted to €2.6 billion[10].

Risk

The reduction in total non-performing loans continued during the reporting period and as at 30th September they had already reached levels lower than end of 2017 targets set in the 2017-2020 Business Plan projections (updated to take account of the new perimeter of the Group).

At the end of the quarter total *gross non-performing loans* had fallen to €14 billion (-€107.5 million over three months; -€341.2 million since December[11]), with the percentage of the total falling to 14.04% from 14.09% in June (14.47% at the end of 2016).
While the trend for the total compared with June was mainly attributable to the Stand-Alone UBI Banca Group (-€95.9 million), the performance over nine months is the aggregate result of a decrease for the old perimeter (-€471 million), compared with an increase for the New Banks (+€129.8 million)[12].

Gross non-performing exposures:
quarterly changes

Figures in thousands of euro	2017 3Q	2017 2Q	2017 2Q of which Stand-Alone UBI Banca Group	2017 1Q *of which Stand-Alone UBI Banca Group*	2016 4Q *of which Stand-Alone UBI Banca Group*	2016 3Q *of which Stand-Alone UBI Banca Group*	2016 1Q *of which Stand-Alone UBI Banca Group*	2016 3Q *of which Stand-Alone UBI Banca Group*
Bad loans	30,790	79,975	22,082	-34,345	-230,607	275,816	93,509	134,280
Unlikely-to-pay loans	-164,671	-59,821	-286,207	-94,527	-450,255	-292,211	-249,520	-68,819
Exposures past due and/or in arrears	26,394	-138,860	4,044	13,814	-29,078	-32,391	-60,142	-3,437
Gross non-performing exposures	**-107,487**	**-118,706**	**-260,081**	**-115,058**	**-709,940**	**-48,786**	**-216,153**	**62,024**
transfers from performing exposures	*458,812*	*398,891*	*298,860*	*317,061*	*354,871*	*267,711*	*281,768*	*389,236*
transfers into performing exposures	*-91,137*	*-142,208*	*-107,252*	*-92,886*	*-84,807*	*-103,664*	*-182,921*	*-86,351*

As concerns *new inflows from performing status*, the table of quarterly changes shows new inflows in the quarter totalling €458.8 million, up compared with approximately €400 million in the previous period, partly due to the appearance among exposures past due and in arrears of a large UBI Factor position (€50 million) relating to the health sector, which had already

7 As communicated by the Bank of Italy.
8 The total amount that had been allotted to the Group with its participation in three of the seven TLTRO I auctions held by the ECB.
9 The total funds acquired in the four operations by intermediaries in the euro area came to €740 billion (€331 billion net of voluntary repayments of the funding still outstanding obtained from the first series of TLTROs). Bank of Italy counterparties were awarded a total of €241 billion (€128 billion net).
10 Financing granted to customers drawn from those funds had risen to €12 billion as at 31st October 2017 with a remaining debt of €9.2 billion, while those approved, but not yet granted, amounted to €2.4 billion.
11 As already reported in the introduction, this change does not take account of the transfer to REV of the second tranche of bad loans that took place on 1st January 2017 and the subsequent transfer of non-performing loans to the Atlante Fund concluded in the second quarter of 2017 (for a total gross amount of €4 billion). The totals relating to these transactions have not been included in the calculation of these items as at 31st December 2016.
12 The changes were calculated by sterilising the effect of the transfer to the stand-alone perimeter of the non-performing loans and receivables of the New Banks originated from leasing and salary and pension backed lending business (for a total gross amount of €131.7 million).

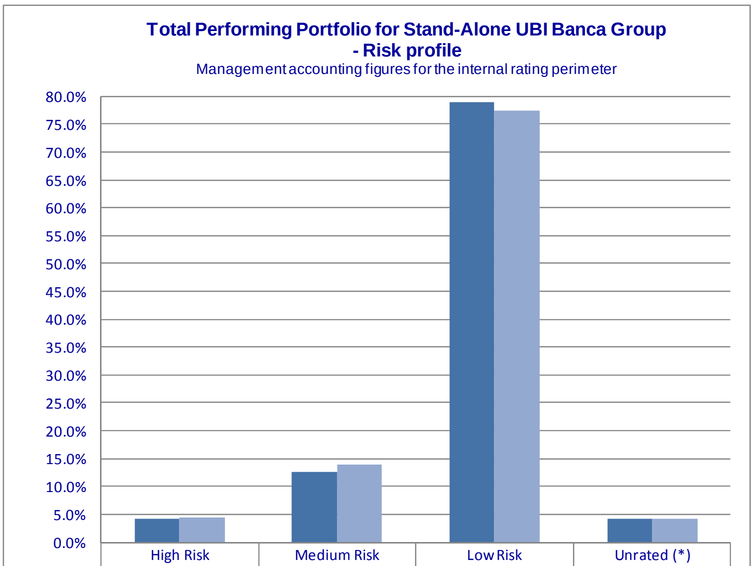
returned to performing status in the following October. Net of that item new inflows were more or less stable during the period.
In terms of guarantees, management data available for the stand-alone perimeter, shows the composition of new inflows from performing status over the first nine months of the year as follows:

- 68.7% secured by real estate or by leasing on real estate;
- 16.1% secured by other guarantees;
- 15.2% unsecured.

These percentages reflect the structural nature of gross performing loans, largely backed by collateral (the presence of collateral as security for approximately 60% on the basis of management accounting figures as at 30th September 2017).

The improvement in credit quality is becoming possible due to an improvement in the economic situation, but above all as a consequence of the following:

- a favourable risk profile for the Stand-Alone Group's performing portfolio, with the highest risk classes now close to the threshold of 4% of the total and the lower classes accounting for as much as 79%;
- numerous initiatives undertaken in recent years in terms of internal reorganisation and operating processes to improve credit risk management and credit recovery for non-performing positions, with regard to which further improvements are in progress consistent with the Strategic NPL Plan presented to the ECB in March 2017. The progressive roll-out of these models at the New Banks is continuing with the conclusion of the respective mergers.



	High Risk	Medium Risk	Low Risk	Unrated (*)
Sep-17	4.2%	12.6%	79.0%	4.2%
Dec-16	4.4%	14.0%	77.5%	4.1%

In terms of *net non-performing loans*, at the end of September these totalled €8.4 billion, down €33.3 million in the quarter, the aggregate result of a fall of €57 million for the Stand-Alone Group and an increase of €23.7 million for the acquired banks[13].
Over nine months the item fell €0.8 billion (-9%), as a result of a reduction in the gross total and of the allocation of badwill (€506.6 million, primarily to the unlikely-to-pay loans of the New Banks in order to bring the carrying amount into line with the estimated fair value), with their percentage of the total falling as a consequence to 8.97% from 9.87% at the end of 2016 (8.97% in June).

In terms of types of loan, the table "Composition of loans to customers", shows that two thirds of net non-performing loans are stably concentrated in the item "mortgage loans and other medium to long-term loans", backed moreover by collateral and prudent loan-to-value (LTV) ratios, which results automatically in a lower level of coverage.

As regards the objective of progressively reducing the ratio of net non-performing loans to tangible equity (the "Texas Ratio"[14]), this indicator had further improved as at 30th September 2017 to 102.3%[15] (102.8% in June[16]; 109.4% at the end of 2016 for the stand-alone perimeter only).

13 Changes calculated by sterilising the effect of the transfer to the stand-alone perimeter of the non-performing loans and receivables of the New Banks originated from leasing and salary and pension backed lending business (for a total net amount of €92 million).
14 This indicator is calculated according to the following ratio: total net non-performing loans/[book equity (exclusive of profit (for the part not relating to badwill)/inclusive of loss for the period) + non-controlling interests – total intangible assets].
15 103.2% if calculated excluding non-controlling interests.
16 103.6% if calculated excluding non-controlling interests.

Coverage for non-performing loans fell slightly to 40.01% from 40.23% in June (35.60% in December)[17]. The performance over three months, seen in all categories, was affected by the "badwill reversal", write-offs performed during the period (over €220 million of full write-downs) and the appearance of the UBI Factor position already mentioned, reclassified out of performing status into exposures past due and/or in arrears, written-down less than the average for the category.
Account must also be taken of the high impact that positions backed by collateral have with regard to new inflows.
If positions written-off are considered in relation to creditor legal actions still in progress, coverage stood at 48.57% (48.84% in June; 44.62% in December)[18], at around the same average levels recorded for the Italian banking sector as a whole.

Loans and advances to customers as at 30th September 2017 (*)

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (***)
Non-performing exposures	**(14.04%)**	**14,033,045**	**5,614,146**	**(8.97%)**	**8,418,899**	**40.01%**
- Bad loans	(7.57%)	7,568,360	3,491,132	(4.34%)	4,077,228	46.13%
- Unlikely-to-pay loans	(6.17%)	6,166,735	2,097,678	(4.33%)	4,069,057	34.02%
- Past due loans	(0.30%)	297,950	25,336	(0.30%)	272,614	8.50%
Performing loans	**(85.96%)**	**85,886,308**	**425,405**	**(91.03%)**	**85,460,903**	**0.50%**
Total		**99,919,353**	**6,039,551**		**93,879,802**	**6.04%**

The item as a percentage of the total is given in brackets.

Loans and advances to customers as at 30th June 2017 (**)

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (***)
Non-performing exposures	**(14.09%)**	**14,140,532**	**5,688,293**	**(8.97%)**	**8,452,239**	**40.23%**
- Bad loans	(7.51%)	7,537,570	3,488,011	(4.30%)	4,049,559	46.28%
- Unlikely-to-pay loans	(6.31%)	6,331,406	2,174,502	(4.41%)	4,156,904	34.34%
- Past due loans	(0.27%)	271,556	25,780	(0.26%)	245,776	9.49%
Performing loans	**(85.91%)**	**86,221,797**	**445,453**	**(91.03%)**	**85,776,344**	**0.52%**
Total		**100,362,329**	**6,133,746**		**94,228,583**	**6.11%**

The item as a percentage of the total is given in brackets.

Loans and advances to customers as at 31st December 2016 aggregate (****)

Figures in thousands of euro	Esposizione lorda		Rettifiche di valore	Valore di bilancio		Grado di copertura (***)
Crediti deteriorati	**(14.47%)**	**14,374,296**	**5,116,701**	**(9.87%)**	**9,257,595**	**35.60%**
- Sofferenze	(7.54%)	7,491,940	3,416,967	(4.35%)	4,074,973	45.61%
- Inadempienze probabili	(6.53%)	6,485,754	1,605,085	(5.20%)	4,880,669	24.75%
- Esposizioni scadute/sconfinate	(0.40%)	396,602	94,649	(0.32%)	301,953	23.86%
Crediti in bonis	**(85.53%)**	**84,972,335**	**460,619**	**(90.13%)**	**84,511,716**	**0.54%**
Totale		**99,346,631**	**5,577,320**		**93,769,311**	**5.61%**

The item as a percentage of the total is given in brackets.

(*) Non-performing exposures as at 30th September 2017 benefited from the allocation of badwill amounting to €560.8 million, which gave rise to a positive reversal in the second and in the third quarter amounting to €54.2 million. The net amount of €506.6 million was allocated to impairment losses (mainly unlikely-to-pay loans and marginally to bad loans).

(**) Non-performing exposures as at 30th June 2017 benefited from the allocation of badwill amounting to €560.8 million, which gave rise to a positive reversal amounting to €14.5 million in the second quarter. The net amount of €546.3 million was allocated to impairment losses (mainly unlikely-to-pay loans and marginally to bad loans).

(***) Coverage is calculated as the ratio of impairment losses to gross exposure.

For bad loans only, consistent with Group policies, impairment losses and gross exposures are shown net of write-offs of positions still subject to ongoing bankruptcy proceedings.

(****) In order to allow a consistent comparison, the figures as at 31st December 2016 have been restated in aggregate form and the effects of the following have been neutralised:

- the performing loan of the New Banks (€1.2 billion) to the special purpose vehicle Gestione Crediti Spa (REV), in relation to the transfer of a first tranche of bad loans that took place in January 2016, that was extinguished in the first quarter of 2017;
- the transfer to REV of the second tranche of bad loans that took place on 1st January 2017 and the subsequent transfer of non-performing loans to the Atlante II Fund concluded in the second quarter of 2017 (for a total of €1.3 billion).

17 As reported in detail in the half-year financial report, which may be consulted, the improvement in coverage compared with December is to be interpreted in relation to the recognition of badwill in June 2017.

18 Loan write-offs relating to creditor legal actions still in progress as at 30th September 2017 amounted to approximately €2.3 billion (€2.4 billion at the end of June; €2.3 billion at the end of 2016) and related solely to the Stand-Alone UBI Banca Group.

Finally, with regard to *performing loans*, coverage at the end of the quarter stood at 0.50%, marginally down compared with all the comparative periods (0.52% in June; 0.54% in December), mainly due to the increase in low risk positions.

As at 30th September 2017 *forborne exposures gross of impairment losses* had fallen to €6.8 billion from €6.9 billion at the end of June (-€93.1 million).

As already reported, the performance of the item and its composition are also affected by forbearance[19] regulations introduced in September 2014.
In fact non-performing positions must pass a minimum period of one year (cure period), after which the return of the customer's credit quality is assessed before it can be reclassified among performing positions. On the other hand forborne positions classified as performing must pass a minimum period of two years ("probation period") before a position can be released from its forborne status and therefore be eliminated from the category in supervisory reports.

Similarly, net forborne exposures, which amounted to €5.7 billion, recorded a reduction during the quarter (-€104.8 million).

Forborne exposures as at 30th September 2017

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	**(61.90%)**	**4,237,626**	**1,072,611**	**(55.26%)**	**3,165,015**	**25.31%**
- Bad loans	(12.32%)	843,404	312,713	(9.26%)	530,691	37.08%
- Unlikely-to-pay loans	(48.98%)	3,353,370	756,138	(45.35%)	2,597,232	22.55%
- Past due loans	(0.60%)	40,852	3,760	(0.65%)	37,092	9.20%
Performing loans	**(38.10%)**	**2,608,663**	**46,236**	**(44.74%)**	**2,562,427**	**1.77%**
Total		**6,846,289**	**1,118,847**		**5,727,442**	**16.34%**

The item as a percentage of the total is given in brackets.

Forborne exposures as at 30th June 2017

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	**(61.64%)**	**4,277,338**	**1,062,331**	**(55.12%)**	**3,215,007**	**24.84%**
- Bad loans	(11.20%)	777,206	283,652	(8.46%)	493,554	36.50%
- Unlikely-to-pay loans	(49.80%)	3,455,894	775,459	(45.96%)	2,680,435	22.44%
- Past due loans	(0.64%)	44,238	3,220	(0.70%)	41,018	7.28%
Performing loans	**(38.36%)**	**2,662,001**	**44,759**	**(44.88%)**	**2,617,242**	**1.68%**
Total		**6,939,339**	**1,107,090**		**5,832,249**	**15.95%**

The item as a percentage of the total is given in brackets.

Forborne exposures as at 31st December 2016 - *Stand-Alone UBI Banca Group*

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	**(58.33%)**	**3,382,817**	**778,454**	**(52.31%)**	**2,604,363**	**23.01%**
- Bad loans	(11.17%)	647,704	226,924	(8.45%)	420,780	35.04%
- Unlikely-to-pay loans	(46.78%)	2,712,955	550,273	(43.44%)	2,162,682	20.28%
- Past due loans	(0.38%)	22,158	1,257	(0.42%)	20,901	5.67%
Performing loans	**(41.67%)**	**2,416,725**	**42,408**	**(47.69%)**	**2,374,317**	**1.75%**
Total		**5,799,542**	**820,862**		**4,978,680**	**14.15%**

The item as a percentage of the total is given in brackets.

(*) Coverage is calculated as the ratio of impairment losses to gross exposure.

19 This term is used to indicate a situation in which a debtor is not considered able to meet due dates and comply with contractual terms and conditions as a result of financial difficulties. Because of those difficulties the creditor decides to modify the due date and the terms and conditions of the contract in order to allow the debtor to honour the debt or to refinance it, either fully or partially.

BAD LOANS[20]

Gross bad loans (attributable primarily to the Stand-Alone UBI Banca Group) amounted to €7.6 billion at the end of the quarter and recorded modest increases over both three and nine months (+€30.8 million; +€76.4 million) in the absence of disposals for any significant amount.

Disposals of bad loans, mainly unsecured, were carried out over the nine-month period calculated on management accounting figures at approximately €45 million gross, of which €20 million relating to the third quarter.

Similarly, *net bad loans,* amounting to €4.1 billion, remained more or less stable compared with both the comparative periods, having benefited also from part of the allocation of badwill (€26 million) on exposures originating from the New Banks.

As concerns the Stand-Alone UBI Banca Group, on the basis of management accounting figures *net bad loans backed by collateral* were unchanged since June at €3.1 billion, with their percentage of the total more or less unchanged at 79% (79.2% in June; 78.7% at the end of 2016), while the percentage of net bad loans with no backing in terms of either collateral or personal guarantee fell to 12.6% (12.7%; 12.9%).

An analysis of *movements* for the third quarter compared with the previous three months shows an overall reduction in new inflows (-14.1%) which involved both new inflows from performing status, which continued to remain marginal, and also transfers from other categories of non-performing exposures and from unlikely-to-pay exposures above all.

On the other hand, an analysis of movements[21] over the first nine months of the year, compared with the same period of 2016 relating to the stand-alone Group only, shows the following:

- a total reduction in new inflows of 19.2% partly from performing status, but above all from other categories;
- a more than twofold increase in write-offs;
- growth of approximately 22% in receipts and profits on disposals.

The *ratio of bad loans to loans* in gross terms was 7.57% (7.51% in June; 7.54% at the end of 2016), while in net terms it was 4.34% (4.30%; 4.35%).

Coverage was down marginally to 46.13% from 46.28% in June, but was up compared with December (45.61%), partly as a consequence of the aforementioned allocation of badwill.
If cases written-off to the income statement relating to creditor actions still in progress are also considered, coverage would in reality have been 58.83% (59.17% at the end of the first half; 58.56% in December).

With regard, on the other hand, to bad loans not backed by collateral in the stand-alone perimeter, on the basis of management accounting figures coverage was 77.62% at the end of the quarter (78.60% in June; 78.69% at the end of 2016).

UNLIKELY-TO-PAY LOANS

Gross unlikely-to-pay loans continued to fall even further to €6.2 billion (-€164.7 million since June; -€319 million since December).

Over the nine-month period the Group disposed of positions for a gross amount, based on management accounting figures, of over €69 million, concentrated almost totally in the second quarter.

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20 In August *(supplement to the statistics bulletin: "Banche e Moneta: serie nazionali", October 2017), bad loans to the private sector gross of write-downs* had fallen to €172.4 billion, an appreciable decrease compared with December (-14%) and a reversal of the trend year-on-year (-13.7% compared with +0.1% at the end of 2016). The ratio of gross private sector bad loans to private sector loans was therefore 11.17% (12.32% in December). *Net bad loans* fell to €65.3 billion, the lowest level since March 2013, a contraction of 24.8% compared with €86.8 billion at the end of 2016 and 24% year-on-year (compared with -1.9% in December 2016). The ratio of net bad loans to total loans fell as a consequence to 3.83% (4.89% at the end of 2016).

21 The table showing changes in gross non-performing exposures in the first nine months of 2017 for the UBI Banca Group was affected by the entrance on 1st April 2017 of the non-performing positions of the New Banks and also by the sale of these by those banks to the Atlante II Fund in the second quarter and consequently this does not allow an analysis of risk in terms that are consistent with previous periods.

An analysis of *movements* in the third quarter compared with the previous three months show the following:

- an increase of 13% in inflows from performing exposures;
- an increase of over 30% for payments received;
- a decrease of 15.5% in transfers to other non-performing categories, mainly to bad loans;
- a 32% decrease in outflows to performing status.

