PRESS RELEASE

The results of the UBI Group for the year ended 31st December 2019

In 2019 the Bank has recorded positive performance by revenues which, together with confirmation of its capacity to control operating expenses, has enabled it to increase its net operating income by 18.5% in an unfavourable scenario.
Profit before tax rose 10.7% to over €506 million, factoring in a cost of credit consistent with the reduction to 7.8% from 10.4% in 2018 of the gross non-performing loan ratio (achieved without having disposed of the NPL platform which maintains the highest levels of credit recovery in the Italian banking industry).
At the same time the Bank succeeded in consolidating its balance sheet position, increasing its CET1 ratio to 12.3%, confirming its strong liquidity position and meeting the expected MREL requirements ahead of schedule.
The strong capital position and the growth in operating results allowed the Board to propose a dividend of €0.13 per share (+8.3% vs 2018), with a yield of 4.4% on the share price recorded on 7th February 2020.

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In detail:

The balance sheet

1) Non-performing exposures reduce, the share capital rises and the dividend grows

- **Gross non-performing exposures fall by approximately one third (-29.6%) compared with 31.12.2018 and by 17.7% compared with September 2019**
- **Gross non-performing exposures amount to 7.8% of total gross loans to customers (9.34% in September 2019 and 10.42% at the end of 2018).**
  A further disposal of a portfolio of approximately €800 million gross of SME bad loans - the cost of which has already been for a significant part recognised in the last quarter of 2019 - is being analysed. By including that operation, pro forma gross non-performing exposures would amount to 6.9%[1] of total gross loans
- **A default rate[2] in 2019 of 1.1% inclusive of the new definition of default (1.55% in 2018)**
- **A Texas ratio[3] of 55.6%, below the 2020 target set in the current Business Plan (85.3% at the end of 2018)**

- **Fully loaded CET1 ratio of 12.29% (11.34% at the end of 2018)**

[1] The ratio has been calculated by excluding from the numerator (gross NPEs) and the denominator (total gross loans) the amount of 800 million
[2] Default rate: annualised gross migrations of non-performing exposures to non-performing status/initial volumes of gross performing loans and advances (item 40. 2) in the reclassified consolidated balance sheet).
[3] Calculated as net non-performing exposures / (equity, excluding profits and intangible assets)

- **Total Capital ratio fully loaded of 15.83% (13.44% at the end of 2018) or over 16.5% pro forma if the recent AT1 issuance is included**

- **Proposed dividend of 13 euro cents per share (12 euro cents in 2018) with an increase of 8.3% and a yield of 4.4% on the closing share price recorded on 7th February 2020**

2) <u>Liquidity and regulatory ratios are again solid</u>
- **The Group amply exceeds the expected MREL requirements (total and subordinated)**
- **LCR>1**
- **NSFR >1 even net of the contribution from TLTRO2 funding**

3) <u>Total funding grows to €197 billion (+5.1% vs 2018)</u>
- **Direct funding of €95.5 billion (+3.1%)**
- **Indirect funding of €101.5 billion (+7.1%)**
  Assets under management of €45.8 billion (+10.2%)
  Insurance products of €27.3 billion (+10.4%)
  Assets under custody of €28.4 billion (stable vs 2018)

<u>Performing loans remain stable at a €80.4 billion compared with September 2019</u>

Income statement figures

<u>FY 2019 vs FY 2018</u>

Profit net of non-recurring items[4] of €352.9 million, <u>+16.7%</u> compared with €302.4 million in 2018

In stated terms:

Net operating income grows to €1,269.4 million, <u>+18.5%</u> or +€198.3 million compared with 2018

Operating income grows to €3,637,9 million, +3.4% or +118.6 million compared with 2018
- **Core revenues[5] rise by 0.5%. The strong performance by net fee and commission income at €1,661.8 million (+5.2% or +€82.7 million) more than offsets the decrease in net interest income to €1,725.1 million (-3.6% or -€65.1 million)**

Operating expenses fall to €2,368.5 million (-3.3% or -€79.7 million compared with 2018), notwithstanding an important increase in expense relating to IT investments (+78% in expenses relating to innovation and business development)

[4] Net of taxes and minority interests, the main non-recurring items in 2019 included: redundancy expenses of -€89.4 million (-€133.7 gross) and an expense of -€12.2 million for the extraordinary contribution to the Resolution Fund (-€18.1 gross). In 2018 they included the following: the write-down of the contribution to the Interbank Deposit Protection Fund for the intervention to support Carige amounting to -€14.7 million net (-€22 million gross); redundancy incentives in relation to September 2018 agreement amounting to -€36.9 million net (-€55 million gross approx.); -€4.9 million net incurred for Business Plan project expenses; and -€8.7 million net (-€12.9 million gross) for extraordinary contributions to the Resolution Fund incurred in 2Q2018; profits from the disposals of investments amounting to +€5 million net (+€5.3 million gross); and DTAs recognised following changes in the accounting treatment for first-time adoption of IFRS 9, amounting to +€186.4 million (see the statements attached).
[5] Core revenues: net interest income + net fee and commission income

Net of systemic contributions, operating expenses fall to €2,260.9 million (-4.4% or -€103.5 million compared with 2018)

The cost/income ratio net of systemic contributions[6] at 62.1% improves by five percentage points compared with 67.2% in 2018

A loan loss rate of 87 basis points, inclusive of the impact of massive NPE disposal operations already completed (€2.9 billion gross) or being considered (€800 million gross) vs 72 bps in 2018

Profit before taxes and minority interests of €506.6 million, up 10.7% compared with €457.6 million in 2018
Net profit of €251.2 million compared with €425.6 million in 2018 as a result of the tax effect, negative in 2019 and positive in 2018

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4Q 2019 / 3Q 2019

Profit net of non-recurring items[7] in 4Q 2019 of €109.4 million (€60.1 million in 3Q 2019)

In stated terms:

Net operating income grows to €369.3 million, +40.2% or +105.9 million compared to 3Q 2019

Operating income grows to €948.5 million, +10.2% or +88.2 million compared with 3Q 2019

- **Core revenues rise by 3.5%. Strong growth in net fee and commission income to €446.3 million (+10.9% or +43.7 million) more than offsets the decrease in net interest income to €412 million (-3.5% or -€14.8 million)**

Operating expenses fall to €579.3 million (-3% or -€17.8 million)

Loan losses of €208.2 million grow compared with 3Q 2019 due essentially to the effect of the inclusion of greater impairment losses in relation to the hypothesised new massive NPE disposal operation. Loan losses are however down significantly (-17.9%) compared with €253.5 million in 4Q 2018

Profit before taxes and minority interests of €157.4 million, up by 54.7% compared with €101.8 billion in 3Q 2019

Net profit in 4Q 2019 of €60.1 million (unchanged compared with €60.1 million in 3Q 2019)

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[6] The cost: income ratio is shown net of systemic contributions to allow a comparison with competitors.
[7] The main non-recurring items net of taxes and minority interests in 4Q 2019 included the following:- €46.8 million (€70 million gross) of redundancy incentives expenses, + €1.2 million (+1.8 on the disposal of investments and -€3.7 million impairment on real estate. There were no non-recurring items in 3Q 2019.

Bergamo, 10th February 2020 – The Board of Directors of Unione di Banche Italiane Spa has approved the 2019 separate and consolidated results, inclusive of a proposal to distribute a dividend per share of €0.13 on the 1,135,033,346 ordinary shares outstanding (net of treasury shares repurchased), to give a maximum dividend pay-out of €147.6 million, which will be submitted for approval to a Shareholders' Meeting to be held in a single call on 8th April 2020.
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 18th, 19th and 20th May 2020 respectively.

