The UBI Banca Group
Consolidated Results as at 31st December 2016

10th February 2017

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<u>*Methodology*</u>

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.

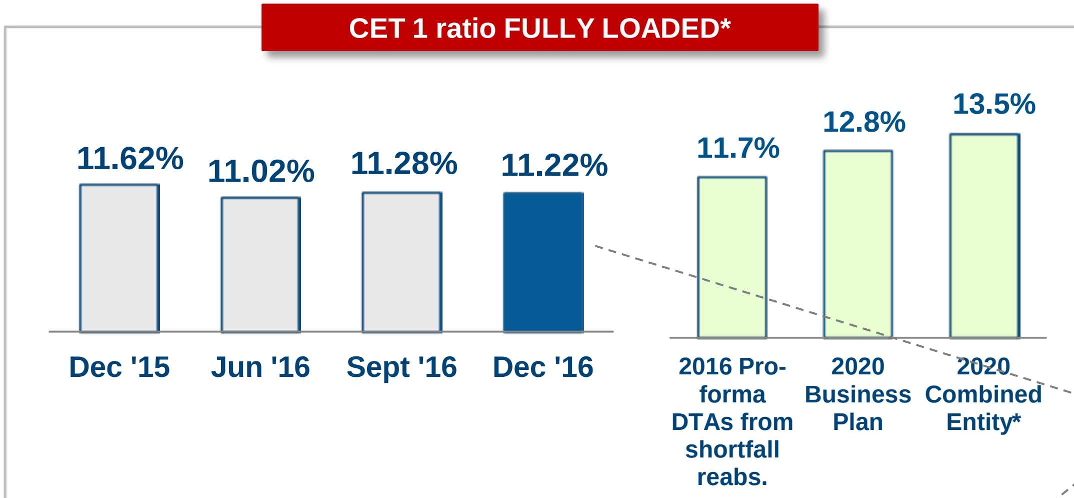
2016 take aways

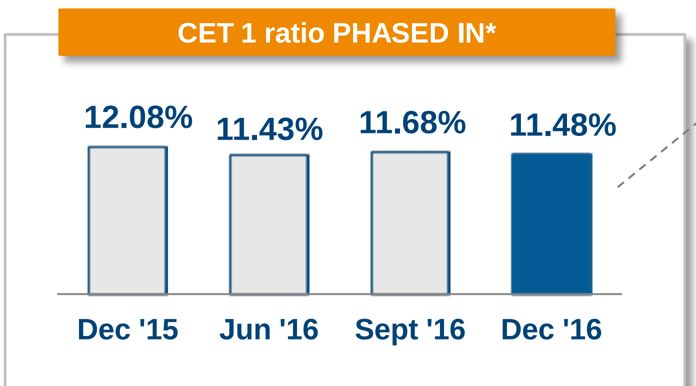
- ✓ 2016 results generally ahead of first phase of Business Plan expectations
- ✓ Stable lending, absorbing run off portfolio decrease and clean up of EVA negative positions
- ✓ Focus on AUM and Bancassurance confirmed, significant and continuing growth recorded reflected in commission income increase
- ✓ Ongoing reduction and re-composition of the proprietary securities portfolio
- ✓ Strong cost control, with 2016 costs[1] lower than 2015 notwithstanding higher contribution to RF and DGS.
  500 people exiting the Group at end February. Overall, over 1,250 requests for voluntary exit received
- ✓ Improving credit quality confirmed, with significantly lower stocks, lower inflows (comparable to pre-crisis levels) and overall higher coverage
- ✓ Bank migrations to be completed in February 2017 ahead of original planning
- ✓ 2016 results create the premises to expect a 2017 financial year with strongly improved results

1. One off Business Plan costs excluded

CET1 ratio at 11.22% fully loaded *(~11.70% pro-forma of DTAs from shortfall reabsorption)* at 11.48% phased in, vs SREP requirement at 7.5% (+398 bps)

Proposed dividend of 11 cents per share included





Including

negative impacts from:

- Business Plan costs (~850 mln/€ net of taxes and minorities, 1.3 bln/€ gross)
- Extraordinary contributions (RF ~50 mln/€ net, ~75 mln/€ gross) and impairments (Atlante Fund 53 mln/€ net, 73 mln/€ gross, 45% of amount disbursed till Jan'17)
- AFS reserve
- Dividend to new shares issued for the repurchase of the minorities

and ***positive impacts*** from:

