PRESS RELEASE

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

Solid balance sheet ratios

- **Fully loaded CET1 ratio of 12% (11.47% in March 2019)**
  The ratio does not include any future DTAs or optimization actions
- **NPE ratio of 9.97% or of 9.23% on a pro forma basis inclusive of the disposal of lease bad loan positions already announced (10.36% in March 2019)**
- **An annualised default rate[1] of 1% in 1H 2019 compared with 1.67% recorded in 1H 2018**
- **Texas ratio[2] of 71.9% and of 67.9% on a pro forma basis inclusive of the bad loan lease positions announced (78.6% as at 31.3.2019)**
- **Coverage for non-performing exposures grow by approximately 190 basis points compared with March 2019 (and by 259 basis points inclusive of write-offs); the increase in coverage was recorded for all categories of non-performing exposures**
- **An increase in direct funding (+1.2% vs March 2019 and +2.4% vs January 2019)**
- **An increase in indirect funding (+0.7% vs March 2019 and +5% vs January 2019)**
- **NSFR > 100%**
- **LCR > 100%**

Sound operating results in 1H 2019 (vs 1H2018)

- **Net operating income up 3.3% to €636.8 million**
  - **Net interest income of €886.2 million (-1.1%) inclusive of a one-off impact of -€7.4 million and a -€4.2 million impact relating to the introduction of IFRS 16**
  - **Customer spread increases to 177 bps (173 bps in 1H 2018)**
  - **Net fee and commission income of €812.9 million (+0.6%) notwithstanding €23.2 million of lower contribution from up front and performance fees**
  - **Stable finance result of €55.1 million (- €1 million vs 1H 2018)**
- **Operating expenses of €1,192.2 million (-2.6%)**
- **Loan loss rate of 78 bps inclusive of impairment losses on disposals of lease and factoring bad loan positions (65 bps annualised net of the impact of the disposals)**
- **Profit net of non-recurring items[3] of €183.4 million (lower than €222.1 million in the first half of 2018), as a result of the inclusion of the €75 million net negative impact resulting from the disposal of €900 million of gross bad loan positions**
- **Stated profit of €130.9 million compared with €208.9 million in the first half of 2018, the result both of the disposal mentioned above (-€75 million) and of the expenses relating to the March 2019 trade union agreement (-€42.6 million)**

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[1] 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).

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

[3] The main non-recurring items: -€52.5 million in 1H 2019 (-€42.6 million relating to leaving incentives under the trade union agreement reported in the press release dated 28.03.2019, -€12.2 million for extraordinary contributions to the National Resolution Fund, +€2.5 million relating to disposals of equity and other investments); -€13.3 million in 1H 2018 (-€4.6 million for Business Plan costs and -€8.7 million for extraordinary contributions to the Single Resolution Fund).

Sound operating results for 2Q 2019 (vs 1Q 2019)

- **Net operating income up 1.6% to €321 million**
  - **Net interest income of €440.6 million (-1.1%) inclusive of the -€7.4 million one-off impact**
  - **Net fee and commission income of €412 million (+2.8%), the best quarterly result ever**
  - **Customer spread increases to 177 bps, the highest level since the beginning of 2018 (170 bps)**
  - **Finance result of €17.6 million (€37.4 million in 1Q 2019)**
- **Operating expenses of €587.4 million (inclusive of systemic contributions) (-2.9%)**
- **Loan loss rate of 87 bps annualised inclusive of impairment losses on disposals of lease and factoring bad loan positions (75 bps annualised net of the impact of the disposals)**
- **Profit net of non-recurring items[4] of €58.5 million compared with €124.9 million in the first quarter of 2019 and stated net profit of €48.7 million compared with €82.2 million in the first quarter of 2019, both results lower than in the first quarter of the year due to the inclusion of the €70 million net negative impact resulting from the above mentioned disposal of €900 million of gross bad loan positions**

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Milan, 2nd August 2019 – The Board of Directors of Unione di Banche Italiane Spa (UBI Banca) approved the consolidated results of the Group for the first half of 2019.

Methodological note

The consolidated results of the UBI Group include the impacts of the adoption of IFRS 16 from 1.1.2019, which involves a different accounting treatment for outstanding lease transactions both in the income statement and in the balance sheet.
With regard to operating results, the outcome of the adoption of IFRS 16 is included in the results for the period ended 30.06.2019, while pro forma figures have not been given for the comparative periods in 2018, which are nevertheless comparable in view of the modest impact made by the introduction of the new accounting standard.
As concerns the balance sheet on the other hand, the figures as at 30.06.2019 are compared with figures as at 1.1.2019, restated to take account of the impact of IFRS 16.

Operating performance of the Group

Results in the first half of 2019 compared with the first half of 2018

The first half of 2019 closed with a Profit net of non-recurring items[5] of €183.4 million (lower than €222.1 million in the first half of 2018), as a result of the inclusion of €75 million net negative impact resulting from the disposal of €900 million of gross bad loan positions[6].
Similarly, Stated profit amounted to €130.9 million (compared with €208.9 million in the first half of 2018), influenced both by the disposal mentioned above (-€75 million) and by the expenses relating to the March 2019 trade union agreement (-€42.6 million).

[4] The main non-recurring items included:
- In 2Q 2019: -€12.2 million net (-€18.1 million gross) in relation to the Resolution Fund; +€2.5 million (+€3.6 million gross) relating to disposals of equity and other investments
- in 1Q 2019: -€42.6 million net (-€63.7 million gross) in relation to the March 2019 trade union agreement

[5] The main non-recurring items: -€52.5 million in 1H 2019 (-€42.6 million relating to leaving incentives under the trade union agreement reported in the press release dated 28.03.2019, -€12.2 million for extraordinary contributions to the National Resolution Fund, +€2.5 million relating to disposals of equity and other investments); -€13.3 million in 1H 2018 (-€4.6 million for Business Plan costs and -€8.7 million for extraordinary contributions to the Single Resolution Fund).

[6] As a reminder, the factoring bad loans were sold during the course of the 2Q2019, while the completion of the disposal of the lease bad loans portfolio is expected within year end.

As a result of basic stability for operating income at €1,829 million (-0.6% vs €1,840.6 million in 1H 2018) and a significant reduction in operating expenses, down 2.6% to €1,192.2 million (€1,224.4 million in 1H 2018), the first half of the year recorded **growth in net operating income of 3.3% to €636.8 million.**

Within operating income, net interest income showed good resilience at €886.2 million, notwithstanding the reduction in lending volumes, thanks to the effectiveness of the policy implemented to safeguard spreads.
The slight decrease registered vs 1H2018 (10,2 million) is fully explained by an negative one-off item amounting to -€7.4 million[7] recognised in 2Q 2019 and by the impact of -€4.2 million resulting from the introduction of IFRS16 in 2019.
In detail:

- net interest income generated by general banking business with customers[8] amounted to €808.6 million (affected by a negative one-off item amounting to -€7.4 million[9] and by -€4.2 million in relation to the introduction of IFRS16) compared with €814.1 million in 1H 2018, notwithstanding lower average volumes of lending. **Net of those two items, net interest income from business with customers in 2019 would have been higher than in 2018.**
  The strategy to safeguard spreads pursued from the second half of 2018 had its effects during the course of 2019. **Group customer spread amounted to 177 basis points in 2H 2019 compared to 173 basis points in 1H2018.**
- the contribution from financial activities amounted to €92.8 million, up compared with €81.9 million in 1H 2018.
- the result for interbank activities, which, amongst other things, includes the TLTRO2 benefit, amounted to -€15.2 million in 1H 2019 compared with +€0.38 million in 1H 2018, with a negative change which reflects greater business in repurchase agreements with institutional counterparties and also the cost of higher deposits of liquidity held with the ECB.

