PRESS RELEASE

Results of the UBI Group for the period ended 30th September 2019

A Bank that is increasingly more solid, strongly reducing its non-performing assets and at the same time growing the CET1 Ratio and the core profitability:

Gross non-performing exposures have been reduced substantially (-€2.2 billion vs September 2018 and -€1.4 billion vs December 2018, mainly by means of internal management), and at the same time the CET1 ratio rose to 12.09% (without including future DTAs nor capital optimisation actions) from 11.42% in September 2018 and from 11.34% in December 2018. The performance of net interest income was defended and offset by very good results for net fee and commission income driven by indirect funding. The constant reduction in costs continued. As a consequence the Bank is now more solid in all components of its assets/liabilities and financial position

In detail:

- **Non-performing exposure evolution:**
  - **Gross non-performing exposures fell to €8.3 billion, -21% compared with September 2018 and -14.4% compared with 1.1.2019**
  - **In 3Q 2019 alone, gross non-performing exposures fell by approximately €690 million (-7.7% compared with June 2019 notwithstanding the full inclusion of the impact of the new definition of default, amounting to approximately €86 million[1])**

  - **the ratio of gross non-performing exposures to total gross loans was 9.34%, or 9.07% on a pro forma basis including the last tranche of the bad loan lease positions currently subject to disposal (9.97% in June 2019 and 10.42% in December 2018)**

  - **the disposal of a portfolio of residential mortgages classified as bad loans is currently under examination, amounting to approximately €800 million gross with GACS, to be concluded possibly by the end of the year. In this case, taking also account of the sale of the last tranche of bad loan lease positions, the ratio of gross NPEs would be around 8%**

  - **A Texas ratio[2] of 66% (71.9% as at 30.6.2019 and 85.3% in December 2018), expected to reduce further by year end**

  - **New inflows from performing to non-performing exposures have fallen to record low levels, -80% from the 9M 2009 peak**

  - **An annualised default rate[3] in the first nine months of 2019 of 1.1% (inclusive of the impact of the new definition of default) compared with 1.61% recorded for the first nine**

[1] Figure as at 1 July 2019
[2] Calculated as total net non-performing exposures/((equity excluding profit and profit attributable to minority interests and dividends already approved by the shareholders' meeting) - total intangible assets).

months of 2018. Net of the impact of the new definition of default, the default rate is 0.96% (1% to 30th June 2019).

As a result of the Funding Plan carried out during the year, mainly on institutional markets, the Bank is already exceeding expected MREL requirements (both total and subordinated) which will come into force as of June 2020

- **The focus on indirect funding is confirmed. This exceeded €101 billion (+1.6% vs June 2019 and +6.7% vs January 2019) and once again recorded a substantial increase in all its components, generating results for fees and commissions that showed significant growth**

The resilience of the Group's operating results was confirmed in the first nine months of 2019 (vs the first nine months of 2018)

Net operating income grew 9.6% to €900.2 million – and by 11.2% if systemic contributions[4] are excluded – as a result of the following:

- **an increase in operating income to €2,689.4 million (+1.4%)**
  - **core revenues (net interest income + fee and commission income) largely unchanged at €2,528.6 million (-0.36%): significant growth in net fee and commission income to €1,215.5 million (+2.3%, +€27 million) largely offset the reduction in net interest income to €1,313.1 million (-2.7%, -€36 million)**
  - **the finance result was €46.1 million (+€44.7 million vs 9M 2018)**

- **a contraction in operating expenses to €1,789.2 million (-2.3%, -€42.7 million). Net of systemic contributions, operating expenses fell 3.7% (-€64.9 million).**

The annualised loan loss rate was 79 bps[5] inclusive of impairment losses on disposals of lease and factoring bad loan positions (66 bps approx. annualised, net of the impact of those disposals)

Stated profit of €191.1 million (compared with €210.5 million in 9M 2018)
Profit net of non-recurring items[6] of €243.4 million (compared with €260.6 million in 9M 2018)
The 2019 result was almost totally in line with that for 2018 notwithstanding the greater impairment losses (€75 million net approx.) recognised in relation to the disposal of bad loan lease and factoring positions which accelerated the reduction in total non-performing exposures. To give an example, if those greater impairment losses were excluded, stated profit would show growth of over 26% and normalised profit growth of greater than 22%

---

[3] Default rate: annualised gross migrations of performing exposures to non-performing status/initial volumes of gross performing loans (item 40. 2) in the reclassified consolidated balance sheet).

[4] Systemic contributions (Resolution Fund and Deposit Guarantee Scheme): €103.1 million in 9M 2019 vs €81 million in 9M 2018.

[5] The loan loss rate was calculated by including the impairment losses from disposals of lease and factoring bad loan positions once only, which were therefore not annualised.

[6] There were no non-recurring items in 3Q 2019, while €36.9 million of expenses for redundancy incentives were recognised in 3Q 2018.
The main non-recurring items net of taxes in the first nine months of the year were as follows:
1) 9M 19: -€52.4 million (of which -€42.6 million in 1Q 2019 relating to redundancy incentives under the trade union agreement reported in the press release dated 28.03.2019 and -€12.2 million for extraordinary contributions to the National Resolution Fund and +€2.5 million relating to disposals of equity and other investments in 2Q 19);
2) 9M 18: -€50.2 million (of which in 3Q 18: -€36.9 million for redundancy incentives; in 2Q 18: -€3.5 million for Business Plan expenses; in 1Q 18: -€1.1 million for Business Plan expenses and -€8.7 million for extraordinary contributions to the Single Resolution Fund)

Resilient operating results in 3Q 2019

Stated net profit in 3Q 2019 of €60.1 million, up from €1.6 million in 3Q 2018 (and from €48.7 million in 2Q 2019)
Profit net of non-recurring items[7] of €60.1 million up from €38.5 million in 3Q 2018 (and from €58.5 million in 2Q 2019)

Good performance by net fee and commission income in the quarter continued to mitigate the pressure on net interest income, providing support for total core revenues[8], which amounted to €829.4 million, largely unchanged (-0.46%) compared with 3Q 18 (-2.7% compared with the 2Q 19).
Net of contributions to the Resolution Fund and the Deposit Protection Fund, operating expenses amounted to €554 million, a reduction, compared with both 3Q 18 (-2.6%) and 2Q 19 (-2.7%).
In 3Q 19, the annualised lost loan rate (which includes, amongst other things, the impact, although modest, of the new definition of default not present previously) amounted to 65 basis points, a significant reduction compared with 2Q 2019, which included expenses for the disposal of bad loan lease positions.

***

Bergamo, 8th November 2019 – The Board of Directors of Unione di Banche Italiane Spa (UBI Banca) approved the consolidated results of the Group for the first nine months of 2019.

Methodological note
The consolidated results of the UBI Group include the impacts of the adoption of IFRS 16 from 1.1.2019, which involves a different accounting treatment for outstanding lease transactions both in the income statement and in the balance sheet.
With regard to operating results, the outcome of the adoption of IFRS 16 is included in the results for the period ended 30.09.2019, while pro forma figures have not been given for the comparative periods in 2018, which are nevertheless comparable in view of the modest impact made by the introduction of the new accounting standard.
As concerns the balance sheet on the other hand, the figures as at 30.09.2019 are compared with figures as at 1.1.2019, restated to take account of the impact of IFRS 16.

Operating performance of the Group

The results for the first nine months of 2019 compared with the same period in 2018

The first nine months of the year recorded positive performance for operating trends.

In the first nine months of the year, **Net operating income grew by 9.6%** to €900.2 million (or by **11.2%** if systemic contributions[9] are excluded) a consequence of both **good performance by operating income** (+1.4% to €2,689.4 million) and **continued reductions in costs** (-2.3% to €1,789.2 million or 3.7% excluding systemic contributions).

[7] See the previous footnote.
[8] Core revenues include net interest income and net fee and commission income.
[9] Please see note 3

In terms of **operating income:**

- **net interest income, which amounted to €1,313.1 million compared with €1,349.2 million previously** (-2.7%) was protected by the implementation of a strategy to safeguard spreads, which limited the extent of the year-on-year fall.

  The following occurred within the item:

  net interest income generated by general banking business with customers[10] amounted to €1,194.5 million (affected by a one-off component amounting to -€7.4 million in 2Q 2019 and by -€6.3 million relating to the introduction of IFRS16 in 2019) compared with €1,224.8 million in 2018.

  Net of the above components, the contribution from general banking business with customers limited the fall to -€16.6 million.