On the other hand, an analysis of movements in the first nine months of the year for the Stand-Alone Group only[21], compared with the same period of 2016 shows substantial stability for new inflows (+2.2%) as a result of a significant fall in transfers from exposures past due and/or in arrears (-42.5%).

Net unlikely-to-pay loans fell to €4.1 billion (-€87.8 million since June). The change compared with December (-€811.6 million; -16.6%), which was attributable primarily to the New Banks, benefited mainly from the allocation of badwill (€480.6 million).

As a result of the badwill reversal in the third quarter, *coverage* fell to 34.02% from 34.34% in June (24.75% in December).

On the basis of management accounting figures, *net unlikely-to-pay loans backed by collateral* in the stand-alone perimeter amounted to €2.8 billion (€2.7 billion in June; €2.9 billion in December), accounting for 76.6% of the total (74.9% at the end of the first half; 74.7% at the end of 2016).

EXPOSURES PAST DUE AND/OR IN ARREARS

Gross exposures past due and/or in arrears, which by nature are subject to a certain variability, rose from €271.6 million in June to €298 million at the end of September, an increase of €26.4 million in the period, attributable primarily to the entrance of a large UBI Factor position (€50 million) relating to the health sector, which had already returned to performing status in the following October.

An analysis of *movements*[21] in the first nine months of the year for the Stand-Alone UBI Banca Group compared with the same period of 2016 shows the following:

- a fall of €70.3 million (-19%) in new inflows from performing loan status, which confirms the underlying trend in progress since the beginning of 2013;
- a natural reduction at the same time in transfers to other categories of non-performing loans, mainly to unlikely-to-pay loans (-€146.5 million; -41%);
- a decrease in outflows to performing status, in relation to the progressive reduction in the volumes of inflows.

Coverage fell to 8.50% from 9.49% in June, having been affected by the aforementioned entrance of a UBI Factor position, written down less than the average for the category. As reported in detail in the half-year financial report, which may be consulted, the large fall in coverage compared with 23.86% in December is to be interpreted in relation to the reduction in the total for the acquired banks which at the end of 2016 had high average coverage in view of the transfers to the Atlante II Fund.

Loans to customers: changes in gross non-performing exposures in the first nine months of 2017 (*)

Figures in thousands of euro	Bad loans	Unlikely-to-pay loans	Past-due exposures	Total
Initial gross exposure as at 1st January 2017 Stand-Alone UBI Banca Group	**7,260,761**	**5,119,194**	**141,477**	**12,521,432**
Increases	**2,392,615**	**4,082,684**	**491,618**	**6,966,917**
transfers from performing exposures	57,258	761,425	356,081	1,174,764
transfers from other classes of non-performing exposures	825,726	232,245	1,925	1,059,896
other increases	1,509,631	3,089,014	133,612	4,732,257
Decreases	**-2,085,016**	**-3,035,143**	**-335,145**	**-5,455,304**
transfers into performing exposures	-3,655	-279,992	-42,584	-326,231
write-offs (**)	-1,366,841	-666,959	-	-2,033,800
payments received	-311,181	-834,576	-42,482	-1,188,239
disposals	-392,617	-429,435	-293	-822,345
transfers to other classes of non-performing exposure	-10,635	-799,548	-249,713	-1,059,896
other decreases	-87	-24,633	-73	-24,793
Final gross exposure as at 30th September 2017	**7,568,360**	**6,166,735**	**297,950**	**14,033,045**

Loans to customers: changes in gross non-performing exposures in the first nine months of 2017 - *Stand-Alone UBI Banca Group*

Figures in thousands of euro	Bad loans	Unlikely-to-pay loans	Past-due exposures	Total
Initial gross exposure as at 1st January 2017	**7,260,761**	**5,119,194**	**141,477**	**12,521,432**
Increases	**886,679**	**1,443,134**	**316,951**	**2,646,764**
transfers from performing exposures	47,199	665,400	302,262	1,014,861
transfers from other classes of non-performing exposures	727,179	195,462	1,000	923,641
other increases (***)	112,301	582,272	13,689	708,262
Decreases	**-881,323**	**-1,831,424**	**-273,339**	**-2,986,086**
transfers into performing exposures	-3,647	-245,056	-29,936	-278,639
write-offs (**)	-519,367	-37,483	-	-556,850
payments received	-302,594	-759,935	-33,257	-1,095,786
disposals	-45,948	-60,279	-150	-106,377
transfers to other classes of non-performing exposure	-9,680	-704,038	-209,923	-923,641
other decreases	-87	-24,633	-73	-24,793
Final gross exposure as at 30th September 2017	**7,266,117**	**4,730,904**	**185,089**	**12,182,110**

Loans to customers: changes in gross non-performing exposures in the first half of 2017 (*)

Figures in thousands of euro	Bad loans	Unlikely-to-pay loans	Past-due exposures	Total
Initial gross exposure as at 1st January 2017 Stand-Alone UBI Banca Group	**7,260,761**	**5,119,194**	**141,477**	**12,521,432**
Increases	**2,045,978**	**3,505,269**	**349,712**	**5,900,959**
transfers from performing exposures	34,802	467,054	214,096	715,952
transfers from other classes of non-performing exposures	542,671	146,476	1,739	690,886
other increases	1,468,505	2,891,739	133,877	4,494,121
Decreases	**-1,769,169**	**-2,293,057**	**-219,633**	**-4,281,859**
transfers into performing exposures	-3,106	-199,406	-32,582	-235,094
write-offs (**)	-1,161,866	-650,727	-	-1,812,593
payments received	-217,175	-473,843	-30,751	-721,769
disposals	-378,602	-427,493	-293	-806,388
transfers to other classes of non-performing exposure	-8,367	-526,581	-155,938	-690,886
other decreases	-53	-15,007	-69	-15,129
Final gross exposure as at 30th June 2017	**7,537,570**	**6,331,406**	**271,556**	**14,140,532**

Loans to customers: changes in gross non-performing exposures in the first nine months of 2016 - *Stand-Alone UBI Banca Group*

Figures in thousands of euro	Bad loans	Unlikely-to-pay loans	Past-due exposures	Total
Initial gross exposure as at 1st January 2016	**6,987,763**	**6,179,999**	**266,525**	**13,434,287**
Increases	**1,007,617**	**1,272,053**	**384,175**	**2,663,845**
transfers from performing exposures	63,970	502,196	372,549	938,715
transfers from other classes of non-performing exposures	894,415	339,915	134	1,234,464
other increases	49,232	429,942	11,492	490,666
Decreases	**-504,012**	**-1,882,603**	**-480,145**	**-2,866,760**
transfers into performing exposures	-1,611	-297,025	-74,300	-372,936
write-offs (**)	-231,499	-20,255	-16	-251,770
payments received	-248,429	-626,682	-38,428	-913,539
disposals	-10,432	-17,568	-	-28,000
transfers to other classes of non-performing exposure	-9,150	-868,845	-356,469	-1,234,464
other decreases	-2,891	-52,228	-10,932	-66,051
Final gross exposure as at 30th September 2016	**7,491,368**	**5,569,449**	**170,555**	**13,231,372**

(*) The figures stated include the entrance on 1st April 2017 of the non-performing positions of the New Banks within the item "other increases" and the sales made by the acquired Banks to the Atlante II Fund shown within "other decreases" (write-offs and disposals).

(**) The item includes "write-offs", and that is write-offs subject to bankruptcy proceedings that are still ongoing and to true debt cancellations, and that is write-offs relating to bankruptcy proceedings that have been concluded in the period.

(***) The "other increases" incorporate the effects of the transfer to the stand-alone perimeter of the non-performing loans and receivables of the New Banks originated from leasing and from salary and pension backed lending business.

The interbank market and the liquidity position

The net interbank position of the UBI Banca Group as at 30th September 2017 was net debt of €10.5 billion, an increase compared with the end of June (-€7.7 billion), following the partial use of liquidity held with the central bank.
As shown in the table, the negative balance is primarily the result of indebtedness to the central bank for refinancing operations (TLTRO IIs totalling €12.5 billion). Net of business with central banks, while still negative, the net interbank position was much smaller in size at -€1.4 billion compared with -€1.3 billion before.

Net interbank position

Figures in thousands of euro	30.9.2017	30.6.2017	31.12.2016 *aggregate*
Loans and advances to banks	6,109,768	8,793,116	4,820,974
of which: loans to central banks	*3,485,261*	*6,010,582*	*1,452,927*
Due to banks	16,569,895	16,530,503	14,458,089
of which: due to central banks	*12,496,310*	*12,492,078*	*10,113,625*
Net interbank position	**-10,460,127**	**-7,737,387**	**-9,637,115**
Loans and advances excluding central banks	2,624,507	2,782,534	3,368,047
Due to banks excluding central banks	4,073,585	4,038,425	4,344,464
Net interbank position net of central banks	**-1,449,078**	**-1,255,891**	**-976,417**

Even following the acquisition of the New Banks, the Group continues to maintain a more than positive position in terms of liquidity buffers, demonstrated, amongst other things, by specific short-term (liquidity coverage ratio) and structural (net stable funding ratio) Basel 3 indicators, both greater than 100%[1].
It must also be stated that these indicators would be greater than one even in the presence of an ordinary funding structure not based on TLTRO II support.

Loans to banks: composition

Figures in thousands of euro	30.9.2017 A	%	30.6.2017 B	%	Changes A/B amount	Changes A/B %	31.12.2016 *aggregate* C	%	Changes A/C amount	Changes A/C %
Loans to central banks	**3,485,261**	**57.0%**	**6,010,582**	**68.4%**	**-2,525,321**	**-42.0%**	**1,452,927**	**30.1%**	**2,032,334**	**n.s.**
Compulsory reserve requirements	3,485,261	57.0%	6,010,582	68.4%	-2,525,321	-42.0%	1,452,927	30.1%	2,032,334	n.s.
Other	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	**2,624,507**	**43.0%**	**2,782,534**	**31.6%**	**-158,027**	**-5.7%**	**3,368,047**	**69.9%**	**-743,540**	**-22.1%**
Current accounts and deposits	1,254,922	20.5%	1,285,048	14.6%	-30,126	-2.3%	1,566,213	32.5%	-311,291	-19.9%
Term deposits	29,361	0.5%	29,904	0.3%	-543	-1.8%	73,879	1.6%	-44,518	-60.3%
Other financing:	1,339,908	22.0%	1,467,271	16.7%	-127,363	-8.7%	1,727,650	35.8%	-387,742	-22.4%
- reverse repurchase agreements	*4,255*	*0.1%*	-	-	*4,255*	-	-	-	*4,255*	-
- other	*1,335,653*	*21.9%*	*1,467,271*	*16.7%*	*-131,618*	*-9.0%*	*1,727,650*	*35.8%*	*-391,997*	*-22.7%*
Debt instruments	316	0.0%	311	0.0%	5	1.6%	305	0.0%	11	3.6%
Total	**6,109,768**	**100.0%**	**8,793,116**	**100.0%**	**-2,683,348**	**-30.5%**	**4,820,974**	**100.0%**	**1,288,794**	**26.7%**

A commentary on the trends recorded during the quarter is given below.

Loans and advances to banks fell during the quarter to €6.1 billion from €8.8 billion before as a result of a reduction in liquidity held with central banks, with particular reference to the centralised compulsory reserve, which fell to €3.5 billion (of which €2.8 billion relating to the Stand-Alone UBI Banca Group) from €6 billion at the end of June (of which €5.3 billion relating to the old perimeter). The end of quarter figure was affected by the maturity of a covered bond amounting to €1 billion, renewed for €1.25 billion at beginning of October as well as by tax payments normally made in this period.

1 The Commission Delegated Regulation (EU) 2015/61 established the introduction of the LCR indicator from 1st October 2015 with a minimum level requested initially set at 60%; 70% from 1st January 2016; 80% from 1st January 2017.

Loans to other banks contracted slightly over three months down to €2.6 billion from €2.8 billion before. This decrease is attributable to the item "other financing" which is used partly to recognise credit exposure to banks linked to industrial and/or financial groups that operate in the consumer credit sector, but above all to recognise margin deposits held with international counterparties (over €750 million at the end of September in support of two covered bond programmes).

Interbank funding at the end of the period was stable at €16.6 billion.

Funding continued to consist of €12.5 billion[2] from unconventional refinancing operations with the ECB – TLTRO IIs (targeted refinancing operations designed to expand lending to businesses and households) as follows: UBI Banca was allotted €10 billion of funds with value date 29th June 2016 (maturity date 24th June 2020 and an interest rate of 0%) and a further €2.5 billion with value date 29th March 2017 (maturity date 24th March 2021 and with the same interest rate).

Net of that source of funding, amounts due to banks remained at around €4 billion in the third quarter and performed as follows:

- +€151 million for current accounts and term deposits, a change very closely related to ordinary business;
- +€64 million for repurchase agreements, relating almost entirely to the structuring of operations with market counterparties with investments in US Treasuries as the underlying;
- -€174 million approx. for "financing – other", within which EIB loans and the relative repayments are recognised. These are medium to long-term funding transactions with the European Investment Bank for investments designed to support SMEs, which as at 30th September totalled €1.45 billion (€1.62 billion in June);
- -€5.8 million of "other payables", which includes, amongst other things, funds relating to credit card settlement arrangements with Istituto Centrale Banche Popolari, which were unchanged at €19.7 million.

Due to banks: composition

Figures in thousands of euro	30.9.2017 A	%	30.6.2017 B	%	Changes A/B amount	Changes A/B %	31.12.2016 *aggregate* C	%	Changes A/C amount	Changes A/C %
Due to central banks	**12,496,310**	**75.4%**	**12,492,078**	**75.6%**	**4,232**	**0.0%**	**10,113,625**	**70.0%**	**2,382,685**	**23.6%**
Due to banks	**4,073,585**	**24.6%**	**4,038,425**	**24.4%**	**35,160**	**0.9%**	**4,344,464**	**30.0%**	**-270,879**	**-6.2%**
Current accounts and deposits	926,984	5.6%	842,523	5.0%	84,461	10.0%	811,843	5.6%	115,141	14.2%
Term deposits	112,356	0.7%	46,040	0.3%	66,316	144.0%	99,422	0.6%	12,934	13.0%
Financing:	2,997,504	18.1%	3,107,296	18.8%	-109,792	-3.5%	3,392,151	23.5%	-394,647	-11.6%
- repurchase agreements	*1,400,693*	*8.5%*	*1,336,876*	*8.1%*	*63,817*	*4.8%*	*1,519,740*	*10.5%*	*-119,047*	*-7.8%*
- other	*1,596,811*	*9.6%*	*1,770,420*	*10.7%*	*-173,609*	*-9.8%*	*1,872,411*	*13.0%*	*-275,600*	*-14.7%*
Other payables	36,741	0.2%	42,566	0.3%	-5,825	-13.7%	41,048	0.3%	-4,307	-10.5%
Total	**16,569,895**	**100.0%**	**16,530,503**	**100.0%**	**39,392**	**0.2%**	**14,458,089**	**100.0%**	**2,111,806**	**14.6%**

2 The carrying amount is comprehensive of interest expense accruing and any hedging costs there may be.

Available liquidity reserve

Management accounting figures in millions of euro - net of haircuts	30.9.2017 (*) A	%	30.6.2017 (*) B	%	Changes A/B amount	%	31.12.2016 Stand-Alone UBI Banca Group C	%	Changes A/C amount	%
ECB pool	18,908	73.4%	18,948	74.4%	-40	-0.2%	16,102	57.6%	2,806	17.4%
of which government securities (A)	*9,233*	*35.9%*	*9,493*	*37.3%*	*-260*	*-2.7%*	*2,917*	*10.4%*	*6,316*	*216.5%*
of which Italian government securities (A)	*8,169*	*31.7%*	*8,153*	*32.0%*	*16*	*0.2%*	*2,917*	*10.4%*	*5,252*	*180.0%*
Liquid securities not included in the ECB pool	4,006	15.6%	4,196	16.5%	-190	-4.5%	8,284	29.6%	-4,278	-51.6%
of which government securities (B)	*4,006*	*15.6%*	*4,196*	*16.5%*	*-190*	*-4.5%*	*8,284*	*29.6%*	*-4,278*	*-51.6%*
of which Italian government securities (b)	*3,734*	*14.5%*	*4,019*	*15.8%*	*-285*	*-7.1%*	*7,498*	*26.8%*	*-3,764*	*-50.2%*
Government securities refinanced (C)	*2,835*	*11.0%*	*2,304*	*9.1%*	*531*	*23.0%*	*3,574*	*12.8%*	*-739*	*-20.7%*
of which Italian government securities (c)	*1,501*	*5.8%*	*923*	*3.6%*	*578*	*62.6%*	*2,080*	*7.4%*	*-579*	*-27.8%*
Liquidity reserve	**25,749**	**100.0%**	**25,448**	**100.0%**	**301**	**1.2%**	**27,960**	**100.0%**	**-2,211**	**-7.9%**
of which government securities (A+B+C)	*16,074*	*62.5%*	*15,993*	*62.9%*	*81*	*0.5%*	*14,775*	*52.8%*	*1,299*	*8.8%*
of which Italian government securities (a+b+c)	*13,404*	*52.0%*	*13,095*	*51.4%*	*309*	*2.4%*	*12,495*	*44.6%*	*909*	*7.3%*
Compulsory reserve available and liquid assets	4,458	17.3%	7,401	29.1%	*-2,943*	-39.8%	-	-	*4,458*	-
ECB auctions (portion pledged)	-12,500	-48.5%	-12,500	-49.1%	-	-	-10,000	-35.7%	2,500	25.0%
Government securities refinanced	-2,835	-11.0%	-2,304	-9.1%	531	23.0%	-3,574	-12.8%	-739	-20.7%
Available liquidity reserve	**14,872**	57.8%	**18,045**	70.9%	**-3,173**	**-17.6%**	**14,386**	51.5%	**486**	**3.4%**
Available reserves eligible for the purposes of the LCR indicator	*14,697*	*57.1%*	*17,874*	*70.2%*	*-3,177*	*-17.8%*	*11,201*	*40.1%*	*3,496*	*31.2%*

(*) Starting from 30th June 2017 the figures relate to the new perimeter, while on the other hand the figures as at 31st December 2016 relate to the Stand-Alone UBI Banca Group.

"Available reserves eligible for the purposes of the LCR indicator" are liquid assets that satisfy the general and operational requirements set respectively by articles 7 and 8 of Commission Delegated Regulation (EU) No. 2015/61 of 10th October 2014 [which added to Regulation (EU) No. 575/2013 of the Parliament] and the eligibility criteria set in Chapter 2 of that same regulation.

As at 30th June 2017 the Group's liquidity reserve[3] amounted to €25.75 billion (net of haircuts). It was up €301 million on €25.45 billion in June and was composed as follows:

- €18.91 billion, marginally down, of assets deposited with the ECB collateral pool to back access to the TLTRO II programme already mentioned (inclusive of the increase in financing that took place at the end of March). While the item incorporated a reduction in government securities, attributable in particular to the sale of a €300 million nominal Spanish Bonos (a book value of €380 million net of haircuts), it also included an increase in ABACO assets following contributions of new loans in the three-month period which virtually offset the decrease in government securities;
- €4 billion (-€190 million in the quarter) of readily marketable spot and forward assets (mainly Italian government securities), not lodged with the collateral pool available to the Parent treasury for short-term liquidity management. The change that occurred in the period is attributable to a decrease in Italian government securities (-€285 million) and was partially offset by the inclusion of €100 million nominal of Spanish Bonos (worth €94 million net of haircuts) purchased in the period and recognised in the AFS portfolio;
- €2.8 billion (+€530 million over three months) for all refinanced government securities (liability net of asset positions). Refinancing of US Treasuries recorded no significant changes at €1.33 billion (€1.38 billion in June), while refinancing of Italian government securities with the *Cassa di Compensazione e Garanzia* (CCG – a central counterparty clearing house) grew to €1.5 billion from €0.9 billion in the previous period.