- minorities repurchase BPCI and BRE (28 bps on CET1 FL and 10 bps on CET1 phased in)
- reduction of EVA negative corporate loan positions

* Combined Entity: UBI Banca Group + 3 Target Bridge Institutions
Please see annex 5

Stable Performing Loans volumes, significant decrease in NPEs

Amounts in mln€	Dec '15	Jun '16	Sep '16	Dec '16
TOTAL NET LOAN BOOK	**84,586**	**83,907**	**82,011**	**81,854**
NET PERFORMING EXPOSURES	**74,898**	**75,395**	**73,677**	**73,799**
o/w repos with CCG	1,234	765	242	269
o/w other Net Performing Exposures	73,664	74,630	73,435	73,530
o/w ML term	54,900	55,800	55,700	55,700
o/w Short term	18,800	18,900	17,700	17,800
NET NON PERFORMING EXPOSURES	**9,689**	**8,512**	**8,333**	**8,056**

Dec 16 / Dec15

- **- 1.6 bln/€ of Non performing exposures**
- - 1 bln/€ in repos with CCG
- Short term lending decrease (-0.9 bln) offset by the positive evolution of medium to long term stock amounts (0.8 bln). As from Jun '16, elimination of EVA negative positions (no impact on NII, lower RWA and lower collective provisioning)

Direct funding reflects once again inflows from other banking institutions: current accounts and deposits grow by nearly 10% YoY

IAS amounts in bln€	Dec '15	Jun '16	Sep '16	Dec '16
DIRECT FUNDING FROM ORDINARY CUSTOMERS	**72.5**	**69.8**	**69.3**	**69.1**
Current accounts and deposits	47.7	49.1	50.3	52.4
Term deposits, other payables and repos	1.5	1.7	1.3	1.6
Securities in issue:				
Bonds issued by Network banks + UBI	20.2	17.0	15.9	14.4
Bonds distributed on Extra-captive customers*	2.8	1.8	1.5	0.5
Other (mainly customer CDs)	0.4	0.3	0.3	0.2
DIRECT FUNDING FROM INSTITUTIONAL CUSTOMERS	**19.0**	**17.7**	**15.3**	**16.1**
Covered Bonds	9.9	9.6	9.5	9.4
EMTN	2.5	3.3	3.5	4.3
CD and ECP	0.4	0.2	0.2	0.1
Repos with CCG	6.1	4.7	2.2	2.3
TOTAL DIRECT FUNDING	**91.5**	**87.5**	**84.6**	**85.2**
TOTAL DIRECT FUNDING FROM ORDINARY CUSTOMERS AND AUM	**121.1**	**120.7**	**122.1**	**123.7**

- **Sight deposits**: continuing the strong growth (+ 4.7 bln/€, **+9.9% vs Dec'15**)
- **Retail bonds issued by the Group on captive customers**: down by 28.6% **(-5.8 bln/€)**, as targeted in the Business Plan
- **AuM+Bancassurance**: +12.5% or **+6 bln** vs Dec '15

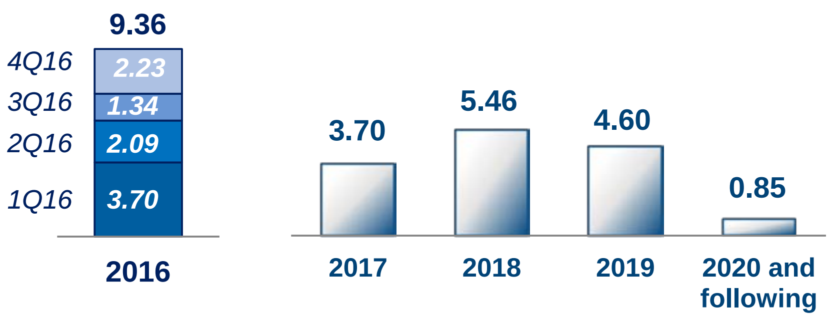
- YoY reduction in institutional funding impacted by the **resizing in repos with the CCG**, after taking up the TLTRO2 (the latter is not accounted for in "direct funding" but in "debt towards banks").
- 3.7 bln/€ new issues (covered bonds, EMTN and Tier2) more than compensating 1.9 billion expiring in the year