  As concerns the customer spread[11], this stood at 175 basis points in the first nine months of the year, compared with 172 basis points in the comparative period, partly as a consequence of the strategy to safeguard spreads, which had a positive effect on the mark-up (+2 basis points) - against a reduction in average volumes of lending -, and partly in relation to a lower average cost of funding (-1 basis point).

  the contribution from financial activities totalled €144.6 million, up compared with €125.8 million in the first nine months of 2018, as a result of slight growth in average portfolio volumes and a strategy to diversify investments.

  the result for business on the interbank market was a loss of -€26.2 million compared with a loss of -€1.5 million in the first nine months of 2018, a change which reflects greater repurchase agreement business with institutional counterparties, but also the cost of greater deposits of liquidity held with the ECB.

- growth in net fee and commission income to €1,215.5 million (+€27 million, +2.3% vs 9M 2018) **almost totally compensated for the performance of net interest income** and was achieved in the presence of lower upfront commissions and performance fees and therefore with a higher quality result.

  The following occurred within the item:

  the contribution from services related to securities business **grew 2.6%** to €673.5 million from €656.7 million in 2018, notwithstanding lower upfront commissions and performance fees on asset management and insurance products (-€14.1 million)[12]. Net of performance fees and upfront commissions, **the ordinary contribution from services related to securities business rose to approximately €513 million from €482 million in 2018 (+6.4%).**

  fee and commission income on ordinary banking business amounted to €542 million, **up 1.9%** compared with 2018, benefiting, amongst other things, from the positive result of repricing action.

- **core revenues** as a whole (net interest income + net fee and commission income) amounted to €2.528.6 million, largely unchanged compared with €2.537.6 million in 2018.

- the **finance result** improved. It recorded a profit of €46.1 million compared with a modest result of €1.4 million in 2018, the aggregate result of the following performances:

  the profit on the disposal/repurchase of financial assets and liabilities was +€17.1 million (-€32.1 million in 9M 2018). In 2019 it was impacted by approximately -€22 million in relation to disposals of bad loan positions, offset mainly by disposals on international government bonds, while in 2018 it included approximately -€74 million relating to losses on the disposal of the mezzanine and junior tranches of a securitisation of bad loan positions and to the related costs of the operation.

  the net profit on trading activities totalled -€10.2 million (+€56.9 million in the first nine months of 2018 in relation to currency and foreign exchange business).

[10] Inclusive of the impacts of IFRS 9 on net interest income. In detail, in 9M 2019: +€89.2 million (+€92.4 million in 9M 2018) relating to interest on loans and advances (time value and impairments) and -€13.4 million (-€30.4 million in 9M 2018) relating to contractual modifications that do not determine derecognition of the loan.

[11] These are spreads that do not include the benefits of TLTRO2.

[12] According to management accounts, total upfront and performance fees amounted to €160.5 million in 9M 2019 vs €174.6 million in 9M 2018.

the net profit on hedging activities was -€13.6 million (-€7.4 million in the first nine months of 2018).

the net profit on financial assets/liabilities measured at fair value was positive by +€52.8 million (-€16.1 million in the first nine months of 2018), and resulted primarily from net gains on fair value movements in equity securities, including +€22.3 million by NEXI.

Operating expenses fell yet again to €1,789.2 million compared with 1,831.9 in 9M 2018, with a contraction of **2.3% (-€42.7 million)** and **3.7% (-€64.9 million)** net of systemic contributions (Resolution Fund and Deposit Protection Fund).

In detail:

staff costs fell **4.1%** to €1,072.2 million principally as a result of a reduction in staff numbers by 853 compared with the end of September 2018 – also as a result of participation in voluntary redundancy schemes.

As already reported, in the results for the first quarter of the year gross expenses of €63.7 million (€42.6 million net) were recognised, stated separately within "Redundancy scheme incentive expenses" in the income statement, net of taxes and minority interests. The departure of the approximately 300 staff involved in the agreement is expected to reach completion by year-end.

other administrative expenses reduced significantly, (-7.2%, €42.9 million), amounting to €548.4 million compared with €591.3 million in the first nine months of 2018 (which do not include the impact of IFRS16 introduced in 2019).

The 2019 result was influenced by two factors: 1) by greater systemic contributions to the Single Resolution and the Deposit Protection Fund (€103.1 million compared with €81 million in 2018); 2) the application of IFRS 16 to lease transactions involved the simultaneous reduction of approximately €41.3 million mainly in the item "rents payable" and an increase by an almost similar amount (€35.9 million) in the item "depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets".

Net of the systemic contributions and the impact of IFRS 16, other administrative expenses decreased by approximately €24 million.

depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets amounted to €168.7 million. If the €35.9 million impact mentioned above is excluded from the 2019 figure, D&A are slightly up compared to 2018 due to higher amortisation in relation to IT investments.

Net impairment losses of €530.3 million on loans and advances to customers were recognised in the first nine months of the year, impacted primarily by the recognition in the first six months of the year of €112.1 million[13] in relation to the sale of lease and factoring bad loan positions, which helped accelerate a substantial reduction in total non-performing exposures. The 2019 figure compares with loan losses of €389.3 million in 2018, which benefited from the reversal of collective impairment losses amounting to approximately €63 million.

The loan loss rate stood at 79 basis points annualised[14] (also as a result of the decrease in lending recorded during the first nine months of the year) and, excluding the impact of the disposals mentioned above, at 66 bp annualised.

Net provisions for liabilities and charges amounting to €23.6 million (€19.3 million in 2018), included approximately €13.3 million of total estimated costs in relation to notary and real estate-related expenses connected with the disposal of the entire package of bad loan lease positions.

Finally, **taxes on income for the period from continuing operations** estimated for the first nine months of 2019 amounted to €94.5 million, to give a tax rate of 27.05%, compared with taxes of €143.1

[13] In net terms, the impairment losses associated with the disposals amounted to approximately €75 million in the nine-month period of which approximately €70 million recognised in 2Q 2019.

[14] Account was taken once only of the impact of the disposals of the factoring and lease positions in the calculation of the annualised of the loan loss rate. See also page (i) in the attached methodological note.

million for the period ended 30th September 2018, which had given a tax rate of 34.40%. As a reminder, the 2019 tax rate was positively affected in 2Q2019 by recognition of the revaluation of equity investments FVTPL under the "participation exemption" regime and by the realignment of tax accounting values with statutory accounting values for property, plant and equipment and intangible assets arising following the corporate reorganisation operations which took place in 2017 and 2018 (the merger of the ten network banks into UBI).

Thanks to the significant increase of net operating income (+9.6%), **stated profit for the first nine months of the year came to €191.1 million and profit net of non-recurring items[15] was €243.4 million**, broadly aligned to 2018 (€210.5 million and €260.6 million respectively) notwithstanding greater impairment losses on loans incurred mainly as a result of the large-scale disposal of bad loan lease positions and of factoring bad loans[16].

***

<u>The results for the third quarter of 2019 compared with the second quarter of 2019 (and the third quarter of 2018)</u>

The third quarter of the year recorded **a profit of €60.1 million**, up compared with €48.7 million in 2Q 2019 (and €1.6 million in 3Q 2018). Net of non-recurring items[17] profit came to €60.1 million compared with €58.5 million in 2Q 2019 (and €38.5 million in 3Q 2018).

The strong performance by fee and commission income was confirmed in 3Q 2019, which made it possible to largely counter the pressure on net interest income; costs net of systemic contributions contracted yet again; impairment losses on loans were contained and succeeded in absorbing the application, although modest, of the new definition of default.

Net interest income totalled €426.9 million in 3Q 2019 compared with €440.6 million in 2Q 2019 attributable to a large extent (-€11 million approx.) to the accounting effects of the application of IFRS9, amongst other things, to NPE positions sold:

- <u>net interest income generated by general banking business with customers</u>[18] fell therefore to €385.9 million from €399.5 million in 2Q 2019. Net of the impact of IFRS 9, net interest income from banking business with customers was more or less <u>stable</u> at €366.4 million compared with €369.2 million in 2Q 2019, notwithstanding the increase in the cost of funding in relation to substantial issuances made during the year. The customer spread[19] reduced by -4 basis points, in line with the fall in the 1-month Euribor (down to -0.42% from -0.38% in the second quarter), incorporating an increase in the markdown, but also a small improvement in the markup (+1 basis point) on average volumes that fell during the quarter.
- the <u>contribution from financial activities</u> amounted to €51.8 million, up on €48.4 million in 2Q 2019 (€43.9 million in 3Q 2018), due to slight growth in average volumes of the portfolio and a strategy to diversify investments.

---

[15] See footnote 5.