The Group is pursuing a policy to gradually lighten and diversify the portfolios (by geographical area and by sovereign and corporate issuer), designed nevertheless to maintain sufficiently large investments in domestic government securities to ensure optimum management of liquidity by means of the eligibility of these.

The total liquidity reserve amounts to approximately 40% of on demand direct funding consisting of current accounts and sight deposits as at 30th September 2017.

In terms of composition by type of financial instrument, the liquidity reserve (€25.75 billion) remained generally stable during the quarter with the single exception of an increase (+€253

3 An asset is considered liquid or marketable if the credit institution is able to convert it into cash rapidly without encountering practical or legal difficulties.

million) in loans and receivables eligible for refinancing due to participation in ABACO, as a result of the contribution of the new financing already mentioned.

As at 30th September 2017, given the part amounting to €12.5 billion needed to back TLTRO II funding and the part needed to back repurchase agreements amounting to €2.8 billion, with account also taken of available liquidity and the available part of the compulsory reserve (down €2.9 billion to €4.5 billion net of haircuts, as a consequence of the already mentioned uses made at the end of the quarter), the margin of available liquidity stood at €14.9 billion (compared with €18 billion before) of which €14.7 billion consisted of reserves eligible for the purposes of the LCR indicator.

The margin available amounts to approximately 23% of on demand direct funding consisting of current accounts and sight deposits as at 30th September 2017.

Liquidity reserve: composition by type of underlying assets

	30.9.2017 (*)		30.6.2017 (*)		31.3.2017 *Stand-Alone UBI Banca Group*		31.12.2016 *Stand-Alone UBI Banca Group*	
Figures in billions of euro	nominal amount	amount net of haircuts	nominal amount	amount net of haircuts	nominal amount	amount net of haircuts	nominal amount	amount net of haircuts
Proprietary securities (AFS, HTM and L&R) (1)	12.67	12.43	12.04	12.37	13.10	13.38	13.82	15.36
Covered bonds ("self-retained" issues)	4.26	3.73	4.26	3.72	4.44	3.88	4.44	3.87
Securitisation of residential mortgages of the former B@nca 24-7	0.70	0.62	0.73	0.65	0.76	0.68	0.97	0.66
UBI Leasing assets securitisation	2.10	1.88	2.10	1.87	2.10	1.87	2.10	1.77
Securitisation of performing residential mortgages	2.09	1.78	2.09	1.78	2.09	1.77	2.09	1.74
Loans eligible due to participation in ABACO (2)	8.43	5.31	8.04	5.06	7.26	4.59	7.16	4.56
Liquidity reserve	**30.25**	**25.75**	**29.26**	**25.45**	**29.75**	**26.17**	**30.58**	**27.96**

(*) Starting from 30th June 2017 the figures relate to the new perimeter, while on the other hand the figures as at 31st December 2016 relate to the Stand-Alone UBI Banca Group.

(1) Proprietary securities, stated both at nominal value and net of haircuts, include the amount for refinanced government securities.
The item is therefore fully comparable with the figures reported in the table "Available liquidity reserve", where the allocation (pool, non-pool, refinanced) of the government securities included here is reported. These represent the most significant part of the Group's liquid assets.

(2) ABACO (bank assets eligible as collateral) is the name given to procedures drawn up by the Bank of Italy for the management of loans eligible for refinancing. In order to qualify as eligible, an asset must meet specific requirements contained in Bank of Italy regulations concerning the following: type of debtor (public sector, non-financial company, international and supranational institutions), credit rating (set by external ratings, rating tools of approved providers and internal ratings [for banks authorised by the Bank of Italy to use internal rating models]), minimum amount (€0.03 million for domestic loans) and type of asset.

Financial activities

After the first initiatives at the time of the acquisition, further actions were undertaken in the third quarter to optimise the portfolios by disposing of the Italian government investments of the New Banks (not those used in the insurance operations), which were then reinvested by the Parent at the same time.
The **net financial assets** of the Group as at 30th September 2017 amounted to €16.8 billion, of which €14.6 billion attributable to the Stand-Alone UBI Banca Group, down 2.5% compared with June and 20.3% compared with December 2016.
The largest portfolios falling under the item financial assets are the AFS and HTM portfolios which account for 60.9% and 34.1% of the total respectively. In terms of type of financial instrument, 68.7% (66.2% at the end of the first half and 75.7% at the end of 2016) of the portfolios were composed of Italian government securities, unchanged at approximately €12 billion. On the other hand, a reduction of €511 million to €4.2 billion was recorded for other debt securities due to the sale of Spanish Bonos and corporate securities. Both equity instruments and units of UCITS, now marginal in amount, fell by approximately €65 million and over €13 million respectively.

Financial assets/liabilities

Figures in thousands of euro	30.9.2017 Carrying amount A	%	30.6.2017 Carrying amount B	%	Changes A/B amount	Changes A/B %	31.12.2016 aggregate Carrying amount C	%	Changes A/C amount	Changes A/C %
Financial assets held for trading	761,622	4.3%	671,482	3.7%	90,140	13.4%	881,457	4.0%	-119,835	-13.6%
of which: financial derivatives contracts	*546,954*	*3.1%*	*534,046*	*3.0%*	*12,908*	*2.4%*	*669,197*	*3.1%*	*-122,243*	*-18.3%*
Financial assets designated at fair value	115,811	0.7%	161,374	0.9%	-45,563	-28.2%	218,743	1.0%	-102,932	-47.1%
Available-for-sale financial assets	10,662,618	60.9%	11,128,949	62.0%	-466,331	-4.2%	13,516,860	61.6%	-2,854,242	-21.1%
Held-to-maturity investments	5,982,945	34.1%	5,993,150	33.4%	-10,205	-0.2%	7,327,544	33.4%	-1,344,599	-18.3%
Financial assets (a)	**17,522,996**	**100.0%**	**17,954,955**	**100.0%**	**-431,959**	**-2.4%**	**21,944,604**	**100.0%**	**-4,421,608**	**-20.1%**
of which:										
- debt instruments	*16,277,812*	*92.9%*	*16,644,509*	*92.7%*	*-366,697*	*-2.2%*	*20,444,241*	*93.2%*	*-4,166,429*	*-20.4%*
- of which: Italian government securities	*12,038,147*	*68.7%*	*11,893,379*	*66.2%*	*144,768*	*1.2%*	*16,613,349*	*75.7%*	*-4,575,202*	*-27.5%*
- equity instruments	*385,209*	*2.2%*	*449,936*	*2.5%*	*-64,727*	*-14.4%*	*426,734*	*1.9%*	*-41,525*	*-9.7%*
- Units in UCITS.	*313,021*	*1.8%*	*326,464*	*1.8%*	*-13,443*	*-4.1%*	*404,432*	*1.8%*	*-91,411*	*-22.6%*
Financial liabilities held for trading (b)	**717,358**	**100.0%**	**710,665**	**100.0%**	**6,693**	**0.9%**	**861,478**	**100.0%**	**-144,120**	**-16.7%**
of which: financial derivatives contracts	*717,358*	*100.0%*	*710,665*	*100.0%*	*6,693*	*0.9%*	*861,478*	*100.0%*	*-144,120*	*-16.7%*
Net financial assets (a-b)	**16,805,638**		**17,244,290**		**-438,652**	**-2.5%**	**21,083,126**		**-4,277,488**	**-20.3%**

Management accounting figures[1] for 30th September 2017, show the following:

- in terms of *type of financial instrument*, the Group's securities portfolio was composed as follows: 92% (90% in June and 92.6% at the end of 2016) of government securities; 5% (6% and 5.7%) of corporate securities (equally divided between the financial sector and corporate issuers; 97% of these investments have an "investment grade" rating, of which 59% concentrated in the BBB segment and 34% in the A segment); the remaining 3% (4% and 1.7%) of hedge funds, funds and equities (which included the stakes held in the Atlante Fund);
- from a *financial viewpoint*, floating rate securities accounted for 55.4% (60.5% in June and 51.8% in December) of the portfolio and fixed rate securities for 44.5% (38.4% and 47.2%), while the remainder was composed of structured instruments held mainly in the AFS portfolio, and of convertible securities, equities and funds;
- as regards the *currency of denomination*, 88.5% (88.8% at the end of the first half and 89.7% at the end of 2016) of the securities were denominated in euro and 11.5% (11.2% and 10.3%) in dollars with currency hedges, while in terms of *geographical distribution*, 87.7% (87.8% and 88.8%) of the investments (excluding hedge funds) were issued from countries in the euro area;
- an analysis by *rating* (for the bond portfolio only) shows no changes compared with both the end of the first half and the end of the year and 99.9% of the portfolio continued to consist of "investment grade" securities.

1 The management accounting analysis relates to a smaller portfolio than that stated in the consolidated financial statements, because they exclude "longer-term" AFS assets, some smaller portfolios and also financial derivatives contracts held for trading. Securities relating to insurance business are not included.

Available-for-sale financial assets

"Available-for-sale financial assets" (AFS), asset item 40, are measured at fair value with the recognition of changes in a separate fair value reserve in equity, except for losses due to reductions in value that constitute "impairment" in accordance with IAS 39. In this case the reduction in value that occurred in the period is recognised through profit and loss. The UBI Banca Group applies IAS 34 "Interim financial reporting" to its half year reports only, with the consequent identification of a half year "interim period", and therefore any appreciations in the value of the securities which might occur in the fourth quarter, will reduce the impairment losses recognised through profit and loss in the third quarter. On the other hand, any recovery in value compared with prices recorded as at 30th June will be recognised in a separate reserve in equity up to the amount of the impairment itself for equity instruments and through profit and loss for debt instruments.
Definitions relating to the fair value hierarchy (levels 1, 2 and 3) are given in Section A.4 of Part A – Accounting Policies in the Notes to the Consolidated Financial Statements in the 2016 Annual Report.

Available-for-sale financial assets: composition

Figures in thousands of euro	30.9.2017 L 1	30.9.2017 L 2	30.9.2017 L 3	30.9.2017 Carrying amount A	30.6.2017 L 1	30.6.2017 L 2	30.6.2017 L 3	30.6.2017 Carrying amount B	Changes A/B amount	Changes A/B %	31.12.2016 aggregate L 1	31.12.2016 aggregate L 2	31.12.2016 aggregate L 3	31.12.2016 aggregate Carrying amount C	Changes A/C amount	Changes A/C %
Debt instruments	9,945,265	136,112	28,991	10,110,368	10,247,172	281,712	14,308	10,543,192	-432,824	-4.1%	12,629,470	270,618	23,191	12,923,279	-2,812,911	-21.8%
of which: Italian government	*5,877,454*	-	-	*5,877,454*	*5,797,304*	-	-	*5,797,304*	80,150	1.4%	*9,098,427*	-	-	*9,098,427*	*-3,220,973*	*-35.4%*
Equity instruments	26,547	7,322	281,373	315,242	25,587	239	309,200	335,026	-19,784	-5.9%	27,110	9,808	296,044	332,962	-17,720	-5.3%
Units in UCITS	8,142	162,473	66,393	237,008	23,653	160,149	66,929	250,731	-13,723	-5.5%	35,843	110,648	114,128	260,619	-23,611	-9.1%
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**9,979,954**	**305,907**	**376,757**	**10,662,618**	**10,296,412**	**442,100**	**390,437**	**11,128,949**	**-466,331**	**-4.2%**	**12,692,423**	**391,074**	**433,363**	**13,516,860**	**-2,854,242**	**-21.1%**

Available-for-sale financial assets as at 30th September 2017 stood at €10.7 billion, of which approximately €8.6 billion attributable to the Stand-Alone Group (€7.9 billion in June and €9.6 billion at the end of the year) and the remaining €2.1 billion (€3.2 billion in June and €3.9 billion at the end of the year) to the New Banks, which included €1.8 billion (€1.7 billion in June) of securities relating to insurance business. The decrease that occurred in the quarter (-€466 million) is the aggregate result of action taken on the portfolio of the banks acquired (not including insurance business investments).

The table shows debt instruments amounting to €10.1 billion, including €5.9 billion of *Italian government securities*, which remained virtually stable in the period (€5.8 billion at the end of June). Within the latter, €4.9 billion related to the Stand-Alone Group (+€1.3 billion) with purchases of securities for €1.5 billion nominal made in the quarter.
The New Banks' portfolio of Italian government securities, amounting to €1 billion, related almost entirely to insurance business, while the remaining investments had reduced almost to zero in the third quarter with the sale of BTPs, CTZs and CCTs amounting to €1.3 billion nominal.
As regards *other debt instruments*, on the other hand, the total was down €513 million to €4.2 billion mainly as a result of the sale by the Stand-Alone Group of Spanish Bonos amounting to €200 million nominal net (€100 million of purchases and €300 million of sales) and of other corporate securities amounting to €247.6 million nominal with the purchase at the same time of corporate securities for $63.9 million nominal. *Government securities of emerging countries* recorded no significant net changes, having been affected solely by two switches with a net decrease of €2 million nominal.
As already reported, the changes shown in the tables take account of end of period accounting adjustments.

Equity instruments were down by approximately €20 million to €315 million, of which €198 million relating to the Stand-Alone Group. The securities were classified almost totally in fair value level three. Full write-downs were recorded in the quarter amounting to €16.4 million of an AFS shareholding held in the Interbank Deposit Protection Fund (IDPF) representing an investment made in the Cassa di Risparmio di Cesena, and of a direct stake in Cassa di Risparmio di Rimini, relating to the New Banks, amounting to €0.83 million.

Units of UCITS were down approximately €14 million in the period to €237 million and were comprised of investments in the stand-alone perimeter amounting to €68 million. Only the Polis Fund was recognised in fair value level one because the two ETF funds, held in portfolio in June, totalling €15.6 million, had been sold. On the other hand, stakes relating to the Atlante Fund were recognised in fair value level three amounting to €13.2 million. This amount related solely to the contributions paid in the second quarter, because the previous payments to the Venetian banks have been fully written down[2].
The total also includes units subscribed relating to insurance business acquired with the entrance of the New Banks to the consolidation amounting to over €106 million (€104 million in June) classified in fair value level two.

Amounts remain on the books for property funds amounting to €12.9 million (€12.9 million at the end of the first half and €16.5 million at the end of 2016), the most substantial of which is the Polis Fund, classified within fair value level one and amounting to over €8.1 million (€8.1 million approx. in June and €11.3 million in December 2016). As already reported, redemptions of the capital were recorded for the latter in the first quarter amounting to €4.2 million, partially offset by positive fair value movements.

Held-to-maturity investments

"Held-to-maturity investments", asset item 50, are comprised of financial instruments that an entity intends and is able to hold to maturity.
These assets are measured at amortised cost with the recognition of impairment losses, or reversals of the impairment when the reason for it no longer exists, through profit or loss.

Held-to-maturity investments: composition

Figures in thousands of euro	30.9.2017 Carrying amount A	30.9.2017 Fair value L1	L2	L3	Total	30.6.2017 Carrying amount B	30.6.2017 Fair Value L1	L2	L3	Total	Changes A/B amount	%	31.12.2016 aggregate Carrying amount C	31.12.2016 aggregate Fair Value L1	L2	L3	Total	Changes A/C amount	%
Debt instruments	5,982,945	6,041,175	-	-	6,041,175	5,993,150	6,014,073	-	-	6,014,073	-10,205	-0.2%	7,327,544	7,440,786	-	-	7,440,786	-1,344,599	-18.3%
of which: Italian government	*5,982,945*	*6,041,175*	-	-	*6,041,175*	*5,993,150*	*6,014,073*	-	-	*6,014,073*	-10,205	-0.2%	*7,327,544*	*7,440,786*	-	-	*7,440,786*	*-1,344,599*	*-18.3%*
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**5,982,945**	**6,041,175**	**-**	**-**	**6,041,175**	**5,993,150**	**6,014,073**	**-**	**-**	**6,014,073**	**-10,205**	**-0.2%**	**7,327,544**	**7,440,786**	**-**	**-**	**7,440,786**	**-1,344,599**	**-18.3%**

This portfolio, which relates entirely to the Parent, amounted to approximately €6 billion and was unchanged in the quarter, but down €1.3 billion over nine months.
The January-September change is attributable to movements in the second quarter consisting of the purchase of BTPs amounting to €1 billion nominal with maturity in 2027 and the sale of BTPs amounting to €2.05 billion nominal with maturity in 2020.

Financial instruments held for trading

Financial assets held for trading

Asset item 20, "Financial assets held for trading" (HFT), comprises financial trading instruments "used to generate a profit from short-term fluctuations in price". They are recognised at fair value through profit or loss – FVPL.
Definitions relating to the fair value hierarchy (levels 1, 2 and 3) are given in Section A.4 of Part A – Accounting Policies in the Notes to the Consolidated Financial Statements in the 2016 Annual Report.

At the end of September financial assets held for trading totalled €761.6 million (€671.5 million in June and €881.5 million in December), of which €635.2 million (€537.8 million at

2 The shares subscribed in the Atlante Fund in December 2016 had been recognised for an amount of €65.5 million, which rose to €70.6 million at the end of March following a payment made at the beginning of January and net of further impairment that had been recognised on them in first quarter.

the end of the first half) relating to the Stand-Alone Group and the remainder to the New Banks (of which €29.6 million relating to equity instruments as part of insurance business).
As shown in the table, debt instruments represent the main item for on-balance sheet assets and include *Italian government securities* amounting to €171.1 million, up approximately €75.3 million in the three month period following the purchase by UBI Banca of BTPs for €75.5 million nominal net (€100 million of purchases and €24.5 million of sales).
As already reported, the changes shown in the tables take account of end of period accounting adjustments.

Equity instruments, amounting to €36.8 million, recorded growth of €3.5 million in the quarter, mainly due to investments classified in fair value level three made by the New Banks as part of insurance business (which totalled €29.6 million altogether). The Stand-Alone Group recorded no changes in the period for this item which amounted to €6.7 million.

Units of UCITS, of negligible amount (€3.6 million), were down €1.8 million and related solely to the insurance business of the New Banks, which accounted for almost all of the item (in fact the balance for the Stand-Alone Group as at 30th September stood at €265 thousand, more or less unchanged compared with €281 thousand at the end of June).

Finally, financial assets held for trading included derivative instruments amounting to €547 million (+€12.9 million compared with June and -€122.2 million compared with the end of 2016). Within the item €523.5 million related to the Stand-Alone Group (€501.6 million in June and €616.2 million in December).

