

# The UBI Banca Group Consolidated Results as at 30<sup>th</sup> June 2017

*4<sup>th</sup> August 2017*

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### Methodology

*The "notes on the reclassified financial statements" contained in the periodic financial reports of the Group may be consulted for a fuller comprehension of the rules followed in preparing the reclassified financial statements.*

# Methodology

- First set of results since the acquisition of *Nuova Carichiati*, *Nuova Banca Etruria*, *Nuova Banca Marche* (the **“Three Banks acquired”** on 10<sup>th</sup> May 2017), whose economic results are consolidated with effect from 1<sup>st</sup> April 2017. In the present document, data are provided with a breakdown that takes into consideration the previous UBI Banca stand alone perimeter and the Three Banks acquired as an aggregate



Economic figures for the new perimeter include only the 2Q17 data of the Three Banks acquired. Balance sheet figures as at 30 June 2017 are compared with figures as at 31 December 2016, shown as the aggregate of UBI Banca stand alone and Three Banks acquired.

- The results for the first half of 2017 include the impact of the **allocation of badwill\*** which amounted to €995 million as at 31st March 2017.

*That allocation, which results from the restatement at fair value of the assets and liabilities acquired as at the first consolidation date, led to the write-down mainly of non-performing loans, through the increase in provisions by €560 million gross (€375.3 million net of deferred tax assets), while the value of medium to long-term performing loans was in line with the stated value. Much smaller write-downs were recognised on medium to long-term funding, on software and on contracts relating to real estate property funds, while slightly positive values were found for assets under management.*

*Following that allocation, the quota remaining relating to the “bargain purchase” recognised through profit and loss in the second quarter of the year came to **€612.9 million**.*

*The adjustments carried out on balance sheet items following the purchase price allocation process have already given rise in the second quarter to both **positive and negative reversals for a net amount of +€13.8 million**.*

\* IFRS 3 (R) allows final allocation of badwill to be carried out within 12 months of the acquisition

## Executive Summary (1/2)

- The solidity of the enlarged Group (UBI Banca + 3 Acquired Banks) is confirmed by high levels for capital and structural ratios:
  - ✓ Consolidated CET1 ratio:
    - fully loaded of 11.32%** (11.29% as at 31st March 2017 for UBI Stand-Alone)\*
    - phased-in of 11.42%** (11.44% as at 31st March 2017 for UBI Stand-Alone)\*
  - ✓ **LCR and NSFR > 100%**
  - ✓ **Leverage ratio of 5.66%** (5.61% fully loaded)
- Balance sheet figures (UBI Banca + 3 Acquired Banks) show growth in performing loans and a decrease in non-performing loans, which confirm the high quality of the Group's loans, and a further increase in indirect funding and in total funding

Key figures as at June '17 (compared to December '16):

- ✓ **Performing loans of €85.8 billion (+1.5%)** of which **UBI Stand-Alone** of €75.2 billion (+2.2%)
- ✓ **Net non-performing loans of €8.4 billion\*\* (-8.7%)** of which **UBI Stand-Alone** of €7.7 billion (-4.9%)
- ✓ An overall annualised **loan loss rate of 64** basis points
- ✓ **Coverage** for non-performing loans up to **48.8%** including write-offs (40.2% excluding write-offs). They were, respectively, 44.6% and 35.6% at the end of 2016
- ✓ **Texas ratio of 103.6%** (it was 110.3% for UBI Stand Alone as at 31 March 2017)
- ✓ **Indirect funding of €95.8 billion (+6.7%)**, an increase both for UBI Stand-Alone (+7.1%) and for the 3 Acquired Banks (+2.6%)
- ✓ **Total funding** from ordinary Group customers (direct and indirect) of **€179.4 billion (+1.9%)**. In particular, in UBI Stand Alone, total funding grew by **3%**

\* As a reminder, the 3 Acquired banks are included under the standardised model

\*\* For comparison purposes, the 2016 figure is shown net of Non performing exposures sold before the closing of the transaction, to REV and to the Atlante Fund, for a total of 2,485 million net

## Executive Summary (2/2)

- The first half results for UBI Banca + 3 Acquired Banks evidence improvement compared to Business Plan expectations:

- ✓ **Stated profit of €696.1 million** inclusive of badwill<sup>\*\*\*</sup>, of which:
  - **UBI Stand-Alone profit of €110.9 million** euro (compared with a loss of €787\* million in 1H16)
  - Result of the 3 Acquired Banks to -€27.7 million (net of the reversal of the purchase price allocation of +€13.8 million)
- ✓ **Profit net of non-recurring items of €130 million<sup>\*\*\*\*</sup>**, of which:
  - **UBI Stand-Alone profit of €155.4 million** (-€537.9 in 1H2016)
  - result of the 3 Acquired Banks to -€25.4 million (net of the reversal of the purchase price allocation of +€13.8 million)

- 2Q17 results for UBI Banca + 3 Acquired Banks:

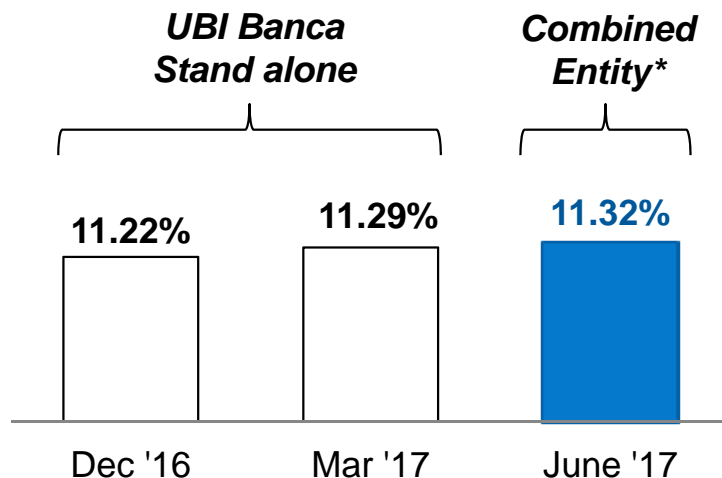
- ✓ **Stated profit of €629 million** of which:
  - **UBI Stand-Alone profit of €43.8 million euro**
  - Result of the 3 Acquired Banks to -€27.7 million (net of the reversal of the purchase price allocation of +€13.8 million)
- ✓ **Profit net of non-recurring items of 43.7€ million**, of which:
  - UBI Stand-Alone profit of €69.1 million (-€580.4 in 2Q16)
  - result of the 3 Acquired Banks to -€25.4 million (net of the reversal of the purchase price allocation of +€13.8 million)

<sup>\*\*\*</sup> Following the allocation of badwill, which is still provisional, the portion of the “bargain purchase” recognised through profit and loss stands at €612.9 million net. The quarter also benefited from a reversal of badwill amounting to €13.7 million net.

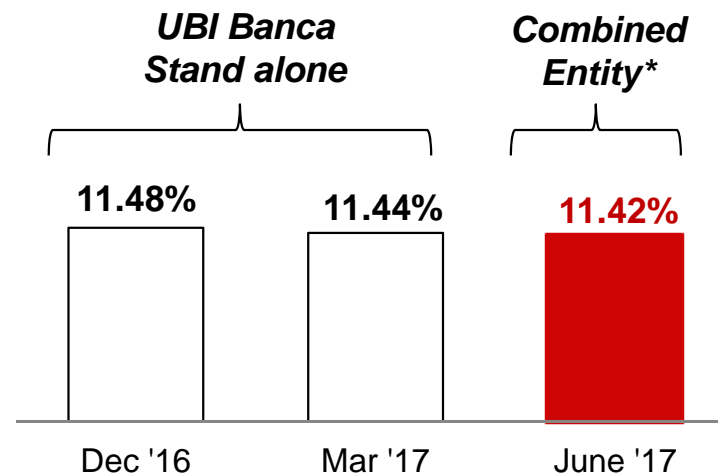
<sup>\*\*\*\*</sup> The main non-recurring items, net of taxes and non-controlling interests are as follows: a profit of €37.4 million on the disposal of held-to-maturity securities; costs of €11.1 million incurred for the project to integrate the three acquired banks; costs of €6.1 million incurred for the Single Bank Project; write-down of the contribution to the Atlante Fund amounting to €64.7 million; badwill of €612.5 million.

