PRESS RELEASE

Results of the UBI Group for the period ended 31st December 2018

Net profit for the full year 2018, net of non-recurring items, amounting to €302.4 million[1] (€188.7 million in 2017[2]), confirmed as the best result in the last 10 years
Stated net profit of €425.6 million (€49.7 million in 2017, net of €640.8 million of the badwill resulting from the acquisition of 3 banks)

A dividend proposal of 12 cents per share, a yield of 5.4% on closing price of the share on 7 February 2019

As at 31st December 2018, the fully loaded CET1 ratio stood at 11.34% (11.42% as at 30th September 2018) including the update of the historical data series for internal models
Phased in CET1 ratio of 11.70% (11.79% as at 30th September 2018)

LCR>1
NSFR >1 even net of the contribution from TLTRO2

Gross non-performing exposures amounting to 10.42% of total loans to customers, down significantly compared with 11.14% as at 30.09.2018 and 12.85% as at 1.1.2018
Gross non-performing exposures fall further to €9,717 million, to record a reduction of €775 million compared with 30th September 2018 (-7.4%) and of €2,697 million (-21.7%) compared with 1.1.2018
Net non-performing exposures account for 6.72% of net loans to customers (7.11% as at 30.09.2018 and 8.19% as at 1.1.2018)
These results were achieved by further enhancing the credit recovery platform within the Bank

Texas ratio of 85.3%, below the 2020 Business Plan target (91.3% in September 2018 and 101.2% as at 1.1.2018)

A loan loss rate annualised of 72 basis points, down compared with 79 basis points for 2017

A Default rate[3] for 2018 of 1.55% compared with 1.98% recorded for 2017[4]

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[1] The main non-recurring items for 2018 include the following: the write-down of the contribution to the voluntary Scheme of the Interbank Deposit Protection Fund for the intervention to support Banca Carige amounting to €14.7 million net (€22 million gross); leaving incentives in relation to last September's agreement amounting to €36.9 million net (€55 million gross approx.); €4.9 million net incurred for Business Plan project expenses; €8.7 million net (€12.9 million gross) for extraordinary contributions to the Resolution Fund incurred in 2Q 2018; profits from the disposals of investments amounting to €5 million net (€5.3 gross); and DTAs recognised following changes in the tax treatment for first-time adoption of IFRS 9, amounting to €186.4 million (see the statements attached). The loss on the disposal of the mezzanine and junior tranches of the bad loan securitisation, recognised within the item 100 – income for finance activities –, which took place in September 2018 (€65.3 million gross and €43.8 million net) is not included among non-recurring items.

[2] The full year 2017 includes the 3 acquired banks from 1st April 2017. It should be considered that the three banks reported losses in the first quarter of 2017 and therefore their inclusion on a pro forma basis would have given an even more favourable year-on-year comparison.

[3] Default rate: annualised gross migrations of non-performing exposures to non-performing status/initial volumes of gross performing loans (item 40. 2) in the reclassified consolidated balance sheet). *The Default rate is calculated consistently with information previously published.*

4Q 2018 annualised default rate of 1.38%
(a further improvement on the positive performance of 1.48% in 3Q 2018)

Total funding of approx. 187 billion (€190.9 billion as at 1.1.2018), also affected in 4Q 2018 by a negative market performance of €4 billion on the indirect component:

- **Direct funding of €92.2 billion (€94.4 billion as at 1.1.2018) due to maturities of retail bonds not replaced (-€3.6 billion), while the total for current accounts and deposits records growth (+€1.6 billion)**
- **Indirect funding of €94.7 billion (€96.5 billion as at 1.1.2018), progressively up during the year but down in 4Q 2018 solely because of the effect of negative market performance.**
  In the twelve months, net inflows in Funds and Sicavs of the Group is positive by 0.6 billion, corresponding to 1.8% of assets as at 1.1.2018, to be compared with system net inflows equal to 0, 01% of the assets on 1.1.2018[5]. The Group's market shares have risen during the year
  The positive performance of banc assurance products was again confirmed, rising to €24.7 billion (+14.3% vs 1.1.2018)

Net performing loans[6] amounting to €83 billion, largely unchanged compared with 30th September 2018 and slightly down (-€0.5 billion) on 1.1.2018

More than €10 billion of loans granted to businesses in 2018 accompanied by action to support innovation (Industry 4.0) and internationalisation
Strong growth in new lending origination to the third sector (+53% y/y)
Over €1 billion of social bonds issued to support the community

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<u>4Q 2018 / 3Q 2018</u>

Net of non-recurring items, net profit in 4Q 2018 came to €41.8 million[7] (€38.5 million in 3Q 2018)

Stated net profit in 4Q 2018 of €215.1 million (€1.6 million in 3Q 2018)

Operating income of €866 million, +6.5% compared with 812.8 in 3Q 2018

Net interest income of €441.1 million (€452.7 million in 3Q 2018)
Customer spread resilient at 1.73% (unchanged compared with 3Q 2018 and up compared with 1.66% in 4Q 2017)

Net fee and commission income of €390.6 million (€380.5 million in 3Q 2018 and €395 million in 4Q 2017)
Net of upfront and performance fees, total net fee and commission income was up <u>4.4%</u> compared with 3Q 2018 (and <u>2.7%</u> compared with 4Q 2017).

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[4] The full year 2017 includes the 3 acquired banks from 1st April 2017. The defaults of the acquired banks that occurred in the first three months were therefore not included in the figure, which is consequently underestimated.

[5] Assogestioni figures.

[6] Item 40. 2) Loans and advances to customers at amortised cost in the reclassified consolidated balance sheet.

[7] The main non-recurring items for 4Q2018 include the following: the write-down of the contribution to the voluntary Scheme of the Interbank Deposit Protection Fund for the intervention to support Banca Carige amounting to €14.7 million net (€22 million gross); profits from the disposals of investments amounting to €5.3 million (€5 million net); and DTAs recognised following changes in the tax treatment for first-time adoption of IFRS 9, amounting to €186.4 million (see the statements attached).

Once again constant control over operating expenses is confirmed, which stood at €616.2 million due to the usual seasonal factors and to the recognition of €10.5 million of project expenses not present previously (€607.5 million in 3Q 2018 and €637.5 million in 4Q 2017)

Loan losses of €253.5 million down by over €57 million (18%) compared with €310.7 million recorded in 4Q 2017

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Bergamo, 7th February 2019 – The Management Board of Unione di Banche Italiane Spa has approved the proposed separate and consolidated Annual Reports for the year ended 31st December 2018, inclusive of a proposal to distribute a dividend per share of €0.12 on the 1,136,423,956 ordinary shares outstanding (net of treasury shares repurchased), to give a maximum dividend pay-out of €136.4 million, which will be submitted for approval to the Supervisory Board on 7th March 2019.
That proposal will be submitted to a shareholders meeting that will be held in a single session on 12th April 2019.
If approved by the Shareholders' Meeting in the amount proposed, the dividend will be paid with the ex dividend date, record date and payment date on 20th, 21st and 22nd May 2019 respectively.