Financial assets held for trading: composition

	30.9.2017				30.6.2017				Changes A/B		31.12.2016 aggregate				Changes A/C	
Figures in thousands of euro	L 1	L 2	L 3	Carrying amount A	L 1	L 2	L 3	Carrying amount B	amount	%	L 1	L 2	L 3	Carrying amount C	amount	%
On-balance sheet assets																
Debt instruments	173,711	466	100	174,277	98,276	450	100	98,826	75,451	76.3%	181,108	602	100	181,810	-7,533	-4.1%
of which: Italian government	*171,095*	-	-	*171,095*	*95,832*	-	-	*95,832*	*75,263*	*78.5%*	*177,584*	-	-	*177,584*	*-6,489*	*-3.7%*
Equity instruments	33,963	54	2,794	36,811	33,186	40	44	33,270	3,541	10.6%	21,183	41	44	21,268	15,543	73.1%
Units in UCITS	470	1,382	1,728	3,580	2,189	1,353	1,798	5,340	-1,760	-33.0%	853	6,513	1,816	9,182	-5,602	-61.0%
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (a)	**208,144**	**1,902**	**4,622**	**214,668**	**133,651**	**1,843**	**1,942**	**137,436**	**77,232**	**56.2%**	**203,144**	**7,156**	**1,960**	**212,260**	**2,408**	**1.1%**
Derivative instruments																
Financial derivatives	3,460	518,491	25,003	546,954	1,791	505,608	26,647	534,046	12,908	2.4%	1,408	635,817	31,972	669,197	-122,243	-18.3%
Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (b)	**3,460**	**518,491**	**25,003**	**546,954**	**1,791**	**505,608**	**26,647**	**534,046**	**12,908**	**2.4%**	**1,408**	**635,817**	**31,972**	**669,197**	**-122,243**	**-18.3%**
Total (a+b)	**211,604**	**520,393**	**29,625**	**761,622**	**135,442**	**507,451**	**28,589**	**671,482**	**90,140**	**13.4%**	**204,552**	**642,973**	**33,932**	**881,457**	**-119,835**	**-13.6%**

Financial liabilities held for trading

Financial liabilities held for trading amounted to €717.4 million in December (€710.7 million in June and €861.5 million in December 2016) and continued to consist solely of derivative instruments, of which €687.8 million relating to the Stand-Alone Group (€674.7 million at the end of the first half; €800 million at the end of 2016). The amounts and performance of these derivative instruments must be interpreted in relation to those for the corresponding item recognised within financial assets held for trading.

Financial liabilities held for trading: composition

Figures in thousands of euro	30.9.2017 L 1	L 2	L 3	Carrying amount A	30.6.2017 L 1	L 2	L 3	Carrying amount B	Changes A/B amount	%	31.12.2016 aggregate L 1	L 2	L 3	Carrying amount C	Changes A/C amount	%
On-balance sheet liabilities																
Due to banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (a)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative instruments																
Financial derivatives	399	716,700	259	717,358	735	709,572	358	710,665	6,693	0.9%	76	861,036	366	861,478	-144,120	-16.7%
Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (b)	**399**	**716,700**	**259**	**717,358**	**735**	**709,572**	**358**	**710,665**	**6,693**	**0.9%**	**76**	**861,036**	**366**	**861,478**	**-144,120**	**-16.7%**
Total (a+b)	**399**	**716,700**	**259**	**717,358**	**735**	**709,572**	**358**	**710,665**	**6,693**	**0.9%**	**76**	**861,036**	**366**	**861,478**	**-144,120**	**-16.7%**

Financial assets designated at fair value

The item "financial assets designated at fair value" is comprised of financial instruments classified as such in application of the fair value option (FVO). These financial assets are recognised at fair value through profit or loss. Definitions relating to the fair value hierarchy (levels 1, 2 and 3) are given in Section A.4 of Part A – Accounting Policies in the Notes to the Consolidated Financial Statements in the 2016 Annual Report.

Financial assets designated at fair value: composition

Figures in thousands of euro	30.9.2017 L 1	L 2	L 3	Carrying amount A	30.6.2017 L 1	L 2	L 3	Carrying amount B	Changes A/B amount	%	31.12.2016 aggregate L 1	L 2	L 3	Carrying amount C	Changes A/C amount	%
Debt instruments	10,222	-	-	10,222	9,341	-	-	9,341	881	9.4%	11,608	-	-	11,608	-1,386	-11.9%
of which: Italian government	6,653	-	-	6,653	7,093	-	-	7,093	-440	-6.2%	9,794	-	-	9,794	-3,141	-32.1%
Equity instruments	4,418	2,000	26,738	33,156	3,677	2,000	75,963	81,640	-48,484	-59.4%	1,555	3,000	67,949	72,504	-39,348	-54.3%
Units in UCITS	72,399	34	-	72,433	70,359	34	-	70,393	2,040	2.9%	134,610	21	-	134,631	-62,198	-46.2%
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**87,039**	**2,034**	**26,738**	**115,811**	**83,377**	**2,034**	**75,963**	**161,374**	**-45,563**	**-28.2%**	**147,773**	**3,021**	**67,949**	**218,743**	**-102,932**	**-47.1%**

Financial assets designated at fair value, amounting to €115.8 million, were down €45.6 million in the quarter.
The decrease for the Stand-Alone Group was -€48.8 million, composed as follows:

- equity instruments (held as part of merchant banking and private equity business): down €48.7 million to €30.9 million resulting from the disposal at the end of September of the stake held in Immobiliare Mirasole (€45.6 million) and from the sale of shares in E.C.A.S. Spa (€3.6 million);
- UCITS units: down €0.1 million to €46.3 million, consisting solely of Tages funds recognised within fair value level one, subject to changes related to movements in market prices.

The remaining €38.6 million of financial assets designated at fair value existing at the end of September consisted of equities and units relating to insurance business (up €3.2 million compared €35.4 million in June).

Exposure to sovereign debt risk

The table on the following page shows (presented with separate figures for insurance business given the different nature of the underlying risk) that the book value of the sovereign debt risk exposures of the Group as at 30th September 2017 amounted to €16.3 billion, of which €14.9 billion consisting of securities held in portfolio by Group banks and €1.4 billion attributable to securities held in portfolio by the insurance companies.
At single country level the risk remains concentrated mainly in Italy accounting for 80% of the total (€13.06 billion), in Spain accounting for 9% (€1.42 billion) and in the United States with 8% (€1.37 billion).

As already reported, details of Group exposures are given on the basis that, according to the instructions issued by the European supervisory authority, (European Securities and Markets Authority, ESMA), *"sovereign debt" is defined as debt instruments issued by central and local governments and by government entities and also as loans granted to them.*

The distribution by maturity of Italian government securities held in portfolio is given below.

Maturities of Italian government securities

Figures in thousands of euro	30.9.2017						30.6.2017					
	Financial assets held for trading	Available-for-sale financial assets	Held-to-maturity investments	Financial assets designated at fair value	**Carrying amount**	**%**	Financial assets held for trading	Available-for-sale financial assets	Held-to-maturity investments	Financial assets designated at fair value	**Carrying amount**	**%**
Up to 6 months	33,780	140,715	-	1,441	175,936	1.5%	145	15,213	-	576	15,934	0.1%
Six months to one year	3,534	67,791	-	125	71,450	0.6%	63,796	244,162	-	975	308,933	2.6%
One year to three years	133,723	1,276,057	-	4,238	1,414,018	11.7%	6,541	1,277,802	-	4,784	1,289,127	10.8%
Three years to five years	7	1,036,921	2,971,172	199	4,008,299	33.3%	10	393,780	1,123,326	239	1,517,355	12.8%
Five years to ten years	31	1,450,960	3,011,773	501	4,463,265	37.1%	30	2,014,599	4,869,824	398	6,884,851	57.9%
Over ten years	20	1,905,010	-	149	1,905,179	15.8%	25,310	1,851,748	-	121	1,877,179	15.8%
Total	**171,095**	**5,877,454**	**5,982,945**	**6,653**	**12,038,147**	**100.0%**	**95,832**	**5,797,304**	**5,993,150**	**7,093**	**11,893,379**	**100.0%**

The table shows an increase from 12.8% to 33.3% for the time range "three years to five years" and a decrease at the same time in the range "five years to ten years" (down from 57.9% to 37.1%) explained both by the shorter maturities in the HTM portfolio and by the effects of sales and purchases of AFS securities made in the quarter.

Net of securities relating to the insurance business of the New Banks acquired amounting to approximately €912 million (€875.2 million in June), the average life of the AFS portfolio at the end of September was 8.67 years (9.16 years at the end of first half), that of the HTM portfolio was 5.85 years (6.10 years), while that of government securities classified in the held for trading portfolio was 2.10 years (8.56 years).

UBI Banca Group: exposures to sovereign debt risk

Country/portfolio of classification Figures in thousands of euro	Consolidated without insurance 30.9.2017			Insurance 30.9.2017		
	Nominal amount	Carrying amount	Fair Value	Nominal amount	Carrying amount	Fair Value
- Italy	**10,825,714**	**12,152,153**	**12,210,375**	**856,732**	**911,852**	**911,852**
financial assets and liabilities held for trading (net exposure)	170,097	171,095	171,087	-	-	-
available-for-sale financial assets*	4,298,382	4,977,496	4,977,496	849,684	905,199	905,199
held-to-maturity investments	5,335,000	5,982,945	6,041,175	-	-	-
financial assets designated at fair value	-	-	-	7,048	6,653	6,653
loans and receivables	1,022,235	1,020,617	1,020,617			
- Spain	**1,000,512**	**1,099,623**	**1,099,623**	**284,808**	**320,268**	**320,268**
available-for-sale financial assets	1,000,000	1,099,111	1,099,111	283,750	319,062	319,062
financial assets designated at fair value	-	-	-	1,058	1,206	1,206
loans and receivables	512	512	512	-	-	-
- United States	**1,355,243**	**1,372,253**	**1,372,253**	**-**	**-**	**-**
available-for-sale financial assets	1,355,243	1,372,253	1,372,253	-	-	-
- Austria	**-**	**-**	**-**	**288**	**333**	**333**
financial assets designated at fair value	-	-	-	288	333	333
- Belgium	**118**	**118**	**118**	**-**	**-**	**-**
loans and receivables	118	118	118	-	-	-
- Bulgaria	**-**	**-**	**-**	**2,000**	**2,279**	**2,279**
available-for-sale financial assets	-	-	-	2,000	2,279	2,279
- France	**2**	**3**	**3**	**85,788**	**86,440**	**86,440**
financial assets and liabilities held for trading (net exposure)	2	3	3	-	-	-
available-for-sale financial assets	-	-	-	85,400	85,988	85,988
financial assets designated at fair value	-	-	-	388	452	452
- Germany	**2**	**3**	**3**	**1,082**	**1,187**	**1,187**
financial assets and liabilities held for trading (net exposure)	2	3	3	-	-	-
financial assets designated at fair value	-	-	-	1,082	1,187	1,187
- Latvia	**-**	**-**	**-**	**2,000**	**2,219**	**2,219**
available-for-sale financial assets	-	-	-	2,000	2,219	2,219
- Luxembourg	**-**	**-**	**-**	**15,000**	**15,243**	**15,243**
available-for-sale financial assets	-	-	-	15,000	15,243	15,243
- Holland	**10**	**10**	**10**	**-**	**-**	**-**
loans and receivables	10	10	10	-	-	-
- Portugal	**-**	**-**	**-**	**12,000**	**14,057**	**14,057**
available-for-sale financial assets	-	-	-	12,000	14,057	14,057
- Rumania	**-**	**-**	**-**	**2,000**	**2,330**	**2,330**
available-for-sale financial assets	-	-	-	2,000	2,330	2,330
- Abu Dhabi	**9,317**	**9,608**	**9,608**	**-**	**-**	**-**
available-for-sale financial assets	9,317	9,608	9,608	-	-	-
- Saudi Arabia	**7,369**	**7,367**	**7,367**	**-**	**-**	**-**
available-for-sale financial assets	7,369	7,367	7,367	-	-	-
- Chile	**3,812**	**3,933**	**3,933**	**-**	**-**	**-**
available-for-sale financial assets	3,812	3,933	3,933	-	-	-
- Colombia	**18,211**	**20,715**	**20,715**	**-**	**-**	**-**
available-for-sale financial assets	18,211	20,715	20,715	-	-	-
- Philippines	**12,705**	**16,767**	**16,767**	**-**	**-**	**-**
available-for-sale financial assets	12,705	16,767	16,767	-	-	-
- Indonesia	**32,356**	**35,730**	**35,730**	**-**	**-**	**-**
available-for-sale financial assets	32,356	35,730	35,730	-	-	-
- Israel	**11,520**	**11,769**	**11,769**	**-**	**-**	**-**
available-for-sale financial assets	11,520	11,769	11,769	-	-	-
- Kazakhstan	**9,741**	**10,520**	**10,520**	**-**	**-**	**-**
available-for-sale financial assets	9,741	10,520	10,520	-	-	-
- Lithuania	**5,929**	**6,898**	**6,898**	**-**	**-**	**-**
available-for-sale financial assets	5,929	6,898	6,898	-	-	-
- Morocco	**11,011**	**11,819**	**11,819**	**-**	**-**	**-**
available-for-sale financial assets	11,011	11,819	11,819	-	-	-
- Mexico	**28,037**	**29,515**	**29,515**	**-**	**-**	**-**
available-for-sale financial assets	28,037	29,515	29,515	-	-	-
- Oman	**9,402**	**9,489**	**9,489**	**-**	**-**	**-**
available-for-sale financial assets	9,402	9,489	9,489	-	-	-
- Panama	**27,613**	**29,368**	**29,368**	**-**	**-**	**-**
available-for-sale financial assets	27,613	29,368	29,368	-	-	-
- Peru	**9,741**	**12,899**	**12,899**	**-**	**-**	**-**
available-for-sale financial assets	9,741	12,899	12,899	-	-	-
- Poland	**14,399**	**15,408**	**15,408**	**-**	**-**	**-**
available-for-sale financial assets	14,399	15,408	15,408	-	-	-
- Slovakia	**3,388**	**3,737**	**3,737**	**-**	**-**	**-**
available-for-sale financial assets	3,388	3,737	3,737	-	-	-
- Rumania	**26,427**	**29,436**	**29,436**	**-**	**-**	**-**
available-for-sale financial assets	26,427	29,436	29,436	-	-	-
- Uruguay	**8,047**	**8,869**	**8,869**	**-**	**-**	**-**
available-for-sale financial assets	8,047	8,869	8,869	-	-	-
- Argentina	**2,510**	**1,583**	**1,583**	**-**	**-**	**-**
financial assets and liabilities held for trading (net exposure)	2,510	1,583	1,583	-	-	-
- Brazil	**1**	**1**	**1**	**-**	**-**	**-**
financial assets and liabilities held for trading (net exposure)	1	1	1	-	-	-
Total on-balance sheet exposure	**13,433,137**	**14,899,594**	**14,957,816**	**1,261,698**	**1,356,208**	**1,356,208**

* The carrying amount for the AFS Italian securities is different from that reported in the line "Italian government securities" in the table relating to "Available-for-sale financial assets" due to the presence in this table of bonds issued by *Cassa Deposito e Prestiti* (a state controlled fund and deposit institution – a government issuer) amounting to €5.2 million.

Equity and capital adequacy

Changes in consolidated shareholders' equity

In order to make the changes that occurred to consolidated equity more comprehensible, a nine-month analysis has been conducted on the basis of figures for the end of December 2016 relating to the Stand-Alone UBI Banca Group instead of the aggregate equity at the end of the year presented in the reclassified consolidated statements.

Reconciliation between equity and profit for the period of the Parent with consolidated equity as at 30th September 2017 and profit for the period then ended

Figures in thousands of euro	Equity	of which: Profit for period
Equity and profit for the period in the accounts of the Parent	9,023,582	89,889
Effect of the consolidation of subsidiaries including joint ventures	1,332,215	-24,850
Effect of measuring other significant equity investments using the equity method	27,287	16,546
Dividends received during the period	-	-74,181
Other consolidation adjustments (including the effects of the PPA and of badwill)	-425,359	695,011
Equity and profit for the period in the consolidated accounts	**9,957,725**	**702,415**

Changes in consolidated equity of the Group in the first nine months of 2017

Figures in thousands of euro	Balances as at 31.12.2016 Stand-Alone UBI Banca Group	Allocation of prior year profit		Changes January-September 2017				30.9.2017
					Equity transactions			
		Reserves	Dividends and other uses	Changes in reserves	New share issues	Stock options	Consolidated comprehensive income	Equity attributable to the shareholders of the Parent
Share capital:	2,440,751	-	-	-	402,325	-	-	**2,843,076**
a) ordinary shares	*2,440,751*	-	-	-	*402,325*	-	-	*2,843,076*
b) other shares	-	-	-	-		-	-	-
Share premiums	3,798,430	-493,425	-	-1	1,623	-	-	**3,306,627**
Reserves	3,664,366	-336,725	-107,163	-2,513	-7,865	-	-	**3,210,100**
Valuation reserves	-73,950	-	-	162	-	-	-21,546	**-95,334**
Treasury shares	-9,869	-	-	710	-	-		**-9,159**
Result for period	-830,150	830,150	-	-	-	-	702,415	**702,415**
Equity attributable to the shareholders of the Parent	**8,989,578**	**-**	**-107,163**	**-1,642**	**396,083**	**-**	**680,869**	**9,957,725**

The equity of the UBI Banca Group as at 30th September 2017 (inclusive of profit for the nine-month period for the Stand-Alone UBI Banca Group and for the second and third quarters for the New Banks) amounted to €9,957.7 million, an increase compared with €8,989.6 million at the end of 2016, before the acquisition.

Valuation reserves attributable to the Group: composition

Figures in thousands of euro	30.9.2017	31.12.2016 Stand-Alone UBI Banca Group
Available-for-sale financial assets	-50,397	-26,860
Cash flow hedges	258	285
Currency translation differences	-243	-243
Actuarial gains (losses) for defined benefit pension plans	-105,753	-107,773
Special revaluation laws	60,801	60,641
Total	**-95,334**	**-73,950**

As shown in the table "Changes in the consolidated equity of the Group in the first nine months of 2017", the increase of €968.1 million is the aggregate result of the following:

- the allocation of €107.16 million to dividends and other uses drawn from the extraordinary reserve[1];
- a fall of €21.38 million in the balance on valuation reserves, generated mainly by the impact of comprehensive income as follows: -€23.53 million for available for sale financial assets; +€2.02 million for actuarial gains/losses relating to defined benefit pension plans; -€0.03 million for cash flow hedges. Furthermore reserves relating to special revaluation laws increased by €0.16 million;
- an increase in the share capital of €402.32 million as a result of the following:
  - €399.98 million from the recognition (at 2.395 euro per share[2]) of the 167,006,712 ordinary shares issued to implement the share capital increase that took place in July;
  - €2.34 million from the issue of 937,399 ordinary shares in the first quarter arising from the merger by incorporation into the Parent of Banca Popolare di Ancona, Banca di Valle Camonica and Banca Carime;
- an overall decrease of €10.38 million in other reserves, the aggregate result of increases of various nature[3], offset by the negative impact of the changes in the investment structure that took place with the completion of the "Single bank" project and by the costs for the share capital increase (-€7.6 million net of tax);
- an increase of €1.62 million for the proceeds from the sale on the market of 6,676,180 option rights that were not exercised during the offer period;
- an increase of €0.71 million following the grant of treasury shares to the "identified staff" (key personnel) of the Group in relation to the 2012 and 2014 incentive schemes for a total of 197,094 shares;
- the recognition of profit for the period of €702.41 million;

Fair value reserves of available-for-sale financial assets attributable to the Group: composition

	30.9.2017			**31.12.2016** Stand-Alone UBI Banca Group		
Figures in thousands of euro	Positive reserve	Negative reserve	Total	Positive reserve	Negative reserve	Total
1. Debt instruments	18,094	-141,785	-123,691	68,846	-158,922	-90,076
2. Equity instruments	63,486	-1,210	62,276	53,688	-727	52,961
3. Units in UCITS	117,340	-106,322	11,018	10,505	-250	10,255
4. Financing	-	-	-	-	-	-
Total	**198,920**	**-249,317**	**-50,397**	**133,039**	**-159,899**	**-26,860**

Fair value reserves of available-for-sale financial assets attributable to the Group: changes in the period

Figures in thousands of euro	Debt instruments	Equity instruments	Units in UCITS	Financing	Total
1. Opening balances al 1st January 2017 Stand-Alone UBI Banca Group	**-90,076**	**52,961**	**10,255**	**-**	**-26,860**
2. Positive changes	**83,843**	**11,739**	**8,206**	**-**	**103,788**
2.1 Increases in fair value	71,131	7,520	5,915	-	84,566
2.2 Transfer to income statement of negative reserves	6,167	4,186	1,986	-	12,339
- following impairment losses	*119*	*4,062*	*1,986*	-	*6,167*
- from disposal	*6,048*	*124*	-	-	*6,172*
2.3 Other changes	6,545	33	305	-	6,883
3. Negative changes	**-117,458**	**-2,424**	**-7,443**	**-**	**-127,325**
3.1 Reductions in fair value	-49,122	-1,334	-6,296	-	-56,752
3.2 Impairment losses	-	-557	-31	-	-588
3.3 Transfer to income statement of positive reserves: from disposal	-64,353	-167	-1,097	-	-65,617
3.4 Other changes	-3,983	-366	-19	-	-4,368
4. Closing balances as at 30th September 2017	**-123,691**	**62,276**	**11,018**	**-**	**-50,397**

As shown in the table, the decrease mentioned above of €23.53 million in the "fair value reserve for available-for-sale financial assets" was generated almost entirely by debt instruments held in portfolio (for which the balance fell by €33.6 million to -€123.7 million, net of tax and non-controlling interests) and by Italian government securities in particular.