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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 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 31.12.2019 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 FY 2019 compared with FY 2018

In 2019 the Group undertook an important repositioning action which represents the basis for the new Business Plan.
All balance sheet ratios improved during the year and the reduction in non-performing exposures accelerated due both to the optimum performance of internal work-out action and to selective disposals. Substantial commercial and organisational efforts were made, which increased core revenues and contained costs to generate positive operating trends for the full year 2019.

In fact net operating income grew **18.5%** to €1,269.4 million (19.2% net of systemic contributions[8]), a consequence of both **good performance by operating income** (+3.4% to €3,637.9 million) and **continued reductions in costs** (-3.3% to €2,368.5 million or -4.4% net of systemic contributions).

At the level of **operating income, up by 3.4% year on year to €3.637,9 million**:
- **net interest income** was protected and came to €1,725.1 million compared with €1,790.2 million before, with the contraction limited to -3.6%, notwithstanding a further decline in interest rates (Euribor 1 month of -0.41% in 2019 compared with -0.38% in 2018), the result of a continuation of the policy to safeguard spreads.

The following occurred within the item:
- net interest income generated by general banking business with customers[9] amounted to €1,568.6 million compared with €1,628.2 million in 2018. The action undertaken to safeguard spreads, which enabled an increase in the customer spread[10] to 176 basis points in 2019 (compared with 172 basis points in 2018) was offset by lower average volumes of lending, partly in relation to the weak economic environment.

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8 In 2019: €107.6 million. In 2018: €83.8 million.
9 Inclusive of the impacts of IFRS 9 on net interest income. In detail, in 2019: +€110.6 million (+€122 million in 2018) relating to interest on loans and advances (time reversal and impairment losses), -€25.3 million (-€37.4 million in 2018) relating to contractual modifications that do not determine derecognition of the loan.
10 This spread does not include the benefits of TLTROs.

- the contribution from financial activities totalled €195.3 million, up compared with €169.6 million in 2018 benefiting from a lower negative impact from hedging derivatives, while financial investments in Italian Govies did not grow.
- the result for business on the interbank market was a loss of €39.2 million compared with a loss of €7.7 million in 2018, a change which reflects greater repurchase agreement business with institutional counterparties, but also the cost of greater average deposits of liquidity held with the ECB compared with 2018.

- **growth in net fee and commission income** to €1,661.8 million (+€82.7 million or +5.2% vs 2018) **more than compensated for the performance of net interest income** and was achieved through **growth in all recurring items**.

The following occurred within the item:

- the contribution from services related to securities business **grew 7%** to €926.4 million from €865.8 million in 2018 and it included lower upfront commissions, and higher performance fees resulting from Pramerica investment management. Even net of performance fees and upfront commissions[11], the contribution from services related to securities business rose to €690.1 million from €654.4 million in 2018 (+5.4%).
- fee and commission income on ordinary banking business amounted to €735.4 million, up 3.1% 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 €3,386.9 million, up by 0.5% compared with €3,369.3 million in 2018.

- growth in **profits of equity-accounted investees** was particularly significant, rising from €24.6 million to €40.3 million, the result of an increase in the contributions from all of the Group's partnerships (Zhong Ou €9.2 million vs €7 million, Lombarda Vita €19 million vs €12.1 million and Aviva Vita €12.1 million vs €5.2 million).

- the **finance result** improved. It recorded a profit of €104.3 million compared with a loss of €5.4 million in 2018. The item benefited from the results of securities business, up by approximately €43 million, and from fair value changes on equity securities, +€113.3 million (including NEXI, +€33.1 million, and Sorgenia, for which the value had been totally written down, +€67.6 million), which more than compensated for the negative impacts of the disposals of non-performing exposures.

Operating expenses fell yet again to €2,368.5 million compared with 2,448.2 in 2018, with a contraction of **-3.3% (-€79.7 million)** and **-4.4% (-€103.5 million)** net of systemic contributions (Resolution Fund and Deposit Protection Fund). This contraction would be even stronger if taking account of the increase in IT investments (**expenses for innovation and business development grew by 78% year on year**).

In detail:

- staff costs fell 4.2% to €1,427.7 million principally as a result of a reduction in staff numbers by 454 compared with the end of December 2018 – also as a result of participation in voluntary redundancy schemes.
  As a reminder, following agreements with trade unions for the reduction in staff numbers (which will be partially offset by new recruits to ensure, amongst other things, generation turnover), €89.4 million were recognised in 2019, net of taxes and minority interests, shown separately within the item "Redundancy scheme expenses" in the income statement. Out of this amount, €46.8 million incurred in 4Q 2019 relate to redundancies which will occur in 2020, with expected cost synergies for approximately €20 million in 2020 and approximately €25 million per year from 2021.

[11] The management accounting figure for total performance fees (growing vs 2018) and upfront commissions (down vs 2018) on managed and insurance products amounted to €236.4 million in 2019 compared with €211.4 million in 2018.

- other administrative expenses reduced significantly (-10% or €78.9 million), amounting to €711.1 million compared with €790 million in 2018 (which did not include the impacts of IFRS16, introduced in 2019).
  The 2019 result was influenced by two factors: 1) greater systemic contributions to the Single Resolution and the Deposit Protection Fund (€107.6 million compared with €83.8 million in 2018); 2) the application of IFRS 16 to lease transactions involved the simultaneous reduction of approximately -€53.7 million in the item "rents payable" and an increase by an almost similar amount (+€48.1 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 €49 million (-6.9%).
- depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets amounted to €229.8 million: if in 2019 the €48.1 million penalisation compared with 2018 resulting from the introduction of IFRS 16 mentioned above is excluded, this item increases (+€14.1 million) as a result of higher depreciation and amortisation resulting from IT investments.

In 2019 **net impairment losses on loans and advances to customers** amounted to €738.4 million, up compared with €642.8 million in 2018, due solely to the recognition of greater costs relating to the sale of bad loan positions (leasing, factoring, residential mortgages), which in the fourth quarter included the impact of the recognition of a significant probability of disposal of a portfolio of SME bad loans (portfolio amounting to approx. €800 million gross), to be completed in 2020.
The loan loss rate stood at 87 basis points inclusive of the impact of massive NPE disposal operations already completed (€2.9 billion gross) or being considered (€800 million gross) vs 72 bps in 2018.

Total Net provisions for risks and charges[12], amounting to -€24.8 million, compare with +€19,4 in 2018 which benefited from a provision release of +€23.9 million.

The good result for net operating income more than compensated for the increase in impairment losses, and led to a rise in **profit before taxes and minority interests by 10.7% to €506.6 million (€457.6 million in 2018)**.

Notwithstanding the substantial growth in profit before taxes and minority interests, as a result of the effect of **taxes on income from continuing operations** amounting to -€128.2 million (a tax rate of 25.31%), the stated net profit for 2019 was €251.2 million. That result compares with a profit of €425.6 million earned in 2018, which on the other hand benefited from tax credits amounting to €38.8 million.

Profit net of non-recurring items[13] came to €352.9 million, up by 16.7% compared with 2018.

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The results for the fourth quarter of 2019 compared with the third quarter of 2019 (and the fourth quarter of 2018).