Operating performance of the Group

Methodological note

a) The UBI Group's consolidated results have included those of the **three recently acquired banks since 1st April 2017.** A comparison between FY2018 and FY2017 would not therefore be significant because of the difference in the scope of consolidation. The results for both years are attached and may be consulted.
   On the other hand, **a quarter-on-quarter comparison, based on the same scope of consolidation and prepared according to IFRS 9 (4Q 2018 compared with 3Q 2018), is more meaningful.** In order to give full information, a comparison with the 4Q 2017 results has been presented (which is attached), still recognised according to IAS 39 rules - and which does not include recent reclassifications as per point b), but restated to take account of the new classifications introduced by the 5th update of Bank of Italy Circular No. 262/2005, applicable from 1/1/2018.
b) In compliance with the **Bank of Italy communication dated 30th October 2018**, which has immediate effect, reclassifications have been made in the income statement that regard loans and financial assets. Net impairment losses for the year relating to loans and financial assets disposed of which have been reclassified out of the item "income from the disposal of financial assets", as part of the "finance result", into the newly introduced items "net impairment losses for credit risk: financial assets measured at amortised cost – loans and advances to customers subject to disposal" and "net impairment losses for credit risk: financial assets measured at fair value through other comprehensive income – subject to disposal".
   Net interest income has been adjusted slightly for the recalculation of the time value on the positions subject to disposal.
   Loan losses are therefore calculated on the basis of the following items at the numerator:
   - net impairment losses for credit risk: financial assets measured at amortised cost – loans and advances to customers;
   - net impairment losses for credit risk: financial assets measured at amortised cost - loans and advances to customers subject to disposal.

   All quarters of the year have been restated to take account of these reclassifications and to allow a comparison between the various periods considered.

Group income statement figures

The fourth quarter of 2018 ended with a **profit net of non-occurring items of €41.8 million, higher than both** €38.5 million in 3Q 2018 and €21.4 million in 4Q 2017.

Stated net profit came to €215.1 million compared with a net profit of €1.6 million in 3Q 2018 and -€11.9 million in 4Q 2017.

In 4Q 2018, **net operating income** came to €249.7 million, up compared with €205.2 million recorded in 3Q 2018, mainly as a result of an increase in **operating income** to €866 million (+€53.2 million, +6.5% on 3Q 2018) and containment of the seasonal performance of **operating expenses**, which stood at €616.2 million (+€8.7 million vs 3Q 2018) inclusive of the recognition of project expenses amounting to €10.5 million not present previously.

In detail, **net interest income** defined on the basis of IFRS 9 stood at €441.1 million (€452.7 million in 3Q 2018), with the following components:

- net of the impacts of the adoption of IFRS 9[8], net interest income from banking business with customers stood at €381 million compared with €388 million in 3Q 2018.
  A further reduction in the cost of funding was confirmed, with a slight improvement again for the markdown on the 1-month Euribor to -62 basis points in 4Q 2018 (from -65 bps in 3Q 2018), while the markup contracted slightly, affected by the difference between the interest rate on maturing loans and that on new grants, not offset by higher volumes of lending, also as a consequence of careful selection of new grants induced by a policy to safeguard the spread, designed to maintain adequate risk-adjusted profitability. Overall, however, the fourth quarter recorded a customer spread of 173 pbs[9], unchanged compared with 3Q 2018.
  In the 4th quarter, moreover, interest on NPEs were down by 2 million compared to 3Q 2018.
- the contribution from financial activities came to approximately €44 million, unchanged compared with 3Q 2018 seen the substantial stability for volumes held in the securities portfolio.
- the contribution to net interest income from business on the interbank market, which includes TLTRO2, but also the cost of abundant deposits of cash held with the ECB, came to -€6.2 million in 4Q 2018 compared with -€1.9 million in 3Q 2018. The differential reflects increased liquidity deposited at the ECB and greater activity in repo transactions with institutional counterparts.

Partly in relation to normal seasonal factors, in 4Q 2018 **net fees and commissions** rose to €390.6 million from €380.5 million in 3Q 2018.
In the 4Q 2018, the contribution from **fees and commissions on ordinary banking business** was up to €184.6 million (182 in 3Q 2018), also supported by the repricing activity carried out during the second half of 2018 and notwithstanding increased expenses incurred for synthetic securitisations (€5.6 million in 4Q 2018 compared with €3.9 million in 3Q 2018).
As normally occurs, the **contribution from services relating to securities business** rose to €205.9 million from €198.4 million in 3Q 2018, notwithstanding a fall in upfront and performance fees related to asset management business (€20.5 million in 4Q 2018 compared with €29.8 million in 3Q 2018).
Net of upfront and performance fees, **total net fee and commission income** was up 4.4% compared with 3Q 2018 (and 2.7% compared with 4Q 2017).

The **finance result** was slightly negative in the fourth quarter of the year, totalling -€6.8 million (-€54.7 million in 3Q 2018) the aggregate result of the following performances:

- the result for the disposal/repurchase of financial assets and liabilities came to +€13 million as a result of both the positive result for the large-scale disposal of NPLs concluded in December 2018 and also for single name disposals mainly of unlikely-to-pay loans (compared with -€69.5 million in 3Q 2018, which included the losses from the disposal of the mezzanine and junior tranches of the GACS securitisation of bad loans);
- net trading income totalled -€1.4 million (+€21.6 million in 3Q 2018);
- net hedging income came to -€2.9 million (-€3.2 million in 3Q 2018);

[8] IFRS 9 impacts on net interest income. In 4Q 2018: +€29.9 million (+€30.8 million in 3Q 2018) relating to interest on loans (time value); - €7 million (-€8.4 million in 3Q 2018) relating to contractual modifications that do not determine derecognition of the loan.
[9] These are spreads that do not include the benefits of TLTRO2s.

- net income from assets/liabilities measured at fair value was negative by €15.5 million (-€3.6 million in 3Q 2018), due above all to the 90% write-down (€22 million) of the contribution paid to the voluntary Scheme of the Interbank Deposit Protection Fund for intervention to support Banca Carige.