1 Due to the loss incurred by the Parent in 2016, amounting to €830.2 million (-€845.1 million inclusive of non-controlling interests), the share premium reserve was reduced by €493.4 million and a remaining change of over €336.7 million was then made to the value of retained earnings.
2 The subscription price of the new ordinary shares incorporated a discount of approximately 26.1% on the theoretical ex-rights price (TERP) of UBI Banca ordinary shares on the basis of the official stock market price on the 7th June 2017.
3 These included an increase of €2.3 million due to the partial release of a negative reserve recognised as at 31st December 2016 as a consequence of the reclassification of €3.3 billion nominal of BTPs out of the AFS portfolio into the HTM portfolio.

The relative reserve, which was negative by €117.4 million, did in fact fall €51.3 million in the first nine months (it stood at -€66.1 million in December 2016) fully attributable to the Parent's portfolio.

Information on the shareholder structure of UBI Banca

At the date of this report the share capital of UBI Banca amounted to €2,843,177,160.24 divided into 1,144,285,146 shares with no nominal value.

On the basis of reports received in accordance with Art. 120 of the Consolidated Finance Law (Legislative Decree No. 58/1998), no changes occurred compared with the information reported in the Interim Management Report on consolidated operations for the period ended 30th June 2017, which may be consulted.

*It must in any case be considered that the percentage interests reported may no longer be those actually held if a change has occurred in the meantime which does not involve disclosure obligations in accordance with the applicable regulations. Furthermore, those shareholders (investment management companies) who have taken advantage of the exemption pursuant to Art. 119-*bis *of the Issuers' Regulations have not been considered.*

On the basis of an update of reports received from financial intermediaries, shareholders of UBI Banca numbered approximately 145 thousand when the dividend for 2016 was paid.

Treasury shares

As at 30th September 2017 UBI Banca held 2,834,880 treasury shares with no nominal value (3,031,974 in June 2017), accounting for 0.25% of the share capital as at that same date, of which:
- 1,807,220 shares resulting from the exercise of a right of withdrawal, purchased with value date 8th April 2016 on the basis of an authorisation issued by the ECB on 31st March 2016;
- 1,027,660 shares held to service incentive schemes.

The following stock grants were recorded on 3rd July during the course of the third quarter:
- 34,242 treasury shares relating to the deferred portion of the 2012 short-term incentive scheme (because the retention period on the deferment had ended);
- 162,852 shares relating to the "up front" part to be paid in financial instruments as part of the 2014 incentive scheme, because the two-year retention period had ended.

After the end of the third quarter, on 4th October (value date 6th October), in implementation of a shareholders resolution dated 7th April 2017, UBI Banca purchased 150,000 own shares at an average weighted price of €4.39381 at the service of the 2017-2019/2020 long-term incentive scheme to support the Business Plan.

Consequently, with the operation that took place on 4th October 2017 a programme was launched to purchase own shares at the service of the long-term incentive scheme for key management personnel ("identified staff") of the Group. This involves the ability to purchase ordinary shares of UBI Banca on regulatory markets for a maximum value of approximately €16.4 million, with the possibility of using the remaining shares held in portfolio by UBI Banca, resulting from previous purchases at the service of prior year incentive schemes. The maximum number of shares that can be purchased is 3,637,840 shares, considering that the 250,000 shares already held in portfolio by UBI Banca will be used at the service of that same scheme.
The purchase of treasury shares took place in accordance with the procedures set out in Art. 132 of the Consolidated Finance Law and paragraph 1, letter b) of Art. 144 bis *of the Issuers' Regulations and that is on regulated markets according to procedures that ensure equal treatment between shareholders and do not allow the direct linking of proposals to purchase to predetermined proposals to sell, as well as in full compliance with the measures to prevent market abuse and the relative market practices allowed by the Consob (Italian securities market authority).*
The purchases must be made within 18 months of the date of the issue of the authorisation granted by the Shareholders' Meeting held on the 7th April 2017 (and therefore before and not later than 7th October 2018)

at a price of not less than and not greater than 10% of the reference price for the UBI Banca share in the market session preceding each single purchase transaction.

With regard to the above and to the changes in the perimeter of the beneficiaries, at the date of this report, treasury shares at the service of incentive schemes numbered 1,177,660 of which 75% already earmarked for "identified staff" of the Group as follows:

- 12,989 shares for the deferred portion of the 2013 short-term scheme;
- 86,457 shares for the deferred portion of the 2014 short-term scheme;
- 216,927 shares for the 2015 short-term scheme;
- 96,314 shares for the 2016 short-term incentive scheme;
- 67,918 shares – in relation to a member of staff who left the Group in February 2017– which will be granted according to the retention and deferment periods defined in compliance with the payment criteria for "identified staff" set by the Supervisory Regulations in force on the matter;
- 400,000 shares for the 2017-2019/2020 long-term scheme.

As a consequence 297,055 treasury shares remain at the service of incentives schemes.

Capital adequacy

The new prudential rules for banks and investment companies contained in EU Regulation 575/2013 (the Capital Requirements Regulation, known as the CRR) and in the EU Directive 2013/36/EU (the Capital Requirements Directive, known as CRD IV), came into force on 1st January 2014. These transpose standards defined by the Basel Committee on Banking Supervision (known as the Basel 3 framework) into European Union regulations.
The CRR came directly into force in member states, while the regulations contained in CRD IV were implemented in national legislation with Legislative Decree No. 72 of 12th May 2015, which came into force on 27th June 2015.
On conclusion of a public consultation process started in November 2013, on 17th December the Bank of Italy published Circular No. 285 "Regulations for the prudential supervision of banks", which implemented, within the scope of its remit, the new EU regulations, together with Circular No. 286 "Instructions for compiling supervisory reports for banks and stock brokerage firms" and an update to Circular No. 154 "Supervisory reporting for credit and financial institutions. Tables for data and instructions for filing reports".
As already reported, the introduction of Basel 3 rules is subject to a transitional regime during which, in most cases, the new rules will be applied to an increasing degree until 2019, when they will reach full application. At the same time, capital instruments that no longer qualify will be gradually excluded from total capital for regulatory purposes by 2021.

Consolidated capital requirements for the UBI Banca Group for 2017, reported in the correspondence received on 12th December 2016 from the ECB are as follows:

- *a new minimum phased-in CET1 ratio requirement of 7.5%[4];*
- *a minimum SREP Total Capital ratio requirement of 9.75%[5]. If the capital conservation buffer of 1.25% is added, this then gives a minimum ratio requirement in terms of the Overall Total Capital Requirement of 11%.*

At the end of September the UBI Banca Group's Common Equity Tier 1 (CET1) capital amounted to €7.842 billion, down compared with June by €65 million.

The slight fall recorded in the quarter is attributable primarily to the following factors:

- -€26 million originating from a greater deduction relating to the provision shortfall (€48 million compared with €22 million before);
- -€11 million relating to a greater deduction of deferred tax assets which depend on future profitability;
- -€25 million relating to the inclusion of profit for the period net of the portion allocated to UBI Banca dividends and charity.

The Tier 2 capital amounting to €1.793 billion was down approximately €28 million on June (€1.821 billion), as a result of progressive amortisation during the period (-€119 million), only

4 The result of the sum of the minimum Pillar 1 capital requirement (4.5%), the Pillar 2 requirement (1.75%) and the capital conservation buffer (1.25%), calculated according to the transitional phased-in rules laid down by the Bank of Italy.
5 The result of the sum of the minimum Pillar 1 Regulatory Capital Ratio (own funds: 8%) and the Pillar 2 requirement (1.75%).

partly offset by the positive contribution of the shortfall of provisions to expected losses on default exposures (+€95 million).

As a consequence, total own funds fell to €9.635 billion from €9.728 billion at the end of June.

RWAs fell €1.9 billion compared with the end of June to €67.3 billion, due primarily to a recovery in the eligibility of guarantees on exposures backed by retail real estate properties with a positive impact on the weightings for these, to an improvement in the credit component and to reductions recorded in equity investments, in debt securities and in the volumes of business of the product companies (leasing and factoring).

At the end of the period the UBI Banca Group had a Common Equity Tier 1 ratio and a Tier 1 ratio of 11.65% (11.42% in June) and a Total Capital ratio of 14.32% (14.06% in June).
The pro forma CET1 ratio, calculated on the basis of the rules that will be in force at the end of the transitional period (known as the fully phased in CET1 ratio), is estimated at 11.54% (11.32% in June).

It is also reported that from 1st January 2016 banks are obliged to hold a countercyclical capital buffer. If it is considered that, as reported in the press release dated 23rd June 2017, the Bank of Italy set the countercyclical capital buffer for the third quarter of 2017 at 0%, for exposures to counterparties resident in Italy and also that the Group mainly has exposures to domestic counterparties, then the Group's countercyclical capital buffer is not significant.
With a communication dated 22nd September 2017 the Bank of Italy also confirmed a coefficient of 0% for the countercyclical buffer for the fourth quarter of 2017.

Finally the leverage ratio according to Basel 3[6] stood at 5.82% (5.66% in June), while the fully loaded indicators stood at 5.77%.

With regard to the insurance business, we report that management accounting measurements of the solvency ratio comply with Solvency II regulations.

6 Under Basel 3, leverage is calculated as the ratio of Tier 1 capital to total on- and off-balance sheet assets, with a minimum requirement of 3%. The ratio was calculated according to the provisions of the CRR, as amended by the Delegated Act (EU) No. 62/2015.

Capital ratios (Basel 3)

Figures in thousands of euro	30.9.2017	30.6.2017	31.12.2016 Stand-Alone UBI Banca Group
Common Equity Tier 1 capital net of prudential filters	**7,890,040**	**7,929,817**	**6,912,245**
*Deductions from Common Equity Tier 1 capital in relation to negative items for shortfall of provisions to expected losses inclusive of the application of transitional provisions**	*-47,747*	*-22,080*	*-82,962*
Common Equity Tier 1 capital	**7,842,293**	**7,907,737**	**6,829,283**
Additional Tier 1 capital before deductions	**25**	**28**	**286**
Deductions from Additional Tier 1 capital	25	28	286
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	*-25*	*-28*	*-286*
Additional Tier 1 capital	-	-	-
Tier 1 capital (Common Equity Tier 1 + Additional Tier 1)	**7,842,293**	**7,907,737**	**6,829,283**
Tier 2 capital before transitional provisions	**1,834,028**	**1,858,084**	**1,606,204**
Effects of grandfathering provisions on Tier 2 instruments	-	-	-
Tier 2 capital after transitional provisions	**1,834,028**	**1,858,084**	**1,606,204**
Deductions from Tier 2 capital	-41,137	-37,403	-46,382
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	*-5,308*	*-2,456*	*-20,812*
Tier 2 capital after specific deductions	**1,792,891**	**1,820,681**	**1,559,822**
Total own funds	**9,635,184**	**9,728,418**	**8,389,105**
Credit risk	4,977,068	5,124,521	4,351,066
Credit valuation adjustment risk	11,108	13,583	11,987
Market risk	88,225	92,484	112,356
Operational risk	306,736	306,737	283,300
Total prudential requirements	**5,383,137**	**5,537,325**	**4,758,709**
Risk weighted assets	**67,289,212**	**69,216,563**	**59,483,864**
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions / Risk weighted assets)	**11.65%**	**11.42%**	**11.48%**
Tier 1 ratio (Tier 1 capital after filters and deductions / Risk weighted assets)	**11.65%**	**11.42%**	**11.48%**
Total capital ratio (Total own funds / Risk weighted assets)	**14.32%**	**14.06%**	**14.10%**

Following the authorisations received from the Bank of Italy, the UBI Banca Group uses internal models to calculate capital requirements to meet credit risk relating to the corporate segment (exposures to companies) and to operational risks from the consolidated supervisory report as at 30th June 2012 and relating to the retail regulatory segment (exposures to small and medium-size enterprises and exposures backed by residential properties) from the consolidated supervisory report as at 30th June 2013.

Starting from 30th June 2017 the figures relate to the new perimeter of the UBI Banca Group, while the figures as at 31st December 2016 relate to the Stand-Alone UBI Banca Group.

As already reported, on the basis of the provisions of EU Regulation 445/2016, from 1st October 2016 unrealised profits or losses relating to exposures to central governments classified within "available-for-sale financial assets" are included in CET1 capital, in compliance with transitional provisions concerning own funds contained in Part II, Chapter 14 of Bank of Italy Circular No. 285. Previously, unrealised profits or losses on those exposures were not included in any item of own funds as a result of the option exercised in January 2014 applied at both separate company and consolidated level.

* The item includes the quota of the shortfall provisions to expected losses which are deducted from the Additional Tier 1 Capital as a result of the transitional provisions applicable. As there was no capital of that type, a portion was deducted from the CET1 capital.

Consolidated companies: the principal figures

Profit for the period

Figures in thousands of euro	January - September 2017 A	January - September 2016 B	Change A-B	% change A/B	FY 2016 C
Unione di Banche Italiane Spa (*)	89,889	19,128	70,761	n.s.	(493,425)
Banca Popolare Commercio e Industria Spa (*)	-	(48,765)	48,765	(100.0%)	-
Banca Regionale Europea Spa (*)	-	(98,831)	98,831	(100.0%)	-
Banca Popolare di Bergamo Spa (*)	-	(55,184)	55,184	(100.0%)	(11,936)
Banco di Brescia Spa (*)	-	(164,294)	164,294	(100.0%)	(158,739)
Banca Popolare di Ancona Spa (*)	-	(112,868)	112,868	(100.0%)	(113,995)
Banca Carime Spa (*)	-	(60,496)	60,496	(100.0%)	(58,315)
Banca di Valle Camonica Spa (*)	-	(4,671)	4,671	(100.0%)	(3,425)
Banca Adriatica Spa (**)	(48,708)	-	(48,708)	-	-
Banca Tirrenica Spa (**)	(36,080)	-	(36,080)	-	-
Banca Teatina Spa (**)	1,660	-	1,660	-	-
Centrobanca Sviluppo Impresa SGR Spa	(226)	(239)	(13)	(5.4%)	(159)
IW Bank Spa	(5,196)	(3,762)	1,434	38.1%	(6,913)
UBI Banca International Sa (***)	2,072	(232)	2,304	n.s.	(5,408)
UBI Pramerica SGR Spa	51,293	42,528	8,765	20.6%	63,587
Zhong Ou Asset Management Co. Ltd (****)	4,220	6,438	(2,218)	(34.5%)	7,317
UBI Leasing Spa	10,169	(49,372)	59,541	n.s.	(54,917)
UBI Factor Spa	3,179	(7,962)	11,141	n.s.	(8,656)
Prestitalia Spa	8,384	(6,278)	14,662	n.s.	(14,310)
BPB Immobiliare Srl	(136)	(16)	(120)	n.s.	(716)
UBI Sistemi e Servizi SCpA (1)	7,830	6,514	1,316	20.2%	-
Aviva Assicurazioni Vita Spa (20%) (2)	-	400	(400)	(100.0%)	-
Aviva Vita Spa (20%)	6,300	4,500	1,800	40.0%	5,460
Lombarda Vita Spa (40%)	5,785	7,862	(2,077)	(26.4%)	11,525
UBI Management Co. Sa (***)	922	1,451	(529)	(36.5%)	1,850
UBI Trustee Sa (***)	102	146	(44)	(30.1%)	104
CONSOLIDATED	**702,415**	**(754,513)**	**1,456,928**	**n.s.**	**(830,150)**

(*) On 15th November 2016 the deeds for the merger by incorporation of Banca Popolare Commercio e Industria and Banca Regionale Europea into the Parent UBI Banca were signed (with legal effect from 21st November 2016 and with effect for accounting and tax purposes from 1st January 2016), while on 2nd February 2017 the deeds were signed for the merger by incorporation into the Parent of the remaining network banks: Banca Popolare di Bergamo, Banca Popolare di Ancona, Banca Carime, Banco di Brescia and Banca di Valle Camonica (with effect from 20th February 2017 with regard to third parties and from 1st January 2017 for accounting and tax purposes). The UBI Banca's net result for the full year 2016 and for the period ended 30th September 2016, stated on a pro forma basis to take account of the aforementioned mergers, was a loss of €820,874 thousand and of the €757,697 thousand respectively.

(**) On 10th May 2017 UBI Banca concluded the purchase from the National Resolution Fund of 100% of the share capital of Nuova Banca delle Marche (in possession, as at that date, of 98.86% of CARILO - Cassa di Risparmio di Loreto), Nuova Banca dell'Etruria e del Lazio (in possession amongst other things of 100% Banca Federico del Vecchio) and Nuova Cassa di Risparmio di Chieti, in implementation of the purchase and sale agreement signed on 18th January 2017 with the Bank of Italy, as the manager of and on behalf of the National Resolution Fund.
On the following 11th May 2017 the Management Board and the Supervisory Board of UBI Banca approved a merger project, which involves the integration into the Parent, UBI Banca, of the five banks mentioned above.
Because the New Banks entered the scope of consolidation from 1st April 2017, the net result stated for the period relates to the second and third quarters of 2017.
Finally, on 6th September the new company names became effective as follows: Banca Adriatica Spa for Nuova Banca delle Marche, Banca Tirrenica Spa for Nuova Banca dell'Etruria e del Lazio and Banca Teatina Spa for Nuova Cassa di Risparmio di Chieti.

(***) The result shown is from the financial statements prepared for the consolidation according to the accounting policies followed by the Parent.
On 1st November 2017 the sale of 100% of the share capital of UBI Banca International to EFG International became effective.

(****) On 12th September 2017 UBI Banca concluded the sale of 10% of the share capital to the management team, thereby reducing the total stake held from 35% of the share capital to the 25% currently held.

(1) Since this is a consortium company with mutual, not-for-profit objects, UBI Sistemi e Servizi ends the year with a break-even result.

(2) On 5th October 2016 an extraordinary Shareholders' Meeting of Aviva Vita Spa resolved to merge its subsidiary Aviva Assicurazioni Vita into itself with legal effect from 31st December 2016.

The consolidated figure as at 31st December 2016 and that as at 30th September 2016 relate to the Stand-Alone UBI Banca Group.