[16] As a reminder, the factoring positions were disposed of in 2Q 2019, while 65% of the lease bad portfolio was derecognised in 3Q2019. The completion of the sale of the leasing bad loan portfolio is expected to take place by year end.

[17] The main non-recurring items are as follows:
- there were no non-recurring items in 3Q 2019
- in 2Q 2019: -€12.2 million net (-€18.1 million gross) in relation to the Resolution Fund; +€2.5 million net (€3.6 million gross) relating to disposal of equity and other investments
- in the 3Q 2018: -€36.9 million net for redundancy incentives

[18] Inclusive of the impacts of IFRS 9 on net interest income. In detail, in 3Q 2019: +€22.5 million (+€35.5 million in 2Q 2019 and +€30.8 million in 3Q 2018) relating to interest on loans (time value and impairments); -€3 million (-€5.3 million in 2Q 2019 and -€8.3 million in 3Q 2018) relating to contractual modifications that do not determine derecognition of the loan.

[19] These are spreads that do not include the benefits of TLTRO2.

- the result for <u>business on the interbank market</u>, amounted to -€10.9 million compared with -€7.3 million recorded in 2Q 2019 (-€1.9 million in 3Q 2018), a reflection of greater business in repurchase agreements with institutional counterparties and higher costs incurred on growing average volumes of liquidity deposited with the ECB.

In the comparison with 3Q 2018 (€452.7 million), net interest income was down, attributable primarily to general banking business with customers. The customer spread was unchanged at 173 basis points, notwithstanding a fall of 4 basis points in the Euribor, the result of a 6 basis point improvement in the markup (the result in turn of a policy to safeguard interest rates, which was in fact started in 3Q 2018, accompanied nevertheless by lower lending volumes) and a 6 basis point deterioration in the markdown, in relation to a substantial funding plan carried out in 2019.

The extremely positive trend for net fee and commission income continued year on year, while trends were affected 3Q 2019 vs 2Q2019 by the customary seasonality.
Net fee and commission income amounted to €402.6 million, down 2.3% compared with 2Q 2019, but **up 5.8% compared with 3Q 2018**.
Within the item the **contribution from services related to securities business** was €217.2 million compared with €230.7 million in 2Q 2019, the result of the customary seasonality (but showing growth compared with €198.4 million in 3Q 2018). Net of performance fees and upfront commissions related to funds, Sicav's and insurance products, the contribution from services related to securities business was €166.5 million compared with €175.3 million in 2Q 2019 (and significantly higher than €156.9 million in 3Q 2018).
The contribution of **fees and commissions relating to general banking business rose further, up to €185.4 million** compared with €181.3 million in 2Q 2019 (and €182.1 million in 3Q 2018), as a result of higher commissions on current account management and collection and payment services.

The **finance result** was negative by -€9 million (+€17.6 million in 2Q 2019 and -€54.7 million in 3Q 2018), the aggregate result of the following:

- the profit on the disposal/repurchase of financial assets and liabilities amounted to -€3.5 million, affected by the inclusion of losses from the disposal of bad loan positions amounting to approximately €19 million (compared with +€8.5 million in 2Q 2019 and -€69.5 million in 3Q 2018, with the latter affected by costs relating to the disposal of securitised bad loan positions amounting to €74 million);
- net trading income totalled -€11.3 million (-€2.6 million in 2Q 2019 and +€21.6 million in 3Q 2018)
- net hedging income amounted to -€5.6 million (-€3.1 million in 2Q 2019 and -€3.2 million in 3Q 2018)
- net income from assets/liabilities measured at fair value was positive by +€11.4 million, and compares with +€14.9 million in 2Q 2019 and -€3.6 million in 3Q 2018.

Control over costs continued. **Operating expenses (inclusive of systemic contributions to the Resolution Fund and to the Deposit Protection Fund)** amounted to €597 million compared with €587.4 million in 2Q 2019 and with €607.5 million in 3Q 2018. **Net of systemic contributions,[20] operating expenses amounted to €554 million, down compared with €569.3 million in 2Q 2019 (-2.7%) and €568.7 million in 3Q 2018 (-2.6%).**

In detail:

- **staff costs** totalled €351.8 million, **down by 1.2%** compared with €356 million in 2Q 2019 (**and by 4.4%** compared with €367.9 million in 3Q 2018), with the reduction attributable primarily to the item "wages and salaries", which fell following the departure of 112 staff compared with the end of June 2019 and 853 staff compared with September 2018.

[20] The systemic contributions are as follows: ordinary contribution to the Deposit Protection Fund of €43.1 million in 3Q 2019 and €38.9 million in 3Q 2018, an extraordinary contribution to the Resolution Fund of €18.1 million in 2Q 2019.

- **other administrative expenses** (which included systemic contributions to the Resolution Fund and to the Deposit Protection Fund) amounted to €187.2 million in 3Q 2019 compared with €175.2 million in 2Q 2019 (and with €198.7 million in 3Q 2018, although the latter is less comparable because it was recognised before the introduction of IFRS 16). It can be seen in the comparison that 3Q 2019 was affected by a contribution of €43.1 million to the Deposit Protection Fund, while 2Q 2019 includes an extraordinary contribution to the Resolution Fund amounting to €18.1 million. **Net of those contributions other administrative expenses fell by 2.7% quarter-on-quarter.**
- **depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets** amounted to €58.1 million in 3Q 2019, more or less unchanged compared with €56.3 million in 2Q 2019. Compared with 3Q 2018 (€41 million), the item was mainly affected by the introduction of IFRS 16.

In the third quarter of the year **net impairment losses on loans and advances to customers** were recognised amounting to €138.7 million, inclusive of the impact, although modest, of the new definition of default. In 2Q 2019 these impairment losses amounted to €263 million and included €102.4 million relating to the greater cost recognised resulting from the disposal of bad loan lease and factoring positions.
The annualised loan loss rate, also following the decrease in loans recorded during the year, came to 65 basis points.

Net provisions for risks and charges amounting to €21.4 million (€1.2 million 2Q 2019 and €2.1 million in 3Q 2018), included approximately €13.3 million of total estimated costs in relation to notary and real estate-related expenses connected with the disposal of the entire package of bad loan lease positions.

Finally, **taxes on income from continuing operations** estimated for 3Q 2019 amounted to €34.4 million to give a tax rate of 33.8% (36.5% in 3Q 2018). Taxes on income amounted to €9.2 million in 2Q 2019, to give a tax rate of approximately 14.1%, which benefited from the revaluation of FVTPL equity investments under the "participation exemption" regime and from the effect of the realignment of tax accounting to greater statutory accounting values recognised for property, plant and equipment and intangible assets arising following corporate reorganisation operations which took place over the last two years (the merger of the ten network banks into UBI), which involved the payment of a substitute tax and the release of deferred tax assets, with a net positive impact on income statement.

****

Balance sheet figures

As at 30th September 2019, **net loans and advances to customers**[21] totalled €85.2 billion compared with €89 billion at the end of 2018.
Within the item:
- net performing loans and advances fell to €80.2 billion (€83 billion as at 1st January 2019), reflecting both a contraction in the item recorded at sector level (-1.2% compared with the beginning of 2019)[22] and a policy to safeguard spreads pursued by the Bank which affected the trend for volumes of lending;
- net non-performing loans again reduced constantly, notwithstanding the impact of the new definition of default, which had an impact on the level of past due exposures. Mainly as a result of internal workout actions but also in a lesser way to the disposal of UBI Factor and UBI Leasing bad loan positions, these fell over nine months by over €1 billion, to stand at €4.97 billion.

[21] Item 40. 2) in the reclassified consolidated balance sheet.
[22] Source: UBI processing of Bankit data and ECB statistics for September (private sector excluding bad loans and reverse repos with central counterparties).

More specifically, with regard to **trends for non-performing exposures**:

- the Bank has included the **impact of the new definition of default** within non-performing exposures from July 2019. This led to an increase in past due exposures of approximately €86 million gross and €78 million net.

- **total gross non-performing exposures**[23] **amounted to €8,312.8 million** (€9,002.8 million in June 2019) **a decrease of 14.4% compared with €9,716.8 million as at 31st December 2018.** Only €636 million of the **reduction of €1,404 million is attributable** to the disposal of UBI Factor and UBI Leasing bad loan positions, while the **most significant reduction is the result of internal management actions.**
  As already reported, approximately 65% (€480 million) of the sale of the lease portfolio announced in July 2019 was completed, while, as already announced, the sale of the remaining part is expected to reach completion by year-end.
  Furthermore, **the disposal of a portfolio of residential mortgages classified as bad loans** is under examination, amounting to **approximately €800 million gross with GACS to be concluded possibly by the end of the year.**

- the **default rate**, which measures **new inflows of gross loans from performing to non-performing status**, was 1.1% annualised in the first nine months of the year. This ratio includes the impact of the new definition of default applied as of 1st July 2019, which resulted in an increase in past due positions of approximately €86 million. **Net of that impact, the annualised default rate was 0.96% compared with 1% in June 2019 and 1.61% in the first nine months of 2018**.
  In fact, **new inflows of gross loans from performing to non performing** amounted to €0.7 billion in 9M2019 (€1.1 billion in 9M2018), reaching the lowest ever level since the peak in 9M2009[24] (-80%).