# CET1 ratio: 11.32% fully loaded and 11.42% phased in, notwithstanding the inclusion of Three Banks acquired under standardised model

## CET 1 fully loaded



## CET 1 phased in



### Key impacts for both CET 1 fully loaded and phased in ratios

#### THREE BANKS ACQUIRED

- **RWAs** arising from the 3 banks acquired (+8.4 bln/€ on credit risk under standardised model) implied a **negative effect** of ~145 bps. Operating risk, market risk and CVA weight for ~18 bps...  
...altogether more than compensated by...
- ...approx. 165 bps generated by **badwill accounting** (~613 mln/€) and **share capital increase** (~397 mln/€)\*\*

#### UBI BANCA STAND ALONE

- **RWAs for credit risk** increased by nearly 1.5 bln/€, mainly due to the **upward evolution of loan volumes**
  - **Positive relief** from:
    - ✓ **RWAs for market and oper. risks**
    - ✓ **AFS reserve**
    - ✓ **sale of hedge funds** and
    - ✓ **lower shortfall**
- (The latest factors slightly more supportive for CET fully loaded than for CET1 phased in)

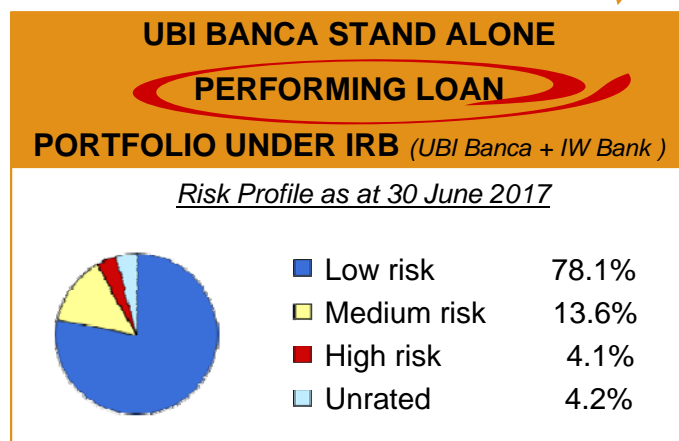
\* Combined Entity = New UBI Banca Group composed by UBI stand alone + 3 banks acquired (Nuova Banca Marche, Nuova Banca dell'Etruria e del Lazio, Nuova Carichieti)

\*\* New # of ordinary shares: 1,144,244,506 (no par value); Share Capital: euro 2,843,075,560.24

# In June '17 total loan book at 94.2 bln/€, 91% consisting of performing loans.

- **UBI Banca Stand Alone:** performing loans grow (+2.2% in the latest 6 months, o/w +3.7% in m/l term)
- **3 Banks acquired:** performing loans customers down to 10.3 bln/€ from 10.7 bln/€ in Dec '16

Amounts in bln€	UBI Banca Stand alone			Three Banks acquired			Combined Entity		
	Dec '16	June '17	% change	Dec '16	June '17	% change	Dec '16	June '17	% change
<b>TOTAL NET LOAN BOOK</b>	81.9	83.2	1.6%	11.9	11.0	-7.3%	93.8*	94.2	0.5%
<b>NET <u>PERFORMING</u> EXPOSURES</b>	73.8	75.4	2.2%	10.7	10.3	-3.5%	84.5	85.8	1.5%
o/w repos and other with CCG	0.3	0.3	7.1%	-	-	n.s.	0.3	0.3	7.1%
<b>o/w other Net Performing Exposures</b>	73.5	75.2	2.2%	10.7	10.3	-3.5%	84.2	85.5	1.5%
o/w Medium-Long term	55.7	57.8	3.7%	8.6	8.2	-5.0%	64.3	66.0	2.5%
o/w Short term	17.8	17.4	-2.5%	2.1	2.1	2.6%	19.9	19.5	-1.9%
<b>NET <u>NPEs</u></b>	8.1	7.7	-3.9%	1.2	0.7	-40.9%	9.3	8.5	-8.7%
				o/w badwill allocation	(0.5)		o/w badwill allocation	(0.5)	



**FOCUS ON 3 BANKS ACQUIRED NPEs**

Amounts in bln€	Dec '16	June '17
Bad Loans	0.1	0.1
Unlikely to pay	0.9	0.5
Past due	0.2	0.1
<b>Total NPEs</b>	<b>1.2</b>	<b>0.7</b>

Both Dec '16 and June '17 NPEs figures are exposed after the disposal to Atlante fund of 0.7 bln/€ net NPEs (2.2 bln/€ gross)

\* 3 Banks acquired: 11.9 bln/€ net loan book in Dec '16.

When compared to 12.4 bln/€ (shown in the Update to the 2019-2020 Business Plan presentation of 11 May 2017, slide # 27), please consider it has been netted by 0.6 bln/€ bad loans sold to REV (1.8 bln/€ gross)



# Total Funding from Ordinary Customers in constant growth: +2% vs Dec '16 In UBI Banca Stand Alone, grows by 5.3% vs June 16 and 3% vs Dec '16

IAS amounts in bln€	UBI BANCA STAND ALONE			Three Banks Acquired		COMBINED ENTITY	
	June '16	Dec '16	June '17	Dec '16	June '17	Dec '16	June '17
<b>DIRECT FUNDING FROM ORDINARY CUSTOMERS</b>	<b>69.8</b>	<b>69.1</b>	<b>67.8</b>	<b>17.2</b>	<b>15.8</b>	<b>86.3</b>	<b>83.6</b>
Current accounts and deposits	49.1	52.4	54.3	8.9	8.5	61.3	62.8
Term deposits, other payables and repos	1.7	1.6	1.4	5.0	4.4	6.5	5.8
Securities in issue:							
<i>Bonds issued by former Network banks + UBI</i>	17.0	14.4	11.6	1.1	0.8	15.6	12.4
<i>Bonds distributed on Extra-captive customers*</i>	1.8	0.5	0.5			0.5	0.5
<i>Others (mainly customer CDs)</i>	0.3	0.2	0.1	2.2	2.1	2.4	2.2
<b>DIRECT FUNDING FROM INSTITUTIONAL CUSTOMERS</b>	<b>17.7</b>	<b>16.1</b>	<b>14.4</b>	<b>0.9</b>	<b>0.5</b>	<b>17.0</b>	<b>14.9</b>
Covered Bonds	9.6	9.4	9.3			9.4	9.3
EMTN	3.3	4.3	4.0			4.3	4.0
CD and ECP	0.2	0.1				0.1	
Repos with CCG	4.7	2.3	1.1	0.9	0.5	3.1	1.6
<b>TOTAL DIRECT FUNDING</b>	<b>87.5</b>	<b>85.2</b>	<b>82.2</b>	<b>18.1</b>	<b>16.3</b>	<b>103.3</b>	<b>98.5</b>
<b>TOTAL FUNDING FROM ORDINARY CUSTOMERS (DIRECT From Ordinary Customers + AUM + Bancassurance)</b>	<b>147.9</b>	<b>151.2</b>	<b>155.8</b>	<b>24.9</b>	<b>23.6</b>	<b>176.1</b>	<b>179.4</b>
<b>TLTRO</b>	<b>10.0</b>	<b>10.0</b>	<b>12.5</b>	<b>-</b>	<b>-</b>	<b>10.0</b>	<b>12.5</b>

## UBI BANCA STAND ALONE

- **Confirmed high and resilient Sight deposit volumes**
- **Retail bonds on captive customers** down by 2.8 bln€ vs Dec 16 and 5.4 bln€ vs June 2016, fully switched to AUM + bancassurance
- **Funding from Institutional customers** mainly down due to the reduction in **Repos with CCG**
- **2.5 billion additional TLTRO** taken up value 29/03/2017

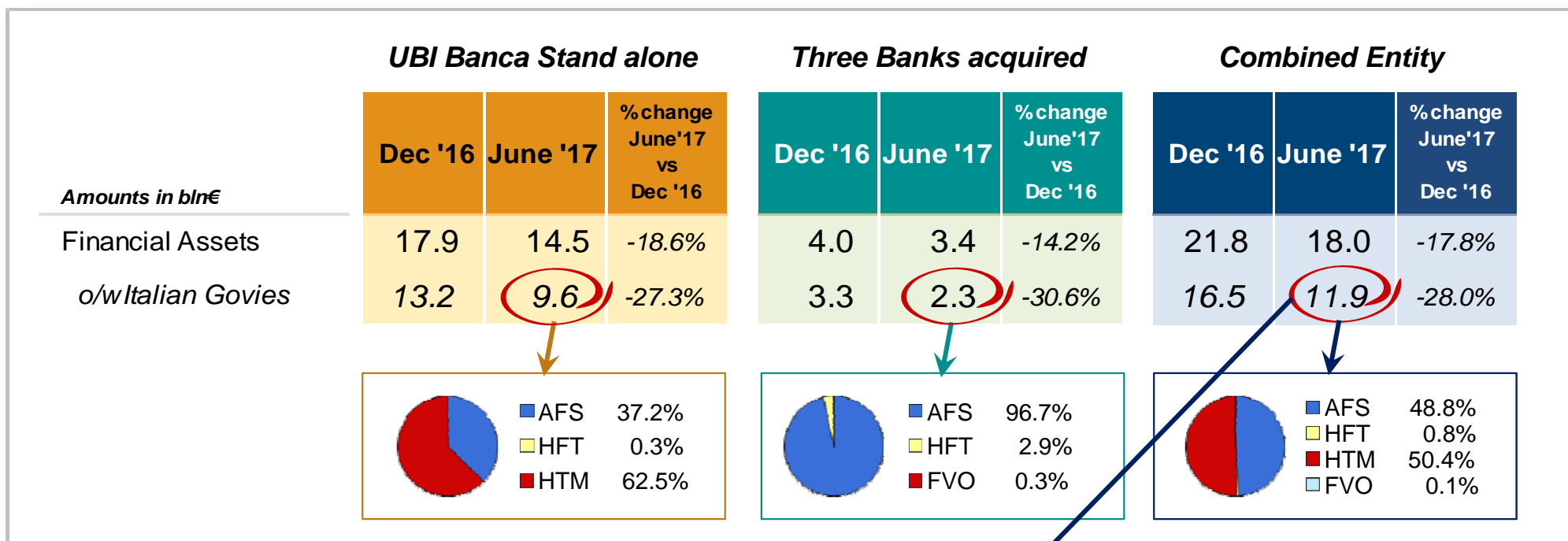
## Three Banks Acquired

- **Current accounts and deposits** down by approx. 1 bln€ due to the **manouvre of repricing** started in 2Q17 (an improvement of approx - 30 bps on rates)
- **Retail bonds** down by approx. 300 mln€ due to the **switch** towards **indirect funding**
- **Reduction in Repos with CCG** in the quarter (approx. 350 mln€)