Constant control over costs again had a positive impact on **operating expenses**.
In fact these totalled €616.2 million in 4Q 2018 (€607.5 million in 3Q 2018) – notwithstanding the inclusion of €10.5 million of project expenses not present in previous periods and greater legal expenses mainly in relation to credit management – and they compare well with €637.6 million in 4Q 2017, which is more comparable in view of the seasonal factors that affect the fourth quarter of the year.
As concerns the full year, operating expenses fell in terms of **quarterly averages** from €635 million in 2017[10] to €612 million in 2018, down 3.6% (€23 million approx. per quarter) year-on-year, which demonstrates the success of action taken to rationalise staff numbers and operating costs undertaken as part of the Business Plan.
On an annual basis savings therefore amounted to over €90 million.

In detail,

- **staff costs** totalled €372.9 million (€367.9 million in 3Q 2018 and €384.3 million in 4Q 2017), with growth compared with the third quarter due to wage increases under the national trade union agreement and to the full impact of promotions and wage increases which normally take effect from September.
  Furthermore, in terms of **average quarterly costs**, in 2018 staff costs recorded an average cost of €372.6 million, significantly down compared with €386.8 million in 2017, a reflection of the voluntary redundancy policy pursued under the Business Plan.
  As concerns 2018 in particular, 837 staff left the Group of which 344 in the last quarter. In 2019 a further 303 staff are expected to leave on the basis of redundancy schemes already charged to the income statement.
  As already reported, the trade union agreement signed in September 2018 alone will result in estimated annual savings of €28.5 million from 2019.
- other **administrative expenses** remained stable compared with 3Q 2018, to stand at approximately €199 million. If the figures for each quarter are considered net of payments to the Interbank Deposit Protection Fund (€38.9 million in 3Q 2018 and €2.8 million in 4Q 2018), the difference of approximately €36 million is explained by normal seasonal factors, but also by the recognition of €10.5 million of project expenses (not present in either 3Q 2018 nor in 4Q 2017) and by greater expense incurred for lending activities.
  A significant decrease was also recorded for administrative expenses in terms of **quarterly averages**, down from €207.1 million in 2017 to €197.5 million in 2018.
- **depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets** amounted to approximately €44.6 million in the fourth quarter compared with €41 million in the third quarter due to the impact of higher depreciation on real estate and IT assets and recognition of write-offs connected with large-scale branch closures in October 2018.

Net impairment losses on loans to customers of €253.5 million were recognised in the fourth quarter of the year, down significantly by over €57 million compared with €310.7 million recognised in 4Q 2017, but greater than in the third quarter due to the update of the risk parameters which took place in the last part of the year and to the inclusion of impacts relating to the probability of implementation of opportunistic disposals of non-performing loans, currently being analysed.
Total net impairment losses for the year resulted in a cost of risk of 72 basis points compared with 79 bp recorded in 2017.
The coverage ratio for the Group's performing loans was high at 0.66%, up compared with 0.64% in 3Q 2018.

[10] For 2017 the quarterly average was calculated over the nine-month period which includes the 3 banks acquired from 1st April 2017.

In 4Q 2018, **net releases of provisions for risks and charges** totalled €27.1 million (-€5.1 million in 3Q 2018) and they included, amongst other things, €14.8 million of releases of provisions relating to real estate transactions connected with contracts of the three acquired banks for which adequate provisions had been made.

Finally, **taxes on income** for the year from continuing operations in 4Q 2018 consisted of tax income, mainly due to the recognition of a non-recurring item amounting to €186.4 million, due to a change made by Law No. 145 of 30th December 2018 (the "2019 Budget Law") to the deductibility rules for the IFRS9 FTA reserve relating to expected losses recognised on loans to customers.
As a result of that change, these negative components of income, which according to the original rules were fully deductible for (IRES) (corporate income tax) and IRAP (regional production tax) purposes in the tax period in which first-time adoption of the new accounting standard took place (i.e. 2018), are now 10% deductible in 2018 and the remaining 90% is deductible at constant rates over the following nine tax periods.
Therefore, on the basis of the original rules, on FTA the UBI Banca Group had envisaged recognition of current tax assets totalling approximately €80 million on the deductible impacts of the "FTA write-downs", limited by the amount of consolidated taxable income estimated for the year ended 31st December 2018 and with account taken of the results of the "probability test" laid down in Group accounting policies.
Following the change in the legislation, deferred tax assets of approximately €240 million have been recognised in the balance sheet as at 31st December 2018, corresponding to the future benefit relating to the deductibility of the reserve (90%), net of the effects recognised on FTA for that part not deductible (difference between €80 billion and 10% currently deductible), with a total positive impact of approximately €186.4 million.

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Balance sheet figures

METHODOLOGICAL NOTE

The commentary that follows relates to accounting positions on reporting dates (31.12.2018, 30.9.2018 and 1.1.2018) that implement IFRS 9 and apply the 5th update of Bank of Italy Circular No. 262/2005.

As at 31st December 2018, net loans to customers[11] totalled €89 billion compared with €89.6 billion as at 30.9.2018 and €91 billion as at 1.1.2018.
Within the item:

- net performing loans were largely unchanged at €83 billion compared with €83.2 billion at the end of September 2018, primarily due to a policy to safeguard spreads which became more stringent in the second part of the year and, in the absence of new replacement lending with adequate remuneration, brought the total close to the levels recorded at the beginning year (€83.5 billion as at 1.1.2018);
- net non-performing loans reduced constantly, down to €5.98 billion from €6.37 billion as at 30th September 2018 and from €7.45 billion as at 1.1.2018 **(-6.2% since September 2018 and -19.8% since 1.1.2018 respectively)**.

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

- **total gross non-performing loans[12] amounted to €9,716.8 million, down by 7.4%** (€774.9 million) compared **with 30th September 2018 and by 21.7%** (€2,696.8 million) **compared with 1.1.2018**.

[11] Item 40. 2) in the reclassified consolidated balance sheet.
[12] See the tables attached

Large-scale disposals, both with and without GACS, were carried out during the year for a total of around €1.85 billion and approximately €850 million of credits were otherwise recovered through internal management.
Credit recovery rate for 4Q 2018 amounted to 11.2% annualised of total NPEs, recording a further improvement compared with a rate of 9.2% for 3Q 2018.
Gross non-performing loans as a percentage of total gross loans fell to 10.42% from 11.14% as at 30th September 2018 (12.85% as at 1.1.2018).