The good performance by net fee and commission income continued this year, up 0.6% to €812.9 million from €808 million in 1H 2018, **notwithstanding over -€23 million of lower upfront commissions and performance fees** on investment and insurance products in 2019**.**
The increase in net fee and commission income is attributable to performances as follows:

- the **contribution from services related to securities business** remained stable at €456.3 million compared with €458.3 million in 2018, notwithstanding -€23.2 million of lower up front commissions and performance fees on asset management and insurance products in 2019. Net of performance fees and upfront commissions related to funds, Sicav's and insurance products, **the recurring contribution from services related to securities business rose to approximately €346.5 million from €325.4 million in 1H 2018 (+6.5%).**
- **fee and commission income on ordinary banking business** amounted to €356.6 million, **up 2%** compared with 1H 2018, also benefiting from the positive result of repricing action.

The **finance result** was +€55.1 million, in line with €56.1 million in 1H 2018, the aggregate result of the following performances:

- the profit on the disposal/repurchase of financial assets and liabilities was +€20.7 million (+€37.4 million in 1H 2018);
- net trading income totalled +€1.1 million (+€35.4 million in 1H 2018);
- net hedging income (loss) amounted to -€8 million (-€4.2 million in 1H 2018)

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7 Adjustment, for the suspension period, of the rates on "business" loans, subject to a moratorium following the earthquake of 2016 in Central Italy (Marches / Abruzzo), which follows the adjustments already progressively made for "private" customers. Negative impact (waiver of interest income), one-off, totalling € 7.4 million on the interest margin.

8 Including IFRS 9 impacts on net interest income. In detail, in 1H 2019 +€66.7 million (+€61.5 million in 1H 2018) relating to interest on loans (time value), -€10.4 million (-€22.1 million in 1H 2018) relating to contractual modifications that do not determine derecognition of the loan.

9 Please refer to item 7

- net income on assets and liabilities measured at fair value was positive by +€41.4 million (-€12.5 million in 1H 2018), corresponding to the net gain on fair value movements in equity instruments, which included that for NEXI amounting to +€21.2 million.

Constant control over costs again had a positive impact on **operating expenses** (which include the contributions to the Resolution Fund).
In fact operating expenses recorded a **decrease of 2.6%** and totalled €1,192.2 million compared with €1,224.4 million in 1H 2018, notwithstanding the increase in the contribution to the Resolution Fund in 2019, which rose to €60 million from approximately €42 million in 1H 2018. **Net of contributions to the Resolution Fund, operating expenses fell by 4.2%.**

In detail:

- In 1H 2019 **staff costs** amounted to €720.4 million, **down by 3.9%** compared with 1H 2018. The improvement is attributable primarily to the reduction in staff numbers – lower by 883 resources compared to June 2018 – also deriving from the voluntary adhesion to redundancy schemes defined in the period.
  As already reported, gross expenses of €63.7 million (€42.6 million net) were recognised in the results for 1H 2019, stated under a separate item within "Redundancy scheme incentive expenses" in the income statement, net of taxes and minority interests.

We report that, again in implementation of the current Business Plan, a decision was taken to outsource some of UBISS's lines of business - subject to the necessary authorisations - which will involve the secondment of 95 staff and the departure of 102 staff to new suppliers, to be implemented by the end of the year.

- **other administrative expenses** reduced significantly, amounting to €361.2 million compared with €392.6 in 1H 2018. The comparison includes the following: 1H 2019 was affected by a greater contribution to the Single Resolution Fund (€60 million of which €18 million extraordinary) compared with €42 million in 1H 2018; again in 1H 2019, the application of IFRS 16 to lease transactions involved the simultaneous reduction of approximately €26.5 million above all in the item "rents payable" and an increase by a similar amount to the item "depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets".
  Net of the two impacts described above, **other administrative expenses fell by over €20 million** 1H2019 vs 1H2018.

- **depreciation, amortisation and impairment losses on property, plant and equipment and intangible asset**s amounted to €110.6 million in 1H 2019, substantially in line with 1H 2018 if the impact mentioned above of approximately €24 million as a consequence of the introduction of IFRS 16 is excluded.

Net impairment losses on loans and advances to customers amounting to €391.6 million were recognised in the first half of the year, impacted by the recognition of €112.1 million[10] in relation to the sale of bad loan lease and factoring positions (of which €102,4 million in 2Q 2019).
Net impairment losses on loans, also as a result of the decrease in loans recorded in the first half of the year, gave an annualised loan loss rate of 78 basis points[11], and 65 basis points annualised net of the impact of the bad loan disposals mentioned above.
A strong increase in coverage for non-performing exposures was recorded in the first half, up to 40.99% from 38.5% at the beginning of the year (+250 basis points approx.); the increase was recorded for all categories of non-performing exposures. As a reminder, the portion of secured loan exposures is significantly higher than the system average.

[10] In net terms the impairment losses associated with the disposals amounted to approximately €75 million in the first half of which about €70 million recognised in 2Q 2019.
[11] In the annualisation of the cost of risk, the impact from the factoring/leasing disposals was not annualized. Please also refer to the methodological note in annex – page (i)

Finally, **taxes on income** from continuing operations estimated for 1H 2019 amounted to €60 million, defining a tax rate of 24.3%, primarily as a result of the recognition of the revaluation of the NEXI equity investment, which falls under the "participation exemption" regime, and of the re-alignment of tax accounting figures to higher statutory accounting figures relating to tangible and intangible assets purchased, consequent to company reorganisation operations occurred over the last two financial years (merger of the 10 network banks into UBI), which implied the payment of a substitute tax and the release of deferred tax assets with a positive impact on the income statement amounting to approx. €16 million.

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Results in the second quarter of 2019 compared with the first quarter of 2019 (and second quarter 2018)

The 2Q2019 closed with a Profit net of non-recurring items[12] of €58.5 million compared with €124.9 million in the first quarter of 2019 and a Stated net profit of €48.7 million compared with €82.2 million in the first quarter of 2019, both results lower than in the first quarter of the year due to the inclusion of the €70 million net negative impact resulting from the disposal of €900 million of gross bad loan positions[13].

In the second quarter of the year net operating income rose to €321 million, an increase compared with €315.9 million in 1Q 2019 (and with €313.9 million in 2Q 2018).

Operating income amounted to €908.4 million, a decrease compared with €920.6 million in 1Q 2019 (and €915.3 million in 2Q 2018), but core income (net interest income + net fee and commission income) grew to €852.6 million in 2Q 2019 compared with €846.5 million in 1Q 2019 (€859.2 million in 2Q 2018).

In detail, **net interest income** amounted to €440.6 million, impacted by a one-off negative item amounting to €7.4 million[14] and a cost of funding that was approximately €4 million higher, **showing good resilience compared to €445.6 million in 1Q 2019, notwithstanding the lower lending volumes, thanks to the effectiveness of the policy implemented to safeguard spreads.**
It was composed as follows:

- net interest income from banking business with customers[15] amounted to €399.5 million – affected by a one-off negative item amounting to €7.4 million[16] and a cost of funding that was €4 million higher – compared with €409.1 million approx. in 1Q 2019 (€416.9 million in 2Q 2018).
  The strategy to safeguard spreads pursued from the second half of 2018 continue to have positive effects. The Group mark up grew again in 2Q 2019 and succeeded in more than offsetting a slight deterioration in the mark down on the cost of funding attributable to issuances on institutional markets carried out ahead of schedule with respect to the funding plan. The customer spread[17] therefore rose to 177 basis points in 2Q2019, **the highest level since the beginning of 2018**.

[12] The main non-recurring items included:
- In 2Q 2019: -€12.2 million net (-€18.1 million gross) in relation to the Resolution Fund; +€2.5 million (+€3.6 million gross) relating to disposals of equity and other investments
- in 1Q 2019: -€42.6 million net (-€63.7 million gross) in relation to the March 2019 trade union agreement;
- in 2Q 2018: -€3.5 million net for Business Plan costs.