Net loans and advances to customers

Figures in thousands of euro	30.9.2017 A	30.6.2017 B	31.12.2016 C	Change A-C	% change A/C
Unione di Banche Italiane Spa (*)	83,245,551	82,613,194	37,111,384	46,134,167	124.3%
Banca Popolare di Bergamo Spa (*)	-	-	18,831,193	-18,831,193	-100.0%
Banco di Brescia Spa (*)	-	-	11,732,362	-11,732,362	-100.0%
Banca Popolare di Ancona Spa (*)	-	-	7,638,165	-7,638,165	-100.0%
Banca Carime Spa (*)	-	-	4,036,265	-4,036,265	-100.0%
Banca di Valle Camonica Spa (*)	-	-	1,729,589	-1,729,589	-100.0%
Banca Adriatica Spa (**)	6,824,770	7,814,849	7,994,192	-1,169,422	-14.6%
Banca Tirrenica Spa (**)	2,421,854	2,620,276	2,701,284	-279,430	-10.3%
Banca Teatina Spa (**)	1,122,171	1,155,116	1,219,555	-97,384	-8.0%
Prestitalia Spa	1,290,159	1,252,246	1,231,530	58,629	4.8%
UBI Banca International Sa (***)	69,141	70,024	336,658	-267,517	-79.5%
IW Bank Spa	609,803	609,017	647,373	-37,570	-5.8%
UBI Factor Spa	2,153,365	2,245,527	2,468,928	-315,563	-12.8%
UBI Leasing Spa	7,006,117	6,216,117	6,347,210	658,907	10.4%
CONSOLIDATED	**93,879,802**	**94,228,583**	**93,769,311**	**110,491**	**0.1%**

Risk indicators

Percentages	Net bad loans/net loans			Total net non-performing loans/net loans		
	30.9.2017	30.6.2017	31.12.2016	30.9.2017	30.6.2017	31.12.2016
Unione di Banche Italiane Spa (*)	3.69%	3.71%	2.85%	7.48%	7.64%	6.60%
Banca Popolare di Bergamo Spa (*)	-	-	4.13%	-	-	6.87%
Banco di Brescia Spa (*)	-	-	3.65%	-	-	10.09%
Banca Popolare di Ancona Spa (*)	-	-	6.33%	-	-	12.26%
Banca Carime Spa (*)	-	-	5.99%	-	-	10.78%
Banca di Valle Camonica Spa (*)	-	-	3.96%	-	-	8.84%
Banca Adriatica Spa (**)	1.30%	1.10%	n.d.	11.75%	11.56%	n.d.
Banca Tirrenica Spa (**)	1.33%	1.05%	n.d.	8.83%	8.56%	n.d.
Banca Teatina Spa (**)	0.44%	0.36%	n.d.	12.09%	11.13%	n.d.
Prestitalia Spa	0.63%	0.65%	0.76%	4.70%	5.22%	6.54%
UBI Banca International Sa (***)	n.s.	n.s.	3.99%	n.s.	n.s.	15.60%
IW Bank Spa	1.81%	1.79%	1.77%	3.75%	3.60%	3.57%
UBI Factor Spa	9.64%	9.20%	8.46%	14.22%	11.45%	11.11%
UBI Leasing Spa	9.68%	10.76%	10.81%	16.51%	17.53%	18.47%
CONSOLIDATED	**4.34%**	**4.30%**	**4.35%**	**8.97%**	**8.97%**	**9.87%**

(*) On 2nd February 2017 the deeds were signed for the merger by incorporation into the Parent of the remaining five network banks: Banca Popolare di Bergamo, Banca Popolare di Ancona, Banca Carime, Banco di Brescia and Banca di Valle Camonica (with effect from 20th February 2017 with regard to third parties and from 1st January 2017 for accounting and tax purposes).
Net loans to customers of UBI Banca as at 31st December 2016, restated on a pro forma basis to take account of the merger of the network banks, stood at €81,112,931 thousand and the ratio of bad loans to net loans was 3.77%, while the ratio of total net performing loans to net loans was 7.96%.

(**) On 10th May 2017 UBI Banca concluded the purchase from the National Resolution Fund of 100% of the share capital of Nuova Banca delle Marche (in possession, as at that date, of 98.86% of CARILO - Cassa di Risparmio di Loreto), Nuova Banca dell'Etruria e del Lazio (in possession amongst other things of 100% Banca Federico del Vecchio) and Nuova Cassa di Risparmio di Chieti, in implementation of the purchase and sale agreement signed on 18th January 2017 with the Bank of Italy, as the manager of and on behalf of the National Resolution Fund.
On the following 11th May 2017 the Management Board and the Supervisory Board of UBI Banca approved a merger project, which involves the integration into the Parent, UBI Banca, of the five banks mentioned above.
Finally, on 6th September the new company names became effective as follows: Banca Adriatica Spa for Nuova Banca delle Marche, Banca Tirrenica Spa for Nuova Banca dell'Etruria e del Lazio and Banca Teatina Spa for Nuova Cassa di Risparmio di Chieti.

(***) A significant contraction in the item net loans to customers was recorded from 30th June 2017 due to the sale of the loan corporate portfolio (including non-performing exposures) to UBI Banca. The risk indicators on the other hand were not significant because the portfolio of non-performing loans had been reduced to almost zero.
Finally, as already reported, on 1st November 2017, after the end of the quarter, the sale of 100% of the share capital of UBI Banca International to EFG International became effective.

The "consolidated" figure as at 31st December 2016 has been restated in aggregate form to make it comparable with the figures as at 30th September and June 2017.

Direct funding from customers

Figures in thousands of euro	30.9.2017 A	30.6.2017 B	31.12.2016 C	Change A-C	% change A/C
Unione di Banche Italiane Spa (*)	80,406,669	78,846,910	44,160,639	36,246,030	82.1%
Banca Popolare di Bergamo Spa (*)	-	-	16,445,137	-16,445,137	-100.0%
Banco di Brescia Spa (*)	-	-	8,653,781	-8,653,781	-100.0%
Banca Popolare di Ancona Spa (*)	-	-	5,171,558	-5,171,558	-100.0%
Banca Carime Spa (*)	-	-	5,871,976	-5,871,976	-100.0%
Banca di Valle Camonica Spa (*)	-	-	1,041,859	-1,041,859	-100.0%
Banca Adriatica Spa (**)	9,638,234	10,493,531	11,311,136	-1,672,902	-14.8%
Banca Tirrenica Spa (**)	3,489,838	3,571,308	4,091,562	-601,724	-14.7%
Banca Teatina Spa (**)	1,690,911	2,212,925	2,689,526	-998,615	-37.1%
UBI Banca International Sa (***)	1,017,643	1,121,790	1,701,873	-684,230	-40.2%
IW Bank Spa	2,863,797	2,836,947	2,757,347	106,450	3.9%
CONSOLIDATED	**96,554,059**	**98,474,600**	**103,258,237**	**-6,704,178**	**-6.5%**

Direct funding from customers includes amounts due to customers and debt securities issued, with the exclusion of bonds and other securities subscribed directly by companies in the Group.

(*) On 2nd February 2017 the deeds were signed for the merger by incorporation into the Parent of the remaining five network banks: Banca Popolare di Bergamo, Banca Popolare di Ancona, Banca Carime, Banco di Brescia and Banca di Valle Camonica (with effect from 20th February 2017 with regard to third parties and from 1st January 2017 for accounting and tax purposes).
UBI Banca's direct funding from customers, stated on a pro forma basis to take account of the aforementioned mergers of the network banks, stood at €81,344,950 thousand as at 31st December 2016.

(**) On 10th May 2017 UBI Banca concluded the purchase from the National Resolution Fund of 100% of the share capital of Nuova Banca delle Marche (in possession, as at that date, of 98.86% of CARILO - Cassa di Risparmio di Loreto), Nuova Banca dell'Etruria e del Lazio (in possession amongst other things of 100% Banca Federico del Vecchio) and Nuova Cassa di Risparmio di Chieti, in implementation of the purchase and sale agreement signed on 18th January 2017 with the Bank of Italy, as the manager of and on behalf of the National Resolution Fund.
On the following 11th May 2017 the Management Board and the Supervisory Board of UBI Banca approved a merger project, which involves the integration into the Parent, UBI Banca, of the five banks mentioned above.
Finally, on 6th September the new company names became effective as follows: Banca Adriatica Spa for Nuova Banca delle Marche, Banca Tirrenica Spa for Nuova Banca dell'Etruria e del Lazio and Banca Teatina Spa for Nuova Cassa di Risparmio di Chieti.

(***) On 1st November 2017 the sale of 100% of the share capital of UBI Banca International to EFG International became effective.

The "consolidated" figure as at 31st December 2016 has been restated in aggregate form to make it comparable with the figures as at 30th September and June 2017.

Indirect funding from ordinary customers (at market prices)

Figures in thousands of euro	30.9.2017 A	30.6.2017 B	31.12.2016 C	Change A-C	% change A/C
Unione di Banche Italiane Spa (*)	76,914,612	74,936,869	18,374,907	58,539,705	n.s.
Banca Popolare di Bergamo Spa (*)	-	-	31,818,308	-31,818,308	-100.0%
Banco di Brescia Spa (*)	-	-	16,546,418	-16,546,418	-100.0%
Banca Popolare di Ancona Spa (*)	-	-	5,238,305	-5,238,305	-100.0%
Banca Carime Spa (*)	-	-	6,641,983	-6,641,983	-100.0%
Banca di Valle Camonica Spa (*)	-	-	1,529,069	-1,529,069	-100.0%
Banca Adriatica Spa (**)	3,940,858	4,428,097	4,230,449	-289,591	-6.8%
Banca Tirrenica Spa (**)	3,222,242	2,817,018	2,850,478	371,764	13.0%
Banca Teatina Spa (**)	613,939	619,451	585,197	28,742	4.9%
UBI Pramerica SGR Spa	34,074,432	32,838,723	31,476,373	2,598,059	8.3%
UBI Banca International Sa (***)	3,096,185	2,984,483	2,640,060	456,125	17.3%
IW Bank Spa	9,833,003	9,391,298	8,833,568	999,435	11.3%
Lombarda Vita Spa (1)	7,075,652	6,895,014	6,360,382	715,270	11.2%
Aviva Vita Spa (1)	11,893,365	11,481,036	7,849,961	4,043,404	51.5%
Aviva Assicurazioni Vita Spa (1)	-	-	2,603,969	-2,603,969	-100.0%
CONSOLIDATED	**98,806,557**	**95,829,633**	**89,782,736**	**9,023,821**	**10.1%**

Assets under management (at market prices)

Figures in thousands of euro	30.9.2017 A	30.6.2017 B	31.12.2016 C	Change A-C	% change A/C
Unione di Banche Italiane Spa (*)	51,811,384	50,451,579	12,250,894	39,560,490	n.s.
Banca Popolare di Bergamo Spa (*)	-	-	18,542,143	-18,542,143	-100.0%
Banco di Brescia Spa (*)	-	-	8,940,263	-8,940,263	-100.0%
Banca Popolare di Ancona Spa (*)	-	-	2,786,946	-2,786,946	-100.0%
Banca Carime Spa (*)	-	-	4,354,020	-4,354,020	-100.0%
Banca di Valle Camonica Spa (*)	-	-	798,692	-798,692	-100.0%
Banca Adriatica Spa (**)	1,684,544	2,195,876	1,951,354	-266,810	-13.7%
Banca Tirrenica Spa (**)	1,987,241	1,719,176	1,649,680	337,561	20.5%
Banca Teatina Spa (**)	387,938	393,744	348,316	39,622	11.4%
UBI Pramerica SGR Spa	34,074,432	32,838,723	31,476,373	2,598,059	8.3%
UBI Banca International Sa (***)	171,744	180,685	146,610	25,134	17.1%
IW Bank Spa	6,471,613	6,409,315	6,175,632	295,981	4.8%
Lombarda Vita Spa (1)	7,075,652	6,895,014	6,360,382	715,270	11.2%
Aviva Vita Spa (1)	11,893,365	11,481,036	7,849,961	4,043,404	51.5%
Aviva Assicurazioni Vita Spa (1)	-	-	2,603,969	-2,603,969	-100.0%
CONSOLIDATED	**63,741,153**	**62,043,961**	**58,580,569**	**5,160,584**	**8.8%**

(*) On 2nd February 2017 the deeds were signed for the merger by incorporation into the Parent of the remaining five network banks: Banca Popolare di Bergamo, Banca Popolare di Ancona, Banca Carime, Banco di Brescia and Banca di Valle Camonica (with effect from 20th February 2017 with regard to third parties and from 1st January 2017 for accounting and tax purposes).
As at 31st December 2016 UBI Banca's indirect funding from ordinary customers, restated on a pro forma basis to take account of the mergers of the network banks, stood at €69,534,091 thousand, while assets under management, on the other hand, stood at €47,166,828 thousand.

(**) On 10th May 2017 UBI Banca concluded the purchase from the National Resolution Fund of 100% of the share capital of Nuova Banca delle Marche (in possession, as at that date, of 98.86% of CARILO - Cassa di Risparmio di Loreto), Nuova Banca dell'Etruria e del Lazio (in possession amongst other things of 100% Banca Federico del Vecchio) and Nuova Cassa di Risparmio di Chieti, in implementation of the purchase and sale agreement signed on 18th January 2017 with the Bank of Italy, as the manager of and on behalf of the National Resolution Fund.
On the following 11th May 2017 the Management Board and the Supervisory Board of UBI Banca approved a merger project, which involves the integration into the Parent, UBI Banca, of the five banks mentioned above.
Finally, on 6th September the new company names became effective as follows: Banca Adriatica Spa for Nuova Banca delle Marche, Banca Tirrenica Spa for Nuova Banca dell'Etruria e del Lazio and Banca Teatina Spa for Nuova Cassa di Risparmio di Chieti.

(***) On 1st November 2017 the sale of 100% of the share capital of UBI Banca International to EFG International became effective.

(1) The figure shown on this line is for total assets managed by the Company. It should be remembered that the calculation of consolidated funding is based solely on the portion placed by companies in the UBI Banca Group.

The "consolidated" figure as at 31st December 2016 has been restated in aggregate form to make it comparable with the figures as at 30th September and June 2017.

Other information

Inspections

On 26th February 2016 the Central European Bank commenced inspections into the Parent, UBI Banca, on the subject of the BUSINESS MODEL AND PROFITABILITY. These inspections concluded on 19th May 2016 with a "pre-closing meeting", during which the Bank's senior managers were informed of the main results of the inspections conducted (officially concluded on 20th May 2016). On the following 25th May, UBI Banca sent the inspection team some preliminary considerations on the specific matters discussed in the pre-closing meeting. On 12th October 2016 a "closing meeting" took place, during which the related findings were discussed.
Based on the results contained in the final inspection report received on 10th January 2017, UBI Banca's Management Board and Supervisory Board assessed an initial response on 7th February, containing observations and planned mitigation actions.
On 10th March 2017 UBI Banca submitted a compliance proposal and on the following 31st March replied to some of the questions posed on this matter by the authority. Further information contained in documents was submitted on 25th July and 19th September 2017.

In a letter dated 22nd June 2016, the ECB ordered new inspections in the areas of GOVERNANCE, REMUNERATION AND INTERNAL CONTROLS, with a particular focus on how the Bank and the Group deal with conflicts of interest and verify policies and procedures to identify and manage Group related parties and therefore potential conflicts of interest and the adequacy of internal control systems to detect such conflicts. These inspections were completed on 5th August 2016.
On 27th January 2017, the ECB notified the Bank of the results of the inspections performed, directing the Bank to draw up an action plan to implement the requested solutions and suggested actions. On 7th March the Parent replied to the authority by submitting a plan of action. On 2nd May an update was submitted to the ECB on the state of progress on implementing the action at the end of the first quarter (in detail: the state of progress on activities to formulate policies for oversight of possible conflicts of interest and of the "fit and proper" process, an extension of rules for connected parties to include the "identified staff" of the bank and computerisation activity). On 1st August 2017 the second update was submitted to the supervisory authority on the state of progress of action taken in the first half of 2017 (in detail: the imminent finalisation of policies, publication of the new "Bank of Italy Connected Parties Rulebook", alignment of the IT systems in foreign branches with the Group target system). The third update on the situation regarding action taken as at 30th September 2017 was submitted to the ECB on 23rd October.

In a letter dated 17th November 2016, the ECB gave notice of the start of an inspection on the subject of CAPITAL POSITION CALCULATION ACCURACY. The inspections were concluded on 3rd March 2017, while the official presentation of the preliminary results took place on the following 12th April. These reported room for improvement on internal control processes and areas for study on credit risk mitigation techniques for use on financial instruments issued by the bank.
On the 3rd July 2017 the ECB sent its final report together with the draft of a letter containing the supervisory authority's recommendations, which were discussed in the "closing meeting" on 7th July. The final version of the aforementioned letter was received on 20th July. The Bank furnished the relative reply to the ECB on the following 14th August.

On 11th January 2017 the European Central Bank ordered an inspection on the subject of the INTERNAL MODEL of organisation following an application to extend the IRB perimeter consistent with the Group's roll-out plan. The investigations were concluded on 7th April.
On 23rd September 2017 the authority sent a draft assessment report, to be discussed in the "closing meeting" on 29th September. The Bank submitted its observations on the contents of the report on 11th October and received the final version of the assessment report from the ECB on the following 23rd October 2017.

On 31st March 2017 the Bank of Italy gave notice of the start of inspections on the subject of TRANSPARENCY at IW Bank. The inspection activity, which commenced on 3rd April, was concluded on 7th April. With a letter dated 17th July the supervisory authority gave the results of the inspections carried out which revealed certain shortcomings. IW Bank submitted the reply requested to the Bank of Italy on 14th September 2017, which included the following: (i) a progressive improvement in average response times to customer complaints; (ii) the prompt correction of two discrepancies detected between contract documents and periodic summary documents; and also (iii) the development of new functionalities for the dynamic update of pre-contractual, contractual and periodic documents required by the regulations on transparency, designed to reduce the risk of discrepancies.

With a letter dated 26th June 2017 the European Central Bank announced the start of an inspection on the subject of COUNTERPARTY RISK MANAGEMENT AND RISK CONTROL SYSTEM. These inspections, commenced on 18th September, are still in progress.

On the 9th October 2017 a Bank of Italy inspection commenced, following on from a communication sent by that authority on the preceding 22nd September entitled "THE INTRODUCTION ONTO THE MARKET AND THE REVISION OF RETAIL BANKING PRODUCTS". The inspection is into the stages of the production and distribution process and governance and control mechanisms. The inspection is still in progress.

Finally, on 6th November 2017 the Bank of Italy commenced inspections designed to assess: (i) the state of implementation of corrective action requested following the latest inspections on ANTI-MONEY LAUNDERING; (ii) the suitability of the organisational structure for producing accurate reports of overall average effective interest rates and preventing violations of USURY regulations.

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The aforementioned inspections, which take place in the form of on-site inspections by ECB inspectors at UBI Banca, are accompanied (as part of the Supervisory Examination Plan formulated by the supervisory authority) by many "remote" inspection activities conducted by means of email exchanges and periodic meetings which have taken the form to-date of initiatives entitled "Thematic Review", "Deep dive", "Quality Assessment" and "For Action".

The thematic reviews currently in progress in the UBI Banca Group regard the following areas:
- *IFRS 9* (for the purpose of learning the latest developments in the process of adopting this new accounting standard): the review was concluded on 31st March 2017. The preliminary results of the analysis were discussed with the ECB on 13th July and on 22nd August 2017 the supervisory authority delivered its relative draft letter, on which UBI Banca submitted its comments on the following 18th September.
  On 12th October the ECB sent its final letter containing the results of its review. The authority's findings were that management involvement in the project to implement the new standards was adequate, but that the formalisation of the methodological and implementation choices could be improved. The Bank was asked to provide a reply within four weeks giving details of the action identified to follow the recommendations formulated by the authority. UBI Banca's reply is planned for 13th November 2017 following a meeting of the Supervisory Board.
- *Risk Data Aggregation and Risk Reporting* [with respect to the standards set by the Basel Committee on Banking Supervision (BCBS) for the development of an early warning system given the possibility of exceeding the risk considered acceptable under the Risk Appetite Framework adopted by the Bank also in terms of forecasts]: commenced in 2016, the first results were discussed with the ECB in a meeting held on 30th March 2017. On the following 5th May a preliminary reply was submitted to the draft of the report received in April. On the 19th May the supervisory authority delivered the results of the activities carried out and asked for action to be taken to implement the recommended solutions and actions. The Bank furnished a reply on 26th September 2017.