The fourth quarter of the year recorded a **profit of €60.1 million**, fully in line with €60.1 million in 3Q 2019 (while the figure of €215.1 million in 4Q 2018 benefited from tax credits of €181.8 million).
Net of non-recurring items,[14] profit came to €109.4 million in 4Q 2019 compared with €60.1 million in 3Q 2019 (and €41.8 million in 4Q 2018).

[12] Both for commitments and guarantees granted and other net provisions for risks and charges
[13] See note 4.
[14] The main non-recurring items are as follows:
- in 4Q 2019: -€46.8 million net (-€70 million gross) for redundancy scheme expenses, +€1.2 million (+€1.8 million gross) from the disposal of investments and -€3.7 million (-€5.5 million gross) impairment on real estate
- there were no non-recurring items in 3Q 2019

Net operating income showed a strongly positive performance in 4Q 2019, increasing to €369.3 million (+40.2% compared to 3Q 2019 and +47.9% compared to 4Q 2018).

Growth of Operating income to €948.5 million (up by +10,2% compared to 3Q 2019 and by 9.5% compared to 4Q 2018) contributed to the result, summarising the following trends:

- **net interest income** totalled €412 million in 4Q 2019 compared with €426.9 million in 3Q 2019, with a reduction (-€9 million approx.) attributable largely to the accounting effects of the application of IFRS 9 to contractual modifications:
  - net interest income generated by general banking business with customers[15] fell therefore to €374 million from €385.9 million in 3Q 2019. **Net of the impact of IFRS 9 net interest income from banking business with customers was more or less stable at €364.5 million, compared with €366.4 million in 3Q 2019.** The customer spread[16] improved by 2 basis points to 175 bp notwithstanding the fall in the Euribor 1 month (down to -0.46% from -0.42% in the third quarter), incorporating an increase in the mark down (+1 basis point) more than offset by progress in the mark up (+3 basis points), but on lower average volumes of loans.
  - the contribution from financial activities amounted to approximately €50.7 million, more or less unchanged compared with €51.8 billion in 3Q 2019 (€43.8 million in 4Q 2018).
  - the result for business on the interbank market amounted to -€13 million compared with -€10.9 million recorded in 3Q 2019 (-€6.2 million in 4Q 2018).

In the comparison with 4Q 2018 (€441.1 million), net interest income was down, attributable to general banking business with customers. Within the item, the contribution from commercial banking business recorded a limited decrease of approximately €16 million, notwithstanding a fall of -9 basis points in market rates, thanks to the policy to safeguard spreads, which brought the customer spread to 175 bp (from 173 bp before). The remaining negative impact (-€13 million) is attributable to the effect of IFRS9, in relation to modification accounting aspects but also due to a reduction in non-performing exposures.

- **The extremely positive trend for net fee and commission income continued, fully compensating for the decrease in net interest income.**
  It amounted to €446.3 million, **up by 10.9% compared with 3Q 2019 and by 14.3% compared with 4Q 2018.**
  Within the item, **the contribution from services related to securities business** came to €252.9 million compared with €217.2 million in 3Q 2019 and it was also up compared with €209.1 million in 4Q 2018, registering significant growth also net of performance fees and upfront commissions.
  The contribution of **fees and commissions relating to general banking business rose further to €193.4 million** compared with €185.4 million in 3Q 2019 (and €181.4 million in 4Q 2018), as a result of higher commissions on current account management and collection and payment services.

- The **finance result** showed a profit of +€58.2 million (-€9 million in 3Q 2019 and -€6.8 million in 4Q 2018), and included, among other, positive fair value changes to financial assets (including +€67.6 million relating to Sorgenia, for which the value had been totally written down, and +€10.6 million relating to NEXI), partially offset by the costs of the disposal of residential mortgages bad loans (with GACS) completed in December 2019.

- in 4Q 2018: the main non-recurring items included: the write-down of the contribution to the Interbank Deposit Protection Fund's Voluntary Scheme for the intervention to support Carige amounting to -€14.7 million net (-€22 million gross); profits on the disposal 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.

[15] Inclusive of the impacts of IFRS 9 on net interest income. In detail, in the 4Q 2019: +€21.4 million (+€22.5 million in 3Q 2019 and +€29.6 million in 4Q 2018) relating to interest on loans and advances (time reversal and impairment losses); -€11.9 million (-€3 million in 3Q 2019 and -€7 million in the 4Q 2018) relating to contractual modifications that do not determine derecognition of the loan.

[16] This spread does not include the benefits of TLTROs.

Control over costs continued. **Operating expenses (inclusive of systemic contributions to the Resolution Fund and to the Deposit Protection Fund[17])** amounted to €579.3 million compared with €597 million in 3Q 2019 and with €616.2 million in 4Q 2018. Net of systemic contributions, operating expenses amounted to €574.8 million, up as a result of the usual seasonal factors compared with €554 million in 3Q 2019 but down by -6.3% compared with €613.4 million in 4Q 2018.

In detail:

- **staff costs** totalled €355.5 million, slightly up by 1.1% compared with €351.8 million in 3Q 2019 as a result of the usual seasonality (but down by 4.7% compared with €372.9 million in 4Q 2018). The decrease compared with 4Q 2018 is primarily attributable to the item "wages and salaries", which reduced following staff departures (-€454 million compared with December 2018).
  As already reported, €46.8 million of net expenses were recognised in 4Q 2019, shown separately within "Redundancy scheme expenses", for redundancies which will take place in 2020, with expected cost synergies of approximately €20 million in 2020 and approximately €25 million per year from 2021.
- **other administrative expenses** (which included systemic contributions to the Resolution Fund and to the Deposit Protection Fund) amounted to €162.7 million in 4Q 2019 compared with €187.2 million in 3Q 2019 (and with €198.7 million in 4Q 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 4Q 2019 was affected by a contribution of €4.4 million, compared with €43.1 million in 3Q 2019, to the Deposit Protection Fund; net of these contributions other administrative expenses increased by €14 million quarter-on-quarter, primarily due to the usual recognition of project expenses in the fourth quarter of the year.
- **depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets** amounted to €61.1 million in 4Q 2019, more or less unchanged compared with €58.1 million in 3Q 2019. Compared with 3Q 2018 (€44.6 million), the item was mainly affected by the introduction of IFRS 16.

Net impairment losses on loans and advances to customers grew to €208.2 million compared with 3Q 2019 due essentially to the effect of the inclusion of greater impairment losses in relation to the recognition of a probability of disposal on the hypothesised new massive NPE disposal operation. Loan losses were however down significantly (-17.9%) compared with €253.5 million in 4Q 2018.

Net provisions for risks and charges amounted to -€3.2 million in 4Q 2019 compared with -€21.4 million in 3Q 2019 (+€27.1 million in 4Q 2018).

Finally, **taxes on income for the period from continuing operations** estimated for 4Q 2019 amounted to €33.8 million, to give a tax rate of 21.4% (tax credits of €181.8 million in 4Q 2018). Taxes on income amounted to €34.4 million in 3Q 2019 to give a tax rate of approximately 33.8%.

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<u>Balance sheet figures</u>

As at 31st December 2019 **net loans and advances to customers[18]** totalled €84.6 billion (compared with €85.2 billion as at 30.9.2019 and €89 billion as at 1.1.2019), partly as a consequence of substantial efforts made to reduce the portfolio of non-performing loans carried out over the 12 months (-€1.8 billion net), both through the good performance of internal work out as well as by giving a boost to selected disposals of bad-loan positions relating to leases, factoring or assisted by GACS.

[17] The systemic contributions are as follows: ordinary contribution to the Deposit Protection Fund of €4.4 million in 4Q2019, €43.1 million in 3Q2019 and €2.8 million in 4Q2018.
[18] Item 40. 2) in the reclassified consolidated balance sheet.