[13] As a reminder, the factoring bad loans were sold during the course of the 2Q2019, while the completion of the disposal of the lease bad loans portfolio is expected within year end

[14] Please refer to item 7

[15] Including IFRS 9 impacts on net interest income. In detail, in 2Q 2019: +€35.5 million (+€31.2 million in 1Q 2019 and +€35.8 million in 2Q 2018) relating to interest on loans (time value); -€5.3 million (-€5.2 million in 1Q 2019 and -€13.4 million in 2Q 2018) relating to contractual modifications that do not determine derecognition of the loan.

[16] Please refer to item 7

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

- the contribution from financial activities amounted to €48.4 million, up on €44.4 million in 1Q 2019 (€42.7 million in 2Q 2018) due to a slight growth in average volumes of the portfolio and a strategy to diversify investments.
- the result for interbank activities, amounted to -€7.3 million, and was substantially in line with -€7.9 million recorded in 1Q 2019 (and down compared with -€1.3 million in 2Q 2018 due to greater business in repurchase agreements with institutional counterparties and higher costs associated with higher deposits of liquidity held with the ECB).

Net fee and commission income achieved the best result ever, increasing to €412 million in 2Q 2019, a rise of **2.8%** compared with €400.9 million in 1Q 2019 (and €400.6 million in 2Q 2018), as a result of **good performance recorded by both of its components**.
The **contribution from services related to securities business** rose to €230.7 million from €225.5 million in 1Q2019 in the presence of no change in performance fees and up front commissions on asset management and insurance products (these amounted to €227.8 million in 2Q 2018 with performance fees and upfront commissions higher by €5.3 million). Net of performance fees and upfront commissions related to funds, Sicav's and insurance products, the contribution from services related to securities business rose to approximately €175.3 million in 2Q 2019 from €171.3 million in 1Q 2019 and from €164.5 million in 2Q 2018.
The contribution of **fees and commissions relating to general banking business also rose, up 3.4% to €181.3 million** compared with €175.4 million in 1Q 2019 (and 4.9% compared with €172.8 million in 2Q 2018) as a result of higher commissions on current account management and collection and payment services.

The **finance result** was positive by +€17.6 million (+€37.4 million in 1Q 2019 and +€22.1 million in 2Q 2018). The aggregate is the result of the following performances:
- the profit on the disposal/repurchase of financial assets and liabilities amounted to +€8.5 million (+€12.2 million in 1Q 2019 and +€14.9 million in the 2Q 2018) and was the result of purchases and sales of Italian and foreign government securities amounting to +€12.7 million;
- net trading income was negative by -€2.5 million (+€3.6 million in 1Q 2019 and +€22.5 million 2Q 2018);
- net hedging income amounted to -€3.1 million (-€4.9 million in 1Q 2019 and -€2.7 million in 2Q 2018);
- net income on assets and liabilities measured at fair value was positive by +€14.9 million, primarily the result of the appreciation of equity instruments (including NEXI for a further €3.5 million) compared with +€26.5 million recorded in 1Q 2019 (of which €17.7 million attributable to the appreciation of NEXI) and with -€12.6 million recorded in 2Q 2018.

Constant control over costs again had a positive impact on **operating expenses (inclusive of systemic contributions), which totalled €587.4 million, compared with €604.8 million in 1Q 2019 and with €601.4 million in 2Q 2018.**

In detail:
- **staff costs** amounted to €356 million, down 2.3% compared with €364.4 million in 1Q 2019 (and -4.9% compared with €374.3 million in 2Q 2018), with the decrease attributable primarily to the item "wages and salaries", in contraction following the departure of 144 staff compared with the end of March 2019 and over 883 staff compared with June 2018.
  Again in implementation of the current Business Plan, a decision was taken to outsource some of UBISS's lines of business - subject to the necessary authorisations - which will involve the secondment of 95 staff and the departure of 102 staff to new suppliers, to be implemented by the end of the year.
- **other administrative expenses** reduced significantly, amounting to €175.2 million in 2Q 2019 compared with the €186 million in 1Q 2019 (and €186.6 million in 2Q 2018, although the latter are less comparable because they were recognised before the introduction of IFRS 16). A comparison

shows that 2Q 2019 was affected by an extraordinary contribution to the Resolution Fund (€18 million) while an ordinary contribution to the fund (€42 million) was recorded in 1Q 2019. Net of those contributions other administrative expenses grew quarter-on-quarter primarily as a result of the recognition of greater project expenses in the IT, real estate and physical security areas (€7.3 million) and higher costs for professional services (€3.8 million).

- **depreciation, amortisation and impairment losses on property, plant and equipment and intangible asset**s amounted to €56.3 million in 2Q 2019, up compared with €54.3 million in 1Q 2019 partly in relation to depreciation and amortisation resulting from greater IT investments. Compared with 2Q 2018 (€40.4 million), the item was mainly affected by the introduction of IFRS 16.

Net impairment losses on loans and advances to customers amounted to €263 million in the second quarter 2019 (€128.6 million in 1Q 2019). These impairment losses included €102.4 million relating to the greater cost recognised resulting from the disposal of bad loan lease and factoring positions. In the second quarter alone, these higher impairment losses allowed an increase of 190 basis points in coverage for non-performing exposures compared with the end of March 2019 (coverage grew by a total of 250 basis points in the first half of the year compared with the figure as at 31.12.2018).
Net impairment losses on loans, also as a result of the decrease in loans recorded in the first half of the year, gave an annualised loan loss rate of 87 basis points[18], and 75 basis points annualised net of the impact of the bad loan disposals mentioned above.

Finally, **taxes on income** from continuing operations estimated for 2Q 2019 amounted to €9.2 million to give a tax rate of approximately 14.1%, and they benefited from a the re-alignment of tax accounting figures to higher statutory accounting figures relating to tangible and intangible assets purchased, consequent to company reorganisation operations occurred over the last two financial years (merger of the 10 network banks into UBI), which implied the payment of a substitute tax and the release of deferred tax assets with a positive impact on the income statement amounting to approx. €16 million.

Balance sheet figures

As at 30th June 2019, **net loans and advances to customers[19]** totalled €86.1 billion compared with €89 billion at the end of 2018.
Within the item:

- net performing loans and advances fell to €80.8 billion (€83 billion at the end of December 2018) reflecting both a contraction in the item recorded at sector level (-1.4% compared with the beginning of 2019)[20], and a policy to safeguard spreads pursued by the Bank which affected the trend for lending but on the other hand allowed net interest income to be resilient year-on-year;
- net performing loans again reduced constantly. Mainly as a result of internal workout activities (the disposal of UBI Factor bad loan positions accounted for only €142 million net), these fell in the first half by approximately €664 million of which €448.5 million in the second quarter, and accelerated compared with €215.2 million in the first quarter of the year) falling to €5.31 billion from €5.98 billion as at 31st December 2018 (€7.14 billion as at 30th June 2018).

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

[18] In the annualisation of the cost of risk, the impact from the factoring/leasing disposals was not annualized. Please also refer to the methodological note in annex –page (i).
[19] Item 40. 2) in the reclassified consolidated balance sheet.
[20] Source: Elaborations UBI on Bankit data and, for the month of June, on ECB statistics (private sector excluding bad loans and repos with central counterparties)

- **total[21] <u>gross</u> non-performing exposures amounted to €9,002.8 million, down 7.3%** (€713.9 million of which only approximately €157 million relating to the disposal of UBI Factor bad loan positions) **compared with 31st December 2018**.
  The disposal of bad loan lease receivables amounting to approximately €740 million gross that has already been announced, and is expected to be completed by the end of the year, would lead to a reduction in gross non-performing exposures of 15% compared with the end of 2018.

  The significant reduction recorded in gross non-performing exposures in the first half is due to the combined effect of a default rate that has been contracting year-on-year and a credit recovery rate which is again high (and is accelerating for bad loans):

  - the **default rate,** which measures the migration of **new inflows of gross loans from performing to non-performing status,** was 1% annualised in the first half of the year (1.67% in 1H 2018).