* Bonds placed by Centrobanca on third party banks networks, progressively expiring.
Subordinated bonds: ~3 bln/€ as at 31 Dec '16 (of which 750 mln/€ on institutional investors) corresponding to less than 4% of total direct funding

Bond maturities well planned and distributed over time

RETAIL BONDS

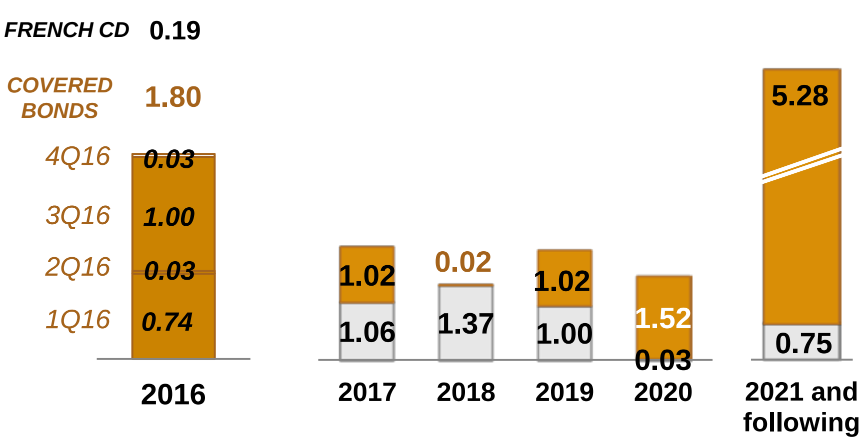
Maturities profile
*(Nominal amounts in € bln, net of bond repurchases, **31 Dec '16**)*



- In line with 2019-2020 Business Plan strategy, as from 4Q16 retail bonds issuances are limited to Welcome editions (acquisition of new customers)
- Within 1H2017, approx. 60% of the 2017 fully year will expire

INSTITUTIONAL BONDS

Maturities profile
*(Nominal amounts in € bln, **31 Dec '16**)*



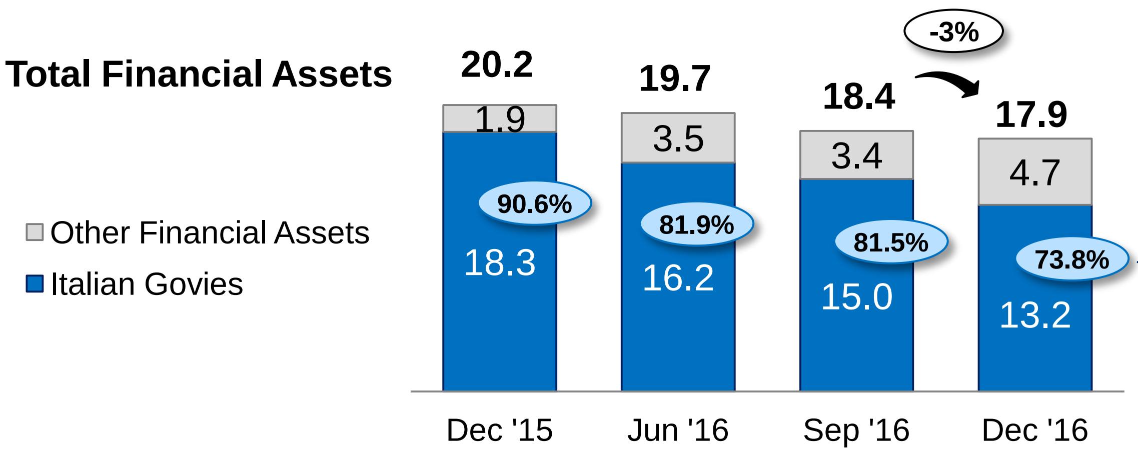
Issuances in FY16

- Oct '16: reopening of Oct '15 issue of covered bonds for 250 mln/€ (maturity Jan 2023, spread 6 bps)
- Oct-Nov' 16: 910 mln/€ puttable EMTN (1-2 year maturity)
- Sept '16: 1bln/€ covered bond issue (10y maturity, 0.375% coupon, spread of 19 bps over 10y mid swap rate)
- June '16: reopening of Oct '15 issue of covered bonds for 250 mln/€ (maturity Jan 2023, spread 13 bps)
- May '16: 750 mln/€ subordinated Tier 2 issue (10y maturity, callable after 5 years, 4.25% coupon, spread of 4.182% over the swap rate)