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On conclusion of the investigations commenced in 2014 by the **Public Prosecutor's Office of Bergamo**, in November 2016 a "Notice of conclusion of the preliminary investigations – Concomitant notification of investigation and right to defence – articles 369, 369 *bis* and 415 *bis* of the Italian Code of Criminal Procedure" was notified to current senior officers of the Bank in which the crimes of "Hindrance of the Public Supervisory Authorities in the exercise of their duties" (Art. 2638 of the Italian Civil Code and Art. 170 *bis* of the Consolidated Finance Law) and "Illicit influence on a shareholders meeting" (article 2636 of the Italian Civil Code) in relation to the meeting held in April 2013, were alleged against various recipients on various grounds. In that notice, accusations were also made against additional persons for "Fraud" (article 640 of the Italian Criminal Code) and for "Failure to comply with regulations regarding the duties of senior officers of banks" (Art. 136 of the Consolidated Banking Law), in addition to some infringements of tax laws. Altogether this provision has been issued and notified to 39 persons, including 28 directors and senior managers at the time of the UBI Banca Group and senior officers of UBI Leasing. At the same time, the Public Prosecutor also issued and notified a notice of the conclusion of preliminary investigations to UBI Banca which alleges the existence of the "administrative" liability of the entity within the meaning of Legislative Decree No. 231/2001, in relation to the crime of "Hindrance of the Public Supervisory Authorities in the exercise of their duties" (article 2638 of the Italian Civil Code) and "illicit influence on a shareholders meeting" (article 2636 of the Italian Civil Code).
As part of the proceedings in question, on 1st August 2017 UBI Banca received a notification of committal for trial and consequent notification of the date set for the preliminary hearing on 10th November 2017 for the administrative violations provided for by article 25 *ter*, letter q) and letter s) of Legislative Decree No. 231/2001. The Public Prosecutor's Office of Bergamo asked in particular for committal for trial for the administrative violations mentioned in relation to the offences pursuant to articles 2636 and 2638 of the Italian Civil Code for which charges have been brought against, amongst others, some senior officers currently in office, who then received notification of the dates set for the preliminary hearing which is 10th November 2017. On conclusion of the preliminary hearing that has been set, the judge will decide whether sufficient grounds exist to go to trial.
On the 2nd October 2017 the Public Prosecutor's Office of Bergamo made an official request for the case regarding the charges of fraud and failure to comply with provisions regarding the duties of senior officers of banks and infringements of tax laws, originally brought against (amongst others) some senior officers of UBI Leasing and which are now no longer included in the application for committal to trial, to be closed with no further action taken. The judge presiding over the preliminary hearing will now be required to rule on the request to close the case.
The Bank stresses that it has conducted itself properly and is confident that its compliance with the provisions of the law and with organisational regulations will be confirmed in the courts at all levels, as already clearly demonstrated by the decision reached on 19th June 2017 by the Court Appeal of Brescia which recognised UBI Banca's proper conduct and that of its senior officers in their relations with the supervisory authorities and with the market.

In consideration of the nature of the matter, it is considered that it can have no repercussions on Group assets.

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Finally, with regard to **IW Bank** as already reported in previous financial reports, on 3rd December 2015, some current and former IW Bank directors and managers received notification of a search and seizure warrant, also containing an official "notice of investigation" as persons subject to investigation issued to them by the MILAN PUBLIC PROSECUTOR, pursuant to articles 369 and 369 *bis* of the Italian Penal Code. The alleged offences are: criminal conspiracy (Criminal Code Art. 416), money-laundering and conspiracy to launder money (ibid, art. 110 and 648-*bis*), self-money laundering, conspiracy to commit self-money laundering (ibid, Art. 110 and 648.1-*ter*), as well as the criminal tax offence (and relative conspiracy offence as per Criminal Code Art. 110) of "fraudulent concealment of assets in relation to the payment of taxes" (pursuant to Art. 11 of Legislative Decree No. 74/2000). Finally, criminal violation of customer due diligence obligations was alleged (pursuant to Art. 55 of Legislative Decree No. 231/2007).
In relation to the proceedings in question, on 20th July 2017 the *Guardia di Finanza* (finance police) notified the Bank that it was a suspect in investigations, with the closure at the same

time of the preliminary investigations in which the Public Prosecutor alleged liability of the members of IW Bank's Board of Directors and its Board of Statutory Auditors in the period running from May 2008 to May 2014 for the offence of hindrance of the public supervisory authorities in the exercise of their duties (pursuant to Art. 2638) and in particular to have failed to make full reports to the Bank of Italy on alleged shortcomings regarding anti-money laundering controls and procedures.
With regard to that same predicate offence of hindrance of the public supervisory authorities in the exercise of their duties, the public prosecutor's office charged IW Bank with administrative liability in accordance with Legislative Decree No. 231 of 2001 (pursuant to Art. 25 *ter* of the aforementioned decree).
With sole reference to the alleged offence of hindrance of the public supervisory authorities in the exercise of their duties (pursuant to Art. 2638 of the Italian Civil Code), on 26th October 2017 the Office of the Judge for the preliminary hearing at the Court of Milan notified IW Bank, in its capacity as the entity responsible pursuant to legislative Decree No. 231 of 2001, of an order setting the date for the preliminary hearing for 12th April 2018, following a request for committal to trial filed by the Public Prosecutor on 17th October 2017.
It is underlined that the more serious offences cited in the search warrant executed in December 2015 do not appear in both the notice of the closure of the preliminary investigations and in the subsequent application for committal to trial.

Reference is also made to the 2017 first-half financial report for other facts and matters already reported for which no developments have occurred during the third quarter.

Litigation

Ordinary litigation

Compared with the situation reported in the 2017 the first-half financial report, which may be consulted, we report the reclassification in the quarter from probable risk to possible risk of losing an action originating from the former Banca Carime, relating to contractual and other liability resulting from the revocation of credit facilities.
The ruling in favour of UBI Banca in the court of first instance was appealed against by the claimants. The appeal proceedings are currently in progress.
The case has been adjourned to a hearing set for 13th November 2018 for final pleadings.

Tax litigation

Tax inspections and other investigative activities

As already reported in the previous financial report, on 29th May 2017 the Central Assessment Department of the tax authorities commenced a general tax inspection into UBI Banca regarding the tax year 2014. The inspection is still in progress.

Assessment notices

REGISTRATION DUTIES FOR BRANCH TRANSFER TRANSACTIONS – UBI BANCA AND THE FORMER NETWORK BANKS (BANCA POPOLARE DI BERGAMO, BANCO DI BRESCIA, BANCA POPOLARE COMMERCIO E INDUSTRIA AND BANCA REGIONALE EUROPEA)

The "branch switching" litigation was concluded with the deposit on 19th September 2017 of the last ruling with no case to answer on the matter by the Regional Tax Commission of Lombardy (UBI Banca for itself and for the merged Banca Popolare Commercio Industria).

Activities are continuing to recover taxes and fines paid provisionally during the course of the proceedings and not due in view of the reconciliation agreements concluded following the general settlement agreement signed on 4th February 2016 which also regarded the "preference shares" litigation, for which court proceedings have already terminated.

UBI BANCA FORMER BANCA POPOLARE COMMERCIO E INDUSTRIA –2014 REFUSE TAX

On 6th July 2016 the City of Milan notified the merged Banca Popolare Commercio e Industria of a demand for the payment of refuse tax for the year 2014 totalling €234 thousand. On the basis of an

assessment carried out, the tax demand was inaccurate by approximately €114 thousand. As a consequence, the merged Banca Popolare Commercio e Industria lodged a partial appeal on 16th September 2016 with the Provincial Tax Commission of Milan.
The hearing for the appeal, set for 25th September 2017, was last adjourned until 29th January 2018 in order to allow the parties to consider the possibility of a settlement agreement.

UBI Banca former Banca Popolare di Ancona: 2016 registration tax

The Pesaro office of the tax authorities notified UBI Banca of the following payment demands:

- in March 2017, for registration tax claimed on a debt restructuring agreement with a corporate client, with the increased tax calculated at €34 thousand;
- in April 2017, for registration tax claimed on a debt restructuring agreement with another corporate client, with the increased tax calculated at €90 thousand.

These same demands were also served in the same period on Banca Adriatica and other banks participating in a debt restructuring agreement as jointly and severally liable with UBI Banca with regard to the tax authorities.
In both cases the tax authorities applied registration tax at a rate of 1% on the acknowledgement of the debt as an action listed in the restructuring agreements covered by Art. 182 *bis* of the bankruptcy law.
UBI Banca and the other banks, including Banca Adriatica, appealed against the two tax demands before the Tax Commission of the Province of Pesaro within the legal time limits. The relative hearings were held on 6th October 2017 and the relative decisions have yet to be deposited.

UBI Banca former Banca di Valle Camonica: IRPEG-ILOR (former corporation tax-former local income tax) 1977 and 1980

The Office for Direct Taxes of Breno issued notices of assessment for payment of greater IRPEG and ILOR (tax years 1977 and 1980) by the merged Banca di Valle Camonica, which duly appealed against them. The merged bank lost the case in the court of first instance. On appeal, the Tax Commission of second instance of Brescia partly confirmed the arguments made by the tax authorities, declaring the assessment of greater taxable income for IRPEG and ILOR to be correct and disputing the full deductibility of certain costs because they did not relate entirely to fully taxable revenues. As a result of those rulings, greater taxation totalling €51 thousand became due, in addition to fines and interest.
Both the tax authorities and the former Banca di Valle Camonica lodged appeals with the Central Tax Commission of Rome against the rulings of the court of second instance. With rulings issued on 14th and 15th July 2010 the latter confirmed the partially unfavourable rulings of the court of second instance.
On 29th July 2011 the merged bank appealed to the Supreme Court of Cassation against the decisions of the Central Tax Commission. The hearing for the two appeals was held on 19th April 2017. With rulings deposited on 13th October the Court of Cassation fully accepted the appeals of the taxpayer and as a consequence annulled the tax assessment notices.

UBI Leasing: VAT 2004

In December 2009 the Regional Department for Lombardy of the tax authorities served a tax assessment notice contesting the VAT regime applied in 2004 to three finance leasing transactions regarding boats carried out by UBI Leasing Spa (the former SBS Leasing Spa) (increased VAT of €517 thousand plus tax and fines), in addition to an IRAP (regional production tax) infringement for the non-deductibility of depreciation instalments on assets allegedly considered as non-existent (€4 thousand approx. plus interest and fines).
UBI Leasing appealed against the tax assessment notice and won in the courts of first and second instance.
The tax authorities appealed before the Court of Cassation and the company applied to appear in its defence within the legal time limits.
After careful consideration, on 29th September 2017 the Board of Directors of UBI Leasing decided to take advantage of procedures for the settlement of pending tax litigation at reduced cost. The case was then settled with the payment of approximately €478 thousand (net of the amount already paid provisionally) and administrative activities were set in motion conclude the matter.

Tax aspects

With regard to the tax legislation framework no new developments have occurred with respect to the information contained in the half-year financial report, which may be consulted.

Important events after the end of the third quarter and the outlook for consolidated operations

No events of significance that might affect the operating results and financial position presented occurred after 30th September 2017, the reporting date of this interim financial report, and until 9th November 2017 the date of its approval by the Management Board of UBI Banca Spa.

The following is nevertheless reported for your information:

- 4th October 2017: the European Central Bank put an addendum to its guidance for the management of non-performing loans by banks already published in March 2017 out for consultation until 8th December 2017. The document proposes that from 1st January 2018 banks are required (for prudential purposes) to fully write down new non-performing loans after two years at the latest for the unsecured part and after seven years for the secured part;
- 23rd October 2017: the first step of the project to integrate the New Banks acquired was concluded with the successful migration of Banca Adriatica and CARILO (Cassa di Risparmio di Loreto) onto the UBI Banca IT platform. Further details are given in the section of this report entitled "Significant events in the third quarter of 2017";
- 26th October 2017: at the same time as the first of the three mergers took place, a trade union agreement was signed regarding the Business Plan that was updated to take account of the entrance of the New Banks to the Group. See the section of this report entitled "Significant events in the third quarter of 2017" for further details;
- 1st November 2017: as part of the programme to refocus activities on the core perimeter of the Group, the sale became effective of 100% of the share capital of UBI Banca International Sa to EFG International AG, an international company located in Zurich that specialises in asset management and private banking services. The perimeter of the sale included approximately €0.9 billion of direct funding and approximately €3 billion of indirect funding, consisting mainly of assets under custody. The sale was made for valuable consideration that was substantially in line with the net assets of UBI International and it did not impact on the UBI Banca Group's capital ratios;
- 8th November 2017: the procedure for the liquidation of the company Oro Italia Trading Spa (controlled by Banca Tirrenica) was filed with the Arezzo Company Registrar.

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In a meeting held on 29th October 2017 the Board of Directors of the *Associazione per lo Sviluppo degli Studi di Banca e Borsa* (ASSBB – Association for bank and stock market studies) appointed a new president following the passing away of Giuseppe Vigorelli – Honorary Chairman of UBI Banca – who was the founder of the association and its guiding figure since it was formed.
Victor Massiah, the current Chief Executive Officer and General Manager of UBI Banca was called upon to fill the role.

* * *

With regard to the **business outlook for consolidated operations**, net of non-recurring items, we report the forecasts given below on the basis of information currently available.

The performance of net interest income in the fourth quarter will benefit from recognition of the contribution from the TLTRO II programme as well as from the progressive reduction in the cost of funding from customers.

Net fee and commission income should show the results of the usual positive seasonal factors normally experienced in the last part of the year and those of the process to change the mix of total funding in favour of assets under management.

The actions undertaken during the course of 2016 and 2017 have allowed us to confirm our objective of containing operating expenses in line with the Business Plan.

The trend to improve the Group's loan losses is forecast to continue.

The plan to integrate the new banks on schedule and to the budgeted integration costs is confirmed. Banca Adriatica and Carilo have already migrated successfully onto UBI Banca's IT systems in the second half of October and the migration of Banca Tirrenica and Banca Federico del Vecchio is scheduled for completion by the end of the November.

Bergamo, 9th November 2017

THE MANAGEMENT BOARD

MANDATORY INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE PERIOD ENDED 30TH SEPTEMBER 2017

Gruppo UBI Banca

Mandatory interim consolidated financial statements as at and for the period ended 30th September 2017

Consolidated balance sheet

Figures in thousands of euro		30.9.2017	31.12.2016	30.9.2016
ASSETS				
10.	Cash and cash equivalents	2,483,097	519,357	490,884
20.	Financial assets held for trading	761,622	729,616	677,514
30.	Financial assets designated at fair value	115,811	188,449	189,638
40.	Available-for-sale financial assets	10,662,618	9,613,833	14,144,698
50.	Held-to-maturity investments	5,982,945	7,327,544	3,403,798
60.	Loans and advances to banks	6,109,768	3,719,548	4,108,062
70.	Loans and advances to customers	93,879,802	81,854,280	82,010,978
80.	Hedging derivatives	433,309	461,767	792,164
90.	Fair value change in hedged financial assets (+/-)	-34,615	23,963	68,955
100.	Equity investments	252,120	254,364	260,220
110.	Technical reserves of reinsurers	416	-	-
120.	Property, plant and equipment	1,808,786	1,648,347	1,652,607
130.	Intangible assets	1,712,579	1,695,973	1,688,282
	of which: *- goodwill*	*1,465,260*	*1,465,260*	*1,465,260*
140.	Tax assets	4,180,815	3,044,044	2,981,776
	a) current	1,312,004	435,128	455,787
	b) deferred	2,868,811	2,608,916	2,525,989
	- of which pursuant to Law No. 214/2011	*2,068,482*	*1,956,572*	*1,940,725*
150.	Non-current assets and disposal groups held for sale	1,308	5,681	64,401
160.	Other assets	1,283,745	1,297,151	832,951
TOTAL ASSETS		**129,634,126**	**112,383,917**	**113,366,928**

Figures in thousands of euro		30.9.2017	31.12.2016	30.9.2016
LIABILITIES AND EQUITY				
10.	Due to banks	16,569,895	14,131,928	13,800,894
20.	Due to customers	70,279,772	56,226,416	53,789,291
30.	Debt securities issued	26,274,287	28,939,597	30,794,003
40.	Financial liabilities held for trading	717,358	800,038	584,324
50.	Financial liabilities designated at fair value	42,285	-	-
60.	Hedging derivatives	154,153	239,529	1,100,804
80.	Tax liabilities	228,807	232,866	243,662
	a) current	52,962	59,817	44,481
	b) deferred	175,845	173,049	199,181
100.	Other liabilities	2,571,223	1,962,806	2,750,791
110.	Post-employment benefits	365,220	332,006	343,160
120.	Provisions for risks and charges:	625,553	457,126	587,569
	a) pension and similar obligations	136,683	70,361	72,347
	b) other provisions	488,870	386,765	515,222
130.	Technical reserves	1,775,807	-	-
140.	Valuation reserves	-95,334	-73,950	41,862
170.	Reserves	3,210,100	3,664,366	3,559,526
180.	Share premiums	3,306,627	3,798,430	3,798,430
190.	Share capital	2,843,076	2,440,751	2,254,371
200.	Treasury shares (-)	-9,159	-9,869	-10,072
210.	Non-controlling interests (+/-)	72,041	72,027	482,826
220.	Profit (loss) for the period/year (+/-)	702,415	-830,150	-754,513
TOTAL LIABILITIES AND EQUITY		**129,634,126**	**112,383,917**	**113,366,928**

Consolidated income statement

Figures in thousands of euro		9M 2017	9M 2016	FY 2016
10.	Interest and similar income	1,625,003	1,646,655	2,161,121
20.	Interest and similar expense	(461,267)	(513,529)	(663,230)
30.	**Net interest income**	**1,163,736**	**1,133,126**	**1,497,891**
40.	Fee and commission income	1,297,831	1,116,571	1,508,992
50.	Fee and commission expense	(146,314)	(127,726)	(173,959)
60.	**Net fee and commission income**	**1,151,517**	**988,845**	**1,335,033**
70.	Dividends and similar income	10,882	9,737	9,678
80.	Net trading income	53,806	23,499	69,947
90.	Net hedging income	89	989	415
100.	Income from disposal or repurchase of:	131,557	89,089	91,770
	a) loans and receivables	(29,562)	(15,359)	(31,482)
	b) available-for-sale financial assets	116,190	124,564	149,014
	c) held-to-maturity investments	55,937	-	-
	d) financial liabilities	(11,008)	(20,116)	(25,762)
110.	Net profit (loss) on financial assets and liabilities designated at fair value	11,430	(7,233)	(8,421)
120.	**Gross income**	**2,523,017**	**2,238,052**	**2,996,313**
130.	Net impairment losses on:	(548,043)	(1,424,607)	(1,695,584)
	a) loans and receivables	(417,680)	(1,373,754)	(1,565,527)
	b) available-for-sale financial assets	(137,834)	(52,086)	(111,643)
	d) other financial transactions	7,471	1,233	(18,414)
140.	**Net financial income**	**1,974,974**	**813,445**	**1,300,729**
150.	Net insurance premiums	122,285	-	-
160.	Other income/expenses of insurance operations	(137,214)	-	-
170.	**Net income from banking and insurance operations**	**1,960,045**	**813,445**	**1,300,729**
180.	Administrative expenses	(1,890,414)	(1,950,766)	(2,570,182)
	a) staff costs	(1,100,267)	(1,278,196)	(1,599,717)
	b) other administrative expenses	(790,147)	(672,570)	(970,465)
190.	Net provisions for risks and charges	(10,461)	(30,201)	(42,885)
200.	Depreciation and net impairment losses on property, plant and equipment	(60,529)	(57,055)	(80,823)
210.	Amortisation and net impairment losses on intangible assets	(50,678)	(108,908)	(125,197)
220.	Other net operating income/expense	237,796	241,158	306,541
230.	**Operating expenses**	**(1,774,286)**	**(1,905,772)**	**(2,512,546)**
240.	Profits of equity investments	16,501	18,939	24,136
265.	Negative consolidation difference	616,240	-	-
270.	Profits on disposal of investments	1,125	1,942	22,969
280.	**Pre-tax profit (loss) from continuing operations**	**819,625**	**(1,071,446)**	**(1,164,712)**
290.	Taxes on income for the period/year from continuing operations	(98,722)	293,779	319,619
300.	**Post-tax profit (loss) from continuing operations**	**720,903**	**(777,667)**	**(845,093)**
320.	**Profit (loss) for the period/year**	**720,903**	**(777,667)**	**(845,093)**
330.	(Profit) loss for the period/year attributable to non-controlling interests	(18,488)	23,154	14,943
340.	**Profit (loss) for the period/year attributable to the shareholders of the Parent**	**702,415**	**(754,513)**	**(830,150)**