- the annualised **recovery rate** (payments received only) for bad loans remained high, amounting to 6.1% compared with 5.5% recorded in the first nine months of 2018. In terms of total non-performing exposures, the reduction in payments received (against greater sales) was more than offset by returns to performing status, which raised the total (payments received + returns to performing status) to 12.36% in 9M 2019 from 11.83% in FY 2018.

  The ratio of gross non-performing exposures fell further to 9.34% (9.97% in June 2019) and to 9.07% on a pro forma basis with account taken of the last tranche of the disposal of leasing sector bad loan positions, compared with 10.42% recorded at the end of 2018 and with 11.14% in September 2018.

  Taking into account the disposal of a portfolio of residential mortgages classified as bad loans with GACS under examination, on top of the disposal of the last tranche of leasing bad loans, the NPE ratio would come to around 8%.

  At the end of September 2019, **coverage** in the accounts for total non-performing exposures had fallen slightly compared with June 2019, mainly as a result of the impact of the exit of bad loan lease positions with higher coverage and of write-offs carried out during the period. It amounted to 40.15% (40.99% in June 2019), but was nevertheless still significantly higher than the figure for the beginning of the year (38.5%).
  Inclusive of write-offs, coverage for non-performing exposures was 49.7% in September 2019 compared with 49.55% in June 2019 and 46.01% at the beginning of the year.

[23] See the tables attached.
[24] Yearly inflows (2009 Annual Report) calculated for the 9 months period.

- **In <u>net</u> terms total non-performing exposures** fell to €4,974.9 million *(€5,312.2 million in June 2019)* compared with €5,976 million in December 2018, **a contraction of 16.8% (€1,001.1 million)**. Net non-performing exposures as a percentage of total net loans fell to 5.84% from 6.72% as at 31.12.2018.

  As a result of the decrease in total net non-performing loans, the **Texas ratio fell further to 66% (from 71.9% in June 2019)**, to record a continuous improvement compared with 85.3% in December 2018 and 91.3% in September 2018.

As at 30th September 2019, **direct banking funding** of the Group amounted to €95.9 billion (€94.8 billion in June 2019), an increase compared with €92.6 billion as at 1.1.2019, as a result of:
- <u>growth in direct funding from ordinary customers</u> (€76.8 billion compared with €76.2 million as at 1.1.2019). Within the aggregate, "current accounts and sight deposits" increased to €68 billion (€65.9 billion at the beginning of 2019), notwithstanding the growth at the same time in assets under management, and bond issuances placed with captive customers gradually reduced, with totals amounting to €6 billion at the end of September (€7.2 billion at beginning of 2019). Other components (term deposits and leasing) were stable;
- an <u>increase in institutional funding</u> (to €19.1 billion from €16.4 billion as at 1.1.2019), driven by institutional issuances for a total of €3.4 billion, which more than offset maturities for the period, and by greater volumes of repurchase agreements with the CCG (*Cassa di Compensazione e Garanzia* – a central counterparty clearing house) amounting to €1.3 billion.

Implementation of the funding plan continued in October and November 2019 with a €500 million senior non-preferred bond issuance and with €1 billion senior preferred bond private placements.

As a result of the Funding Plan carried out during the year, mainly on institutional markets, the Bank is already exceeding expected MREL requirements (both total and subordinated) which will come into force as of June 2020.

Indirect funding once again consolidated its growth passing the €101 billion mark at the end of September 2019 (+1.6% vs June 2019 and +6.7% vs January 2019).
Assets under management in the narrow sense of the term totalled €44.8 billion (+7.8% compared with €41.6 billion at the end of 2018), insurance products amounted to €26.7 billion (+8.3% compared with €24.7 billion at the end of 2018) and assets under custody amounted to €29.5 billion (+3.6% compared with €28.5 billion at the end of 2018).

Following a €1.5 billion repayment made with value date 25th September 2019, Group exposure to the ECB in TLTRO2 amounted to €11 billion nominal. The contractual maturity schedule for that TLTRO2 exposure, recognised under "due to banks", and therefore not included in direct funding, involves repayment of €8.5 billion in June 2020 and €2.5 billion in March 2021.

The Group continues to benefit from a solid liquidity position, with Liquidity Coverage Ratio and Net Stable Funding ratio higher than one. **Eligible assets** available to the Group as at 30th September 2019, totalled €38.2 billion (of which €24.2 billion available) already net of haircuts and inclusive of €11.8 billion of liquidity deposited with the ECB.

The Group's **financial assets**[25] grew to €18.9 billion at the end of September 2019 (€15.6 billion as at 1st January 2019). Italian government securities totalled approximately €10 billion at market values, of which €1.4 billion relating to the insurance company.

As at 30th September 2019, **equity** attributable to the shareholders of the Parent, inclusive of profit, amounted to €9,448,475 thousand, up compared with €9,163,288 thousand in December 2018.

---

[25] The sum of items 20.3), 30.3) and 40.3) – government securities in the reclassified consolidated balance sheet.

Again at the end of September 2019, the Group's **CET1 Ratio** was **12.09% fully loaded compared with 12% at the end of June 2019 (and 11.34% in December 2018).** It is underlined that the fully loaded ratio includes neither future DTAs nor capital optimisation actions.
The phased-in ratio is substantially the same as the fully loaded ratio and stands at 12.14% (12.05% at the end of June 2019 and 11.70% in December 2018).
The **Total Capital Ratio** of the Group is 15.58% fully loaded (15.05% as at 30.6.2019 and 13.44% in December 2018) and 15.63% phased-in (15.10% as at 30.6.2019 and 13.8% in December 2018).

Finally, the Group's **leverage ratio** in September 2019 was 5.25% phased-in and 5.23% fully loaded.

***

As at 30th September 2019, **total staff** of the UBI Banca Group numbered **20,129** compared with 20,394 at the end of December 2018.

Again as at 30th September 2019, the domestic branch network was composed of **1,636 branches** (1,648 as at 31st December 2018), and is already smaller than the targets set for 2020 in the current Business Plan. Further closures are planned for around 60 points of sale with effect from 25th of November 2019.

***

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

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

***

<u>Outlook</u>

The commercial strategy, which enabled the Bank, thanks to discipline in pricing, to minimise the impact on net interest income resulting from negative market interest rates and to largely offset it with an important growth in fee and commission income, is again confirmed for the last part of the year.

Furthermore, the positive trend to contain operating expenses will continue.

Finally, the Group will continue with its aggressive reduction of non-performing exposures by means of internal management and the conclusion of the disposal of the last tranche of UBI Leasing's bad loan positions. In addition to this, an operation to dispose of residential mortgage bad loan positions amounting to approximately €800 million (with securitisation) is under examination, to be completed possibly by the end of 2019.

For further information please contact:
UBI Banca – Investor relations – Tel. +39 035 3922217
Email: investor.relations@ubibanca.it
UBI Banca – Media relations – Tel. +39 027781 4213 – 4938 - 4139
Email: media.relations@ubibanca.it
Copy of this press release is available on the website www.ubibanca.it

Attachments - UBI Banca Group: Reclassified and mandatory financial statements

- Reclassified consolidated balance sheet
- Reclassified consolidated income statement
- Reclassified consolidated quarterly income statements
- Reclassified consolidated income statement net of the most significant non-recurring items

- Consolidated balance sheet – mandatory statement
- Consolidated income statement – mandatory statement
- Loan tables

Explanatory notes on the preparation of the mandatory and reclassified financial statements

The Mandatory Financial Statements have been prepared on the basis of Bank of Italy Circular No. 262/2005 of 22nd December 2005, 6th update, dated 30th November 2018. The latter implements the adoption of the international financial reporting standard IFRS 16 "Leases", which superseded IAS 17 "Leases" from 1st January 2019.

As concerns income statement figures as at 30 September 2019, the following is underlined on the basis of the provisions of IFRS 16:
- net interest income includes, within interest expense, interest accrued on financial liabilities for leases;
- net depreciation and impairment losses on property, plant and equipment includes depreciation of the right-of-use assets resulting from lease contracts;
- rentals relating to contracts falling within the scope of application of IFRS 16 are no longer recognised within "Other administrative expenses".