Within the item:

- performing net loans amounted to €80.4 billion (slightly up compared with €80.2 billion in September 2019 and down compared with €83 billion as at 1st January 2019). These changes have been conditioned by both a weak economic scenario and a policy to safeguard spreads pursued by the bank with careful attention paid to monitoring quality and the return on volumes of lending.
- net non-performing exposures confirm a constant and marked reduction, down to €4.2 billion from approximately €5 billion as at 30.09.2019 and from almost €6 billion as at 1.1.2019 (**-16.1% vs September 2019 and -30.2% vs 1.1.2019 respectively**)[19]. The reduction of approximately €1.8 billion over 12 months in 2019 is attributable both to the effectiveness of internal work-out action undertaken, confirmed as the prevalent strategy, and also to substantial disposals of carefully selected portfolios of non-performing exposures.

More specifically, with regard to the trend for non-performing exposures, **total gross non-performing exposures**[20] amounted to €6,838.5 million, a decrease of -17.7% or €1,474.3 million compared with €8,312.8 million in September 2019 and **a substantial reduction of -29.6% or 2,878.3 million compared with €9,716.8 million as at 31st December 2018**.

The reduction of over €2,878 million gross on an annual basis is attributable both to the effectiveness of internal work-out action, which more than compensated for new inflows (which in turn are constantly reducing), and to carefully selected disposals of portfolios of non-performing exposures (UBI Factor, UBI Leasing, residential mortgages with GACS).

In this respect, a **new operation to dispose** of a portfolio of SME bad loans amounting to approximately €800 million gross is currently being examined, which may be concluded during the course of the year, the cost of which has already been partially included in impairment losses on loans in 4Q 2019.

In terms of **new migrations of gross loans from performing to non-performing status**, these have reduced to €930 million over the 12 months of 2019 from €1.3 billion in 2018 (-28.8%) and have fallen to the lowest level ever registered since the annual peak in 2009[21] (-79%).
The **default rate** stood as a consequence at 1.1%, inclusive of the impact of the new definition of default, and notwithstanding this it improved compared with 1.55% in 2018. The quarter-on-quarter performance was also positive, where the annualised default rate of 1.2% in 4Q 2019 compares with an annualised rate of 1.3% in 3Q 2019.

The ratio of gross non-performing exposures fell further to 7.80% (9.34% in September 2019 and 10.42% in December 2018) and to approximately 6.9% pro forma if account is taken of the disposal, currently being studied, of approximately €800 million of exposures to small and medium-sized enterprises classified as bad loan positions.

At the end of December 2019, **coverage** in the accounts for total non-performing exposures was settling compared with September 2019, mainly as a result of the impact of the exit of bad loan positions which have the greatest coverage and of the derecognitions carried out during the period. More specifically, it stood at 39% (40.2% in September 2019) and was greater than the figure for the beginning of the year (38.5%).
Inclusive of write-offs, coverage for non-performing exposures reached 50.92% in December 2019, compared with 49.70% in September 2019, and up significantly from 46.01% at the beginning of the year.
In net terms, total non-performing exposures fell to €4,171.5 million (€4,974.9 million in September 2019) compared with €5,976 million in December 2018, a **contraction of greater than €1,800 million**

[19] The figures for September and December 2019 include the impact of the new definition of default (initial impact €86 million gross (€78 million net) in 3Q2019).
[20] See the tables attached.
[21] The UBI Banca perimeter, excluding the three banks acquired in May 2017.

(30.2%) over the 12 months of 2019. Net non-performing exposures as a percentage of total net loans fell to 4.93% from 5.84% as at 30th September 2019 (6.72% as at 31st December 2018).

As a result of the decrease in total net non-performing loans, the **Texas ratio fell further to 55.6%** (from 66% in September 2019), to record a continuous improvement compared with 85.3% in December 2018.

As at 31st December 2019, **direct banking funding** of the Group amounted to €95.5 billion, up compared with €92.6 billion as at 1.1.2019, as a result of:

- growth in funding from ordinary customers (€76.9 billion compared with €76.2 billion as at 1.1.2019), notwithstanding a progressive reduction in bonds issued to captive customers, which totalled €4.9 billion at the end of December (€7 billion at the beginning of 2019).
  Again within this item, "current accounts and sight deposits" exceeded €69 billion (€65.9 billion at the beginning of 2019), notwithstanding growth at the same time in assets under management;
- above all an increase in institutional funding (to €18.6 billion from €16.4 billion as at 1.1.2019), driven by institutional issuances for a total of approximately €5 billion, which more than offset maturities in the period;
- also greater volumes of repurchase agreements with the CCG.

Compared to end September 2019, direct banking funding was substantially flat; the only relevant change was a growth in "current accounts and sight deposits" compensating for the decrease in retail bonds stocks, both amounting to 1 billion euro.

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 is stabilising at over €101 billion (+7.1% vs January 2019 and +0.4% vs September 2019).
Assets under management in the narrow sense of the term amounted to €45.8 billion (+10.2% compared with €41.6 billion at the end of 2018 and +2.2% compared with €44.8 billion in September 2019). Insurance products grew by 10.4% over the 12 months of 2019 to €27.3 billion in December (+1.9% compared with September 2019), while assets under custody remained more or less stable at €28.4 billion compared with the beginning of 2019.

Following **repayments of €1.5 billion** made with value date 25th September 2019 and of €1 billion with value date 18th December 2019, Group exposure to the ECB in TLTRO2 amounted to €10 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 €7.5 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. **Eligible assets** available to the Group as at 31st December 2019, totalled €35.9 billion (of which €27.1 billion available) already net of haircuts and inclusive of €8.8 billion of liquidity deposited with the ECB.

The Group's **financial assets**[22] grew to €19.2 billion at the end of December 2019 (€18.9 billion in September 2019 and €15.6 billion as at 1st January 2019). Italian government securities at market values totalled approximately €9.8 billion of which €1.4 billion relating to the Group's insurance company.
Italian government securities as a percentage of the financial asset portfolio fell to 51.1% from 60.1% at the beginning of the year (75.7% in December 2016, pro forma for the acquisition of three banks in central Italy).

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

As at 31st December 2019, **equity** attributable to the shareholders of the Parent, inclusive of profit, amounted to €9,488,681 thousand, up compared with €9,163,288 thousand in December 2018 (+3.6%, or +5.7% net of profit).

Again at the end of December 2019, the Group's **CET1 Ratio** was **12.29% fully loaded compared with 12.09% at the end of September 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 12.34% (12.14% at the end of September 2019 and 11.70% in December 2018).
The **Total Capital Ratio** of the Group is 15.83% fully loaded (15.58% as at 30th September 2019 and 13.44% in December 2018) and 15.88% phased-in (15.63% as at 30th September 2019 and 13.8% in December 2018). Including the inaugural Additional Tier 1 issuance of €400 million (successfully placed on 13th January 2020), the fully loaded Total Capital Ratio would exceed 16.5%.
The sum of CET1, Tier2, Senior Non Preferred and pro-forma the recent AT1 issue reaches a ratio of 19.1% on RWAs, as a protection for Senior bondholders.

At the end of December 2019 the Group's **leverage ratio** was 5.44% phased-in and 5.42% fully loaded.

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As at 31st December 2019, **total staff** of the UBI Banca Group numbered **19,940** (compared with 20,128 at the end of September 2019 and 20,394 at the end of December 2018).