Also in net terms, total non-performing loans were down to €5,976 million, a substantial reduction of 6.2% (€393.2 million) compared with 30.9.2018 and 19.8% (€1,471.8 million) compared with 1.1.2018. Net non-performing loans as a percentage of total net loans fell to 6.72% from 7.11% as at 30th September 2018 (8.19% as at 1.1.2018).

Notwithstanding the securitisation and disposal of bad loans, which were primarily unsecured, and therefore with higher coverage ratios both in relation to their "bad loan" status and their classification as "unsecured", the impact on **total coverage recognised for non-performing exposures** was limited, falling to 38.5% in December 2018 (40% as at 1.1.2018), as a result of the presence of large write-offs of the positions disposed of, which together with the provisions recognised, represent the real level of the write-down of non-performing exposures. Inclusive of write-offs, coverage for total non-performing exposures at the end of the year was 46.01%.
In detail, **bad loans** reduced further, in gross terms, to €5,423.2 million from €7,340.2 million as at 1.1.2018 and, in net terms, to €2,767.8 million from €3,519.1 million as at 1.1.2018 with a coverage ratio of 48.96% (52.06% as at 1.1.2018). Inclusive of write-offs, coverage for bad loans at the end of the year was 59.14%.

- the **Default rate**, which measures the **migration of new inflows of gross loans from performing to bad loan status**, improved further in the fourth quarter of the year, to reach a new minimum since the date of acquisition of the three banks acquired of 1.38% annualised (1.48% in the third and second quarters of 2018 and 1.85% in 1Q 2018).
The Default rate for the full year 2018 was 1.55%, down compared with 1.98% in 2017[13].

- As a result of the reduction in total non-performing exposures, the **Texas ratio[14] fell to 85.3%**, a further improvement compared with 91.3% in September 2018 and with 101.2% at the beginning of the year.

Direct funding of the Group as at 31st December 2018 stood at €92.2 billion, down compared with €94 billion in September 2018 as a result of:
- a reduction (-€0.8 billion to €7.2 billion) in total bonds placed with captive customers, notwithstanding new issuances made in the period. "Current accounts and sight deposits" on the other hand remained high at €65.9 billion (total growth of €1.6 billion compared with 1.1.2018);
- a reduction in repurchase agreements with the CCG and other, included within institutional funding amounting to approximately €2 billion. On the other hand, covered bonds were up by €1.8 billion to €12.5 billion, more than offsetting the reduction in EMTNs, down €0.8 billion to €3.7 billion.

Indirect funding, which recorded constant growth during the year, slowed only in the fourth quarter by 4.1% to €94.7 billion, in relation almost exclusively to the effect of negative market performance seen on international markets (approx.. -€4 billion), which hit both assets under management and assets under custody. Funding from insurance products on the other hand was again stable at €24.7 billion.

Group exposure to the ECB in TLTRO2 amounted to €12.5 billion nominal. The contractual maturity schedule for that TLTRO2 exposure, recognised under "due to banks", and therefore not

[13] The figure underestimates the phenomenon because it includes the 3 banks acquired from 1st April 2017.
[14] Calculated as Total net non-performing loans/((equity excluding profit and profit attributable to minority interests) - total intangible assets).

included in direct funding, involves repayment of €10 billion in June 2020 and €2.5 billion in March 2021.

The Group continues to benefit from a solid liquidity position, with ratios (Net Stable Funding Ratio and Liquidity Coverage Ratio) constantly higher than one. **The NSFR was again greater than one even net of the contribution from TLTRO2s.**
Eligible assets available to the Group as at 31st December 2018 totalled €30.4 billion (of which €16.3 billion available) already net of haircuts and inclusive of €7.5 billion of liquidity deposited with the ECB.

The Group's **financial assets**[15] were largely unchanged at €15.6 billion in December 2018 compared with September 2018 and, in line with the Group's strategy, they were down significantly compared with €17.1 billion as at 1.1.2018. Italian government securities stood at €9.4 billion compared with €11.4 billion as at 1.1.2018.

As at 31st December 2018, **equity** attributable to the shareholders of the Parent, inclusive of profit, amounted to €9,163,288 thousand, up compared with €8,898,567 thousand in September 2018, primarily as a result of good results for the quarter.

Again as at 31st December 2018, the Group's **CET1** ratio was 11.70% phased-in and 11.34% fully loaded (11.79% phased-in and 11.42% fully loaded as at 30th September 2018), and includes the update of the historical data series (-29bps).
At the end of the year, the Group's **Total Capital Ratio** was 13.80% phased-in (14.25% as at 30.9.2018) and 13.44% fully loaded (13.89% as at 30.9.2018).

Finally in December 2018 the Group's **leverage ratio** was 5.45% phased-in and 5.27% fully loaded.

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The total staff of the UBI Banca Group as at 31st December 2018 numbered 20,392 compared with 20,980 at the end of September 2018 (22,122 in June 2017, the first reporting date after the acquisition of the three banks located in central Italy).

Again as at 31st December 2018 the domestic branch network was composed of **1,648 branches (1,651 after the large scale manoeuvre of 15th October 2018)** and was already smaller than the targets set in the 2020 Business Plan. As already reported, in June 2017, the first reporting date after the acquisition of the three banks, the Group had 1,948 branches.

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

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

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

Outlook

The macroeconomic scenario for the financial year 2019 is different from that forecast under the current Business Plan (negative market interest rates compared with a forecast of slightly positive interest rates in 2019, forecast growth in GDP of between 0.2% and 0.6% instead of 0.9% forecast under the Business Plan, wider credit spreads and uncertainties on domestic and international markets), with effects on operating income, which have already been factored-in in current consensus projections by the financial market.
As concerns on the other hand operating expenses and credit quality, both are expected to produce, as in 2018, results which will beat and be significantly ahead of schedule with respect to Business Plan targets.
In fact overall operating expenses for 2019, inclusive also of costs for the completion of redundancy schemes already programmed, are expected to contract further compared with 2018.
According to the 2019 budget, total non-performing exposures are estimated to further substantially decrease compared with 2018 due both to the high level of credit recoveries and following further opportunistic disposals currently being considered. Loan provision levels are expected to contract compared with 2018.

The normalised profit, on the basis of which the dividend proposal is calculated, is estimated to grow in 2019 compared with 2018, and does not include any use of DTAs, the allocation of which over time will be redefined in the light of the new Business Plan, indicatively scheduled for completion by the end of 2019.

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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
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
- Asset quality

Notes and comments on the preparation of the financial statements

The mandatory financial statements comply with the templates contained in Bank of Italy Circular No. 262/2005 and they provide the following comparative restated information:

- Balance sheet: 31st December 2017;
- Income statement: for the period ended 31st December 2017.