\* Bonds placed by Centrobanca on third party banks networks, progressively expiring.  
Subordinated bonds: ~3.3 bln/€ as at 30 June '17 (of which 1.3 bln/€ on institutional investors) corresponding to 3.3% of total direct funding



# Composition of the financial assets portfolio



## Maturity of the Italian Govies Portfolio of the Combined Entity as at 30 June 2017

Figures in €/mln

	AFS	HFT	HTM	FVO	TOTAL
1H2017	15	-	-	1	16
2018-2020	1,563	70	-	6	1,639
2021-2023	1,970	-	4,996	-	6,966
2024-2026	397	-	-	-	397
2027-2030	41	-	997	-	1,038
<u>From 2031 and over</u>	<u>1,811</u>	<u>25</u>	<u>-</u>	<u>-</u>	<u>1,836</u>
<b>Total</b>	<b>5,797</b>	<b>95</b>	<b>5,993</b>	<b>7</b>	<b>11,892</b>

	UBI BANCA Stand Alone			Three Banks acquired		UBI Banca Group (Stand Alone + 3 Banks acquired)	
	1H16	1H17	% change 1H17 vs 1H16	2Q17	including badwill reversal allocated	1H17	o/w badwill reversal
<i>Figures in € mln</i>							
Net interest income	766	691	(9.8%)	54	54	745	1
Net commission income	667	714	7.0%	47	47	761	
Net result from finance	83	151	83.2%	(3)	(3)	149	
Profits of equity-accounted investees	12	11	(11.3%)	0	0	11	
Net income from insurance operations				4	4	4	
Other income items	61	59	(2.2%)	10	10	69	
<b>Operating income</b>	<b>1,588</b>	<b>1,626</b>	<b>2.4%</b>	<b>112</b>	<b>113</b>	<b>1,739</b>	<b>1</b>
Staff costs	(639)	(634)	(0.7%)	(83)	(83)	(717)	
Other administrative expenses	(327)	(317)	(3.1%)	(50)	(49)	(366)	1
Net impairment losses on property, equipment and investment property and intangible assets	(72)	(70)	(2.2%)	(9)	(5)	(75)	4
<b>Operating expenses</b>	<b>(1,038)</b>	<b>(1,022)</b>	<b>(1.6%)</b>	<b>(142)</b>	<b>(137)</b>	<b>(1,158)</b>	<b>5</b>
<b>Net operating income</b>	<b>550</b>	<b>605</b>	<b>9.9%</b>	<b>(30)</b>	<b>(24)</b>	<b>581</b>	<b>6</b>
Net impairment losses on loans	(1,206)*	(287)	(76.2%)	(10)	4	(283)	14
Net impairment losses on other financial assets and liabilities	(50)	(93)	85.1%	(5)	(5)	(99)	
Net provisions for risks and charges	(27)	(11)	(57.1%)	6	6	(5)	
Profits from disposal of equity investments	2	0	(76.6%)	0	0	1	
<b>Pre-tax profit from continuing operations</b>	<b>(732)</b>	<b>213</b>	<b>n.s.</b>	<b>(39)</b>	<b>(19)</b>	<b>195</b>	<b>21</b>
Taxes on income for the period from continuing operations	176	(73)	n.s.	0	(7)	(79)	(7)
Profits/losses for the period attributable to non-controlling	17	(12)	n.s.	(0)	(0)	(12)	
<b>Profit for the period before Business Plan impacts</b>	<b>(538)</b>	<b>128</b>	<b>n.s.</b>	<b>(39)</b>	<b>(25)</b>	<b>103</b>	<b>14</b>
Charges for exit incentives	(208)	-	n.s.	(2)	(2)	(2)	
Brands impairment	(38)	-	n.s.			-	
Charges for Single Bank project	(3)	(6)	77.5%			(6)	
Charges for Three Banks acquired	-	(11)	n.s.			(11)	
<b>Profit (loss) for the period</b>	<b>(787)</b>	<b>111</b>	<b>n.s.</b>	<b>(41)</b>	<b>(28)</b>	<b>83</b>	<b>14</b>
<b>Profit (loss) for the period net of non-recurring</b>	<b>(538)**</b>	<b>155</b>	<b>n.s.</b>	<b>(39)</b>	<b>(25)</b>	<b>130</b>	<b>14</b>

\* Including higher LLPs (approx. 850 mln/€) related to shortfall reabsorption initiative of 2019/20120 Business Plan

\*\* Restated in compliance with ESMA new regulations

Figures in € mln	2Q16	1Q17	2Q17	% change 2Q17 vs 2Q16	% change 2Q17 vs 1Q17
Net interest income	378	347	344	(9.1%)	(1.1%)
Net commission income	330	351	363	10.0%	3.6%
Net result from finance	67	65	86	28.6%	31.5%
Profits of equity-accounted investees	7	4	7	1.3%	78.2%
Net income from insurance operations					
Other income items	34	31	29	(15.1%)	(7.7%)
<b>Operating income</b>	<b>815</b>	<b>798</b>	<b>828</b>	<b>1.6%</b>	<b>3.8%</b>
Staff costs	(319)	(321)	(314)	(1.7%)	(2.1%)
Other administrative expenses	(156)	(166)	(151)	(2.9%)	(9.3%)
Net impairment losses on property, equipment and investment property and intangible assets	(36)	(35)	(35)	(1.8%)	(0.2%)
<b>Operating expenses</b>	<b>(511)</b>	<b>(522)</b>	<b>(500)</b>	<b>(2.1%)</b>	<b>(4.3%)</b>
<b>Net operating income</b>	<b>305</b>	<b>276</b>	<b>328</b>	<b>7.7%</b>	<b>19.0%</b>
Net impairment losses on loans	(1,051)*	(135)	(152)	(85.5%)	12.8%
Net impairment losses on other financial assets and liabilities	(51)	(16)	(77)	52.4%	378.7%
Net provisions for risks and charges	(20)	(7)	(4)	(80.4%)	(46.6%)
Profits from disposal of equity investments	1	0	0	(78.4%)	123.3%
<b>Pre-tax profit from continuing operations</b>	<b>(816)</b>	<b>118</b>	<b>95</b>	<b>(111.7%)</b>	<b>(19.0%)</b>
Taxes on income for the period from continuing operations	211	(39)	(34)	n.s.	n.s.
Profits/losses for the period attributable to non-controlling interests	25	(6)	(6)	n.s.	n.s.
<b>Profit for the period before Business Plan impacts</b>	<b>(580)</b>	<b>73</b>	<b>55</b>	<b>n.s.</b>	<b>(23.9%)</b>
Charges for exit incentives	(207)			n.s.	n.s.
Brands impairment	(38)			n.s.	n.s.
Charges for Single Bank project	(3)	(5)	(1)	(56.7%)	(67.7%)
Charges for Three Banks acquired		(1)	(10)	n.s.	n.s.
<b>Profit (loss) for the period</b>	<b>(829)</b>	<b>67</b>	<b>44</b>	<b>n.s.</b>	<b>(34.6%)</b>
<b>Profit (loss) for the period net of non-recurring</b>	<b>(580)**</b>	<b>86</b>	<b>69</b>	<b>n.s.</b>	<b>(19.9%)</b>

Core revenues in line y/y with a different mix (approx. 707).  
2Q17 vs 1Q17: +1.3%

Including ~32 mln/€ as first estimate contribution to Single Resolution Fund (of which nearly 4 mln/€ reversed in 2Q17)