Again as at 31st December 2019, the domestic branch network was composed of **1,575 branches** (1,636 as at 30th September 2019 and 1,648 as at 31st December 2018).

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Statement of the senior officer responsible for preparing the 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.

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Outlook

The re-composition in the mix of core revenues will continue in 2020 in favour of a growth in net fee and commission income compared with net interest income. The strategy to safeguard commercial spreads will continue, consistent with the dynamics of market competition.
Attentive control over operating expenses will be maintained.
Gross non-performing exposures are expected to decrease, driven from 2020 onwards by internal work-out. An analysis began at the end of 2019 of an operation to dispose of non-performing SME loans amounting to approximately €800 million gross, to be implemented by the end of 2020. As a result of the strong reduction in non-performing exposures achieved mainly in 2019, and of the limited inflows from performing to NPE status, loan losses are expected to reduce significantly compared with 2019.
Finally net profit for 2020 is estimated higher than in 2019, with consequent increase in the dividend.

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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 *(brief and detailed)*

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

As a reminder, the auditing firm Deloitte & Touche S.p.a. is completing the legal auditor review of the financial statements, as well as the activities for the issue of the statement in accordance with art. 26 (2) of Regulation EU n. 575/2013.
The parent company draft financial statements and the consolidated financial statements as at 31st December 2019 will be submitted for approval at the meeting of the Board of Directors scheduled for 28th February 2020.
The parent company draft financial statements and the consolidated financial statements as at 31st December 2019 will be submitted for examination of the auditing firm in charge of auditing the annual report and will be made available for shareholders and financial market within regulatory deadlines.

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, as introduced by the 6th update, dated 30th November 2018. The latter implement 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 for the year ended 31st December 2019, the following is underlined on the basis of the provisions of IFRS 16:
- net interest income includes interest on financial liabilities for leases within interest expense;
- 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.

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Reclassified financial statements have been prepared in order to allow a meaningful management accounting commentary on balance sheet and income statement 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 for the period ended 30th June 2019, 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 as at and 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.

Furthermore, in order to facilitate an immediate perception of the amount of ordinary and extraordinary contributions paid to the Resolution Fund and to the Deposit Guarantee Scheme as a percentage of total administrative expenses, the line "of which: contributions to SRF and DGS" has been introduced, stated separately as part of the item "190. b) other administrative expenses" in the reclassified consolidated income statement and in the quarterly reclassified Consolidated income 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.

Reference is made to the "notes on the reclassified consolidated 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		31.12.2019	1.1.2019	Changes	% changes
	ASSETS				
10.	Cash and cash equivalents	694,750	735,249	(40,499)	(5.5%)
20.	Financial assets measured at fair value through profit or loss	1,758,730	1,463,529	295,201	20.2%
	1) Loans and advances to banks	*16,213*	*14,054*	*2,159*	*15.4%*
	2) Loans and advances to customers	*260,667*	*274,262*	*(13,595)*	*(5.0%)*
	3) Securities and derivatives	*1,481,850*	*1,175,213*	*306,637*	*26.1%*
30.	Financial assets measured at fair value through other comprehensive income	12,221,616	10,726,179	1,495,437	13.9%
	1) Loans and advances to banks	-	-	-	-
	2) Loans and advances to customers	-	*15*	*(15)*	*(100.0%)*
	3) Securities	*12,221,616*	*10,726,164*	*1,495,452*	*13.9%*
40.	Financial assets measured at amortised cost	101,736,289	102,798,587	(1,062,298)	(1.0%)
	1) Loans and advances to banks	*11,723,923*	*10,065,772*	*1,658,151*	*16.5%*
	2) Loans and advances to customers	*84,564,033*	*88,987,596*	*(4,423,563)*	*(5.0%)*
	3) Securities	*5,448,333*	*3,745,219*	*1,703,114*	*45.5%*
50.	Hedging derivatives	35,117	44,084	(8,967)	(20.3%)
60.	Fair value change in hedged financial assets (+/-)	547,019	97,429	449,590	n.s.
70.	Equity investments	287,353	254,128	33,225	13.1%
90.	Property, plant and equipment	2,298,145	2,394,858	(96,713)	(4.0%)
100.	Intangible assets	1,739,903	1,729,727	10,176	0.6%
	of which: goodwill	*1,465,260*	*1,465,260*	-	-
110.	Tax assets	3,740,039	4,210,362	(470,323)	(11.2%)
120.	Non-current assets and disposal groups held for sale	265,370	2,972	262,398	n.s.
130.	Other assets	1,200,966	1,243,320	(42,354)	(3.4%)
	Total assets	**126,525,297**	**125,700,424**	**824,873**	**0.7%**
	LIABILITIES AND EQUITY				
10.	Financial liabilities measured at amortised cost	109,795,016	109,839,891	(44,875)	(0.0%)
	a) Due to banks	*14,367,985*	*17,234,579*	*(2,866,594)*	*(16.6%)*
	b) Due to customers	*72,577,255*	*68,815,614*	*3,761,641*	*5.5%*
	c) Debt securities issued	*22,849,776*	*23,789,698*	*(939,922)*	*(4.0%)*
20.	Financial liabilities held for trading	555,296	410,977	144,319	35.1%
30.	Financial liabilities designated at fair value	197,610	105,836	91,774	86.7%
40.	Hedging derivatives	386,778	110,801	275,977	n.s.
50.	Fair value change in hedged financial liabilities (+/-)	145,191	74,297	70,894	95.4%
60.	Tax liabilities	170,937	162,272	8,665	5.3%
70.	Liabilities associated with assets held for sale	2,331	-	2,331	-
80.	Other liabilities	2,735,807	3,092,941	(357,134)	(11.5%)
90.	Provision for post-employment benefits	289,641	306,697	(17,056)	(5.6%)
100.	Provisions for risks and charges:	489,485	505,191	(15,706)	(3.1%)
	a) commitments and guarantees granted	*54,005*	*64,410*	*(10,405)*	*(16.2%)*
	b) pension and similar obligations	*86,756*	*91,932*	*(5,176)*	*(5.6%)*
	c) other provisions for risks and charges	*348,724*	*348,849*	*(125)*	*(0.0%)*
110.	Technical reserves	2,210,294	1,877,449	332,845	17.7%
120.+150.+160.+170.+180	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,237,483	8,737,680	499,803	5.7%
190.	Minority interests (+/-)	58,230	50,784	7,446	14.7%
200.	Profit (loss) for the year (+/-)	251,198	425,608	(174,410)	(41.0%)
	Total liabilities and equity	**126,525,297**	**125,700,424**	**824,873**	**0.7%**