The mandatory statements have been prepared in compliance with the provisions of the 5th update of Circular No. 262/2005. Consequently they are different from those used for the Consolidated financial statements of the UBI Banca Group as at and for the period ended 31st December 2017 prepared in accordance with the provisions of the 4th update of that Circular.
It is also underlined that the balance sheet and income statement figures as at and for the period ended 31st December 2018 are not fully comparable with those for the comparative periods because the latter had been calculated by applying international reporting standard IAS 39, which was in force during the relative reporting period. In fact in accordance with par. 7.2.15 of IFRS 9, there is no obligation to restate figures for comparative purposes.

As already reported, the income statement figures for the period ended 31st December 2018 are not consistent with those the period ended 31st December 2017, because the latter represent the UBI banking Group with the contribution of the Acquired Banks[1] from 1st April 2017, the date on which control was acquired in accordance with IFRS 3.

For greater details on the reconciliation of the balance sheet figures pursuant to IAS 39 published in the Consolidated Financial Statements of the UBI Group as at 31st December 2017 with those calculated as at 1st January 2018 in application of the provisions of IFRS 9 in terms of classification, measurement and impairment, reference is made to the information published in in the section entitled "The transition to the new financial reporting standards IFRS 9 and IFRS 15" in the interim financial report for the period ended the 30th June 2018.

In compliance with the Bank of Italy communication dated 30th October 2018, which has immediate effect, reclassifications have been made in the income statement that regard loans and financial assets. Net impairment losses for the year relating to loans and financial assets disposed of which have been reclassified out of the item "income from the disposal of financial assets", into the newly introduced items "net impairment losses for credit risk: financial assets measured at amortised cost – loans and advances to customers subject to disposal" and "net impairment losses for credit risk: financial assets measured at fair value through other comprehensive income – subject to disposal".
Net interest income has been adjusted slightly for the recalculation of the time value on the positions subject to disposal.
Loan losses are therefore calculated on the basis of the following items at the numerator:

- net impairment losses for credit risk: financial assets measured at amortised cost – loans and advances to customers;
- net impairment losses for credit risk: financial assets measured at amortised cost - loans and advances to customers subject to disposal.

All quarters of the year have been restated to take account of these reclassifications and to allow a comparison between the various periods considered.

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The reclassified financial statements, not subject to audit by the independent auditors, have been prepared on the basis of the templates contained in the 5th update of Bank of Italy Circular No. 262/2005.
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.

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.

[1] Banca Adriatica (the former Nuova Banca delle Marche), Banca Tirrenica (the former Nuova Banca dell'Etruria e del Lazio) and Banca Teatina (the former Nuova Cassa di Risparmio di Chieti) and their respective subsidiaries.

UBI Banca Group: Reclassified consolidated balance sheet

Figures in thousands of euro		31.12.2018	1.1.2018	Changes	% changes
	ASSETS				
10.	Cash and cash equivalents	735,249	811,578	-76,329	-9.4%
20.	Financial assets measured at fair value through profit or loss	1,463,529	1,979,802	-516,273	-26.1%
	1) loans and advances to banks	*14,054*	*14,755*	*-701*	*-4.8%*
	2) loans and advances to customers	*274,262*	*362,425*	*-88,163*	*-24.3%*
	3) securities and derivatives	*1,175,213*	*1,602,622*	*-427,409*	*-26.7%*
30.	Financial assets measured at fair value through other comprehensive income	10,726,179	12,435,307	-1,709,128	-13.7%
	1) loans and advances to banks	-	-	-	-
	2) loans and advances to customers	*15*	-	*15*	-
	3) securities	*10,726,164*	*12,435,307*	*-1,709,143*	*-13.7%*
40.	Financial assets measured at amortised cost	102,798,587	101,833,189	965,398	0.9%
	1) loans and advances to banks	*10,065,772*	*7,814,815*	*2,250,957*	*28.8%*
	2) loans and advances to customers	*88,987,596*	*90,980,959*	*-1,993,363*	*-2.2%*
	3) securities	*3,745,219*	*3,037,415*	*707,804*	*23.3%*
50.	Hedging derivatives	44,084	169,907	-125,823	-74.1%
60.	Fair value change in hedged financial assets (+/-)	97,429	-2,035	99,464	n.s.
70.	Equity investments	254,128	243,165	10,963	4.5%
80.	Technical reserves of reinsurers	-	347	-347	-100.0%
90.	Property, plant and equipment	1,965,234	1,811,743	153,491	8.5%
100.	Intangible assets	1,729,727	1,728,328	1,399	0.1%
	of which: goodwill	*1,465,260*	*1,465,260*	-	-
110.	Tax assets	4,210,362	4,184,524	25,838	0.6%
120.	Non-current assets and disposal groups held for sale	2,972	962	2,010	n.s.
130.	Other assets	1,278,717	1,451,059	-172,342	-11.9%
	Total assets	**125,306,197**	**126,647,876**	**-1,341,679**	**-1.1%**
	LIABILITIES AND EQUITY				
10.	Financial liabilities measured at amortised cost	109,445,664	111,182,776	-1,737,112	-1.6%
	a) due to banks	*17,234,579*	*16,733,006*	*501,573*	*3.0%*
	b) due to customers	*68,421,387*	*68,434,827*	*-13,440*	*0.0%*
	C) debt securities issued	*23,789,698*	*26,014,943*	*-2,225,245*	*-8.6%*
20.	Financial liabilities held for trading	410,977	411,653	-676	-0.2%
30.	Financial liabilities designated as at fair value	105,836	43,021	62,815	146.0%
40.	Hedging derivatives	110,801	100,590	10,211	10.2%
50.	Fair value change in hedged financial liabilities (+/-)	74,297	-	74,297	-
60.	Tax liabilities	162,272	240,908	-78,636	-32.6%
80.	Other liabilities	3,092,941	2,694,744	398,197	14.8%
90.	Provision for post-employment benefits	306,697	350,779	-44,082	-12.6%
100.	Provisions for risks and charges:	505,191	624,612	-119,421	-19.1%
	a) commitments and guarantees granted	*64,410*	*88,347*	*-23,937*	*-27.1%*
	b) pension and similar obligations	*91,932*	*137,213*	*-45,281*	*-33.0%*
	c) other provisions for risks and charges	*348,849*	*399,052*	*-50,203*	*-12.6%*
110.	Technical reserves	1,877,449	1,780,701	96,748	5.4%
120.+150.+ 160. +170.+180	Share capital, share premiums, reserves, valuation reserves and treasury shares	8,737,680	8,447,847	289,833	3.4%
190.	Minority interests (+/-)	50,784	79,688	-28,904	-36.3%
200.	Profit for the year (+/-)	425,608	690,557	-264,949	-38.4%
	Total liabilities and equity	**125,306,197**	**126,647,876**	**-1,341,679**	**-1.1%**

.