Including ~70 mln/€ related to Atlante fund impairment

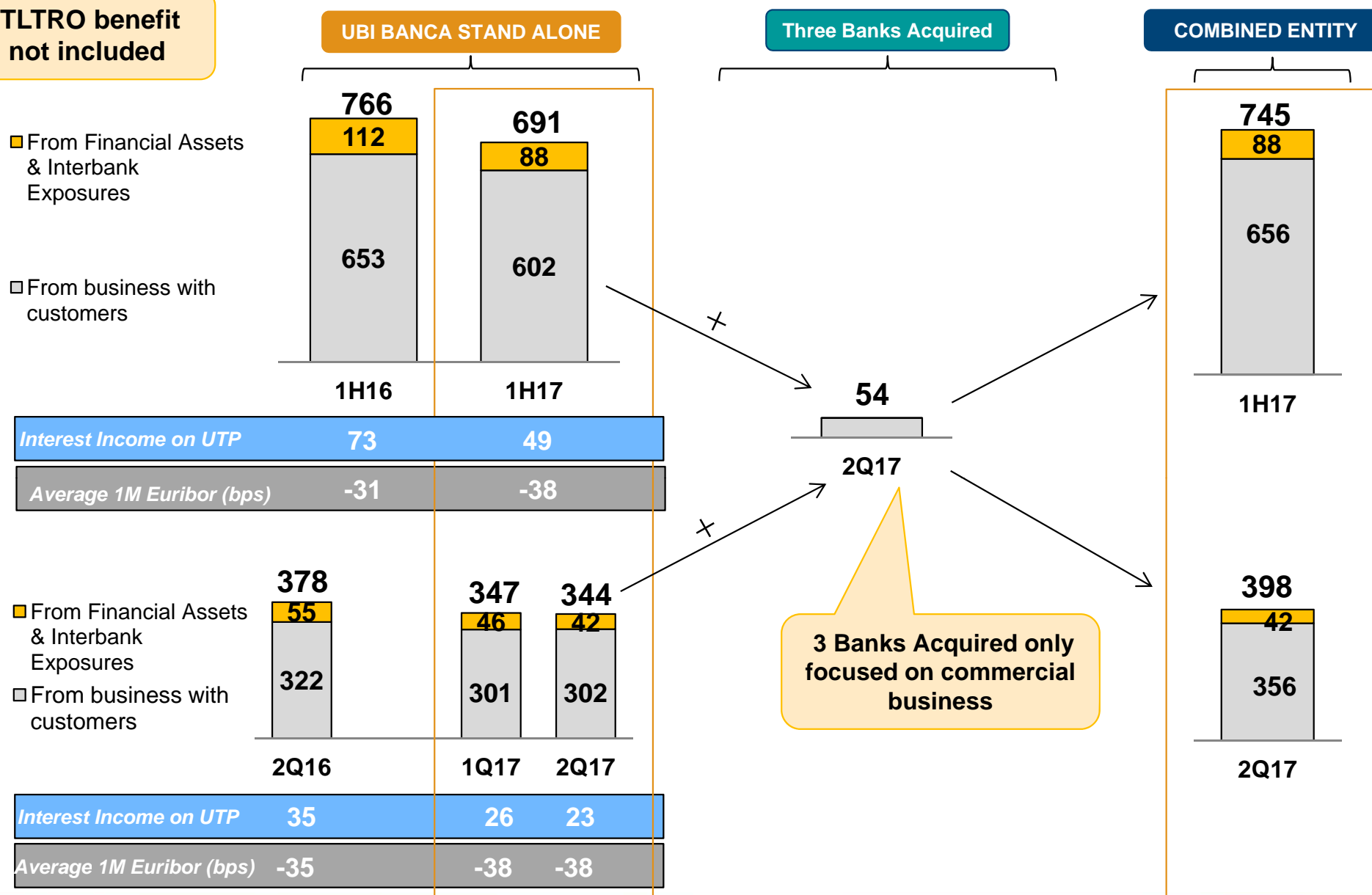
Single Bank project expenses almost completed

\* Including higher LLPs (approx. 850 mln/€) related to shortfall reabsorption initiative of 2019/20120 Business Plan

\*\* Restated in compliance with ESMA new regulations

# Net Interest Income trends: UBI NII stabilising in 2Q2017 vs 1Q17. NII of the 3 Banks Acquired is totally originated in business with customers

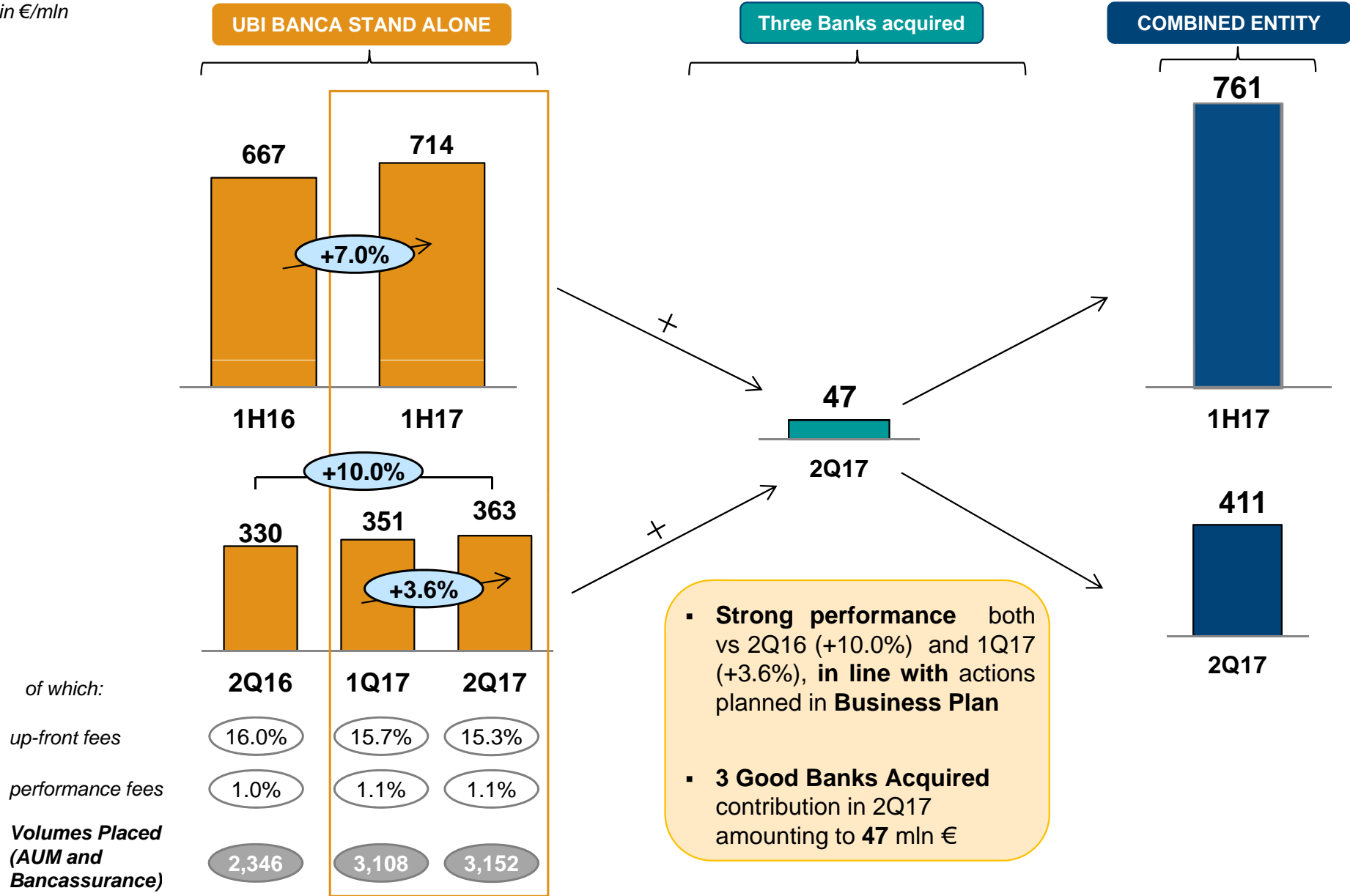
TLTRO benefit not included



Figures in €/mln

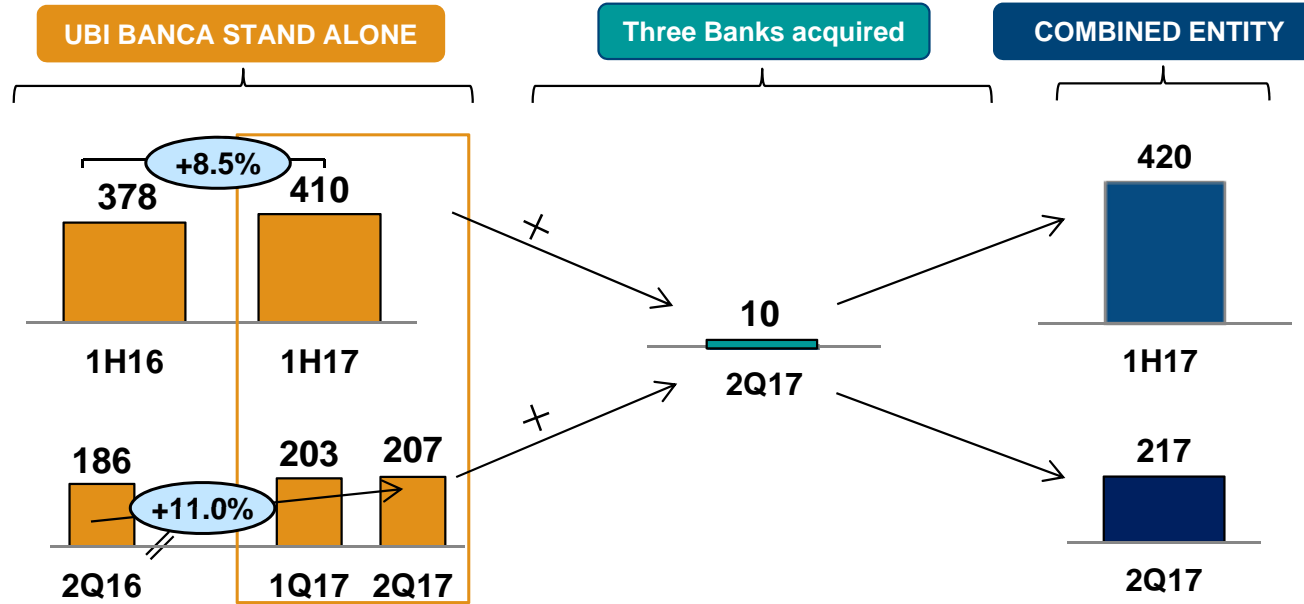
# Net Commission Income significantly up in UBI Banca Stand Alone benefiting from progressive strong volumes placed