  - management of gross non-performing exposures gave an annualised **recovery rate**, which measures payments collected, of 8.3% in 1H 2019. The substantial increase in the <u>recovery rate for bad loans in the first half is relevant: it rose to 6.5% annualised</u> compared with 5.9% recorded in 1H 2018.

  The ratio of gross non-performing exposures therefore fell below 10%, ahead of forecasts to stand at <u>9.97%</u> and at <u>9.23%</u> on a pro-forma basis including the lease sector bad loan disposals already announced, compared with 10.42% recorded at the end of 2018.
  The significant reduction in the total non-performing exposures in the first half is not properly represented by the ratio, since the incidence is affected by the decrease in total gross loans.

  At the end of June 2019, <u>**coverage** for total non-performing exposures had grown</u> both in terms of stated coverage (to 40.99% compared with 39.09% in March 2019 and with 38.5% at the end of 2018), and also inclusive of write-offs (to 49.55% compared with 46.96% in March 2019 and to 46.01% at the end of 2018). The increase in coverage involved **all** categories of non-performing exposures as shown in the attached table. More specifically, **bad loans** recorded a significant increase in both stated coverage (to 51.76% from 49.13% in March 2019 and from 48.96% at the end of 2018) and also inclusive of write-offs (to 62.60% from 59.68% in March 2019 and from 59.14% at the end of 2018).

- **in <u>net</u> terms total non-performing exposures** fell to €5,312.2 million compared with €5,976 million in December 2018, a **decrease of 11.1% (€663.7 million)**. Net non-performing exposures as a percentage of total net loans fell to 6.17% (again conditioned by the decrease in net loans as the denominator) from 6.72% as at 31.12.2018.

  As a result of the decrease in total net non-performing loans, the **Texas ratio fell further to 71.9% from 78.6% in March 2019**, to record a continuous improvement compared with 85.3% in December 2018 and 101.4% in June 2018.

As at 30th June 2019, **direct banking funding** of the Group amounted to €94.8 billion, an increase compared with €92.6 billion as at 1.1.2019, as result of:

- growth in direct funding from ordinary customers (€76.6 billion compared with €76.2 million as at 1.1.2019). “Current accounts and sight deposits” grew to €66.9 billion (€65.9 billion at the beginning of 2019), notwithstanding growth at the same time in assets under management; maturities of bonds placed with captive customers were almost entirely replaced in the quarter with end of quarter totals of €6.9 billion (€7.2 billion at the beginning of 2019);

[21] See the tables attached.

- an increase in institutional funding (to €18.2 billion from €16.4 billion before), driven by four institutional issuances for a total of approx. €2 billion, which more than offset maturities for the period, increasing the total from €3.8 billion to €4.6 billion and by greater volumes of repurchase agreements with the CCG (*Cassa di Compensazione e Garanzia* – a central counterparty clearing house) amounting to over €1 billion.

Implementation of the funding plan continued in July 2019 with a €300 million Tier 2 issuance and with private placements of senior preferred bonds for €600 million.

Growth in indirect funding consolidated due to both an increase in the total and also following good market performance and at the end of June 2019 it amounted to €99.5 billion (+5% compared with the end of 2018).
Assets under management totalled €44.1 billion (+5.9% compared with €41.6 billion at the end of 2018), insurance products amounted to €26.1 billion (+5.9% compared with €24.7 billion at the end of 2018) and assets under custody amounted to €29.3 billion (+2.8% compared with €28.5 billion at the end of 2018).

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 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 **even net of the contribution from TLTRO2.**
Eligible assets to the Group as at 30th June 2019 totalled €34.7 billion (of which €19.5 billion available) already net of haircuts and inclusive of €9.7 billion of liquidity deposited with the ECB.

The Group's **financial assets**[22] grew to €17.9 billion at the end of June 2019 (€15.6 billion in December 2018) the result of continued diversification of investments within the framework of a wider re-composition, bringing the weight of Italian Govies to 54.5% (60.1% in January 2019) and that of other countries' sovereign bonds to 38.7% (33.1% in January 2019).

As at 30th June 2019, **equity** attributable to the shareholders of the Parent, inclusive of profit, amounted to €9,244,100 thousand, up compared with €9,163,288 thousand in December 2018, due primarily to the good result for the first half.

Again at the end of June 2019, the Group's **CET1 Ratio** was **12% fully loaded compared with 11.47% at the end of March 2019**. The improvement compared with March 2019 relates primarily to a fall in volumes of performing and non-performing loans, inclusive of the partial effect of recently announced disposal operations (a total of 18 bps); to an improvement in the impact of the fair value reserve on the securities portfolio following a reduction in the spread (13 bps); to the contribution of profit (with dividend accrual) and other net effects (6 bps); to calculations on operational risk, with a positive statistical effect due to the exclusion of prior-year losses relating to investments in hedge funds from the historical data series as a result of reaching 10 years of historical depth (16 bps).
As a reminder, 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 12.05% (11.52% in March 2019).
The **Total Capital Ratio** of the Group is 15.05% fully loaded (14.39% as at 31.3.2019) and 15.10% phased-in (14.43% as at 31.3.2019).

Finally, the Group's **leverage ratio** in June 2019 was 5.23% phased-in and 5.21% fully loaded.

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

As at 30th June 2019, **total staff** of the UBI Banca Group **numbered 20,242** compared with 20,394 at the end of December 2018.

Again as at the 30th June 2019, the domestic branch network was composed of **1,638 branches** (1,648 as at 31st December 2018), and was already smaller than the targets set for 2020 in the current Business Plan.

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

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

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Outlook

The second half of the year will be influenced by further accommodative interest rate policies recently announced by the Central European Bank. UBI will continue with its strategy of rigours discipline of loan pricing to safeguard overall margins.

The good performance by fee and commission income is expected to continue under current market conditions.

The strategy to diversify financial assets in the banking book is confirmed.

Costs will benefit, amongst other things, from the departure of approximately 300 staff which took place in implementation of the March 2019 trade union agreement, and also from continuous control over administrative costs.

The Group will continue to reduce its non-performing exposures by means of internal management of credit recovery, the key factor in its NPL strategy, and it will complete the disposals of UBI Leasing bad loan positions. Any further selective disposals will be considered only if they are efficient from a capital viewpoint, consistent with those recently concluded.

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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

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

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

The Mandatory Financial Statements have been prepared on the basis of Bank of Italy Circular No. 262/2005 of 22nd December 2005, 6th update, dated 30th November 2018. The latter 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 first quarter of 2019, the following is underlined on the basis of the provisions of IFRS 16:

- net interest income includes, within interest expense, interest accrued on financial liabilities for leases;
- net depreciation and impairment losses on property, plant and equipment includes depreciation of the right-of-use assets resulting from lease contracts;
- rentals relating to contracts falling within the scope of application of IFRS 16 are no longer recognised within "Other administrative expenses".

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

Methodological notes

On 22nd July 2019 an announcement was made of the disposal of bad loan factoring positions (€157 million gross) and of the sale of bad loan lease positions (€740 million gross) expected to be completed within year end. These are selective transactions of substantial amount relative to the size of the Group, with a significant impact on standard operating performance and financial indicators.
In order to facilitate understanding of the events and to allow a more linear comparison with the comparative periods, an adjusted version ("pro forma") of the main indicators has also been presented in the text of the press release.
In detail:

- Pro forma annualised loan losses ratio (i.e. pro forma cost of risk): *item 130. a) Net impairment losses for credit risk relating to financial assets measured at amortised cost: loans and advances to customers* has been annualised only for that part not relating to the transactions mentioned. The impairment losses associated with the disposals (€112.1 million in the first half of 2019, of which € 102.4 million in second quarter 2019) have been:
  - included without any annualisation to give 78 bps in 1H 2019 and 87 bps in 2Q 2019
  - excluded, sterilising all the impacts, to reach 65 bps in 1H 2019 and 75 bps in 2Q 2019.