UBI Banca Group: Reclassified consolidated income statement

Figures in thousands of euro		FY 2018 IFRS 9 A	FY 2017 IAS 39 B	Change B-C	%change B/C	4Q 2018 IFRS 9 C	4Q 2017 IAS 39 D	Change C-D	%change C/D
10.-20.-140.	Net interest income	1,790,231	1,626,615			441,066	478,943		
	of which: TLTRO II	*50,788*	*68,806*			*12,750*	*68,806*		
	of which: IFRS9 credit components	*121,985*				*29,961*	-		
	of which: IFRS9 contractual modifications without derecognition components	*(37,383)*				*(6,961)*	-		
70.	Dividends and similar income	22,931	13,090	9,841	75.2%	14,417	2,723	11,694	n.s.
	Profits of equity-accounted investees	24,602	23,391	1,211	5.2%	10,460	6,845	3,615	52.8%
40.-50.	Net fee and commission income	1,579,060	1,546,263	32,797	2.1%	390,578	395,031	(4,453)	(1.1%)
	of which performance fees	*13,889*	*22,894*	*(9,005)*	*(39.3%)*	*1,755*	*13,295*	*(11,540)*	*(86.8%)*
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	(5,404)	252,613			(6,770)	67,492		
160.+170.	Net income from insurance operations	17,034	12,369	4,665	37.7%	2,000	3,662	(1,662)	(45.4%)
230.	Other net operating income/expense	90,889	104,140	(13,251)	(12.7%)	14,199	28,460	(14,261)	(50.1%)
	Operating income	**3,519,343**	**3,578,481**			**865,950**	**983,156**		
190. a)	Staff costs	(1,490,626)	(1,480,942)	9,684	0.7%	(372,896)	(384,268)	(11,372)	(3.0%)
190. b)	Other administrative expenses	(789,994)	(787,630)	2,364	0.3%	(198,738)	(209,757)	(11,019)	(5.3%)
210.+220.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(167,575)	(158,463)	9,112	5.8%	(44,612)	(43,521)	1,091	2.5%
	Operating expenses	**(2,448,195)**	**(2,427,035)**	**21,160**	**0.9%**	**(616,246)**	**(637,546)**	**(21,300)**	**(3.3%)**
	Net operating income	**1,071,148**	**1,151,446**			**249,704**	**345,610**		
130	Net impairment losses for credit risk relating to:	(638,277)	(893,967)			(239,138)	(338,453)		
130. a)	- financial assets measured at amortised cost: loans and advances to banks	2,867	-			4,110	-		
130. a)	- financial assets measured at amortised cost: loans and advances to customers	(624,909)	(728,343)			(242,976)	(310,663)		
130. a)	- financial assets measured at amortised cost: loans and advances to customers subject to disposal	(17,877)				(10,505)			
130. a)	- financial assets measured at amortised cost: securities	916				1,622			
130. b)	- financial assets measured at fair value through other comprehensive income	2,192	(165,624)			8,607	(27,790)		
130. b)	- financial assets measured at fair value through other comprehensive income subject to disposal	(1,466)				4			
200. a)	Net provisions for risks and charges - commitments and guarantees granted	23,923	31,661			12,322	24,190		
200. b)	Net provisions for risks and charges - other net provisions	(4,491)	(9,009)			14,767	1,452		
250.+280.	Profits from the disposal of equity investments	5,344	859	4,485	n.s.	4,083	(221)	4,304	n.s.
290.	**Pre-tax profit from continuing operations**	**457,647**	**280,990**			**41,738**	**32,578**		
300.	Taxes on income for the year/period from continuing operations	38,754	(120,367)	159,121	n.s.	181,828	(8,173)	190,001	n.s.
340.	Profit for the year/period attributable to minority interests	(25,982)	(27,023)	(1,041)	(3.9%)	(5,077)	(8,186)	(3,109)	(38.0%)
	Profit for the year/period attributable to the shareholders of the Parent before the Business Plan and other impacts	**470,419**	**133,600**			**218,489**	**16,219**		
190. a)	Redundancy expenses net of taxes and minority interests	(36,983)	(41,093)	(4,110)	(10.0%)	(103)	(37,500)	(37,397)	(99.7%)
190. b)	Business Plan Project expenses net of taxes and minority interests	(4,930)	(39,852)	(34,922)	(87.6%)	(351)	(12,239)	(11,888)	(97.1%)
210.	Impairment losses on property, plant and equipment net of taxes and minority interests	(2,898)	(2,908)	(10)	(0.3%)	(2,898)	(2,908)	(10)	(0.3%)
275.	Negative consolidation difference	-	640,810	(640,810)	(100.0%)	-	24,570	(24,570)	(100.0%)
350.	**Profit (loss) for the year/period attributable to the shareholders of the Parent**	**425,608**	**690,557**	**(264,949)**	**(38.4%)**	**215,137**	**(11,858)**	**226,995**	**n.s.**