Figures in €/mln



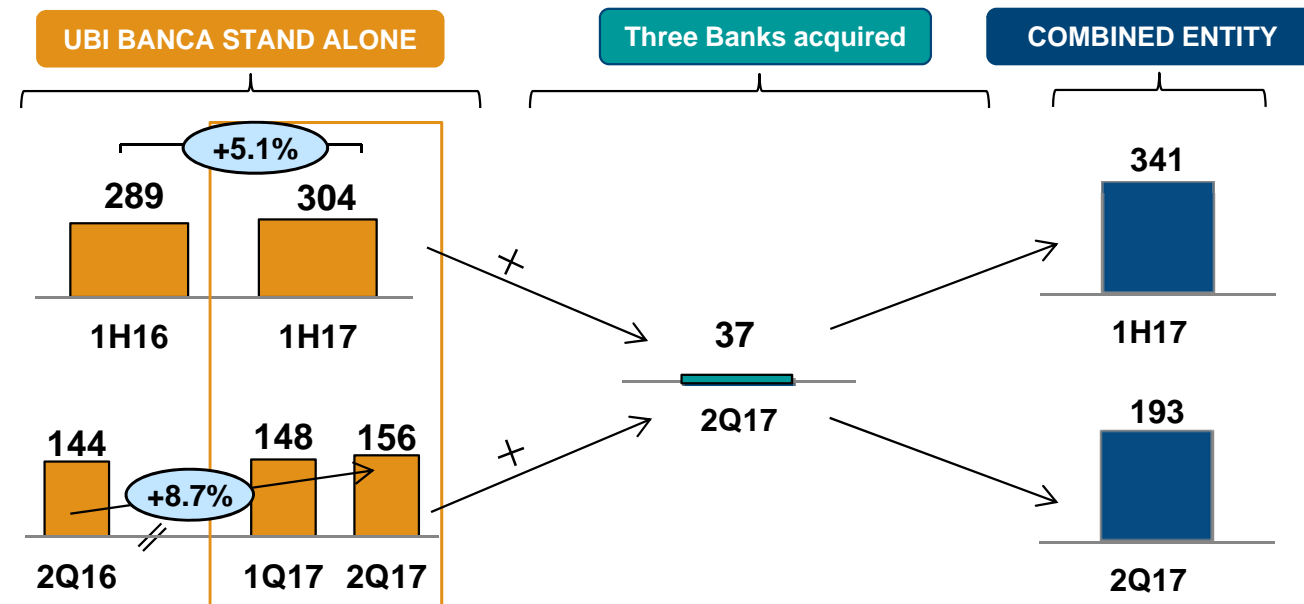
# Breakdown of Net Commission Income

## MANAGEMENT, TRADING AND ADVISORY SERVICES (€ mln)



- As per **UBI Banca Stand Alone** perimeter, continuing the **strong performance** of **management fees** sustained by portfolio management fees
- Modest** contribution in the 2Q17 from **3 Banks Acquired** (10 mln€)

## BANKING RELATED COMMISSIONS\* (€ mln)



- UBI Banca Stand Alone** perimeter **Banking related commissions up by 8 mln** in 2Q17
- In 2Q17, **significant contribution** from **3 Good Banks Acquired** amounting to **37 mln€**

\* Includes FX negotiations



**Strong increase of AuM and Bancassurance products. Overall a growth of +5.9% vs Dec 2016.**

**Total Indirect funding up by 6.7% for the New perimeter of UBI Banca Group**

Amounts in bln€	UBI BANCA STAND ALONE			Three Banks acquired			COMBINED ENTITY		
	Dec '16	June '17	% change June'17 vs Dec '16	Dec '16	June '17	% change June'17 vs Dec '16	Dec '16	June '17	% change June'17 vs Dec '16
AuM	38.2	40.2	5.2%	2.0	2.2	9.2%	40.2	42.3	5.4%
Bancassurance	16.5	17.6	6.7%	1.9	2.1	9.0%	18.4	19.7	6.9%
<b>AUM + Bancassurance</b>	<b>54.6</b>	<b>57.7</b>	<b>5.7%</b>	<b>3.9</b>	<b>4.3</b>	<b>9.1%</b>	<b>58.6</b>	<b>62.0</b>	<b>5.9%</b>
AuC	27.5	30.2	10.0%	3.7	3.6	-4.3%	31.2	33.8	8.3%
<b>Total Indirect Funding</b>	<b>82.1</b>	<b>88.0</b>	<b>7.1%</b>	<b>7.7</b>	<b>7.9</b>	<b>2.6%</b>	<b>89.8</b>	<b>95.8</b>	<b>6.7%</b>

#### AUM and Bancassurance

Continuing **strong performance** substained by market environment but also **boosted** by **Business Plan actions**.

Performance effect June '17 on Dec '16:

- UBI Banca Stand Alone, approx. 100 mln
- The 3 Banks Acquired, approx. 30 mln€

#### AUC

Performance effect June '17 on Dec '16

- UBI Banca Stand Alone: 2.7 bln/€
- the 3 Banks Acquired: approx. -150 mln€

**AUC still represent a further opportunity of conversion into AUM**

# Operating costs evolution confirms further savings

## Quarterly Evolution

mln/€	UBI Banca Stand Alone			% change 2Q17 vs 2Q16	% change 2Q17 vs 1Q17	3 Banks Acquired	Combined Entity
	2Q16	1Q17	A 2Q17			B 2Q17	(A+B) 2Q17
Staff costs	319	321	314	-1.7%	-2.1%	83	396
Other Adm. Expenses	156	135	155	-0.4%	14.9%	49	204
Single Resolution Fund Ord		32	-4				-4
D&A (including PPA)	36	35	35	-1.8%	-0.2%	5*	40
<b>Total operating costs</b>	<b>511</b>	<b>522</b>	<b>500</b>	<b>-2.1%</b>	<b>-4.3%</b>	<b>137</b>	<b>636</b>

Approx. 600 headcounts left the Group within June 2017, in compliance with the trade unions agreement signed last December. On 26<sup>th</sup> July 2017, new agreements were signed for the adherence to the sector "solidarity fund" of approx 700 applications: **over half of them are leaving in 2017 while the remaining part will exit in 2018**

✓+5 mln€ related to commercial campaign

✓+5 mln€ ICT connected costs

## Semi-annual Evolution

mln/€	UBI Banca Stand Alone		% change 1H17 vs 1H16	3 Banks Acquired	Combined Entity
	1H16	A 1H17		B 2Q17	(A+B) 1H17
Staff costs	639	634	-0.7%	83	717
Other Adm. Expenses	296	290	-2.1%	49	338
Single Resolution Fund Ord	32	28			28
D&A (including PPA)	72	70	-2.2%	5*	75
<b>Total operating costs</b>	<b>1,038</b>	<b>1,022</b>	<b>-1.6%</b>	<b>137</b>	<b>1,158</b>

✓In the 3 Banks Acquired, in execution of agreements signed in March 2017 approx. 200 resources will leave in 2H17