* EMTN: 0.1 bln/€ EMTN expired in 1H16, further 0.07 bln/€ puttable matured in 4Q16

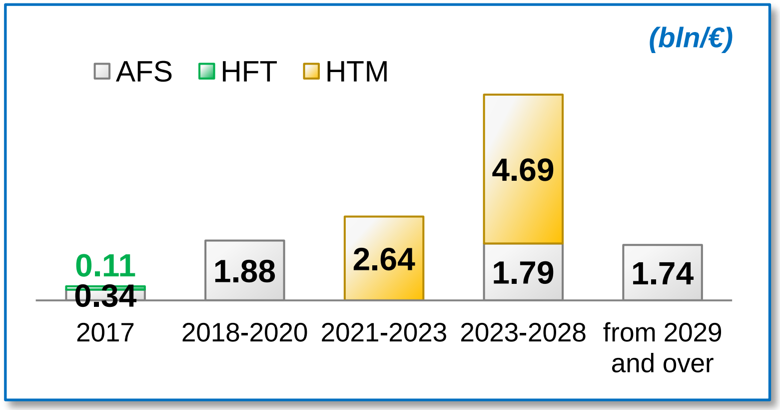
** Inclusive of original 0.5 bln/€ of private placement with BEI expiring within 2022. Retained issues not included

Italian govies portfolio down by over 28% (over 5 bln/€); other financial assets up by 2.8 bln/€, pursuing the diversification envisaged by the Business Plan



Target 2020 for Italian Gov. Bonds portfolio: approx. 50% of Financial Assets

Maturity of the Italian Govies Portfolio



Italian Gov. Bonds portfolio
- avg. maturity: 6.2 years
- duration*: 2.7 years

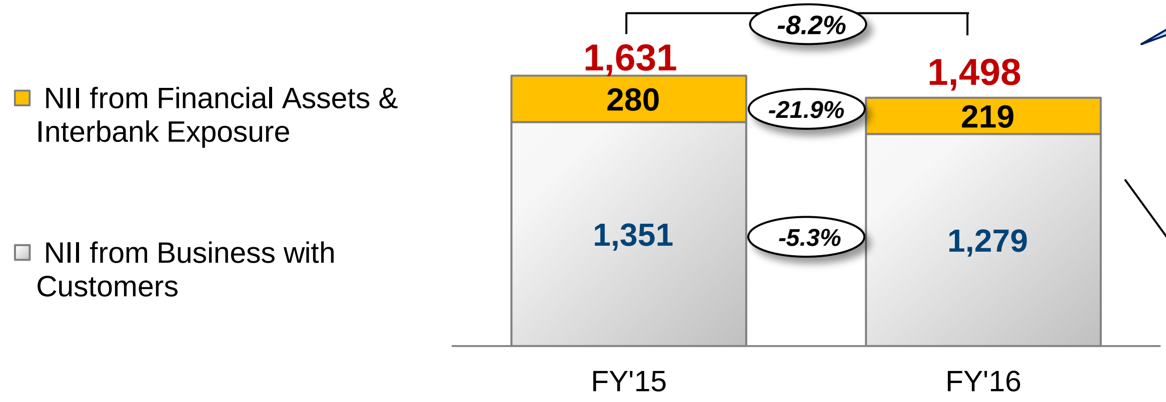
* It takes into consideration the asset swap hedging

For a detail on eligible assets please see annex 4

Net Interest Income trends: touching floor, with significant savings on funding costs