UBI Banca Group: Reclassified consolidated quarterly income statements

Figures in thousands of euro		2018 4th Quarter	2018 3rd Quarter	2018 2nd Quarter	2018 1st Quarter
10.-20.-140.	Net interest income	441,066	452,749	458,605	437,811
	of which: TLTRO II	*12,750*	*12,791*	*12,693*	*12,554*
	of which: IFRS9 credit components	*29,961*	*30,818*	*35,543*	*25,663*
	of which: IFRS9 contractual modifications without derecognition components	*(6,961)*	*(8,350)*	*(13,412)*	*(8,660)*
70.	Dividends and similar income	14,417	145	3,232	5,137
	Profits of equity-accounted investees	10,460	5,129	1,752	7,261
40.-50.	Net fee and commission income	390,578	380,514	400,630	407,338
	of which performance fees	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	(6,770)	(54,739)	22,123	33,982
160.+170.	Net income from insurance operations	2,000	4,031	5,548	5,455
230.	Other net operating income/expense	14,199	24,929	23,394	28,367
	Operating income	**865,950**	**812,758**	**915,284**	**925,351**
190. a)	Staff costs	(372,896)	(367,871)	(374,325)	(375,534)
190. b)	Other administrative expenses	(198,738)	(198,699)	(186,643)	(205,914)
210.+220.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(44,612)	(40,962)	(40,384)	(41,617)
	Operating expenses	**(616,246)**	**(607,532)**	**(601,352)**	**(623,065)**
	Net operating income	**249,704**	**205,226**	**313,932**	**302,286**
130	Net impairment losses for credit risk relating to:	(239,138)	(128,666)	(146,128)	(124,345)
130. a)	- financial assets measured at amortised cost: loans to banks	4,110	217	265	(1,725)
130. a)	- financial assets measured at amortised cost: loans and advances to customers	(242,976)	(123,767)	(140,495)	(117,671)
130. a)	- financial assets measured at amortised cost: loans and advances to customers subject to disposal	(10,505)	(3,914)	(3,189)	(269)
130. a)	- financial assets measured at amortised cost: securities	1,622	(602)	15	(119)
130. b)	- financial assets measured at fair value through other comprehensive income	8,607	195	(2,037)	(4,573)
130. b)	- financial assets measured at fair value through other comprehensive income subject to disposal	4	(795)	(687)	12
200. a)	Net provisions for risks and charges - commitments and guarantees granted	12,322	(2,939)	3,477	11,063
200. b)	Net provisions for risks and charges - other net provisions	14,767	(2,145)	(15,700)	(1,413)
250.+280.	Profits from the disposal of equity investments	4,083	298	170	793
290.	**Pre-tax profit from continuing operations**	**41,738**	**71,774**	**155,751**	**188,384**
300.	Taxes on income for the year from continuing operations	181,828	(26,166)	(55,557)	(61,351)
340.	Profit for the period attributable to minority interests	(5,077)	(7,102)	(7,794)	(6,009)
	Profit for the period attributable to the shareholders of the Parent before the Business Plan and other impacts	**218,489**	**38,506**	**92,400**	**121,024**
190. a)	Redundancy expenses net of taxes and minority interests	(103)	(36,880)	(164)	164
190. b)	Business Plan Project expenses net of taxes and minority interests	(351)	(22)	(1,029)	(3,528)
210.	Impairment losses on property, plant and equipment net of taxes and minority interests	(2,898)	-	-	-
350.	**Profit for the period attributable to the shareholders of the Parent**	**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	FY 2018	2017-2020 Business Plan Redundancy expenses	2017-2020 Business Plan Business Plan Project Expenses	Financial action impact	IDPF (Interbank Deposit Protection Fund) Intervention	Extraordinary Contribution to Resolution Fund	Profit/losses on disposal of investments	Impairment of property, plant and equipment	FY 2018 *net of non-recurring items*
Net interest income	1,790,231								1,790,231
of which: TLTRO II	*50,788*								*50,788*
of which: IFRS 9 credit components	*121,985*								*121,985*
of which: IFRS 9 contractual modifications without derecognition components	*(37,383)*								*(37,383)*
Dividends and similar income	22,931								22,931
Profits of equity-accounted investees	24,602								24,602
Net fee and commission income	1,579,060								1,579,060
of which: performance fees	*13,889*								*13,889*
Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	(5,404)				21,978				16,574
Net income from insurance operations	17,034								17,034
Other net operating income/expense	90,889								90,889
Operating income	**3,519,343**	**-**	**-**	**-**	**21,978**	**-**	**-**	**-**	**3,541,321**
Staff costs	(1,490,626)								(1,490,626)
Other administrative expenses	(789,994)					12,885			(777,109)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(167,575)								(167,575)
Operating expenses	**(2,448,195)**	**-**	**-**	**-**	**-**	**12,885**	**-**	**-**	**(2,435,310)**
Net operating income	**1,071,148**	**-**	**-**	**-**	**21,978**	**12,885**	**-**	**-**	**1,106,011**
Net impairment losses for credit risk relating to:	(638,277)								(638,277)
- financial assets measured at amortised cost: loans and advances to banks	2,867								2,867
- financial assets measured at amortised cost: loans and advances to customers	(624,909)								(624,909)
- financial assets measured at amortised cost: loans and advances to customers subject to disposal	(17,877)								(17,877)
- financial assets measured at amortised cost: securities	916								916
- financial assets measured at fair value through other comprehensive income	2,192								2,192
- financial assets measured at fair value through other comprehensive income subject to disposal	(1,466)								(1,466)
Net provisions for risks and charges - commitments and guarantees granted	23,923								23,923
Net provisions for risks and charges - other net provisions	(4,491)								(4,491)
Profits from the disposal of equity investments	5,344						(5,344)		-
Pre-tax profit from continuing operations	**457,647**	**-**	**-**	**-**	**21,978**	**12,885**	**(5,344)**	**-**	**487,166**
Taxes on income for the year from continuing operations	38,754			(186,424)	(7,268)	(4,189)	382		(158,745)
Profit for the year attributable to minority interests	(25,982)								(25,982)
Profit for the year attributable to the shareholders of the Parent before the Business Plan and other impacts	**470,419**	**-**	**-**	**(186,424)**	**14,710**	**8,696**	**(4,962)**	**-**	**302,439**
Redundancy expenses net of taxes and minority interests	(36,983)	36,983							-
Business Plan Project expenses net of taxes and minority interests	(4,930)		4,930						-
Impairment losses on property, plant and equipment net of taxes and minority interests	(2,898)							2,898	-
Negative consolidation difference	-								-
Profit for the year attributable to the shareholders of the Parent	**425,608**	**36,983**	**4,930**	**(186,424)**	**14,710**	**8,696**	**(4,962)**	**2,898**	**302,439**

UBI Banca Group: Consolidated balance sheet
- mandatory statement -

ASSETS *(figures in thousands of euro)*	**31.12.2018**	**31.12.2017 restated**
10. Cash and cash equivalents	735,249	811,578
20. Financial assets measured at fair value through profit or loss	1,463,529	1,972,209
a) financial assets held for trading	405,716	887,153
b) financial assets designated as at fair value	11,028	11,271
c) other financial assets mandatorily measured at fair value	1,046,785	1,073,785
30. Financial assets measured at fair value through other comprehensive income	10,726,179	12,369,616
40. Financial assets measured at amortised cost	102,798,587	102,648,875
a) loans and advances to banks	10,065,881	7,821,132
b) loans and advances to customers	92,732,706	94,827,743
50. Hedging derivatives	44,084	169,907
60. Fair value change in hedged financial assets (+/-)	97,429	(2,035)
70. Equity investments	254,128	243,165
80. Technical reserves of reinsurers	-	347
90. Property, plant and equipment	1,965,234	1,811,743
100. Intangible assets	*1,729,727*	1,728,328
of which:		
- Goodwill	*1,465,260*	*1,465,260*
110. Tax assets:	4,210,362	4,170,387
a) current	1,376,567	1,497,551
b) deferred	*2,833,795*	*2,672,836*
- of which pursuant to Law No. 214/2011	1,804,988	*1,817,819*
120. Non-current assets and disposal groups held for sale	2,972	962
130. Other assets	1,278,717	1,451,059
Total assets	**125,306,197**	**127,376,141**