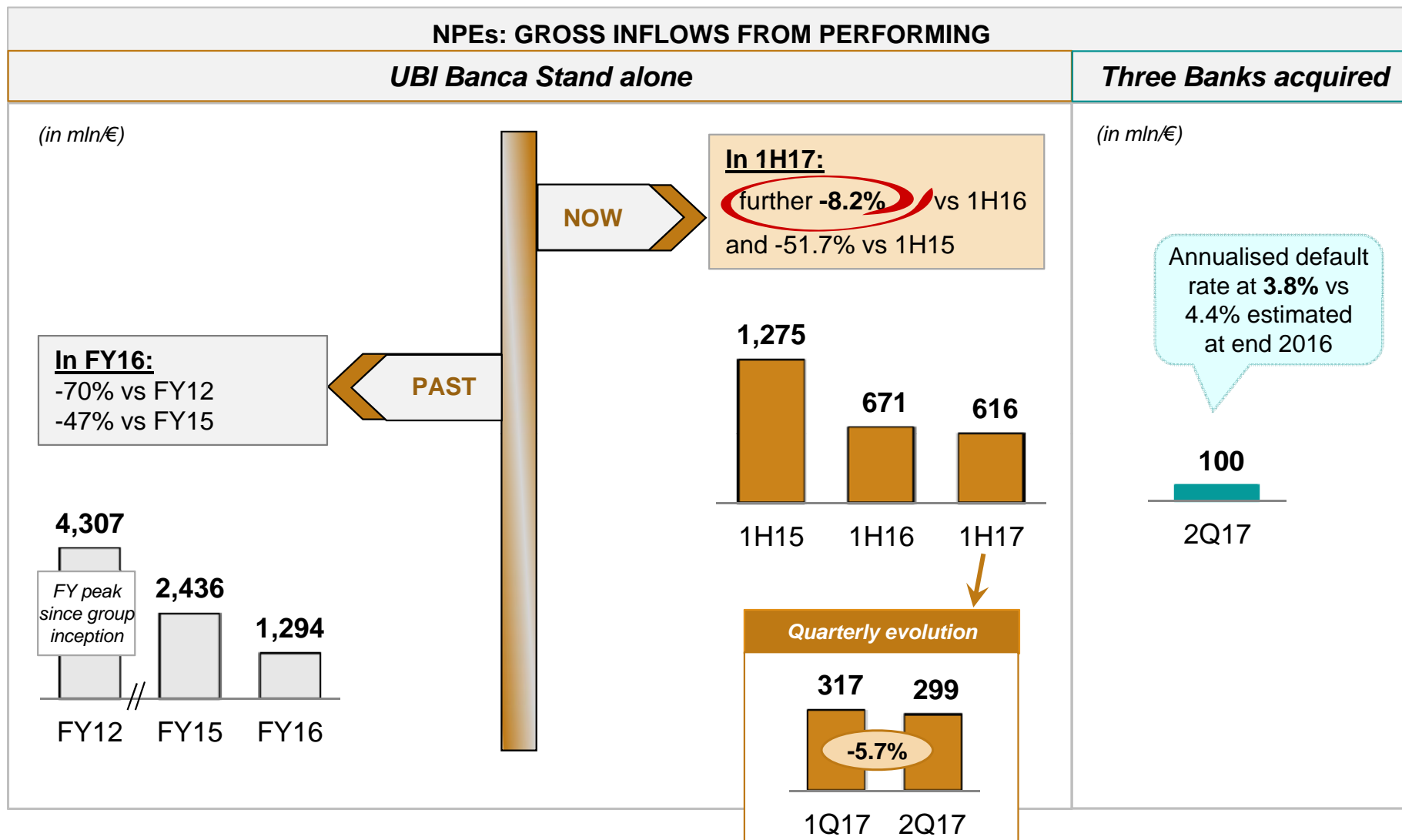
✓On 15<sup>th</sup> June started trade union negotiation in relation to the purchase and integration of the 3 Banks in the UBI Group

✓Approx. 130 branches to be closed after the merger of the 3 banks in UBI

\* Included new PPA for 0.95 mln€ in Other Administrative Expenses and 4.2 mln€ in D&A

# Gross inflows from performing loans to NPEs.

- UBI stand alone continues the positive path of consecutive reductions with still lower inflows: -8.2% in 1H17 vs 1H16 (and -5.7% QoQ)
- 3 banks acquired: 100 mln/€ in 2Q17



# Coverage still increasing

	<b>UBI Banca Stand alone</b>				<b>3 Banks Acquired</b>		<b>Combined Entity</b>	
	<b>Mar '16</b>	<b>June '16</b>	<b>Dec '16</b>	<b>June '17</b>	<b>Dec '16</b>	<b>June '17</b>	<b>Dec '16</b>	<b>June '17</b>
<b><u>TOTAL NPEs coverage</u></b>								
Stated	28.34%	35.90%	35.67%	36.26%	35.13%	64.40%	35.60%	40.23%
Including write-offs <sup>1</sup>	37.64%	44.31%	45.80%	46.70%			44.62%	48.84%
<b><u>COVERAGE by type of NPEs<sup>2</sup></u></b>								
<b>BAD LOANS</b>								
Stated	38.97%	46.66%	45.08%	45.37%	62.08%	68.94%	45.61%	46.28%
Including write-offs <sup>1</sup>	52.41%	58.25%	58.48%	58.88%			58.56%	59.17%
<b>UNLIKELY TO PAY</b>								
Stated	17.02%	23.75%	23.13%	23.36%	30.79%	67.03%	24.75%	34.34%
<b>PAST DUE</b>								
Stated	3.64%	4.63%	5.71%	5.34%	33.93%	15.39%	23.86%	9.49%

**Loan Loss Provision  
Rate (annualized)**

69 bps

June 2017

28 bps

June 2017

64 bps

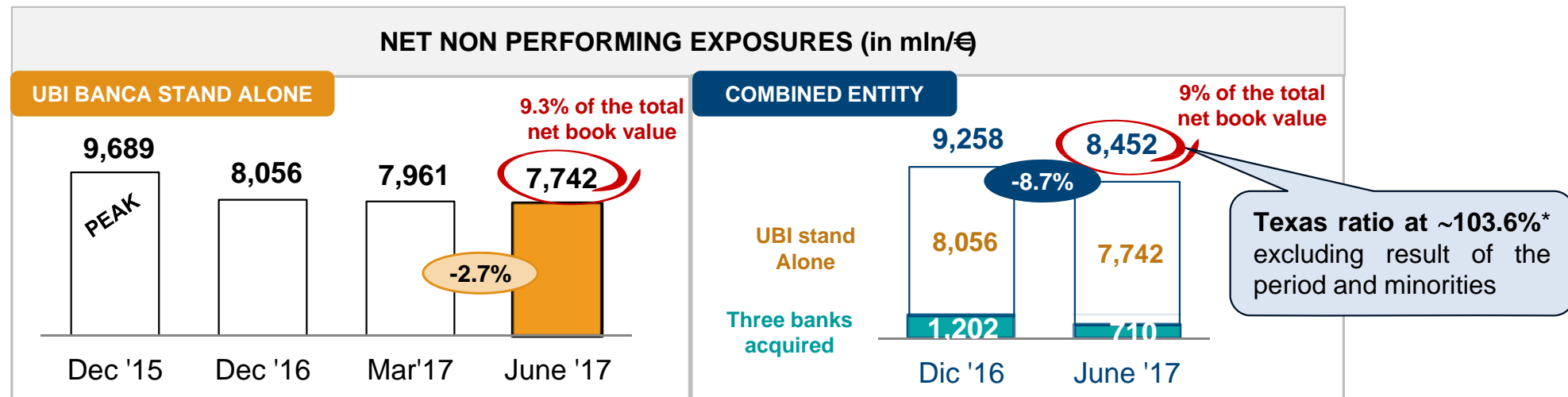
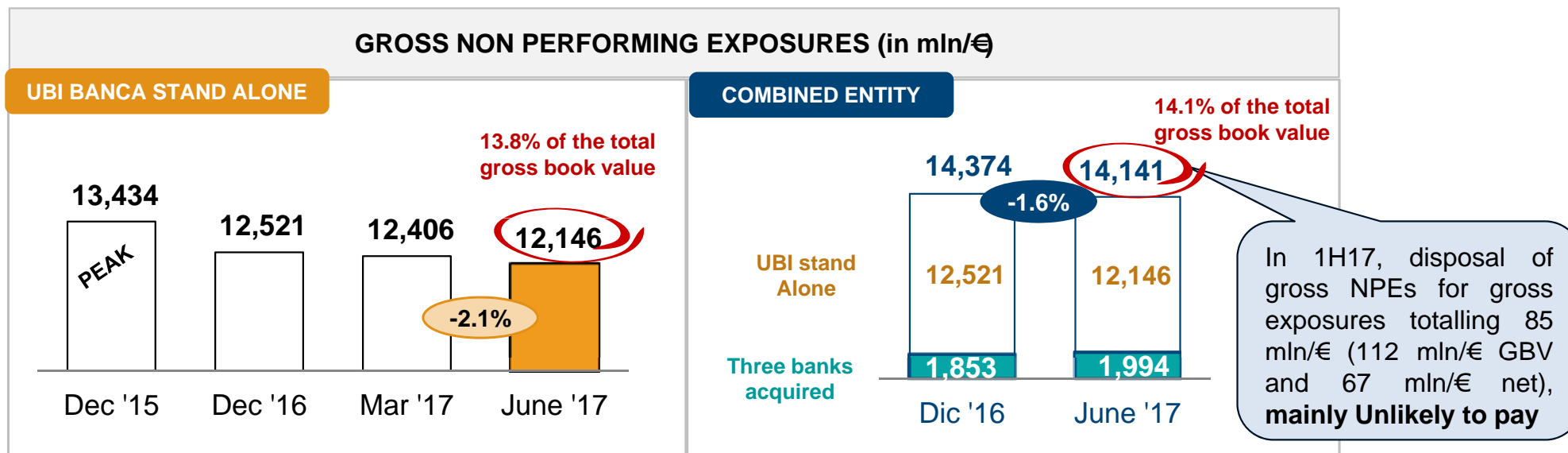
June 2017