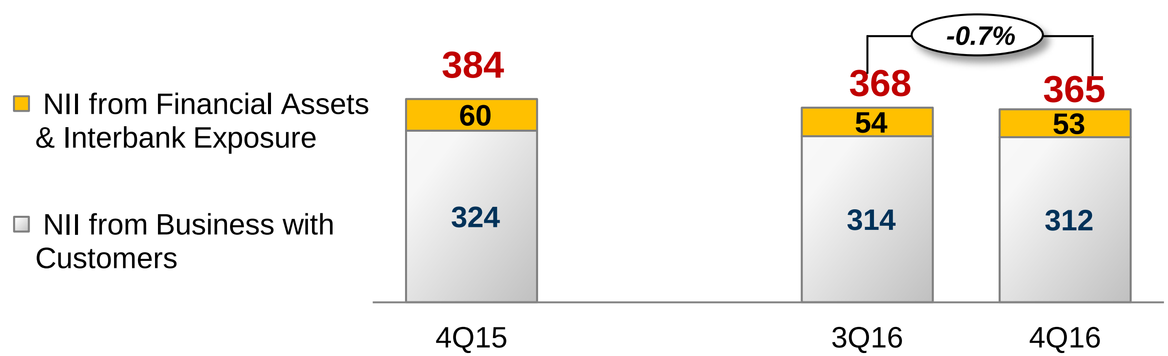
TLTRO2 benefit not yet included

Net Interest Income trend *(€ mln)*



Avg 1 Month Euribor *(in bps)* **-7** **-34**

Net Interest Income quarterly trend *(€ mln)*



Avg 1 Month Euribor *(in bps)* **-15** **-38** **-38**

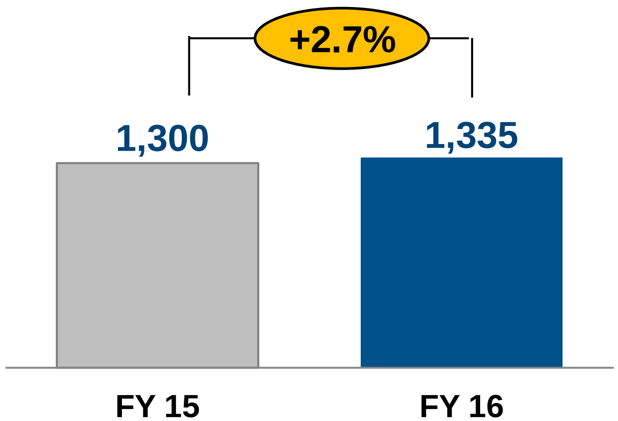
- **Interest expense down by 235 mln€ YoY** thanks to recomposition of funding mix (increase in sight deposits and decrease in retail bonds)
- **Interest income** down by 307 mln€ YoY exclusively due to lower market rates (-0.39%) while average volumes are flattish (approx. 77.5 bln€)

For further detail please see annex 6

Net Commission Income confirms positive trend, above Business Plan expectations

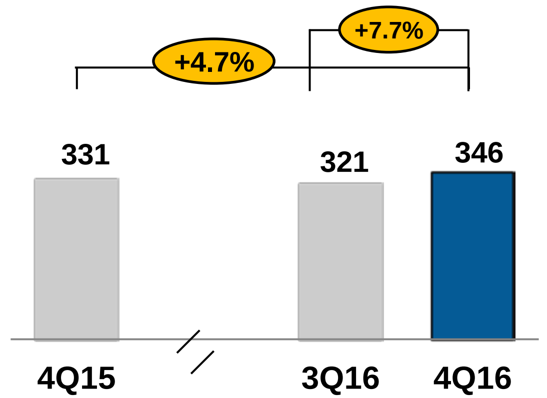
mln/€

TOTAL NET COMMISSION INCOME



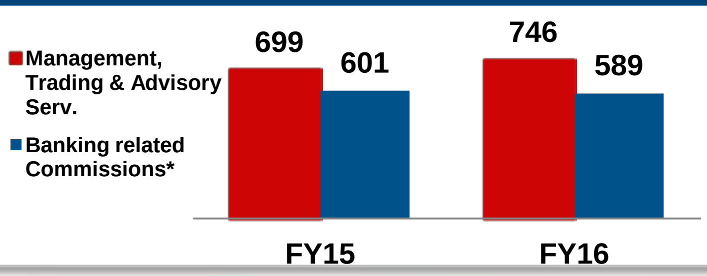
Of which:	FY 15		FY 16
Up-front fees	*11%*		*14%*
Performance fees	*3%*		*2%*
Volumes Placed (AUM and Insurance)	*7,337*	*+20%*	*8,798*