  The denominator (total net loans to customers for the period) was considered for consistency.
  To complete the information we report that the non pro forma annualised loan loss ratio was 91 bps in 1H 2019 and 122 bps in 2Q 2019, but both of these values imply duplication of the parameters of the transactions, which is not very realistic objectively.

- the pro forma gross NPE ratio (9.23%): total gross non-performing exposures as a percentage of total gross loans has been adjusted to also include the announced disposal of the bad loan lease positions to be completed with full deconsolidation by the end of 2019. The ratio which does not yet incorporate the event stands at 9.97%.
- the pro forma Texas ratio (67.9%): calculated as total net non-performing exposures/((equity excluding profit and profit attributable to minority interests and dividends already approved by a shareholders' meeting) - total intangible assets). The net amount of bad loan lease positions has been excluded from the denominator. The non pro forma ratio stands at 71.9%.

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Reclassified financial statements have been prepared in order to allow a meaningful management accounting commentary on capital and operating figures, not subject to audit by the independent auditors, on the basis of the financial statements pursuant to the 6th 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 accordance with the ESMA/2015/1415 guidelines we report that, with a view to simplification of the presentation of the income statement, as of the half-year financial report, the line items "130. a) Financial assets measured at amortised cost: loans and advances to customers subject to disposal" and "130. b) Financial assets designated at fair value through other comprehensive income subject to disposal" (which included the reclassifications carried out between the items 100 and 130. a)/130. b) in compliance with the recommendations contained in the Bank of Italy addendum letter dated 30th October 2018) have been reclassified within items "130. a) Financial assets measured at amortised cost: loans and advances to customers" and "130. b) Financial assets designated at fair value through other comprehensive income".
The lines that have been eliminated had been introduced at time of the financial statements for the year ended 31st December 2018 in order to show more clearly the amounts reclassified (also with regard to the preceding quarterly reports) in compliance with the provisions of the addendum letter in question, now fully in use.

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.

UBI Banca Group: Reclassified consolidated balance sheet

	Figures in thousands of euro	30.6.2019 A	1.1.2019 B	Changes A-B	% changes A/B	30.6.2018 C	Changes A-C	% changes A/C
	ASSETS							
10.	Cash and cash equivalents	616,670	735,249	(118,579)	-16.1%	616,368	302	0.0%
20.	Financial assets measured at fair value through profit or loss	1,660,974	1,463,529	197,445	13.5%	1,488,445	172,529	11.6%
	1) Loans and advances to banks	*15,365*	*14,054*	*1,311*	*9.3%*	*14,796*	*569*	*3.8%*
	2) Loans and advances to customers	*268,043*	*274,262*	*(6,219)*	*-2.3%*	*313,580*	*(45,537)*	*-14.5%*
	3) Securities and derivatives	*1,377,566*	*1,175,213*	*202,353*	*17.2%*	*1,160,069*	*217,497*	*18.7%*
30.	Financial assets measured at fair value through other comprehensive income	11,618,770	10,726,179	892,591	8.3%	11,527,974	90,796	0.8%
	1) Loans and advances to banks	-	-	-	-	-	-	-
	2) Loans and advances to customers	-	*15*	*(15)*	*-100%*	-	-	-
	3) Securities	*11,618,770*	*10,726,164*	*892,606*	*8.3%*	*11,527,974*	*90,796*	*0.8%*
40.	Financial assets measured at amortised cost	103,356,416	102,798,587	557,829	0.5%	103,886,299	(529,883)	-0.5%
	1) Loans and advances to banks	*12,393,150*	*10,065,772*	*2,327,378*	*23.1%*	*9,513,708*	*2,879,442*	*30.3%*
	2) Loans and advances to customers	*86,074,151*	*88,987,596*	*(2,913,445)*	*-3.3%*	*91,342,643*	*(5,268,492)*	*-5.8%*
	3) Securities	*4,889,115*	*3,745,219*	*1,143,896*	*30.5%*	*3,029,948*	*1,859,167*	*61.4%*
50.	Hedging derivatives	22,452	44,084	(21,632)	-49.1%	59,804	(37,352)	-62.5%
60.	Fair value change in hedged financial assets (+/-)	541,946	97,429	444,517	n.s.	33,826	508,120	n.s.
70.	Equity investments	266,897	254,128	12,769	5.0%	240,509	26,388	11.0%
80.	Technical reserves of reinsurers	-	-	-	-	373	(373)	-100.0%
90.	Property, plant and equipment	2,506,708	2,394,858	111,850	4.7%	1,799,295		
100.	Intangible assets	1,720,771	1,729,727	(8,956)	-0.5%	1,711,908	8,863	0.5%
	of which: goodwill	*1,465,260*	*1,465,260*	-	*0.0%*	*1,465,260*	-	*0.0%*
110.	Tax assets	3,961,524	4,210,362	(248,838)	-5.9%	4,122,268	(160,744)	-3.9%
120.	Non-current assets and disposal groups held for sale	7,349	2,972	4,377	147.3%	1,384	5,965	n.s.
130.	Other assets	1,199,827	1,243,320	(43,493)	-3.5%	1,415,721		
	Total assets	**127,480,304**	**125,700,424**	**1,779,880**	**1.4%**	**126,904,174**		
	LIABILITIES AND EQUITY							
10.	Financial liabilities measured at amortised cost	111,840,625	109,839,891	2,000,734	1.8%	111,617,355		
	a) Due to banks	*17,053,172*	*17,234,579*	*(181,407)*	*-1.1%*	*16,607,300*	*445,872*	*2.7%*
	b) Due to customers	*70,840,373*	*68,815,614*	*2,024,759*	*2.9%*	*70,582,753*		
	c) Debt securities issued	*23,947,080*	*23,789,698*	*157,382*	*0.7%*	*24,427,302*	*(480,222)*	*-2.0%*
20.	Financial liabilities held for trading	571,499	410,977	160,522	39.1%	386,959	184,540	47.7%
30.	Financial liabilities designated at fair value	149,871	105,836	44,035	41.6%	75,488	74,383	98.5%
40.	Hedging derivatives	230,655	110,801	119,854	108.2%	102,961	127,694	124.0%
50.	Fair value change in hedged financial liabilities (+/-)	188,275	74,297	113,978	153.4%	54,008	134,267	n.s.
60.	Tax liabilities	140,145	162,272	(22,127)	-13.6%	208,390	(68,245)	-32.7%
80.	Other liabilities	2,290,570	3,092,941	(802,371)	-25.9%	2,654,081	(363,511)	-13.7%
90.	Provision for post-employment benefits	299,460	306,697	(7,237)	-2.4%	328,484	(29,024)	-8.8%
100.	Provisions for risks and charges:	415,665	505,191	(89,526)	-17.7%	565,147	(149,482)	-26.5%
	a) commitments and guarantees granted	*51,951*	*64,410*	*(12,459)*	*-19.3%*	*73,964*	*(22,013)*	*-29.8%*
	b) pension and similar obligations	*87,892*	*91,932*	*(4,040)*	*-4.4%*	*130,215*	*(42,323)*	*-32.5%*
	c) other provisions for risks and charges	*275,822*	*348,849*	*(73,027)*	*-20.9%*	*360,968*	*(85,146)*	*-23.6%*
110.	Technical reserves	2,070,095	1,877,449	192,646	10.3%	1,879,072	191,023	10.2%
120.+150.+160. +170.+180	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,113,181	8,737,680	375,501	4.3%	8,756,026	357,155	4.1%
190.	Minority interests (+/-)	39,344	50,784	(11,440)	-22.5%	67,336	(27,992)	-41.6%
200.	Profit (loss) for the period/year (+/-)	130,919	425,608	(294,689)	-69.2%	208,867	(77,948)	-37.3%
	Total liabilities and equity	**127,480,304**	**125,700,424**	**1,779,880**	**1.4%**	**126,904,174**		