In view of the above, the income statement figures for the comparative periods are not fully comparable.

Methodological notes

On 22nd July 2019 an announcement was made of the disposal of bad loan factoring positions (€157 million gross) and of the sale of bad loan lease positions (€740 million gross, already completed by approx. €480 million gross as at 30th September 2019) expected to be completed within year end. These are selective transactions of substantial amount relative to the size of the Group, with a significant impact on standard operating performance and financial indicators.
For the sake of completeness, the bank informs that the disposal of a portfolio of residential mortgages classified as bad loans is under assessment for a gross amount of approx. €800 million.
In order to facilitate understanding of the events and to allow a more linear comparison with the comparative periods, an adjusted version ("pro forma") of the main indicators has also been presented in the text of the press release.
In detail:

- Pro forma annualised loan losses ratio (i.e. pro forma cost of risk): *item 130. a) Net impairment losses for credit risk relating to financial assets measured at amortised cost: loans and advances to customers* has been annualised only for that part not relating to the disposals mentioned, relating to the leasing and factoring bad loan positions.

  The impairment losses associated with the disposals mentioned (€112.1 million in 9M 2019, of which € 102.4 million in second quarter 2019) have been:
  - included without any annualisation to give 79 bps in 9M2019
  - excluded, sterilising all the impacts, to reach 66 bps in 9M2019.

  The denominator (total net loans to customers for the period) was considered for consistency, on the basis of information currently available.

- the pro forma gross NPE ratio (9.07%): total gross non-performing exposures as a percentage of total gross loans has been adjusted to also include the announced disposal of the bad loan lease positions to be completed with full deconsolidation by the end of 2019. The ratio which does not yet incorporate the event stands at 9.34%.

  Taking also into account the disposal of a portfolio of residential mortgages classified as bad loans under assessment, possibly to be completed within year-end, the gross NPE ratio would stand at approx. 8%.

***

Reclassified financial statements have been prepared in order to allow a meaningful management accounting commentary on capital and operating figures on the basis of the financial statements pursuant to the 6th update of Bank of Italy Circular No. 262/2005.

In accordance with the ESMA/2015/1415 guidelines we report that, with a view to simplification of the presentation of the income statement, as of the half-year financial report, the line items "130. a) Financial assets measured at amortised cost: loans and advances to customers subject to disposal" and "130. b) Financial assets designated at fair value through other comprehensive income subject to disposal" (which included the reclassifications carried out between the items 100 and 130. a)/130. b) in compliance with the recommendations contained in the Bank of Italy addendum letter dated 30th October 2018) have been reclassified within items "130. a) Financial assets measured at amortised cost: loans and advances to customers" and "130. b) Financial assets designated at fair value through other comprehensive income".
The lines that have been eliminated had been introduced at time of the financial statements for the year ended 31st December 2018 in order to show more clearly the amounts reclassified (also with regard to the preceding quarterly reports) in compliance with the provisions of the addendum letter in question, now fully in use.

Moreover, seen the relevance of the amount, in the reclassified consolidated income statement and in the quarterly evolution of the reclassified consolidated income statement, the item "of which: contributions to SRF and DGS" has been isolated within the item "190.b) Other Administrative Expenses".

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

Reference is made to the "notes on the reclassified financial statements" contained in the periodic financial reports of the Group for more precise details of the rules followed in preparing the reclassified financial statements.

UBI Banca Group: Reclassified consolidated balance sheet

Figures in thousands of euro		30.9.2019 A	1.1.2019 B	Changes A-B	% changes A/B	30.9.2018 C	Changes A-C	% changes A/C
	ASSETS							
10.	Cash and cash equivalents	643,633	735,249	(91,616)	-12.5%	625,652	17,981	2.9%
20.	Financial assets measured at fair value through profit or loss	1,817,803	1,463,529	354,274	24.2%	1,469,508	348,295	23.7%
	1) Loans and advances to banks	*16,797*	*14,054*	*2,743*	*19.5%*	*13,444*	*3,353*	*24.9%*
	2) Loans and advances to customers	*270,169*	*274,262*	*(4,093)*	*-1.5%*	*283,496*	*(13,327)*	*-4.7%*
	3) Securities and derivatives	*1,530,837*	*1,175,213*	*355,624*	*30.3%*	*1,172,568*	*358,269*	*30.6%*
30.	Financial assets measured at fair value through other comprehensive income	12,212,586	10,726,179	1,486,407	13.9%	10,640,301	1,572,285	14.8%
	1) Loans and advances to banks	-	-	-	-	-	-	-
	2) Loans and advances to customers	-	*15*	*(15)*	*-100%*	*15*	(15)	-100.0%
	3) Securities	*12,212,586*	*10,726,164*	*1,486,422*	*13.9%*	*10,640,286*	*1,572,300*	*14.8%*
40.	Financial assets measured at amortised cost	105,186,087	102,798,587	2,387,500	2.3%	103,431,623	1,754,464	1.7%
	1) Loans and advances to banks	*14,835,531*	*10,065,772*	*4,769,759*	*47.4%*	*10,248,127*	*4,587,404*	*44.8%*
	2) Loans and advances to customers	*85,179,308*	*88,987,596*	*(3,808,288)*	*-4.3%*	*89,554,538*	*(4,375,230)*	*-4.9%*
	3) Securities	*5,171,248*	*3,745,219*	*1,426,029*	*38.1%*	*3,628,958*	*1,542,290*	*42.5%*
50.	Hedging derivatives	22,926	44,084	(21,158)	-48.0%	65,350	(42,424)	-64.9%
60.	Fair value change in hedged financial assets (+/-)	821,141	97,429	723,712	n.s.	-6,002	827,143	n.s.
70.	Equity investments	281,005	254,128	26,877	10.6%	243,646	37,359	15.3%
80.	Technical reserves of reinsurers	-	-	-	-	195	(195)	-100.0%
90.	Property, plant and equipment	2,528,242	2,394,858	133,384	5.6%	1,824,737		
100.	Intangible assets	1,724,707	1,729,727	(5,020)	-0.3%	1,710,712	13,995	0.8%
	of which: goodwill	*1,465,260*	*1,465,260*	-	*0.0%*	*1,465,260*	-	*0.0%*
110.	Tax assets	3,797,803	4,210,362	(412,559)	-9.8%	4,076,685	(278,882)	-6.8%
120.	Non-current assets and disposal groups held for sale	7,844	2,972	4,872	163.9%	735	7,109	n.s.
130.	Other assets	1,383,295	1,243,320	139,975	11.3%	1,123,257		
	Total assets	**130,427,072**	**125,700,424**	**4,726,648**	**3.8%**	**125,206,399**		
	LIABILITIES AND EQUITY							
10.	Financial liabilities measured at amortised cost	111,811,656	109,839,891	1,971,765	1.8%	110,633,386		
	a) Due to banks	*15,956,402*	*17,234,579*	*(1,278,177)*	*-7.4%*	*16,678,273*	*(721,871)*	*-4.3%*
	b) Due to customers	*72,145,392*	*68,815,614*	*3,329,778*	*4.8%*	*70,258,101*		
	c) Debt securities issued	*23,709,862*	*23,789,698*	*(79,836)*	*-0.3%*	*23,697,012*	*12,850*	*0.1%*
20.	Financial liabilities held for trading	656,353	410,977	245,376	59.7%	347,184	309,169	89.1%
30.	Financial liabilities designated at fair value	172,950	105,836	67,114	63.4%	95,434	77,516	81.2%
40.	Hedging derivatives	572,583	110,801	461,782	n.s.	93,351	479,232	n.s.
50.	Fair value change in hedged financial liabilities (+/-)	214,504	74,297	140,207	188.7%	30,103	184,401	n.s.
60.	Tax liabilities	144,308	162,272	(17,964)	-11.1%	188,193	(43,885)	-23.3%
80.	Other liabilities	4,385,204	3,092,941	1,292,263	41.8%	2,116,819	2,268,385	107.2%
90.	Provision for post-employment benefits	300,476	306,697	(6,221)	-2.0%	323,809	(23,333)	-7.2%
100.	Provisions for risks and charges:	429,249	505,191	(75,942)	-15.0%	567,401	(138,152)	-24.3%
	a) commitments and guarantees granted	*52,523*	*64,410*	*(11,887)*	*-18.5%*	*76,803*	*(24,280)*	*-31.6%*
	b) pension and similar obligations	*86,104*	*91,932*	*(5,828)*	*-6.3%*	*128,496*	*(42,392)*	*-33.0%*
	c) other provisions for risks and charges	*290,622*	*348,849*	*(58,227)*	*-16.7%*	*362,102*	*(71,480)*	*-19.7%*
110.	Technical reserves	2,244,737	1,877,449	367,288	19.6%	1,856,585	388,152	20.9%
120.+150.+160. +170.+180	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,257,424	8,737,680	519,744	5.9%	8,688,096	569,328	6.6%
190.	Minority interests (+/-)	46,577	50,784	(4,207)	-8.3%	55,567	(8,990)	-16.2%
200.	Profit (loss) for the period/year (+/-)	191,051	425,608	(234,557)	-55.1%	210,471	(19,420)	-9.2%
	Total liabilities and equity	**130,427,072**	**125,700,424**	**4,726,648**	**3.8%**	**125,206,399**		