TOTAL NET COMMISSION INCOME - quarterly trend

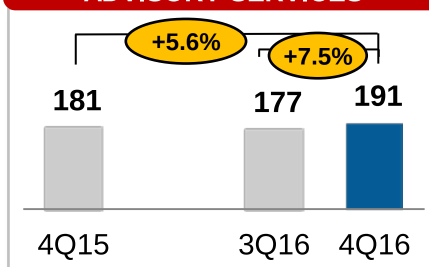


Of which:	4Q15	3Q16	4Q16
Up-front fees	*8%*	*13%*	*10%*
Performance fees	*7%*	*1%*	*5%*

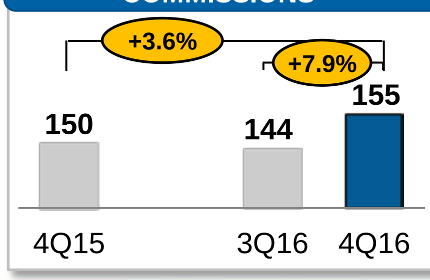
TOTAL NET COMMISSION INCOME BREAKDOWN



MANAGEMENT, TRADING AND ADVISORY SERVICES



BANKING RELATED COMMISSIONS*



* Includes FX negotiations
For further detail please see annex 7

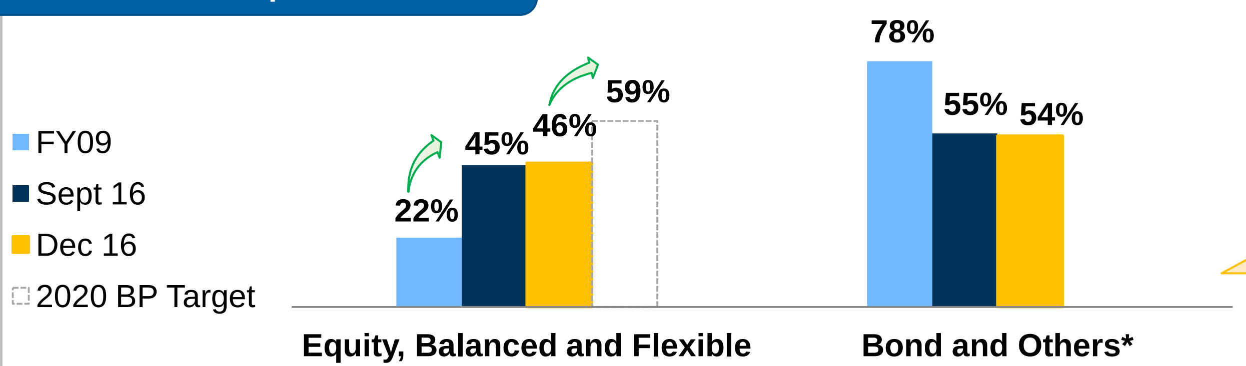
Strong increase of AuM and Bancassurance products: +11.8% and +14.1% respectively vs Dec '15. In progress the recomposition of the Asset mix

INDIRECT FUNDING EVOLUTION

bln/€	Dec '15	Jun '16	Sep '16	Dec '16	*% change vs Dec '15*	*% change vs Sept '16*
AuM	34.1	35.3	36.7	38.1	*11.8%*	*3.8%*
Bancassurance	14.4	15.7	16.1	16.5	*14.1%*	*2.3%*
AUM + Bancassurance	**48.6**	**50.9**	**52.9**	**54.6**	*12.5%*	*3.3%*
AuC	31.0	27.2	27.2	27.5	*-11.3%*	*0.9%*
Total Indirect Funding	**79.5**	**78.1**	**80.1**	**82.1**	*3.2%*	*2.5%*

Performance effect approx -2 bln/€ in the period Dec'15 - Dec'16

UBI PRAMERICA SGR AUM composition



Moving in the right direction towards 2020 target for Asset Mix (59% of total AUM invested in Equity, Balanced and Flexible classes)

* Bond, Money Market, Hedge Funds and Cash

All Operating costs components are down YoY. Operating costs (net of contributions to DGS and SRF) are down by -2.6%