1) Write-offs for UBI Banca amount to 2.4 bln€

2) Badwill allocation to NPEs for 546.3 mln€, of which 28 mln€ to Bad Loans and 518.3 mln€ to UTP

# Texas ratio of the Combined Entity at ~103.6%

- UBI stand alone: NPEs reduction continues in the first 3 months (-2.1% gross, -2.7% net) and respectively -3% and -3.9% since Dec '16
- 3 banks: slight increase in gross NPEs (approx. +140 mn/€)



Detail on NPE breakdown in annex 6

\* Texas ratio = (net NPEs considering badwill allocated on NPEs)/(equity - intangibles + bargain purchase badwill in P&L)

- The performance of NII in 2H2017 will benefit from recognition in 4Q of a one-off benefit as part of the TLTROII programme, in addition to positive performance by volumes of lending and the progressive reduction in the cost of funding from customers for the 3 Acquired Banks
- Net fee and commission income are expected to continue to benefit in 2H2017 from the process to change the mix of total funding in favour of Assets under Management
- Careful management of costs will continue as result, amongst other things, of planned redundancies for approximately 700 staff, over half of which in 2017, on the basis of the Trade Union Agreement signed in July
- The trend for the reduction in overall loan losses for UBI and the 3 Acquired Banks compared with 2016 is forecast to continue
- Finally, the plan to integrate the 3 Acquired Banks on schedule and to budget in terms of the forecast integration costs is confirmed.





# Main Reclassified Balance Sheet Items

<b>MAIN ASSETS ITEMS</b> <i>Figures in millions of euro</i>	<b>31.12.2016</b> <b>UBI Banca</b> <b>Stand Alone</b>	<b>31.12.2016</b> <b>3 Banks</b> <b>Acquired</b>	<b>31.12.2016</b> <b>New Perimeter</b>	<b>30.06.2017</b> <b>UBI Banca</b> <b>Stand Alone</b>	<b>30.06.2017</b> <b>3 Banks</b> <b>Acquired</b>	<b>30.06.2017</b> <b>NEW PPA</b>	<b>30.06.2017</b> <b>Combined</b> <b>Entity</b>
Financial assets (AFS, HFT, FV, HTM)	17,859	4,085	21,945	14,546	3,440		17,955
Loans to customers	81,854	11,915	93,769	83,185	11,590	-546	94,229
Property, equipment and investment property	1,648	196	1,845	1,621	194		1,815
Intangible assets	1,696	24	1,720	1,676	7	32	1,715
<i>of which: goodwill</i>	1,465	4	1,720	1,465	-		1,465
Tax assets	3,044	1,350	4,394	2,900	1,150	195	4,245
Other assets	1,297	349	1,646	1,455	423		1,877
<b>Total assets</b>	<b>112,384</b>	<b>21,741</b>	<b>134,125</b>	<b>114,223</b>	<b>20,657</b>	<b>(320)</b>	<b>134,280</b>
<b>MAIN LIABILITIES AND EQUITY ITEMS</b> <i>Figures in millions of euro</i>	<b>31.12.2016</b> <b>UBI Banca</b> <b>Stand Alone</b>	<b>31.12.2016</b> <b>3 Banks</b> <b>Acquired</b>	<b>31.12.2016</b> <b>New Perimeter</b>	<b>30.06.2017</b> <b>UBI Banca</b> <b>Stand Alone</b>	<b>30.06.2017</b> <b>3 Banks</b> <b>Acquired</b>	<b>30.06.2017</b> <b>NEW PPA</b>	<b>30.06.2017</b> <b>Combined</b> <b>Entity</b>
Net interbank position	10,412*	-775	9,637*	8,875*	-1,136		7,737*
Due to customers	56,226	14,763	70,989	56,772	13,340		70,112
Securities issued	28,940	3,329	32,269	25,420	2,937	5	28,362
Tax liabilities	233	11	244	211	19	13	243
Net worth attributable to the Parent	9,820	1,573	11,393	9,242	1,013	-995	9,260
Non-controlling interests	72	11	83	57	11		68
Profit for the period	(830)	(1,031)	(1,861)	111	(41)	627	696
<b>Total liabilities and equity</b>	<b>112,384</b>	<b>21,741</b>	<b>134,125</b>	<b>114,223</b>	<b>20,657</b>	<b>(320)</b>	<b>134,280</b>

\* 12.5 bln/€ TLTRO 2 of which 10 bln/€ expiring in June 2020 and 2.5 bln/€ expiring in March 2021

# Capital Ratios (Phased in, Basel 3) as at June '17:

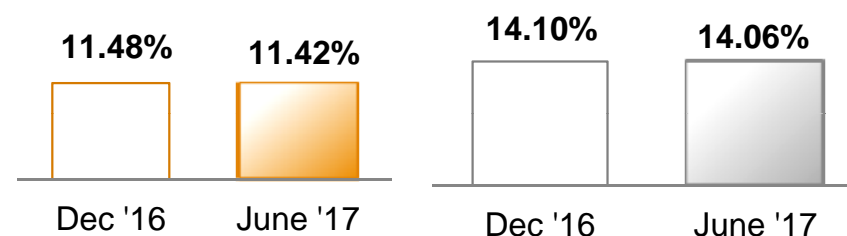
## Common Equity Tier 1 Ratio at 11.42%, Total Capital Ratio at 14.06%

<i>mIn/€</i>	Dec '16	June '17
Common Equity Tier 1 Capital (before filters and transitional provisions)	6,787.2	7,870.8
Transitional provisions (minority interest)	18.9	8.9
Transitional provisions (AFS Reserves - debt and other equity instruments)	-25.2	-16.7
Transitional provisions (AFS Reserves - Govies)	25.6	27.5
Transitional provisions (pension fund)		-4.2
Transitional provisions (DTA)	113.4	52.7
Common Equity Tier 1 Capital filters	-7.7	-9.4
<b>Common Equity Tier 1 (after filters)</b>	<b>6,912.2</b>	<b>7,929.8</b>
<i>Common Equity Tier 1 regulatory adjustments: negative elements for deduction excess of expected losses over impairment losses</i>	-83.0	-22.1
<b>Common Equity Tier 1 Capital (CET1)</b>	<b>6,829.3</b>	<b>7,907.7</b>
<b>Additional Tier 1 before deductions</b>	<b>0.3</b>	<b>0.0</b>
Additional Tier 1 regulatory adjustments	0.3	0.03
<i>of which negative elements for deduction excess of expected losses over impairment losses</i>	-0.3	-0.03
<b>Additional Tier 1</b>	<b>-</b>	<b>-</b>
<b>Tier 1 Capital (CET 1 +Additional Tier 1)</b>	<b>6,829.3</b>	<b>7,907.7</b>
Tier 2 Capital before transitional provisions	1,606.2	1,858.1
<i>Tier 2 instruments grandfathering</i>	-	-
<b>Tier 2 Capital after transitional provisions</b>	<b>1,606.2</b>	<b>1,858.1</b>
Tier 2 capital regulatory adjustments	-46.4	-37.4
<i>of which: negative elements for deduction excess of expected losses over impairment losses</i>	-20.8	-2.5
<b>Tier 2 Capital</b>	<b>1,559.8</b>	<b>1,820.7</b>
<b>TOTAL OWN FUNDS</b>	<b>8,389.1</b>	<b>9,728.4</b>

<i>mIn/€</i>	Dec '16	June '17
<b>Risk weighted assets</b>	<b>59,483.9</b>	<b>69,216.6</b>
<b>Total prudential requirements</b>	<b>4,758.7</b>	<b>5,537.3</b>
<i>Credit risk</i>	4,351.0	5,124.5
<i>CVA (Credit Value Adjustment) risk</i>	12.0	13.6
<i>Market risk</i>	112.4	92.5
<i>Operational risk</i>	283.3	306.7

**CET 1 PHASED IN**

**TOTAL CAPITAL**



- B3 Leverage as at 30 June '17:
  - ✓ phased in 5.66%
  - ✓ fully loaded 5.61%
- LCR\* and NSFR > 100%

\* As from 30 Sep '16, LCR is calculated according to the new methodology envisaged by EU Delegated Regulation n. 61/2015

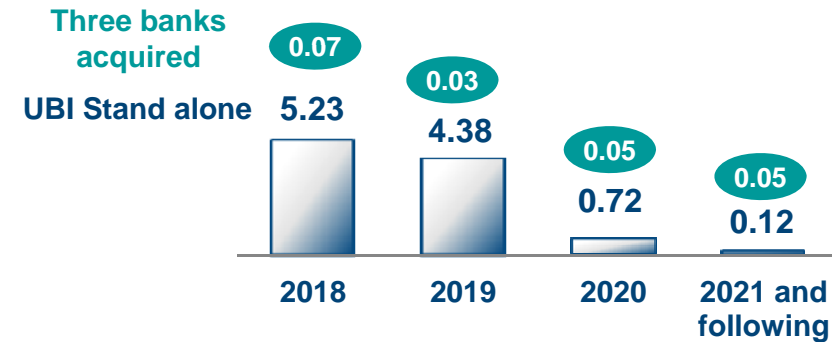
# Bond maturities well planned and distributed over time. From acquired banks, approx. 300 mln/€ of retail bonds