UBI Banca Group: Reclassified consolidated income statement

Figures in thousands of euro		9M 2019 (IFRS 16) A	9M 2018 B	Change A-B	% change A/B	3rd Quarter 2019 (IFRS 16) C	3rd Quarter 2018 D	Change C-D	% change C/D	FY 2018 E
10.-20.-140.	Net interest income	1,313,064	1,349,165	(36,101)	(2.7%)	426,851	452,749	(25,898)	(5.7%)	1,790,231
	of which: TLTRO II	*37,588*	*38,038*	*(450)*	*(1.2%)*	*12,695*	*12,791*	(96)	(0.8%)	*50,788*
	of which: IFRS 9 credit components	*89,200*	*92,024*	*(2,824)*	*-3.1%*	*22,543*	*30,818*	(8,275)	(26.9%)	*121,985*
	of which: IFRS 9 contractual modifications without derecognition components	*(13,416)*	*(30,422)*	*(17,006)*	*(55.9%)*	*(2,979)*	*(8,350)*	(5,371)	(64.3%)	*(37,383)*
70.	Dividends and similar income	7,581	8,514	(933)	(11.0%)	371	145	226	155.9%	22,931
	Profits (losses) of equity-accounted investees	31,204	14,142	17,062	120.6%	11,783	5,129	6,654	129.7%	24,602
40.-50.	Net fee and commission income	1,215,503	1,188,482	27,021	2.3%	402,569	380,514	22,055	5.8%	1,579,060
	of which performance fees	*10,471*	*12,134*	*(1,663)*	*(13.7%)*	*3,318*	*3,645*	(327)	*(9.0%)*	*13,889*
80.+90. +100.+110.	Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	46,086	1,366	44,720	*n.s.*	(8,998)	(54,739)	(45,741)	(83.6%)	(5,404)
160.+170.	Net income from insurance operations	11,284	15,034	(3,750)	(24.9%)	3,848	4,031	(183)	(4.5%)	17,034
230.	Other net operating income/expense	64,675	76,690	(12,015)	(15.7%)	23,938	24,929	(991)	(4.0%)	90,889
	Operating income	**2,689,397**	**2,653,393**	**36,004**	**1.4%**	**860,362**	**812,758**	**47,604**	**5.9%**	**3,519,343**
190. a)	Staff costs	(1,072,181)	(1,117,730)	(45,549)	(4.1%)	(351,754)	(367,871)	(16,117)	(4.4%)	(1,490,626)
190. b)	Other administrative expenses	(548,390)	(591,256)	(42,866)	(7.2%)	(187,198)	(198,699)	(11,501)	(5.8%)	(789,994)
	of which: Contributions to the SRF and DGS	*(103,137)*	*(80,994)*	*22,143*	*27.3%*	*(43,069)*	*(38,880)*	4,189	10.8%	*(83,794)*
210.+220.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(168,657)	(122,963)	45,694	37.2%	(58,088)	(40,962)	17,126	41.8%	(167,575)
	Operating expenses	**(1,789,228)**	**(1,831,949)**	**(42,721)**	**(2.3%)**	**(597,040)**	**(607,532)**	**(10,492)**	**(1.7%)**	**(2,448,195)**
	Net operating income	**900,169**	**821,444**	**78,725**	**9.6%**	**263,322**	**205,226**	**58,096**	**28.3%**	**1,071,148**
130.	Net impairment losses for credit risk relating to:	(533,611)	(399,139)	134,472	33.7%	(140,233)	(128,666)	11,567	9.0%	(638,277)
130. a)	- financial assets measured at amortised cost: loans and advances to banks	481	(1,243)	1,724	n.s.	(243)	217	(460)	n.s.	2,867
130. a)	- financial assets measured at amortised cost: loans and advances to customers	(530,271)	(389,305)	140,966	36.2%	(138,687)	(127,681)	11,006	8.6%	(642,786)
130. a)	- financial assets measured at amortised cost: securities	(1,099)	(706)	393	55.7%	(335)	(602)	(267)	(44.4%)	916
130. b)	- financial assets measured at fair value through other comprehensive income	(2,722)	(7,885)	(5,163)	(65.5%)	(968)	(600)	368	61.3%	726
200. a)	Net provisions for risks and charges - commitments and guarantees granted	1,910	11,601	(9,691)	(83.5%)	(33)	(2,939)	(2,906)	(98.9%)	23,923
200. b)	Net provisions for risks and charges - other net provisions	(23,586)	(19,258)	4,328	22.5%	(21,357)	(2,145)	19,212	n.s.	(4,491)
250.+280.	Profits (losses) from the disposal of equity investments	4,288	1,261	3,027	n.s.	100	298	(198)	(66.4%)	5,344
290.	**Profit (loss) before tax from continuing operations**	**349,170**	**415,909**	**(66,739)**	**(16.0%)**	**101,799**	**71,774**	**30,025**	**41.8%**	**457,647**
300.	Taxes on income for the period from continuing operations	(94,451)	(143,074)	(48,623)	(34.0%)	(34,416)	(26,166)	8,250	31.5%	38,754
340.	(Profit) loss for the period/year attributable to minority interests	(20,940)	(20,905)	35	0.2%	(7,239)	(7,102)	137	1.9%	(25,982)
	Profit (loss) for the period/year attributable to the shareholders of the Parent before the Business Plan and other impacts	**233,779**	**251,930**	**(18,151)**	**(7.2%)**	**60,144**	**38,506**	**21,638**	**56.2%**	**470,419**
190. a)	Redundancy expenses net of taxes and minority interests	(42,583)	(36,880)	5,703	15.5%	-	(36,880)	(36,880)	(100.0%)	(36,983)
190. b)	Business Plan project expenses net of taxes and minority interests	(145)	(4,579)	(4,434)	(96.8%)	(12)	(22)	(10)	(45.5%)	(4,930)
210.	Impairment losses on property, plant and equipment net of taxes and minority interests	-	-	-	-	-	-	-	-	(2,898)
350.	**Profit (loss) for the period/year attributable to the shareholders of the Parent**	**191,051**	**210,471**	**(19,420)**	**(9.2%)**	**60,132**	**1,604**	**58,528**	**n.s.**	**425,608**