UBI Banca Group: Reclassified consolidated income statement

Figures in thousands of euro		FY 2019 (IFRS 16) A	FY 2018 B	Change A-B	%change A/B	4th Quarter 2019 (IFRS 16) C	4th Quarter 2018 D	Change C-D	%change C/D
10.-20.-140.	Net interest income	1,725,105	1,790,231	(65,126)	(3.6%)	412,041	441,066	(29,025)	(6.6%)
	of which: TLTRO II	*48,688*	*50,788*	*(2,100)*	*(4.1%)*	*11,100*	*12,750*	*(1,650)*	*(12.9%)*
	of which: IFRS 9 credit components	*110,595*	*121,985*	*(11,390)*	*(9.3%)*	*21,395*	*29,961*	*(8,566)*	*(28.6%)*
	of which: IFRS 9 contractual modifications without derecognition components	*(25,283)*	*(37,383)*	*(12,100)*	*(32.4%)*	*(11,867)*	*(6,961)*	*4,906*	*70.5%*
70.	Dividends and similar income	7,658	22,931	(15,273)	(66.6%)	77	14,417	(14,340)	(99.5%)
	Profits (losses) of equity-accounted investees	40,343	24,602	15,741	64.0%	9,139	10,460	(1,321)	(12.6%)
40.-50.	Net fee and commission income	1,661,759	1,579,060	82,699	5.2%	446,256	390,578	55,678	14.3%
	of which: performance fees	*40,598*	*13,889*	*26,709*	*192.3%*	*30,127*	*1,755*	*28,372*	*n.s.*
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	104,284	(5,404)	109,688	n.s.	58,198	(6,770)	64,968	n.s.
160.+170.	Net income from insurance operations	15,314	17,034	(1,720)	(10.1%)	4,030	2,000	2,030	101.5%
230.	Other net operating income/expense	83,472	90,889	(7,417)	(8.2%)	18,797	14,199	4,598	32.4%
	Operating income	**3,637,935**	**3,519,343**	**118,592**	**3.4%**	**948,538**	**865,950**	**82,588**	**9.5%**
190. a)	Staff costs	(1,427,650)	(1,490,626)	(62,976)	(4.2%)	(355,469)	(372,896)	(17,427)	(4.7%)
190. b)	Other administrative expenses	(711,060)	(789,994)	(78,934)	(10.0%)	(162,670)	(198,738)	(36,068)	(18.1%)
	of which: SRF and DGS contributions	*(107,585)*	*(83,794)*	*23,791*	*28.4%*	*(4,448)*	*(2,800)*	*1,648*	*58.9%*
210.+220.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(229,789)	(167,575)	62,214	37.1%	(61,132)	(44,612)	16,520	37.0%
	Operating expenses	**(2,368,499)**	**(2,448,195)**	**(79,696)**	**(3.3%)**	**(579,271)**	**(616,246)**	**(36,975)**	**(6.0%)**
	Net operating income	**1,269,436**	**1,071,148**	**198,288**	**18.5%**	**369,267**	**249,704**	**119,563**	**47.9%**
130.	Net impairment losses for credit risk relating to:	(744,098)	(638,277)	105,821	16.6%	(210,487)	(239,138)	(28,651)	(12.0%)
130. a)	- financial assets measured at amortised cost: loans and advances to banks	137	2,867	(2,730)	(95.2%)	(344)	4,110	(4,454)	n.s.
130. a)	- financial assets measured at amortised cost: loans and advances to customers	(738,438)	(642,786)	95,652	14.9%	(208,167)	(253,481)	(45,314)	(17.9%)
130. a)	- financial assets measured at amortised cost: securities	(2,454)	916	(3,370)	n.s.	(1,355)	1,622	(2,977)	n.s.
130. b)	- financial assets measured at fair value through other comprehensive income	(3,343)	726	(4,069)	n.s.	(621)	8,611	(9,232)	n.s.
200. a)	Net provisions for risks and charges - commitments and guarantees granted	(26)	23,923	(23,949)	n.s.	(1,936)	12,322	(14,258)	n.s.
200. b)	Net provisions for risks and charges - other net provisions	(24,809)	(4,491)	20,318	n.s.	(1,223)	14,767	(15,990)	n.s.
250.+280.	Profits (losses) from the disposal of equity investments	6,101	5,344	757	14.2%	1,813	4,083	(2,270)	(55.6%)
290.	**Profit (loss) before tax from continuing operations**	**506,604**	**457,647**	**48,957**	**10.7%**	**157,434**	**41,738**	**115,696**	**277.2%**
300.	Taxes on income for the period/year from continuing operations	(128,209)	38,754	(166,963)	n.s.	(33,758)	181,828	(215,586)	n.s.
340.	(Profit) loss for the period/year attributable to minority interests	(33,912)	(25,982)	7,930	30.5%	(12,972)	(5,077)	7,895	155.5%
	Profit (loss) for the period/year attributable to the shareholders of the Parent before the Business Plan and other impacts	**344,483**	**470,419**	**(125,936)**	**(26.8%)**	**110,704**	**218,489**	**(107,785)**	**(49.3%)**
190. a)	Redundancy expenses net of taxes and minority interests	(89,413)	(36,983)	52,430	141.8%	(46,830)	(103)	46,727	n.s.
190. b)	Business Plan project expenses net of taxes and minority interests	(145)	(4,930)	(4,785)	(97.1%)	-	(351)	(351)	(100.0%)
210.	Impairment losses on property, plant and equipment net of taxes and minority interests	(3,727)	(2,898)	829	28.6%	(3,727)	(2,898)	829	28.6%
350.	**Profit (loss) for the period/year attributable to the shareholders of the Parent**	**251,198**	**425,608**	**(174,410)**	**(41.0%)**	**60,147**	**215,137**	**(154,990)**	**(72.0%)**