UBI Banca Group: Reclassified consolidated income statement

Figures in thousands of euro		1H 2019 (IFRS 16) A	1H 2018 B	Changes A-B	% changes A/B	2nd Quarter 2019 (IFRS 16) C	2nd Quarter 2018 D	Changes C-D	% changes C/D	FY 2018 E
10.-20.-140.	Net interest income	886,213	896,416	(10,203)	(1.1%)	440,616	458,605	(17,989)	(3.9%)	1,790,231
	of which: TLTRO II	*24,893*	*25,247*	*(354)*	*(1.4%)*	*12,502*	*12,693*	*(191)*	*(1.5%)*	*50,788*
	of which: IFRS 9 credit components	*66,657*	*61,206*	*5,451*	*8.9%*	*35,498*	*35,543*	*(45)*	*(0.1%)*	*121,985*
	of which: IFRS 9 contractual modifications without derecognition components	*(10,437)*	*(22,072)*	*(11,635)*	*(52.7%)*	*(5,281)*	*(13,412)*	*(8,131)*	*(60.6%)*	*(37,383)*
70.	Dividends and similar income	7,210	8,369	(1,159)	(13.8%)	2,040	3,232	(1,192)	(36.9%)	22,931
	Profits (losses) of equity-accounted investees	19,421	9,013	10,408	115.5%	13,106	1,752	11,354	n.s.	24,602
40.-50.	Net fee and commission income	812,934	807,968	4,966	0.6%	411,998	400,630	11,368	2.8%	1,579,060
	of which performance fees	*7,153*	*8,489*	*(1,336)*	*(15.7%)*	*4,171*	*6,745*	*(2,574)*	*(38.2%)*	*13,889*
80.+90. +100.+110.	Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	55,084	56,105	(1,021)	(1.8%)	17,649	22,123	(4,474)	(20.2%)	(5,404)
160.+170.	Net income from insurance operations	7,436	11,003	(3,567)	(32.4%)	3,934	5,548	(1,614)	(29.1%)	17,034
230.	Other net operating income/expense	40,737	51,761	(11,024)	(21.3%)	19,075	23,394	(4,319)	(18.5%)	90,889
	Operating income	**1,829,035**	**1,840,635**	**(11,600)**	**(0.6%)**	**908,418**	**915,284**	**(6,866)**	**(0.8%)**	**3,519,343**
190. a)	Staff costs	(720,427)	(749,859)	(29,432)	(3.9%)	(355,993)	(374,325)	(18,332)	(4.9%)	(1,490,626)
190. b)	Other administrative expenses	(361,192)	(392,557)	(31,365)	(8.0%)	(175,161)	(186,643)	(11,482)	(6.2%)	(789,994)
210.+220.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(110,569)	(82,001)	28,568	34.8%	(56,275)	(40,384)	15,891	39.3%	(167,575)
	Operating expenses	**(1,192,188)**	**(1,224,417)**	**(32,229)**	**(2.6%)**	**(587,429)**	**(601,352)**	**(13,923)**	**(2.3%)**	**(2,448,195)**
	Net operating income	**636,847**	**616,218**	**20,629**	**3.3%**	**320,989**	**313,932**	**7,057**	**2.2%**	**1,071,148**
130.	Net impairment losses for credit risk relating to:	(393,378)	(270,473)	122,905	45.4%	(263,375)	(146,128)	117,247	80.2%	(638,277)
130. a)	- financial assets measured at amortised cost: loans and advances to banks	724	(1,460)	2,184	n.s.	773	265	508	191.7%	2,867
130. a)	- financial assets measured at amortised cost: loans and advances to customers	(391,584)	(261,624)	129,960	49.7%	(263,016)	(143,684)	119,332	83.1%	(642,786)
130. a)	- financial assets measured at amortised cost: securities	(764)	(104)	660	n.s.	(277)	15	(292)	n.s.	916
130. b)	- financial assets measured at fair value through other comprehensive income	(1,754)	(7,285)	(5,531)	(75.9%)	(855)	(2,724)	(1,869)	(68.6%)	726
200. a)	Net provisions for risks and charges - commitments and guarantees granted	1,943	14,540	(12,597)	(86.6%)	2,505	3,477	(972)	(28.0%)	23,923
200. b)	Net provisions for risks and charges - other net provisions	(2,229)	(17,113)	(14,884)	(87.0%)	1,238	(15,700)	16,938	n.s.	(4,491)
250.+280.	Profits (losses) from the disposal of equity investments	4,188	963	3,225	n.s.	3,915	170	3,745	n.s.	5,344
290.	**Profit (loss) before tax from continuing operations**	**247,371**	**344,135**	**(96,764)**	**(28.1%)**	**65,272**	**155,751**	**(90,479)**	**(58.1%)**	**457,647**
300.	Taxes on income for the period from continuing operations	(60,035)	(116,908)	(56,873)	(48.6%)	(9,232)	(55,557)	(46,325)	(83.4%)	38,754
340.	(Profit) loss for the period attributable to minority interests	(13,701)	(13,803)	(102)	(0.7%)	(7,286)	(7,794)	(508)	(6.5%)	(25,982)
	Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan and other impacts	**173,635**	**213,424**	**(39,789)**	**(18.6%)**	**48,754**	**92,400**	**(43,646)**	**(47.2%)**	**470,419**
190. a)	Redundancy expenses net of taxes and minority interests	(42,583)	-	(42,583)	-	2	(164)	166	n.s.	(36,983)
190. b)	Business Plan project expenses net of taxes and minority interests	(133)	(4,557)	(4,424)	(97.1%)	(45)	(1,029)	(984)	(95.6%)	(4,930)
210.	Impairment losses on property, plant and equipment net of taxes and minority interests	-	-	-	-	-	-	-	-	(2,898)
350.	**Profit (loss) for the period attributable to the shareholders of the Parent**	**130,919**	**208,867**	**(77,948)**	**(37.3%)**	**48,711**	**91,207**	**(42,496)**	**(46.6%)**	**425,608**