UBI Banca Group: Reclassified consolidated quarterly income statements

	Figures in thousands of euro	2019 (IFRS 16) 3rd Quarter	2019 (IFRS 16) 2nd Quarter	2019 (IFRS 16) 1st Quarter	2018 4th Quarter	2018 3rd Quarter	2018 2nd Quarter	2018 1st Quarter
10.-20.-140.	Net interest income	426,851	440,616	445,597	441,066	452,749	458,605	437,811
	of which: TLTRO II	12,695	*12,502*	*12,391*	*12,750*	*12,791*	*12,693*	*12,554*
	of which: IFRS 9 credit components	22,543	*35,498*	*31,159*	*29,961*	*30,818*	*35,543*	*25,663*
	of which: IFRS 9 contractual modifications without derecognition components	(2,979)	*(5,281)*	*(5,156)*	*(6,961)*	*(8,350)*	*(13,412)*	*(8,660)*
70.	Dividends and similar income	371	2,040	5,170	14,417	145	3,232	5,137
	Profits (losses) of equity-accounted investees	11,783	13,106	6,315	10,460	5,129	1,752	7,261
40.-50.	Net fee and commission income	402,569	411,998	400,936	390,578	380,514	400,630	407,338
	of which performance fees	3,318	*4,171*	*2,982*	*1,755*	*3,645*	*6,745*	*1,744*
80.+90. +100.+110.	Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	(8,998)	17,649	37,435	(6,770)	(54,739)	22,123	33,982
160.+170.	Net income from insurance operations	3,848	3,934	3,502	2,000	4,031	5,548	5,455
230.	Other net operating income/expense	23,938	19,075	21,662	14,199	24,929	23,394	28,367
	Operating income	**860,362**	**908,418**	**920,617**	**865,950**	**812,758**	**915,284**	**925,351**
190. a)	Staff costs	(351,754)	(355,993)	(364,434)	(372,896)	(367,871)	(374,325)	(375,534)
190. b)	Other administrative expenses	(187,198)	(175,161)	(186,031)	(198,738)	(198,699)	(186,643)	(205,914)
	of which: contributions to SRF and DGS	(43,069)	*(18,085)*	*(41,983)*	*(2,800)*	*(38,880)*	*(12,886)*	*(29,228)*
210.+220.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(58,088)	(56,275)	(54,294)	(44,612)	(40,962)	(40,384)	(41,617)
	Operating expenses	**(597,040)**	**(587,429)**	**(604,759)**	**(616,246)**	**(607,532)**	**(601,352)**	**(623,065)**
	Net operating income	**263,322**	**320,989**	**315,858**	**249,704**	**205,226**	**313,932**	**302,286**
130.	Net impairment losses for credit risk relating to:	(140,233)	(263,375)	(130,003)	(239,138)	(128,666)	(146,128)	(124,345)
130. a)	- financial assets measured at amortised cost: loans and advances to banks	(243)	773	(49)	4,110	217	265	(1,725)
130. a)	- financial assets measured at amortised cost: loans and advances to customers	(138,687)	(263,016)	(128,568)	(253,481)	(127,681)	(143,684)	(117,940)
130. a)	- financial assets measured at amortised cost: securities	(335)	(277)	(487)	1,622	(602)	15	(119)
130. b)	- financial assets measured at fair value through other comprehensive income	(968)	(855)	(899)	8,611	(600)	(2,724)	(4,561)
200. a)	Net provisions for risks and charges - commitments and guarantees granted	(33)	2,505	(562)	12,322	(2,939)	3,477	11,063
200. b)	Net provisions for risks and charges - other net provisions	(21,357)	1,238	(3,467)	14,767	(2,145)	(15,700)	(1,413)
250.+280.	Profits (losses) from the disposal of equity investments	100	3,915	273	4,083	298	170	793
290.	**Profit (loss) before tax from continuing operations**	**101,799**	**65,272**	**182,099**	**41,738**	**71,774**	**155,751**	**188,384**
300.	Taxes on income for the period from continuing operations	(34,416)	(9,232)	(50,803)	181,828	(26,166)	(55,557)	(61,351)
340.	(Profit) loss for the period attributable to minority interests	(7,239)	(7,286)	(6,415)	(5,077)	(7,102)	(7,794)	(6,009)
	Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan and other impacts	**60,144**	**48,754**	**124,881**	**218,489**	**38,506**	**92,400**	**121,024**
190. a)	Redundancy expenses net of taxes and minority interests	-	2	(42,585)	(103)	(36,880)	(164)	164
190. b)	Business Plan project expenses net of taxes and minority interests	(12)	(45)	(88)	(351)	(22)	(1,029)	(3,528)
210.	Impairment losses on property, plant and equipment net of taxes and minority interests	-	-	-	(2,898)	-	-	-
350.	**Profit (loss) for the period attributable to the shareholders of the Parent**	**60,132**	**48,711**	**82,208**	**215,137**	**1,604**	**91,207**	**117,660**

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

Figures in thousands of euro	9M 2019	2017-2020 Business Plan: Redundancy expenses	2017-2020 Business Plan: Business Plan project expenses	Other items: Extraordinary contribution to the Resolution Fund	Other items: Disposal of equity and other investments	9M 2019 *net of non-recurring items*	9M 2018	2017-2020 Business Plan: Redundancy expenses	2017-2020 Business Plan: Business Plan project expenses	Other items: Extraordinary contribution to the Resolution Fund	9M 2018 *net of non-recurring items*
Net interest income	1,313,064					1,313,064	1,349,165				1,349,165
of which: TLTRO II	*37,588*					*37,588*	*38,038*				*38,038*
of which: IFRS 9 credit components	*89,200*					*89,200*	*92,024*				*92,024*
of which: IFRS 9 contractual modifications without derecognition components	*(13,416)*					*(13,416)*	*(30,422)*				*(30,422)*
Dividends and similar income	7,581					7,581	8,514				8,514
Profits (losses) of equity-accounted investees	31,204					31,204	14,142				14,142
Net fee and commission income	1,215,503					1,215,503	1,188,482				1,188,482
of which: performance fees	*10,471*					*10,471*	12,134				12,134
Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	46,086					46,086	1,366				1,366
Net income from insurance operations	11,284					11,284	15,034				15,034
Other net operating income/expense	64,675					64,675	76,690				76,690
Operating income	**2,689,397**	**-**	**-**	**-**	**-**	**2,689,397**	**2,653,393**	**-**	**-**	**-**	**2,653,393**
Staff costs	(1,072,181)					(1,072,181)	(1,117,730)				(1,117,730)
Other administrative expenses	(548,390)			18,086		(530,304)	(591,256)			12,885	(578,371)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(168,657)				586	(168,071)	(122,963)				(122,963)
Operating expenses	**(1,789,228)**	**-**	**-**	**18,086**	**586**	**(1,770,556)**	**(1,831,949)**	**-**	**-**	**12,885**	**(1,819,064)**
Net operating income	**900,169**	**-**	**-**	**18,086**	**586**	**918,841**	**821,444**	**-**	**-**	**12,885**	**834,329**
Net impairment losses for credit risk relating to:	(533,611)					(533,611)	(399,139)				(399,139)
- financial assets measured at amortised cost: loans and advances to banks	481					481	(1,243)				(1,243)
- financial assets measured at amortised cost: loans and advances to customers	(530,271)					(530,271)	(389,305)				(389,305)
- financial assets measured at amortised cost: securities	(1,099)					(1,099)	(706)				(706)
- financial assets measured at fair value through other comprehensive income	(2,722)					(2,722)	(7,885)				(7,885)
Net provisions for risks and charges - commitments and guarantees granted	1,910					1,910	11,601				11,601
Net provisions for risks and charges - other net provisions	(23,586)					(23,586)	(19,258)				(19,258)
Profits (losses) from the disposal of equity investments	4,288				(4,288)	-	1,261				1,261
Profit (loss) before tax from continuing operations	**349,170**	**-**	**-**	**18,086**	**(3,702)**	**363,554**	**415,909**	**-**	**-**	**12,885**	**428,794**
Taxes on income for the period from continuing operations	(94,451)			(5,880)	1,159	(99,172)	(143,074)			(4,189)	(147,263)
(Profit) loss for the period attributable to minority interests	(20,940)					(20,940)	(20,905)				(20,905)
Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan and other impacts	**233,779**	**-**	**-**	**12,206**	**(2,543)**	**243,442**	**251,930**	**-**	**-**	**8,696**	**260,626**
Redundancy expenses net of taxes and minority interests	(42,583)	42,583				-	(36,880)	36,880			-
Business Plan project expenses net of taxes and minority interests	(145)		145			-	(4,579)		4,579		-
Profit (loss) for the period attributable to the shareholders of the Parent	**191,051**	**42,583**	**145**	**12,206**	**(2,543)**	**243,442**	**210,471**	**36,880**	**4,579**	**8,696**	**260,626**