UBI Banca Group: Reclassified consolidated quarterly income statements

Figures in thousands of euro		2019 (IFRS 16) 4th Quarter	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	412,041	426,851	440,616	445,597	441,066	452,749	458,605	437,811
	of which: TLTRO II	*11,100*	*12,695*	*12,502*	*12,391*	*12,750*	*12,791*	*12,693*	*12,554*
	of which: IFRS 9 credit components	*21,395*	*22,543*	*35,498*	*31,159*	*29,961*	*30,818*	*35,543*	*25,663*
	of which: IFRS 9 contractual modifications without derecognition components	*(11,867)*	*(2,979)*	*(5,281)*	*(5,156)*	*(6,961)*	*(8,350)*	*(13,412)*	*(8,660)*
70.	Dividends and similar income	77	371	2,040	5,170	14,417	145	3,232	5,137
	Profits (losses) of equity-accounted investees	9,139	11,783	13,106	6,315	10,460	5,129	1,752	7,261
40.-50.	Net fee and commission income	446,256	402,569	411,998	400,936	390,578	380,514	400,630	407,338
	of which: performance fees	*30,127*	*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	58,198	(8,998)	17,649	37,435	(6,770)	(54,739)	22,123	33,982
160.+170.	Net income from insurance operations	4,030	3,848	3,934	3,502	2,000	4,031	5,548	5,455
230.	Other net operating income/expense	18,797	23,938	19,075	21,662	14,199	24,929	23,394	28,367
	Operating income	**948,538**	**860,362**	**908,418**	**920,617**	**865,950**	**812,758**	**915,284**	**925,351**
190. a)	Staff costs	(355,469)	(351,754)	(355,993)	(364,434)	(372,896)	(367,871)	(374,325)	(375,534)
190. b)	Other administrative expenses	(162,670)	(187,198)	(175,161)	(186,031)	(198,738)	(198,699)	(186,643)	(205,914)
	of which: SRF and DGS contributions	*(4,448)*	*(43,069)*	*(18,070)*	*(41,998)*	*(2,800)*	*(38,880)*	*(7,870)*	*(34,244)*
210.+220.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(61,132)	(58,088)	(56,275)	(54,294)	(44,612)	(40,962)	(40,384)	(41,617)
	Operating expenses	**(579,271)**	**(597,040)**	**(587,429)**	**(604,759)**	**(616,246)**	**(607,532)**	**(601,352)**	**(623,065)**
	Net operating income	**369,267**	**263,322**	**320,989**	**315,858**	**249,704**	**205,226**	**313,932**	**302,286**
130.	Net impairment losses for credit risk relating to:	(210,487)	(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	(344)	(243)	773	(49)	4,110	217	265	(1,725)
130. a)	- financial assets measured at amortised cost: loans and advances to customers	(208,167)	(138,687)	(263,016)	(128,568)	(253,481)	(127,681)	(143,684)	(117,940)
130. a)	- financial assets measured at amortised cost: securities	(1,355)	(335)	(277)	(487)	1,622	(602)	15	(119)
130. b)	- financial assets measured at fair value through other comprehensive income	(621)	(968)	(855)	(899)	8,611	(600)	(2,724)	(4,561)
200. a)	Net provisions for risks and charges - commitments and guarantees granted	(1,936)	(33)	2,505	(562)	12,322	(2,939)	3,477	11,063
200. b)	Net provisions for risks and charges - other net provisions	(1,223)	(21,357)	1,238	(3,467)	14,767	(2,145)	(15,700)	(1,413)
250.+280.	Profits (losses) from the disposal of equity investments	1,813	100	3,915	273	4,083	298	170	793
290.	**Profit (loss) before tax from continuing operations**	**157,434**	**101,799**	**65,272**	**182,099**	**41,738**	**71,774**	**155,751**	**188,384**
300.	Taxes on income for the period from continuing operations	(33,758)	(34,416)	(9,232)	(50,803)	181,828	(26,166)	(55,557)	(61,351)
340.	(Profit) loss for the period attributable to minority interests	(12,972)	(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	**110,704**	**60,144**	**48,754**	**124,881**	**218,489**	**38,506**	**92,400**	**121,024**
190. a)	Redundancy expenses net of taxes and minority interests	(46,830)	-	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	(3,727)	-	-	-	(2,898)	-	-	-
350.	**Profit (loss) for the period attributable to the shareholders of the Parent**	**60,147**	**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	FY 2019 (IFRS 16) *net of non-recurring items*	FY 2018 *net of non-recurring items*	Change	% change
Net interest income	1,725,105	1,790,231	(65,126)	(3.6%)
of which: TLTRO II	*48,688*	*50,788*	*(2,100)*	*(4.1%)*
of which: IFRS 9 credit components	*110,595*	*121,985*	*(11,390)*	*(9.3%)*
of which: IFRS 9 contractual modifications without derecognition components	*(25,283)*	*(37,383)*	*(12,100)*	*(32.4%)*
Dividends and similar income	7,658	22,931	(15,273)	(66.6%)
Profits (losses) of equity-accounted investees	40,343	24,602	15,741	64.0%
Net fee and commission income	1,661,759	1,579,060	82,699	5.2%
of which: performance fees	*40,598*	*13,889*	*26,709*	*192.3%*
Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	104,284	16,574	87,710	n.s.
Net income from insurance operations	15,314	17,034	(1,720)	(10.1%)
Other net operating income/expense	83,472	90,889	(7,417)	(8.2%)
Operating income	**3,637,935**	**3,541,321**	**96,614**	**2.7%**
Staff costs	(1,427,650)	(1,490,626)	(62,976)	(4.2%)
Other administrative expenses	(692,974)	(777,109)	(84,135)	(10.8%)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(229,203)	(167,575)	61,628	36.8%
Operating expenses	**(2,349,827)**	**(2,435,310)**	**(85,483)**	**(3.5%)**
Net operating income	**1,288,108**	**1,106,011**	**182,097**	**16.5%**
Net impairment losses for credit risk relating to:	(744,098)	(638,277)	105,821	16.6%
- financial assets measured at amortised cost: loans and advances to banks	137	2,867	(2,730)	(95.2%)
- financial assets measured at amortised cost: loans and advances to customers	(738,438)	(642,786)	95,652	14.9%
- financial assets measured at amortised cost: securities	(2,454)	916	(3,370)	n.s.
- financial assets measured at fair value through other comprehensive income	(3,343)	726	(4,069)	n.s.
Net provisions for risks and charges - commitments and guarantees granted	(26)	23,923	(23,949)	n.s.
Net provisions for risks and charges - other net provisions	(24,809)	(4,491)	20,318	n.s.
Profits (losses) from the disposal of equity investments	-	-	-	-
Profit (loss) before tax from continuing operations	**519,175**	**487,166**	**32,009**	**6.6%**
Taxes on income for the year for continuing operations	(132,387)	(158,745)	(26,358)	(16.6%)
Profit (loss) for the year attributable to minority interests	(33,912)	(25,982)	7,930	30.5%
Profit (loss) for the year attributable to the shareholders of the Parent	**352,876**	**302,439**	**50,437**	**16.7%**

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

Figures in thousands of euro

	FY 2019	2017-2020 Business Plan		Other items			FY 2019
		Redundancy expenses	Business Plan project expenses	Extraordinary contribution to the Resolution Fund	Disposal of equity and other investments	Impairment of property, plant and equipment	*net of non-recurring items*
Net interest income	1,725,105						1,725,105
of which: TLTRO II	*48,688*						*48,688*
of which: IFRS 9 credit components	*110,595*						*110,595*
of which: IFRS 9 contractual modifications without derecognition components	*(25,283)*						*(25,283)*
Dividends and similar income	7,658						7,658
Profits (losses) of equity-accounted investees	40,343						40,343
Net fee and commission income	1,661,759						1,661,759
of which: performance fees	*40,598*						*40,598*
Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	104,284						104,284
Net income from insurance operations	15,314						15,314
Other net operating income/expense	83,472						83,472
Operating income	**3,637,935**	-	-	-	-	-	**3,637,935**
Staff costs	(1,427,650)						(1,427,650)
Other administrative expenses	(711,060)			18,086			(692,974)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(229,789)				586		(229,203)
Operating expenses	**(2,368,499)**	-	-	**18,086**	**586**	-	**(2,349,827)**
Net operating income	**1,269,436**	-	-	**18,086**	**586**	-	**1,288,108**
Net impairment losses for credit risk relating to:	(744,098)						(744,098)
- financial assets measured at amortised cost: loans and advances to banks	137						137
- financial assets measured at amortised cost: loans and advances to customers	(738,438)						(738,438)
- financial assets measured at amortised cost: securities	(2,454)						(2,454)
- financial assets measured at fair value through other comprehensive income	(3,343)						(3,343)
Net provisions for risks and charges - commitments and guarantees granted	(26)						(26)
Net provisions for risks and charges - other net provisions	(24,809)						(24,809)
Profits (losses) from the disposal of equity investments	6,101				(6,101)		-
Profit (loss) before tax from continuing operations	**506,604**	-	-	**18,086**	**(5,515)**	-	**519,175**
Taxes on income for the year for continuing operations	(128,209)			(5,880)	1,702		(132,387)
Profit (loss) for the year attributable to other shareholders	(33,912)						(33,912)
Profit for the year attributable to the shareholders of the Parent before the Business Plan and other impacts	**344,483**	-	-	**12,206**	**(3,813)**	-	**352,876**
Redundancy expenses net of taxes and minority interests	(89,413)	89,413					-
Business Plan project expenses net of taxes and minority interests	(145)		145				-
Impairment losses on property, plant and equipment net of taxes and minority interests	(3,727)					3,727	-
Profit (loss) for the year attributable to the shareholders of the Parent	**251,198**	**89,413**	**145**	**12,206**	**(3,813)**	**3,727**	**352,876**