UBI Banca Group: Reclassified consolidated quarterly income statements

Figures in thousands of euro		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	440,616	445,597	441,066	452,749	458,605	437,811
	of which: TLTRO II	*12,502*	*12,391*	*12,750*	*12,791*	*12,693*	*12,554*
	of which: IFRS 9 credit components	*35,498*	*31,159*	*29,961*	*30,818*	*35,543*	*25,663*
	of which: IFRS 9 contractual modifications without derecognition components	*(5,281)*	*(5,156)*	*(6,961)*	*(8,350)*	*(13,412)*	*(8,660)*
70.	Dividends and similar income	2,040	5,170	14,417	145	3,232	5,137
	Profits (losses) of equity-accounted investees	13,106	6,315	10,460	5,129	1,752	7,261
40.-50.	Net fee and commission income	411,998	400,936	390,578	380,514	400,630	407,338
	of which performance fees	*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	17,649	37,435	(6,770)	(54,739)	22,123	33,982
160.+170.	Net income from insurance operations	3,934	3,502	2,000	4,031	5,548	5,455
230.	Other net operating income/expense	19,075	21,662	14,199	24,929	23,394	28,367
	Operating income	**908,418**	**920,617**	**865,950**	**812,758**	**915,284**	**925,351**
190. a)	Staff costs	(355,993)	(364,434)	(372,896)	(367,871)	(374,325)	(375,534)
190. b)	Other administrative expenses	(175,161)	(186,031)	(198,738)	(198,699)	(186,643)	(205,914)
210.+220.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(56,275)	(54,294)	(44,612)	(40,962)	(40,384)	(41,617)
	Operating expenses	**(587,429)**	**(604,759)**	**(616,246)**	**(607,532)**	**(601,352)**	**(623,065)**
	Net operating income	**320,989**	**315,858**	**249,704**	**205,226**	**313,932**	**302,286**
130.	Net impairment losses for credit risk relating to:	(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	773	(49)	4,110	217	265	(1,725)
130. a)	- financial assets measured at amortised cost: loans and advances to customers	(263,016)	(128,568)	(253,481)	(127,681)	(143,684)	(117,940)
130. a)	- financial assets measured at amortised cost: securities	(277)	(487)	1,622	(602)	15	(119)
130. b)	- financial assets measured at fair value through other comprehensive income	(855)	(899)	8,611	(600)	(2,724)	(4,561)
200. a)	Net provisions for risks and charges - commitments and guarantees granted	2,505	(562)	12,322	(2,939)	3,477	11,063
200. b)	Net provisions for risks and charges - other net provisions	1,238	(3,467)	14,767	(2,145)	(15,700)	(1,413)
250.+280.	Profits (losses) from the disposal of equity investments	3,915	273	4,083	298	170	793
290.	**Profit (loss) before tax from continuing operations**	**65,272**	**182,099**	**41,738**	**71,774**	**155,751**	**188,384**
300.	Taxes on income for the period from continuing operations	(9,232)	(50,803)	181,828	(26,166)	(55,557)	(61,351)
340.	(Profit) loss for the period attributable to minority interests	(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	**48,754**	**124,881**	**218,489**	**38,506**	**92,400**	**121,024**
190. a)	Redundancy expenses net of taxes and minority interests	2	(42,585)	(103)	(36,880)	(164)	164
190. b)	Business Plan project expenses net of taxes and minority interests	(45)	(88)	(351)	(22)	(1,029)	(3,528)
210.	Impairment losses on property, plant and equipment net of taxes and minority interests	-	-	(2,898)	-	-	-
350.	**Profit (loss) for the period attributable to the shareholders of the Parent**	**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	1H 2019	2017-2020 Business Plan		Other items		1H 2019	1H 2018	2017-2020 Business Plan			1H 2018
		Redundancy expenses	Business Plan project expenses	Extraordinary contribution to the Resolution Fund	Disposal of equity and other investments	*net of non-recurring items*		Redundancy expenses	Business Plan project expenses	Extraordinary contribution to the Resolution Fund	*net of non-recurring items*
Net interest income	886,213					886,213	896,416				896,416
of which: TLTRO II	*24,893*					*24,893*	*25,247*				*25,247*
of which: IFRS 9 credit components	*66,657*					*66,657*	*61,206*				*61,206*
of which: IFRS 9 contractual modifications without derecognition components	*(10,437)*					*(10,437)*	*(22,072)*				*(22,072)*
Dividends and similar income	7,210					7,210	8,369				8,369
Profits (losses) of equity-accounted investees	19,421					19,421	9,013				9,013
Net fee and commission income	812,934					812,934	807,968				807,968
of which: performance fees	*7,153*					*7,153*	*8,489*				*8,489*
Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities measured at fair value through profit or loss	55,084					55,084	56,105				56,105
Net income from insurance operations	7,436					7,436	11,003				11,003
Other net operating income/expense	40,737					40,737	51,761				51,761
Operating income	**1,829,035**	-	**-**	**-**	**-**	**1,829,035**	**1,840,635**	**-**	**-**	**-**	**1,840,635**
Staff costs	(720,427)					(720,427)	(749,859)				(749,859)
Other administrative expenses	(361,192)			18,086		(343,106)	(392,557)			12,885	(379,672)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(110,569)				586	(109,983)	(82,001)				(82,001)
Operating expenses	**(1,192,188)**	-	**-**	**18,086**	**586**	**(1,173,516)**	**(1,224,417)**	**-**	**-**	**12,885**	**(1,211,532)**
Net operating income	**636,847**	-	**-**	**18,086**	**586**	**655,519**	**616,218**	**-**	**-**	**12,885**	**629,103**
Net impairment losses for credit risk relating to:	(393,378)					(393,378)	(270,473)				(270,473)
- financial assets measured at amortised cost: loans and advances to banks	724					724	(1,460)				(1,460)
- financial assets measured at amortised cost: loans and advances to customers	(391,584)					(391,584)	(261,624)				(261,624)
- financial assets measured at amortised cost: securities	(764)					(764)	(104)				(104)
- financial assets measured at fair value through other comprehensive income	(1,754)					(1,754)	(7,285)				(7,285)
Net provisions for risks and charges - commitments and guarantees granted	1,943					1,943	14,540				14,540
Net provisions for risks and charges - other net provisions	(2,229)					(2,229)	(17,113)				(17,113)
Profits (losses) from the disposal of equity investments	4,188				(4,188)	-	963				963
Profit (loss) before tax from continuing operations	**247,371**	-	**-**	**18,086**	**(3,602)**	**261,855**	**344,135**	**-**	**-**	**12,885**	**357,020**
Taxes on income for the period from continuing operations	(60,035)			(5,880)	1,127	(64,788)	(116,908)			(4,189)	(121,097)
(Profit) loss for the period attributable to minority interests	(13,701)					(13,701)	(13,803)				(13,803)
Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan and other impacts	**173,635**	**-**	**-**	**12,206**	**(2,475)**	183,366	**213,424**	**-**	**-**	**8,696**	**222,120**
Redundancy expenses net of taxes and minority interests	(42,583)	42,583				-	-	-			-
Business Plan project expenses net of taxes and minority interests	(133)		133			-	(4,557)		4,557		-
Profit (loss) for the period attributable to the shareholders of the Parent	**130,919**	**42,583**	**133**	**12,206**	**(2,475)**	**183,366**	**208,867**	**-**	**4,557**	**8,696**	**222,120**

UBI Banca Group: Consolidated balance sheet - mandatory statement -

Figures in thousands of euro		30.6.2019	31.12.2018	30.6.2018
	ASSETS			
10.	Cash and cash equivalents	616,670	735,249	616,368
20.	Financial assets measured at fair value through profit or loss	1,660,974	1,463,529	1,488,445
	a) financial assets held for trading	528,103	405,716	453,209
	b) financial assets designated at fair value	10,054	11,028	10,085
	c) other financial assets mandatorily measured at fair value	1,122,817	1,046,785	1,025,151
30.	Financial assets measured at fair value through other comprehensive income	11,618,770	10,726,179	11,527,974
40.	Financial assets measured at amortised cost	103,356,416	102,798,587	103,886,299
	a) loans and advances to banks	12,544,061	10,065,881	9,513,921
	b) loans and advances to customers	90,812,355	92,732,706	94,372,378
50.	Hedging derivatives	22,452	44,084	59,804
60.	Fair value change in hedged financial assets (+/-)	541,946	97,429	33,826
70.	Equity investments	266,897	254,128	240,509
80.	Technical reserves of reinsurers	-	-	373
90.	Property, plant and equipment	2,506,708	1,965,234	1,799,295
100.	Intangible assets	1,720,771	1,729,727	1,711,908
	of which: goodwill	*1,465,260*	*1,465,260*	*1,465,260*
110.	Tax assets	3,961,524	4,210,362	4,122,268
	a) current	1,223,708	1,376,567	1,455,973
	b) deferred	2,737,816	2,833,795	2,666,295
	- of which pursuant to Law No. 214/2011	*1,793,775*	*1,804,988*	*1,795,497*
120.	Non-current assets and disposal groups held for sale	7,349	2,972	1,384
130.	Other assets	1,199,827	1,278,717	1,415,721
	Total assets	**127,480,304**	**125,306,197**	**126,904,174**
	LIABILITIES AND EQUITY			
10.	financial liabilities measured at amortised cost	111,840,625	109,445,664	111,617,355
	a) due to banks	17,053,172	17,234,579	16,607,300
	b) due to customers	70,840,373	68,421,387	70,582,753
	c) debt securities issued	23,947,080	23,789,698	24,427,302
20.	Financial liabilities held for trading	571,499	410,977	386,959
30.	Financial liabilities designated at fair value	149,871	105,836	75,488
40.	Hedging derivatives	230,655	110,801	102,961
50.	Fair value change in hedged financial liabilities (+/-)	188,275	74,297	54,008
60.	Tax liabilities	140,145	162,272	208,390
	a) current	34,958	30,287	54,853
	b) deferred	105,187	131,985	153,537
80.	Other liabilities	2,290,570	3,092,941	2,654,081
90.	Provision for post-employment benefits	299,460	306,697	328,484
100.	Provisions for risks and charges:	415,665	505,191	565,147
	a) commitments and guarantees granted	51,951	64,410	73,964
	b) pension and similar obligations	87,892	91,932	130,215
	c) other provisions for risks and charges	275,822	348,849	360,968
110.	Technical reserves	2,070,095	1,877,449	1,879,072
120.	Valuation reserves	(202,880)	(298,616)	(285,315)
150.	Reserves	3,206,795	2,923,589	2,921,489
160.	Share premiums	3,294,604	3,294,604	3,294,604
170.	Share capital	2,843,177	2,843,177	2,843,177
180.	Treasury shares (-)	(28,515)	(25,074)	(17,929)
190.	Minority interests (+/-)	39,344	50,784	67,336
200.	Profit (loss) for the period/year (+/-)	130,919	425,608	208,867
	Total liabilities and equity	**127,480,304**	**125,306,197**	**126,904,174**