Consolidated statement of comprehensive income

Figures in thousands of euro		9M 2017	9M 2016	FY 2016
10.	**PROFIT (LOSS) FOR THE PERIOD/YEAR**	**720,903**	**(777,667)**	**(845,093)**
	Other comprehensive income net of taxes without transfer to the income statement			
40.	Defined benefit plans	2,065	(23,827)	(17,005)
	Other comprehensive income net of taxes with transfer to the income statement			
90.	Cash flow hedges	(27)	528	570
100.	Available-for-sale financial assets	(29,646)	(197,596)	(315,491)
120.	Share of valuation reserves of equity-accounted investees	6,157	283	(81)
130.	**Total other comprehensive income net of taxes**	**(21,451)**	**(220,612)**	**(332,007)**
140.	**COMPREHENSIVE INCOME (LOSS) (item 10 + 130)**	**699,452**	**(998,279)**	**(1,177,100)**
150.	CONSOLIDATED COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	18,583	(24,780)	(10,526)
160.	**CONSOLIDATED COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT**	**680,869**	**(973,499)**	**(1,166,574)**

Statement of changes in consolidated equity for the period ended 30th September 2017

Figures in thousands of euro	Balances as at 31.12.2016	Restatement of opening balances	Balances as at 1.1.2017	Allocation of prior year profit		Changes January - September 2017									30th September 2017		
							Equity transactions										
				Reserves	Dividends and other uses	Changes in reserves	New share issues	Repurchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity stakes	Consolidated comprehensive income	**Equity**	***attributable to the shareholders of the Parent***	***attributable to non-controlling interests***
Share capital:	2,451,729	-	2,451,729	-	-	-	402,325	-	-	-	-	-	5,379	-	**2,859,433**	***2,843,076***	***16,357***
a) ordinary shares	2,451,729	-	2,451,729	-	-	-	402,325	-	-	-	-	-	5,379	-	2,859,433	*2,843,076*	*16,357*
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	3,817,846	-	3,817,846	-493,425	-	-	1,623	-	-	-	-	-	-2,732	-	**3,323,312**	***3,306,627***	***16,685***
Reserves	3,720,909	-	3,720,909	-351,668	-129,387	2,340	- 7,865	-	-	-	-	-	-3,727	-	**3,230,602**	***3,210,100***	***20,502***
a) retained earnings	1,810,697	-	1,810,697	-351,668	-129,387	-	-	-	-	-	-	-	-	-	1,329,642	*1,250,070*	*79,572*
b) other	1,910,212	-	1,910,212	-	-	2,340	-7,865	-	-	-	-	-	-3,727	-	1,900,960	*1,960,030*	*-59,070*
Valuation reserves	-73,917	-	-73,917	-	-		-	-	-	-	-	-	43	-21,451	**-95,325**	***-95,334***	***9***
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-9,869	-	-9,869	-	-	710	-		-	-	-	-	-	-	**-9,159**	***-9,159***	-
Profit (loss) for the period	-845,093	-	-845,093	845,093	-	-	-	-	-	-	-	-	-	**720,903**	**720,903**	***702,415***	***18,488***
Equity	**9,061,605**	**-**	**9,061,605**	**-**	**-129,387**	**3,050**	**396,083**	**-**	**-**	**-**	**-**	**-**	**-1,037**	**699,452**	**10,029,766**	***9,957,725***	***72,041***
Equity attributable to the shareholders of the Parent	***8,989,578***	-	***8,989,578***	-	***-107,163***	***3,050***	***396,083***	-	-	-	-	-	***-4,692***	***680,869***	***9,957,725***	***X***	***X***
Equity attributable to non-controlling interests	***72,027***	-	***72,027***	-	***-22,224***	-	-	-	-	-	-	-	***3,655***	***18,583***	***72,041***	***X***	***X***

Statement of changes in consolidated equity for the period ended 30th September 2016

Figures in thousands of euro	Balances as at 31.12.2015	Restate-ment of opening balances	Balances as at 1.1.2016	Allocation of prior year profit: Reserves	Allocation of prior year profit: Dividends and other uses	Changes January - September 2016: Changes in reserves	Equity transactions: New share issues	Equity transactions: Repur-chase of treasury shares	Equity transactions: Extraordinary distribution of dividends	Equity transactions: Change in equity instruments	Equity transactions: Deriva-tives on treasury shares	Equity transactions: Stock options	Equity transactions: Changes in equity stakes	Consolidated comprehen-sive income	30th September 2016: Equity	30th September 2016: *attributable to the shareholders of the Parent*	30th September 2016: *attributable to non-controlling interests*
Share capital:	2,565,936	-	2,565,936	-	-	-	-	-	-	-	-	-	-77	-	**2,565,859**	***2,254,371***	***311,488***
- ordinary shares	2,520,829	-	2,520,829	-	-			-	-	-	-	-	-77	-	2,520,752	*2,254,371*	*266,381*
- other shares	45,107	-	45,107	-	-	-	-	-	-	-	-	-	-	-	45,107	-	*45,107*
Share premiums	3,818,024	-	3,818,024	-	-	-	-	-	-	-	-	-	-87	-	**3,817,937**	***3,798,430***	***19,507***
Reserves	3,737,499	-	3,737,499	144,466	-132,151	-9,645	-	-	-	-	-	-	-165	-	**3,740,004**	***3,559,526***	***180,478***
- of profits	1,806,092	-	1,806,092	144,466	-132,151	-7,710	-	-	-	-	-	-	-	-	1,810,697	*1,734,770*	*75,927*
- other	1,931,407	-	1,931,407	-	-	-1,935	-	-	-	-	-	-	-165	-	1,929,307	*1,824,756*	*104,551*
Valuation reserves	256,993	-	256,993	-	-	-	-	-	-	-	-	-	-12	-220,612	**36,369**	***41,862***	***-5,493***
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-5,155	-	-5,155	-	-	7,710	-	**-13,378**	-	-	-	**751**	-	-	**-10,072**	***-10,072***	-
Profit (loss) for the period	144,466	-	144,466	-144,466	-	-	-	-	-	-	-	-	-	**-777,667**	**-777,667**	***-754,513***	***-23,154***
Equity	**10,517,763**	-	**10,517,763**	-	**-132,151**	**-1,935**	-	**-13,378**	-	-	-	**751**	**-341**	**-998,279**	**9,372,430**	**8,889,604**	**482,826**
Equity attributable to the shareholders of the Parent	***9,981,862***	-	***9,981,862***	-	***-104,098***	***-1,935***	-	***-13,378***	-	-	-	***751***	***-99***	***-973,499***	***8,889,604***	*X*	*X*
Equity attributable to non-controlling interests	***535,901***	-	***535,901***	-	***-28,053***	-	-	-	-	-	-	-	***-242***	***-24,780***	***482,826***	*X*	*X*

Consolidated statement of cash flows (indirect method)

Figures in thousands of euro	9M 2017	9M 2016
A. OPERATING ACTIVITIES		
1. Ordinary activities	**661,777**	**367,292**
- profit for the period (+/-)	720,903	-777,667
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	-65,236	-16,266
- gains/losses on hedging activities (-/+)	-89	-989
- net impairment losses on loans (+/-)	548,043	1,424,607
- depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (+/-)	107,867	165,963
- net provisions for risks and charges and other expense/income (+/-)	10,461	30,201
- net premiums not received (-)	-122,285	-
- other insurance income/expense not received(-/+)	137,214	-
- outstanding taxes, duties and tax credits (+/-)	-37,365	-395,745
- net impairment losses on disposal groups held for sale after tax (-/+)	-	-
- other adjustments (+/-)	-637,736	-62,812
2. Net cash flows from/used by financial assets	**3,244,775**	**2,370,588**
- financial assets held for trading	209,093	269,228
- financial assets designated at fair value	110,865	-740
- available-for-sale financial assets	2,567,540	1,497,494
- loans and advances to banks: repayable on demand	-	-
- loans and advances to banks: other loans and receivables	-1,382,843	-678,125
- loans and advances to customers	1,274,073	1,201,468
- other assets	466,047	81,263
3. Net cash flows from/used by financial liabilities	**-4,824,362**	**-2,581,960**
- amounts due to banks repayable on demand	-	-
- amounts due to banks: other payables	2,214,002	3,346,591
- due to customers	-801,733	-1,475,180
- debt securities issued	-5,476,169	-5,453,925
- financial liabilities held for trading	-144,278	52,512
- financial liabilities designated at fair value	-	-
- other liabilities	-616,184	948,042
Net cash flows from/used in operating activities	**-917,810**	**155,920**
B. INVESTING ACTIVITIES		
1. Cash flows from	**2,230,468**	**12,101**
- disposals of equity investments	-	-
- dividends received on equity investments	10,882	9,737
- disposals of held-to-maturity investments	2,218,467	-
- disposals of property, plant and equipment	1,109	2,057
- disposals of intangible assets	10	307
- disposals of subsidiaries and lines of business	-	-
2. Cash flows used in	**378,865**	**-61,223**
- purchases of equity investments	-	-
- purchases of held-to-maturity investments	-995,371	-
- purchases of property, plant and equipment	-35,294	-21,337
- purchases of intangible assets	-25,794	-39,886
- purchases of subsidiaries and lines of business *	1,435,324	-
Net cash flows from/used in investing activities	**2,609,333**	**-49,122**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	401,604	-13,861
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	-129,387	-132,151
Net cash flows from/used in financing activities	**272,217**	**-146,012**
NET CASH GENERATED/USED DURING THE PERIOD	**1,963,740**	**-39,214**

Reconciliation

Figures in thousands of euro	9M 2017	9M 2016
Cash and cash equivalents at beginning of period	519,357	530,098
Total net cash flows generated/absorbed during the period	1,963,740	-39,214
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the period	**2,483,097**	**490,884**

* The item "purchases of subsidiaries and lines of business" includes the price paid for the purchase of the New Banks amounting to €1.00, net of cash and cash equivalents of €1.4 billion.

Notes

Accounting policies

This interim financial report as at and for the period ended 30th September 2017 of the UBI Banca Group, approved by the Management Board on 9th November 2017, has been prepared in consolidated form and on a voluntary basis in order to ensure continuity with previous periodic quarterly reports[1].

The statements included here have been prepared in compliance with IFRS international accounting standards currently in force[2], to which no exceptions have been made.
The document has not been drawn up in accordance with the provisions of IAS 34 "Interim financial reporting", which relate to interim financial reports, because the UBI Banca Group applies that standard to its half-yearly financial reports and not also to its quarterly financial reports.

The accounting policies pursued in the preparation of this financial report, with specific regard to the classification, recognition, measurement and derecognition of balance sheet items and also the recognition of income and expense items, are the same as those pursued for the financial statements as at and for the period ended 31st December 2016, which may be consulted in full[3], except for additions that have been made for the recognition of items relating to insurance business and the relative products, details of which are given in the section "Other aspects" of the interim financial report for the period ended 30th June 2017. These were made following the acquisition of the New Banks in order to include some specific aspects of the activities required.

The preparation of the interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities.
If in the future those estimates and assumptions, which are based on management's best judgment at the date of this report, should differ from the actual circumstances, they will be modified appropriately in the period in which circumstances deviate.
Part A.1, section 2, sub-section "Accounting policies" in the Notes to the Consolidated Financial Statements of the Group as at and for the period ended 31st December 2016 may be consulted for a fuller description of the most significant accounting measurement processes for the Group.

Consistent with previous periodic financial reports and in order to ensure full comparability of quantitative data, this financial report includes both the mandatory consolidated financial statements in compliance with Bank of Italy Circular No. 262/2005[4] and subsequent amendments and additions and the reclassified consolidated financial statements both prepared in euro as the accounting currency.

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1 That approach, disclosed to the market in compliance with the provisions of Art. 82 *ter* of the Consob Issuers' Regulations on 30th January 2017, may be subject to re-formulation by the Bank, in view also of the establishment of different practices in the sector. Legislative Decree No. 25/2016 (which implemented Directive 2013/50/EU) did in fact eliminate the obligation to publish interim financial reports for the first and third quarters and established the possibility for the Consob, by means of special regulations, to set possible reporting obligations in addition to the annual and half yearly financial reports, the contents of which may not be greater than those required previously. With Resolution No. 19770, on 26th October 2016 the Consob approved amendments to the Issuers' Regulations on the subject of interim financial reports, introducing Art. 82-*ter* which allows issuers the option to publish periodic quarterly financial reports.

2 Those standards, implemented in Italian law by Legislative Decree No. 38/2005, which took advantage of the option allowed under EC Regulation 1606/2002 on international accounting standards, are applied on the basis of events occurring that are disciplined by them from the date on which their application becomes compulsory, unless specified otherwise.

3 See Parte A.1 "Accounting policies – General part" and Part A.2 "Accounting Policies – The main balance sheet items" in the Notes to the Consolidated Financial Statements for further information.

4 The balance sheet lists assets and liabilities in order of decreasing liquidity and the income statement recognises expenses according to their nature.

This document also contains tables furnishing details of the contents of the main items in the reclassified consolidated income statement and the reclassified consolidated balance sheet with the relative comments.

This Interim Financial Report relates to the scope of consolidation reported in the Condensed Consolidated Half-Year Financial Report for the period ended 30th June 2017, which has been subject to the modifications reported in a specific section of the Interim Consolidated Management Report.

With regard to the provisions of IAS 10, concerning events occurring after the balance sheet date of the Interim Financial Report, subsequent to 30th September 2017, the balance sheet date of the report in question, and until 9th November 2017, the date on which the Management Board approved this report, no events occurred to make adjustments to the figures presented in the financial statements necessary.

The accounting information contained in this Interim Financial Report[5] has been voluntarily subjected to a limited audit.

Other aspects

Valuation of the quota for adherence to the "Voluntary Scheme" of the Interbank Deposit Protection Fund

As already described in the notes to Interim Financial Report for the period ended the 30th June 2017, the carrying amount for the UBI Banca Group's AFS shareholdings in the Voluntary Scheme, set up at the Interbank Deposit Protection Fund (IDPF) in order to take action to assist the failed banks, amounted to a total of €16.4 million[6], which was subsequent to the purchase of the New Banks. Furthermore, as at that date the total remaining commitment to the Voluntary Scheme amounted to €32.8 million[7].

Following the planned purchase by Crédit Agricole Cariparma of Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato, expected to be completed by the end of the current year, and the related additional capital requirement presented by the acquirer on conclusion of the due diligence, on 7th September 2017 an extraordinary shareholders' meeting of the banks participating in the Voluntary Scheme approved an increase from €700 million to €795 million in the capital of the scheme itself.
For the UBI Banca Group this involved an increase of €3.1 million[8] in its commitment, together with a payment of €4.3 million relating to the future increases in the share capital of Cassa di Risparmio di Rimini e Cassa di Risparmio di San Miniato.

In view of the foregoing, as at 30th September 2017 the UBI Banca Group recognised the following:

- a €22.7 million adjustment to the value of its remaining commitment (€35.9 million)[9];
- a full write-down of its AFS shareholdings in Cassa di Risparmio di Cesena amounting to €16.4 million;
- a full write-down, amounting to €4.3 million, relating to the contribution paid for the future share capital increase already mentioned;
- a full write-down, amounting to €0.8 million, of Banca Tirrenica's AFS shareholding in Cassa di Risparmio di Rimini.

The total impact was €44.2 million, of which €32.4 million was recognised within expenses in the income statement for the period ended 30th September, and the remainder, amounting to €11.8 million, was allocated as part of the purchase price allocation (PPA), which is still provisional because it relates to the commitments and assets of the New Banks.

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[5] These are the consolidated financial statements and the relative notes to them.
[6] Of which €4.2 million relating to the New Banks acquired.
[7] Of which €8.2 million relating to the New Banks acquired.
[8] A total commitment of €35.9 million, subsequent to the increase.
[9] A commitment of €13.2 million therefore remained as at 30th September 2017 (of which €3.2 million relating to the New Banks).

Impairment of available-for-sale securities

The fair value measurement of available-for-sale securities as at 30th September 2017 resulted in the recognition of impairment losses through profit and loss of €137.8 million, of which €131.6 million relating to UBI Banca.

These impairment losses were attributable exclusively to the following:

- €109.9 million for investments in UCITS[10];
- €27.9 million to equity instruments of an "investment" nature[11].

Impairment losses on equity instruments are recognised, in compliance with Group policy on the impairment of available-for-sale equity instruments, when the fair value of the instruments either remains below the historical cost of purchase for a period of longer than 18 months or falls below that level by more than 35% or in cases of impairment following the recognition of previous impairment losses[12].

As already illustrated in the "Accounting policies", the UBI Banca Group applies IAS 34 "Interim financial reporting" only to its half year reports, with the consequent identification of a half-year "interim period". Any appreciations in the value of the equity instruments which might occur in the fourth quarter will reduce the impairment losses recognised through profit and loss in the third quarter. On the other hand, any recovery in value compared with prices recorded as at 30th June 2017 will be recognised in a separate reserve in equity up to the amount of the impairment itself.

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[10] Of which €108.7 million relating to the stakes held in the Atlante Fund, details of which have already been given in the Interim Financial Report for the period ended 30th June 2017, which may be consulted.

[11] Of which (i) €16.4 million relating to the stake held in the Voluntary Scheme relating to Cassa di Risparmio di Cesena; (ii) €4.3 million for an investment relating to the future increases in the share capital of Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato; and (iii) €0.8 million relating to Banca Tirrenica's shareholdings in Cassa di Risparmio di Rimini.

[12] An exception was made to this for the impairment loss on the stakes held in the Atlante Fund and also in the Voluntary Scheme formed at the Interbank Deposit Protection Fund (IDPF) for which it was considered that the conditions pursuant to IAS 39 were met for the recognition of an impairment loss.

STATEMENT OF THE SENIOR OFFICER RESPONSIBLE FOR THE PREPARATION OF CORPORATE ACCOUNTING DOCUMENTS

Statement of the senior officer responsible for the preparation of corporate accounting documents

The undersigned, Elisabetta Stegher, as the senior officer responsible for the preparation of 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 act), that the information contained in this "Quarterly financial report as at and for the period ended 30th September 2017" is reliably based on the records contained in corporate documents and accounting records.*

the Senior Officer Responsible for preparing the accounting documents

Elisabetta Stegher

(signed on the original)

Bergamo, 9th November 2017

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