	FY 2018	2017-2020 Business Plan		Other items					FY 2018
		Redundancy expenses	Business Plan project expenses	Budget impact	IDPF Intervention (Interbank Deposit Protection Fund)	Extraordinary contribution to the Resolution Fund	Profit/losses on disposal of investments	Impairment of property, plant and equipment	*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 (losses) 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	(642,786)								(642,786)
- financial assets measured at amortised cost: securities	916								916
- financial assets measured at fair value through other comprehensive income	726								726
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 (losses) from the disposal of equity investments	5,344						(5,344)		-
Profit (loss) before tax from continuing operations	**457,647**	-	-	-	**21,978**	**12,885**	**(5,344)**	-	**487,166**
Taxes on income for the year for continuing operations	38,754			(186,424)	(7,268)	(4,189)	382		(158,745)
Profit (loss) for the year attributable to other shareholders	(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	-
Profit (loss) 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 -

Figures in thousands of euro		31.12.2019	31.12.2018
	ASSETS		
10.	Cash and cash equivalents	694,750	735,249
20.	Financial assets measured at fair value through profit or loss	1,758,730	1,463,529
	a) financial assets held for trading	427,980	405,716
	b) financial assets designated at fair value	10,278	11,028
	c) other financial assets mandatorily measured at fair value	1,320,472	1,046,785
30.	Financial assets measured at fair value through other comprehensive income	12,221,616	10,726,179
40.	Financial assets measured at amortised cost	101,736,289	102,798,587
	a) loans and advances to banks	11,921,289	10,065,881
	b) loans and advances to customers	89,815,000	92,732,706
50.	Hedging derivatives	35,117	44,084
60.	Fair value change in hedged financial assets (+/-)	547,019	97,429
70.	Equity investments	287,353	254,128
90.	Property, plant and equipment	2,298,145	1,965,234
100.	Intangible assets	1,739,903	1,729,727
	of which: goodwill	*1,465,260*	*1,465,260*
110.	Tax assets	3,740,039	4,210,362
	a) current	1,084,413	1,376,567
	b) deferred	2,655,626	2,833,795
	- of which pursuant to Law No. 214/2011	*1,794,331*	*1,804,988*
120.	Non-current assets and disposal groups held for sale	265,370	2,972
130.	Other assets	1,200,966	1,278,717
	Total assets	**126,525,297**	**125,306,197**
	LIABILITIES AND EQUITY		
10.	Financial liabilities measured at amortised cost	109,795,016	109,445,664
	a) due to banks	14,367,985	17,234,579
	b) due to customers	72,577,255	68,421,387
	c) debt securities issued	22,849,776	23,789,698
20.	Financial liabilities held for trading	555,296	410,977
30.	Financial liabilities designated at fair value	197,610	105,836
40.	Hedging derivatives	386,778	110,801
50.	Fair value change in hedged financial liabilities (+/-)	145,191	74,297
60.	Tax liabilities	170,937	162,272
	a) current	64,547	30,287
	b) deferred	106,390	131,985
70.	Liabilities associated with assets held for sale	2,331	-
80.	Other liabilities	2,735,807	3,092,941
90.	Provision for post-employment benefits	289,641	306,697
100.	Provisions for risks and charges:	489,485	505,191
	a) commitments and guarantees granted	54,005	64,410
	b) pension and similar obligations	86,756	91,932
	c) other provisions for risks and charges	348,724	348,849
110.	Technical reserves	2,210,294	1,877,449
120.	Valuation reserves	(79,938)	(298,616)
150.	Reserves	3,207,751	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 (+/-)	58,230	50,784
200.	Profit (loss) for the year (+/-)	251,198	425,608
	Total liabilities and equity	**126,525,297**	**125,306,197**

UBI Banca Group: consolidated income statement
- mandatory statement -

Figures in thousands of euro		FY 2019	FY 2018
10.	Interest and similar income	2,180,444	2,220,104
	- of which: interest income calculated with the effective interest method	1,971,018	2,028,730
20.	Interest and similar expense	(377,933)	(346,819)
30.	**Net interest income**	**1,802,511**	**1,873,285**
40.	Fee and commission income	1,894,864	1,779,150
50.	Fee and commission expense	(229,295)	(198,233)
60	**Net fee and commission income**	**1,665,569**	**1,580,917**
70.	Dividends and similar income	8,514	24,779
80.	Net trading income (loss)	28,692	54,866
90.	Net hedging income (loss)	(15,429)	(10,325)
100.	Income (losses) from disposal or repurchase of:	(21,171)	(12,752)
	a) financial assets measured at amortised cost	(50,827)	(76,657)
	b) financial assets measured at fair value through other comprehensive income	33,580	69,477
	c) financial liabilities	(3,924)	(5,572)
110.	Net income (loss) from other financial assets and liabilities measured at fair value through profit or loss	114,812	(27,974)
	a) financial assets and liabilities designated at fair value	569	893
	b) other financial assets mandatorily measured at fair value	114,243	(28,867)
120.	**Gross income**	**3,583,498**	**3,482,796**
130.	Net impairment losses for credit risk relating to:	(744,098)	(638,277)
	a) financial assets measured at amortised cost	(740,755)	(639,003)
	b) financial assets measured at fair value through other comprehensive income	(3,343)	726
140.	Profits (losses) from contractual modifications without derecognition	(25,283)	(37,383)
150.	**Financial income**	**2,814,117**	**2,807,136**
160.	Net insurance premiums	314,314	373,776
170.	Other income/expenses of insurance operations	(337,153)	(396,096)
180.	**Net income from banking and insurance operations**	**2,791,278**	**2,784,816**
190.	Administrative expenses	(2,493,634)	(2,570,557)
	a) staff costs	(1,561,333)	(1,545,909)
	b) other administrative expenses	(932,301)	(1,024,648)
200.	Net provisions for risks and charges	(24,835)	19,432
	a) commitments and guarantees granted	(26)	23,923
	b) other net provisions	(24,809)	(4,491)
210.	Depreciation and net impairment losses on property, plant and equipment	(157,609)	(90,868)
220.	Amortisation and net impairment losses on intangible assets	(77,585)	(75,579)
230.	Other net operating income/expense	283,120	293,471
240.	**Operating expenses**	**(2,470,543)**	**(2,424,101)**
250.	Profits (losses) of equity investments	40,343	24,602
280.	Profit (loss) from disposal of investments	6,101	5,344
290.	**Profit (loss) before tax on continuing operations**	**367,179**	**390,661**
300.	Taxes on income for the year for continuing operations	(82,133)	60,841
310.	**Profit (loss) after tax from continuing operations**	**285,046**	**451,502**
330.	**Profit (loss) for the year**	**285,046**	**451,502**
340.	(Profit) loss for the year attributable to minority interests	(33,848)	(25,894)
350.	**Profit (loss) for the year attributable to the shareholders of the Parent**	**251,198**	**425,608**

UBI Banca Group: Loan tables

Loans and advances to customers measured at amortised cost as at 31st December 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)	**(7.80%)**	**6,838,473**	**2,667,009**	**(4.93%)**	**4,171,464**	**39.00%**	**50.92%**
- Bad loans	(4.05%)	3,555,090	1,847,960	(2.02%)	1,707,130	51.98%	67.12%
- Unlikely-to-pay loans	(3.62%)	3,172,926	809,849	(2.79%)	2,363,077	25.52%	26.09%
- Past-due exposures	(0.13%)	110,457	9,200	(0.12%)	101,257	8.33%	
Performing exposures (Stages one and two)	**(92.20%)**	**80,853,909**	**461,340**	**(95.07%)**	**80,392,569**	**0.57%**	
Total		**87,692,382**	**3,128,349**		**84,564,033**	**3.57%**	

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 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%**	