RETAIL BONDS

**Maturities profile**  
(Nominal amounts in € bln,  
net of bond repurchases,  
30 June '17)

**2017**

quarter	UBI Stand alone	Three Banks Acquired
1Q17	1.24	n.a.
2Q17	1.00	n.a.
3Q17	0.46	0.08
4Q17	0.96	0.03



INSTITUTIONAL BONDS

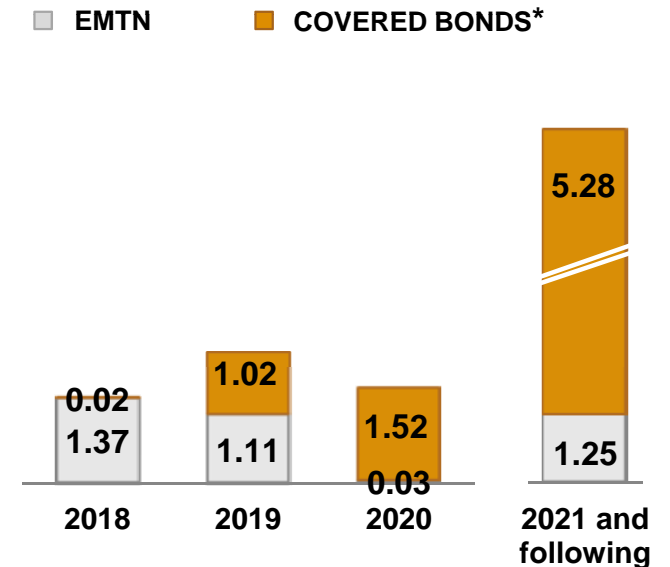
**Maturities profile**  
(Nominal amounts in € bln,  
30 June '17)

**2017**  
*UBI Banca Stand alone funding*

quarter	EMTN	COVERED BONDS
1Q17	0.08	-
2Q17	0.75	-
3Q17	0.05	1.00
4Q17	0.16	0.01

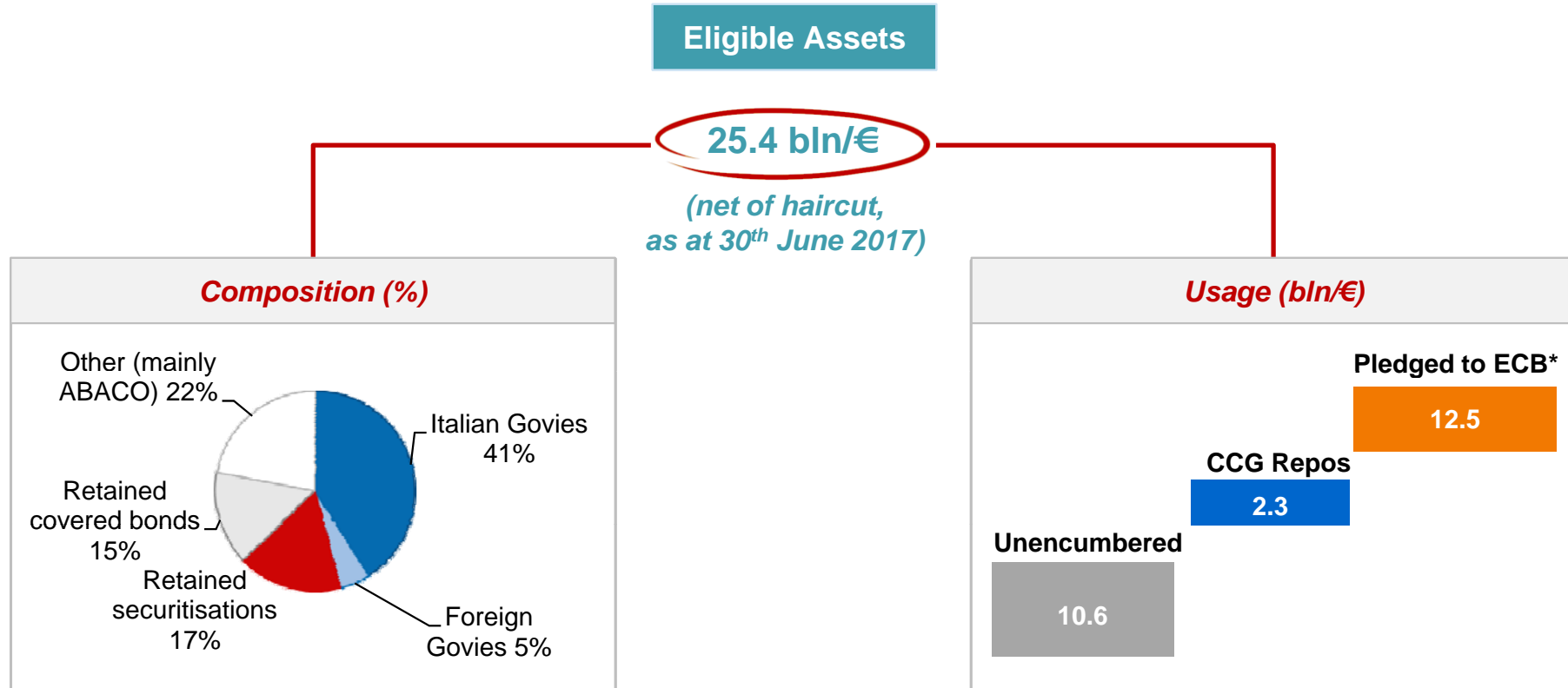
Three banks acquired

In Dec '16, there were 11 securitisations outstanding in 3 banks acquired perimeter. Most of there are highly amortised. Within Sept '17, #8 of these securitisation will be redeemed ahead of maturity. As at June '17, the market outstanding amount is approx. 0.6 bln/€



\* Inclusive of original 0.25 bln/€ of private placement with BEI expiring within 2022. Retained issues not included

**Total eligible assets at 25.4 bln/€, of which 10.6 bln/€ unencumbered.  
Eligible assets represent 47% of current accounts and deposits**



\* 12.5 bln/€ TLTRO 2 of which 10 bln/€ expiring in June 2020 and 2.5 bln/€ expiring in March 2021

## Credit Quality in UBI Banca Stand Alone

- Decreasing NPEs stock:
  - ...in gross terms: -3% since Dec '16 and -2.1% in the latest quarter
  - ...in net terms: -3.9% since Dec '16 and -2.7% in the latest quarter
  
- Still lower inflows from performing loans to NPEs: -8.2% y/y as at 30 June '17
  
- Decreasing cost of risk: 69 bps
  
- Increasing/confirmed levels of coverage



## Loan book details

	UBI Banca Stand alone				3 Banks Acquired				Combined Entity			
	Gross exposure		Net exposure		Gross exposure		Net exposure		Gross exposure		Net exposure	
	Dec '16	Jun '17	Dec '16	Jun '17	Dec '16	Jun '17	Dec '16	Jun '17	Dec '16	Jun '17	Dec '16	Jun '17
<b>Total loan book</b>	86,699	87,961	81,854	83,185	12,648	12,402	11,915	11,044	99,347	100,362	93,769	94,229
<i>of which:</i>												
<b>Non performing exposures</b>	12,521	12,146	8,056	7,742	1,853	1,994	1,202	710	14,374	14,141	9,258	8,452
- Bad loans ("Sofferenze")	7,261	7,248	3,987	3,960	231	289	88	90	7,492	7,538	4,075	4,050
- "Unlikely to pay" loans	5,119	4,738	3,935	3,632	1,367	1,593	946	525	6,486	6,331	4,881	4,157
- Past due loans	141	159	133	151	255	112	169	95	397	272	302	246

	UBI Banca Stand alone				3 Banks Acquired				Combined Entity			
	Gross exposure		Net exposure		Gross exposure		Net exposure		Gross exposure		Net exposure	
	Dec '16	Jun '17	Dec '16	Jun '17	Dec '16	Jun '17	Dec '16	Jun '17	Dec '16	Jun '17	Dec '16	Jun '17
<b>Total loan book</b>	100%	100%	100%	100%	100%	100%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>of which:</i>												
<b>Non performing exposures</b>	14.4%	13.8%	9.8%	9.3%	14.6%	16.1%	10.1%	6.4%	14.5%	14.1%	9.9%	9.0%
- Bad loans ("Sofferenze")	8.4%	8.2%	4.9%	4.8%	1.8%	2.3%	0.7%	0.8%	7.5%	7.5%	4.3%	4.3%
- "Unlikely to pay" loans	5.9%	5.4%	4.8%	4.4%	10.8%	12.8%	7.9%	4.8%	6.5%	6.3%	5.2%	4.4%
- Past due loans	0.2%	0.2%	0.2%	0.2%	2.0%	0.9%	1.4%	0.9%	0.4%	0.3%	0.3%	0.3%