UBI Banca Group: consolidated income statement - mandatory statement -

	Figures in thousands of euro	1H 2019	1H 2018	FY 2018
10.	Interest and similar income	1,104,669	1,118,476	2,220,104
	- of which: interest income calculated with the effective interest method	1,001,942	1,027,618	2,028,730
20.	Interest and similar expense	(182,054)	(180,342)	(346,819)
30.	**Net interest income**	**922,615**	**938,134**	**1,873,285**
40.	Fee and commission income	925,790	909,892	1,779,150
50.	Fee and commission expense	(111,228)	(101,082)	(198,233)
60	**Net fee and commission income**	**814,562**	**808,810**	**1,580,917**
70.	Dividends and similar income	7,472	9,811	24,779
80.	Net trading income (loss)	871	34,180	54,866
90.	Net hedging income (loss)	(8,036)	(4,227)	(10,325)
100.	Income (losses) from disposal or repurchase of:	23,290	40,186	(12,752)
	a) financial assets measured at amortised cost	(4,220)	(14,867)	(76,657)
	b) financial assets measured at fair value through other comprehensive income	28,865	59,179	69,477
	c) financial liabilities	(1,355)	(4,126)	(5,572)
110.	Net income (loss) from other financial assets and liabilities measured at fair value through profit or loss	42,811	(15,308)	(27,974)
	a) financial assets and liabilities designated at fair value	292	(531)	893
	b) other financial assets mandatorily measured at fair value	42,519	(14,777)	(28,867)
120.	**Gross income**	**1,803,585**	**1,811,586**	**3,482,796**
130.	Net impairment losses for credit risk relating to:	(393,378)	(266,340)	(638,277)
	a) financial assets measured at amortised cost	(391,624)	(259,730)	(639,003)
	b) financial assets measured at fair value through other comprehensive income	(1,754)	(6,610)	726
140.	Profits (losses) from contractual modifications without derecognition	(10,437)	(22,072)	(37,383)
150.	**Financial income**	**1,399,770**	**1,523,174**	**2,807,136**
160.	Net insurance premiums	159,533	257,661	373,776
170.	Other income/expenses of insurance operations	(173,285)	(261,533)	(396,096)
180.	**Net income from banking and insurance operations**	**1,386,018**	**1,519,302**	**2,784,816**
190.	Administrative expenses	(1,258,548)	(1,268,525)	(2,570,557)
	a) staff costs	(784,110)	(749,859)	(1,545,909)
	b) other administrative expenses	(474,438)	(518,666)	(1,024,648)
200.	Net provisions for risks and charges	(286)	(2,573)	19,432
	a) commitments and guarantees granted	1,943	14,540	23,923
	b) other net provisions	(2,229)	(17,113)	(4,491)
210.	Depreciation and net impairment losses on property, plant and equipment	(73,286)	(42,072)	(90,868)
220.	Amortisation and net impairment losses on intangible assets	(37,218)	(37,866)	(75,579)
230.	Other net operating income/expense	143,197	159,044	293,471
240.	**Operating expenses**	**(1,226,141)**	**(1,191,992)**	**(2,424,101)**
250.	Profits (losses) of equity investments	19,421	9,013	24,602
280.	Profit (loss) from disposal of investments	4,188	963	5,344
290.	**Profit (loss) before tax on continuing operations**	**183,486**	**337,286**	**390,661**
300.	Taxes on income for the year for continuing operations	(38,909)	(114,681)	60,841
310.	**Profit (loss) after tax from continuing operations**	**144,577**	**222,605**	**451,502**
330.	**Profit (loss) for the period**	**144,577**	**222,605**	**451,502**
340.	(Profit) loss for the period attributable to minority interests	(13,658)	(13,738)	(25,894)
350.	**Profit (loss) for the period attributable to the shareholders of the Parent**	**130,919**	**208,867**	**425,608**

UBI Banca Group: Loan tables

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

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage ratio excluding write-offs	Coverage ratio including write-offs
Non-performing exposures (Stage three)	**(9.97%)**	**9,002,822**	**3,690,587**	**(6.17%)**	**5,312,235**	**40.99%**	**49.55%**
- Bad loans	(5.70%)	5,146,645	2,663,714	(2.88%)	2,482,931	51.76%	62.60%
- Unlikely-to-pay loans	(4.20%)	3,794,244	1,020,242	(3.22%)	2,774,002	26.89%	27.53%
- Past-due loans	(0.07%)	61,933	6,631	(0.06%)	55,302	10.71%	
Performing exposures (Stages one and two)	**(90.03%)**	**81,282,373**	**520,457**	**(93.83%)**	**80,761,916**	**0.64%**	
Total		**90,285,195**	**4,211,044**		**86,074,151**	**4.66%**	

Loans and advances to customers measured at amortised cost as at 31st March 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)	**(10.36%)**	**9,458,410**	**3,697,678**	**(6.61%)**	**5,760,732**	**39.09%**	**46.96%**
- Bad loans	(5.87%)	5,358,071	2,632,265	(3.13%)	2,725,806	49.13%	59.68%
- Unlikely-to-pay loans	(4.42%)	4,039,595	1,059,103	(3.42%)	2,980,492	26.22%	
- Past-due loans	(0.07%)	60,744	6,310	(0.06%)	54,434	10.39%	
Performing exposures (Stages one and two)	**(89.64%)**	**81,876,631**	**541,835**	**(93.39%)**	**81,334,796**	**0.66%**	
Total		**91,335,041**	**4,239,513**		**87,095,528**	**4.64%**	

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 loans	(0.08%)	70,979	7,205	(0.08%)	63,774	10.15%	
Performing exposures (Stages one and two)	**(89.58%)**	**83,562,023**	**550,391**	**(93.28%)**	**83,011,632**	**0.66%**	
Total		**93,278,793**	**4,291,197**		**88,987,596**	**4.60%**	

Loans and advances to customers measured at amortised cost as at 30th June 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)	**(12.41%)**	**12,008,425**	**4,865,777**	**(7.82%)**	**7,142,648**	**40.52%**	**50.53%**
- Bad loans	(7.43%)	7,192,530	3,719,025	(3.80%)	3,473,505	51.71%	63.90%
- Unlikely-to-pay loans	(4.83%)	4,676,478	1,132,267	(3.88%)	3,544,211	24.21%	
- Past-due loans	(0.14%)	139,417	14,485	(0.14%)	124,932	10.39%	
Performing exposures (Stages one and two)	**(87.59%)**	**84,748,042**	**548,047**	**(92.18%)**	**84,199,995**	**0.65%**	
Total		**96,756,467**	**5,413,824**		**91,342,643**	**5.60%**	