UBI Banca Group: Consolidated balance sheet
- mandatory statement -

	Figures in thousands of euro	30.09.2019	31.12.2018
	ASSETS		
10.	Cash and cash equivalents	643,633	735,249
20.	Financial assets measured at fair value through profit or loss	1,817,803	1,463,529
	a) financial assets held for trading	600,089	405,716
	b) financial assets designated at fair value	11,084	11,028
	c) other financial assets mandatorily measured at fair value	1,206,630	1,046,785
30.	Financial assets measured at fair value through other comprehensive income	12,212,586	10,726,179
40.	Financial assets measured at amortised cost	105,186,087	102,798,587
	a) loans and advances to banks	15,024,954	10,065,881
	b) loans and advances to customers	90,161,133	92,732,706
50.	Hedging derivatives	22,926	44,084
60.	Fair value change in hedged financial assets (+/-)	821,141	97,429
70.	Equity investments	281,005	254,128
90.	Property, plant and equipment	2,528,242	1,965,234
100.	Intangible assets	1,724,707	1,729,727
	of which: goodwill	*1,465,260*	*1,465,260*
110.	Tax assets	3,797,803	4,210,362
	a) current	1,159,053	1,376,567
	b) deferred	2,638,750	2,833,795
	- of which pursuant to Law No. 214/2011	*1,781,421*	*1,804,988*
120.	Non-current assets and disposal groups held for sale	7,844	2,972
130.	Other assets	1,383,295	1,278,717
	Total assets	**130,427,072**	**125,306,197**
	LIABILITIES AND EQUITY		
10.	Financial liabilities measured at amortised cost	111,811,656	109,445,664
	a) due to banks	15,956,402	17,234,579
	b) due to customers	72,145,392	68,421,387
	c) debt securities issued	23,709,862	23,789,698
20.	Financial liabilities held for trading	656,353	410,977
30.	Financial liabilities designated at fair value	172,950	105,836
40.	Hedging derivatives	572,583	110,801
50.	Fair value change in hedged financial liabilities (+/-)	214,504	74,297
60.	Tax liabilities	144,308	162,272
	a) current	37,542	30,287
	b) deferred	106,766	131,985
80.	Other liabilities	4,385,204	3,092,941
90.	Provision for post-employment benefits	300,476	306,697
100.	Provisions for risks and charges:	429,249	505,191
	a) commitments and guarantees granted	52,523	64,410
	b) pension and similar obligations	86,104	91,932
	c) other provisions for risks and charges	290,622	348,849
110.	Technical reserves	2,244,737	1,877,449
120.	Valuation reserves	(58,992)	(298,616)
150.	Reserves	3,206,746	2,923,589
160.	Share premiums	3,294,604	3,294,604
170.	Share capital	2,843,177	2,843,177
180.	Treasury shares (-)	(28,111)	(25,074)
190.	Minority interests (+/-)	46,577	50,784
200.	Profit (loss) for the period/year (+/-)	191,051	425,608
	Total liabilities and equity	**130,427,072**	**125,306,197**

UBI Banca Group: consolidated income statement

- mandatory statement -

Figures in thousands of euro		9M 2019	9M 2018
10.	Interest and similar income	1,649,201	1,675,425
	- of which: interest income calculated with the effective interest method	1,491,727	1,534,057
20.	Interest and similar expense	(283,680)	(263,681)
30.	**Net interest income**	**1,365,521**	**1,411,744**
40.	Fee and commission income	1,388,464	1,341,766
50.	Fee and commission expense	(170,476)	(151,933)
60	**Net fee and commission income**	**1,217,988**	**1,189,833**
70.	Dividends and similar income	7,991	10,068
80.	Net trading income (loss)	(10,001)	55,995
90.	Net hedging income (loss)	(13,617)	(7,389)
100.	Income (losses) from disposal or repurchase of:	18,530	(34,366)
	a) financial assets measured at amortised cost	(11,573)	(96,794)
	b) financial assets measured at fair value through other comprehensive income	32,138	67,455
	c) financial liabilities	(2,035)	(5,027)
110.	Net income (loss) from other financial assets and liabilities measured at fair value through profit or loss	53,880	(12,058)
	a) financial assets and liabilities designated at fair value	21	(921)
	b) other financial assets mandatorily measured at fair value	53,859	(11,137)
120.	**Gross income**	**2,640,292**	**2,613,827**
130.	Net impairment losses for credit risk relating to:	(533,611)	(390,297)
	a) financial assets measured at amortised cost	(530,889)	(383,882)
	b) financial assets measured at fair value through other comprehensive income	(2,722)	(6,415)
140.	Profits (losses) from contractual modifications without derecognition	(13,416)	(30,422)
150.	**Financial income**	**2,093,265**	**2,193,108**
160.	Net insurance premiums	231,189	318,967
170.	Other income/expenses of insurance operations	(248,652)	(334,131)
180.	**Net income from banking and insurance operations**	**2,075,802**	**2,177,944**
190.	Administrative expenses	(1,853,201)	(1,950,701)
	a) staff costs	(1,135,864)	(1,172,859)
	b) other administrative expenses	(717,337)	(777,842)
200.	Net provisions for risks and charges	(21,676)	(7,657)
	a) commitments and guarantees granted	1,910	11,601
	b) other net provisions	(23,586)	(19,258)
210.	Depreciation and net impairment losses on property, plant and equipment	(112,041)	(63,368)
220.	Amortisation and net impairment losses on intangible assets	(56,524)	(56,424)
230.	Other net operating income/expense	217,416	238,696
240.	**Operating expenses**	**(1,826,026)**	**(1,839,454)**
250.	Profits (losses) of equity investments	31,204	14,142
280.	Profit (loss) from disposal of investments	4,288	1,261
290.	**Profit (loss) before tax on continuing operations**	**285,268**	**353,893**
300.	Taxes on income for the period from continuing operations	(73,320)	(122,604)
310.	**Profit (loss) after tax from continuing operations**	**211,948**	**231,289**
330.	**Profit (loss) for the period**	**211,948**	**231,289**
340.	(Profit) loss for the period attributable to minority interests	(20,897)	(20,818)
350.	**Profit (loss) for the period attributable to the shareholders of the Parent**	**191,051**	**210,471**

UBI Banca Group: Loan tables

Loans and advances to customers measured at amortised cost as at 30th September 2019

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage ratio excluding write-offs	Coverage ratio including write-offs
Non-performing exposures (Stage three)	**(9.34%)**	**8,312,792**	**3,337,889**	**(5.84%)**	**4,974,903**	**40.15%**	**49.70%**
- Bad loans	(5.16%)	4,596,968	2,328,696	(2.66%)	2,268,272	50.66%	63.10%
- Unlikely-to-pay loans	(4.02%)	3,577,033	997,242	(3.03%)	2,579,791	27.88%	28.44%
- Past-due exposures	(0.16%)	138,791	11,951	(0.15%)	126,840	8.61%	
Performing exposures (Stages one and two)	**(90.66%)**	**80,698,544**	**494,139**	**(94.16%)**	**80,204,405**	**0.61%**	
Total		**89,011,336**	**3,832,028**		**85,179,308**	**4.31%**	

Loans and advances to customers measured at amortised cost as at 30th June 2019

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage ratio excluding write-offs	Coverage ratio including write-offs
Non-performing exposures (Stage three)	**(9.97%)**	**9,002,822**	**3,690,587**	**(6.17%)**	**5,312,235**	**40.99%**	**49.55%**
- Bad loans	(5.70%)	5,146,645	2,663,714	(2.88%)	2,482,931	51.76%	62.60%
- Unlikely-to-pay loans	(4.20%)	3,794,244	1,020,242	(3.22%)	2,774,002	26.89%	27.53%
- Past-due exposures	(0.07%)	61,933	6,631	(0.07%)	55,302	10.71%	
Performing exposures (Stages one and two)	**(90.03%)**	**81,282,373**	**520,457**	**(93.83%)**	**80,761,916**	**0.64%**	
Total		**90,285,195**	**4,211,044**		**86,074,151**	**4.66%**	

Loans and advances to customers measured at amortised cost as at 1st January 2019

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage ratio excluding write-offs	Coverage ratio including write-offs
Non-performing exposures (Stage three)	**(10.42%)**	**9,716,770**	**3,740,806**	**(6.72%)**	**5,975,964**	**38.50%**	**46.01%**
- Bad loans	(5.81%)	5,423,214	2,655,439	(3.11%)	2,767,775	48.96%	59.14%
- Unlikely-to-pay loans	(4.53%)	4,222,577	1,078,162	(3.53%)	3,144,415	25.53%	
- Past-due exposures	(0.08%)	70,979	7,205	(0.08%)	63,774	10.15%	
Performing exposures (Stages one and two)	**(89.58%)**	**83,562,023**	**550,391**	**(93.28%)**	**83,011,632**	**0.66%**	
Total		**93,278,793**	**4,291,197**		**88,987,596**	**4.60%**	

Loans and advances to customers measured at amortised cost as at 30th September 2018

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage ratio excluding write-offs	Coverage ratio including write-offs
Non-performing exposures (Stage three)	**(11.14%)**	**10,491,621**	**4,122,439**	**(7.11%)**	**6,369,182**	**39.29%**	
- Bad loans	(6.16%)	5,804,891	2,960,431	(3.18%)	2,844,460	51.00%	
- Unlikely-to-pay loans	(4.87%)	4,585,777	1,151,766	(3.83%)	3,434,011	25.12%	
- Past-due exposures	(0.11%)	100,953	10,242	(0.10%)	90,711	10.15%	
Performing exposures (Stages one and two)	**(88.86%)**	**83,718,594**	**533,238**	**(92.89%)**	**83,185,356**	**0.64%**	
Total		**94,210,215**	**4,655,677**		**89,554,538**	**4.94%**	