LIABILITIES AND EQUITY *(figures in thousands of euro)*	**31.12.2018**	**31/12/2017 restated**
10. Financial liabilities measured at amortised cost	109,445,664	111,182,776
a) due to banks	17,234,579	16,733,006
b) due to customers	68,421,387	68,434,827
c) debt securities issued	23,789,698	26,014,943
20. Financial liabilities held for trading	410,977	411,653
30. Financial liabilities designated as at fair value	105,836	43,021
40. Hedging derivatives	110,801	100,590
50. Fair value change in hedged financial liabilities (+/-)	74,297	-
60. Tax liabilities:	162,272	223,397
a) current	30,287	68,565
b) deferred	131,985	154,832
70. Liabilities associated with assets held for sale	-	-
80. Other liabilities	3,092,941	2,694,744
90. Provision for post-employment benefits	306,697	350,779
100. Provisions for risks and charges	505,191	583,609
a) commitments and guarantees granted	64,410	47,344
b) pension and similar obligations	91,932	137,213
c) other provisions for risks and charges	348,849	399,052
110. Technical reserves	1,877,449	1,780,701
120. Valuation reserves	(298,616)	(54,901)
150. Reserves	2,923,589	3,149,541
160. Share premiums	3,294,604	3,306,627
170. Share capital	2,843,177	2,843,177
180. Treasury shares (-)	(25,074)	(9,818)
190. Minority interests (+/-)	50,784	79,688
200. Profit for the year (+/-)	425,608	690,557
Total liabilities and equity	**125,306,197**	**127,376,141**

UBI Banca Group: consolidated income statement - mandatory statement -

Items *(figures in thousand euro)*	**FY 2018**	**FY 2017 restated**
10. Interest and similar income	2,220,104	2,261,451
- of which interest income calculated with the effective interest method	2,028,730	-
20. Interest expense and similar	(346,819)	(610,213)
30. Net interest income	**1,873,285**	**1,651,238**
40. Fee and commission income	1,779,150	1,744,216
50. Fee and commission expense	(198,233)	(197,425)
60. Net fee and commission income	**1,580,917**	**1,546,791**
70. Dividends and similar income	24,779	13,684
80. Net trading income	54,866	122,368
90. Net hedging loss	(10,325)	(419)
100. Income (loss) from disposal or repurchase of:	(12,752)	130,432
a) financial assets measured at amortised cost	(76,657)	8,881
b) financial assets measured at fair value through other comprehensive income	69,477	134,996
c) financial liabilities	(5,572)	(13,445)
110. Net income (loss) from other financial assets and liabilities measured at fair value through profit or loss	(27,974)	12,722
a) financial assets and liabilities designated as at fair value	893	12,722
b) other financial assets mandatorily measured at fair value	(28,867)	-
120. Gross income	**3,482,796**	**3,476,816**
130. Net impairment losses for credit risk relating to:	(638,277)	(893,967)
a) financial assets measured at amortised cost	(639,003)	(728,343)
b) financial assets measured at fair value through other comprehensive income	726	(165,624)
140. Losses from contractual modifications without derecognition	(37,383)	-
150. Net financial income	**2,807,136**	**2,582,849**
160. Net insurance premiums	373,776	155,128
170. Other income/expenses of insurance operations	(396,096)	(173,384)
180. Net income from banking and insurance operations	**2,784,816**	**2,564,593**
190. Administrative expenses	(2,570,557)	(2,619,278)
a) staff costs	(1,545,909)	(1,542,463)
b) other administrative expenses	(1,024,648)	(1,076,815)
200. Net provisions for risks and charges	19,432	22,652
a) commitments and guarantees granted	23,923	31,584
b) other net provisions	(4,491)	(8,932)
210. Depreciation and net impairment losses on property, plant and equipment	(90,868)	(87,971)
220. Amortisation and net impairment losses on intangible assets	(75,579)	(68,713)
230. Other net operating income/expense	293,471	319,825
240. Operating expenses	**(2,424,101)**	**(2,433,485)**
250. Profits (losses) of equity investments	24,602	23,391
260. Net income (loss) from fair value change in property, plant and equipment and intangible assets		-
270. Net impairment losses on goodwill		-
275. Negative consolidation difference		640,810
280. Profit from disposal of investments	5,344	859
290. Profit on continuing operations before tax	**390,661**	**796,168**
300. Taxes on income for the year for continuing operations	60,841	(79,176)
310. Post-tax profit from continuing operations	**451,502**	**716,992**
320. Post-tax profit (loss) from discontinued operations net of tax	-	-
330. Profit for the year	**451,502**	**716,992**
340. Profit attributable to minority interests	(25,894)	(26,435)
350. Profit for the year attributable to the shareholders of the Parent	**425,608**	**690,557**

UBI Banca Group: Asset Quality

Loans and advances to customers measured at amortised cost as at 31st December 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)	**(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 loans	(0.08%)	70,979	7,205	(0.07%)	63,774	10.15%	
Performing loans (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%**	**45.55%**
- Bad loans	(6.16%)	5,804,891	2,960,431	(3.18%)	2,844,460	51.00%	59.43%
- Unlikely-to-pay loans	(4.87%)	4,585,777	1,151,766	(3.83%)	3,434,011	25.12%	
- Past-due loans	(0.11%)	100,953	10,242	(0.10%)	90,711	10.15%	
Performing loans (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%**	

Loans and advances to customers measured at amortised cost as at 1st January 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)	**(12.85%)**	**12,413,612**	**4,965,818**	**(8.19%)**	**7,447,794**	**40.00%**	**49.54%**
- Bad loans	(7.60%)	7,340,234	3,821,113	(3.87%)	3,519,121	52.06%	63.67%
- Unlikely-to-pay loans	(5.08%)	4,910,074	1,129,026	(4.16%)	3,781,048	22.99%	
- Past-due loans	(0.17%)	163,304	15,679	(0.16%)	147,625	9.60%	
Performing loans (stages one and two)	**(87.15%)**	**84,175,509**	**642,344**	**(91.81%)**	**83,533,165**	**0.76%**	
Total		**96,589,121**	**5,608,162**		**90,980,959**	**5.81%**	