Staff costs keep on decreasing due to the reduction in:
- the number of headcounts (- 262 avg. resources YoY)
- other cash-outs compensated by forms of agreed labour flexibility (e.g. part-time)

Savings have been registered in all expense items

mln/€	FY15	FY16	*% change FY16 vs FY15*	4Q15	3Q16	4Q16
Staff costs	1,295	1,275	*-1.5%*	322	315	322
Other Adm. Expenses excluding contribution to Funds	628	603	*-4.1%*	174	140	168
Deposit Guarantee Scheme*	11	26		11	26	
Single Resolution Fund Ord *	22	32		22		
Single Resolution Fund Extr.	65	75		65		75
D&A *(including PPA)*	153	144	*-6.2%*	38	34	38
Total operating costs incl. contribution to funds	**2,175**	**2,153**	***-1.0%***	**633**	**515**	**600**
Total operating costs excl. contribution to funds	**2,076**	**2,022**	***-2.6%***	**534**	**489**	**527**

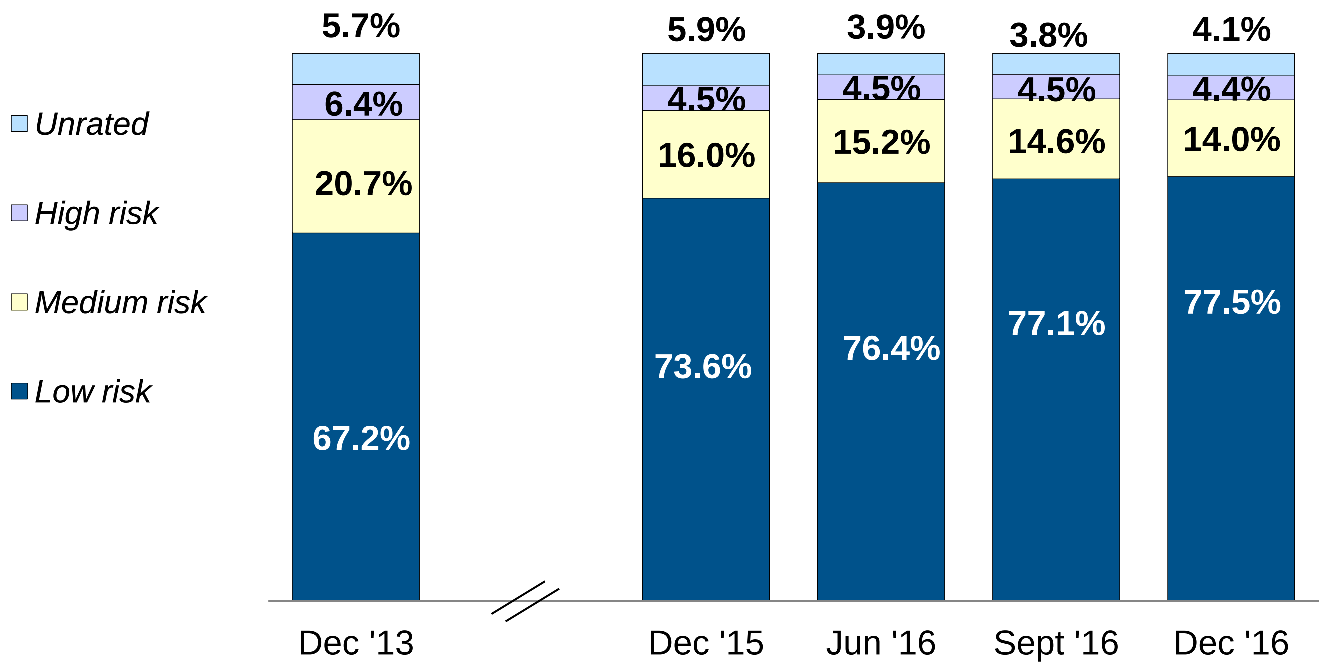
Lower depreciation and amortisation on real estate (following branches closures)

* In 2015, 22.8 mln/€ were booked as a first estimate for SRF contribution (2Q15) and 11.4 mln/€ for DGS (3Q15) in the line net provisions for risk and charges

For an analysis of cost trends since 2007 in annex 8

Low risk performing loans as the premise to lower inflows to NPEs …

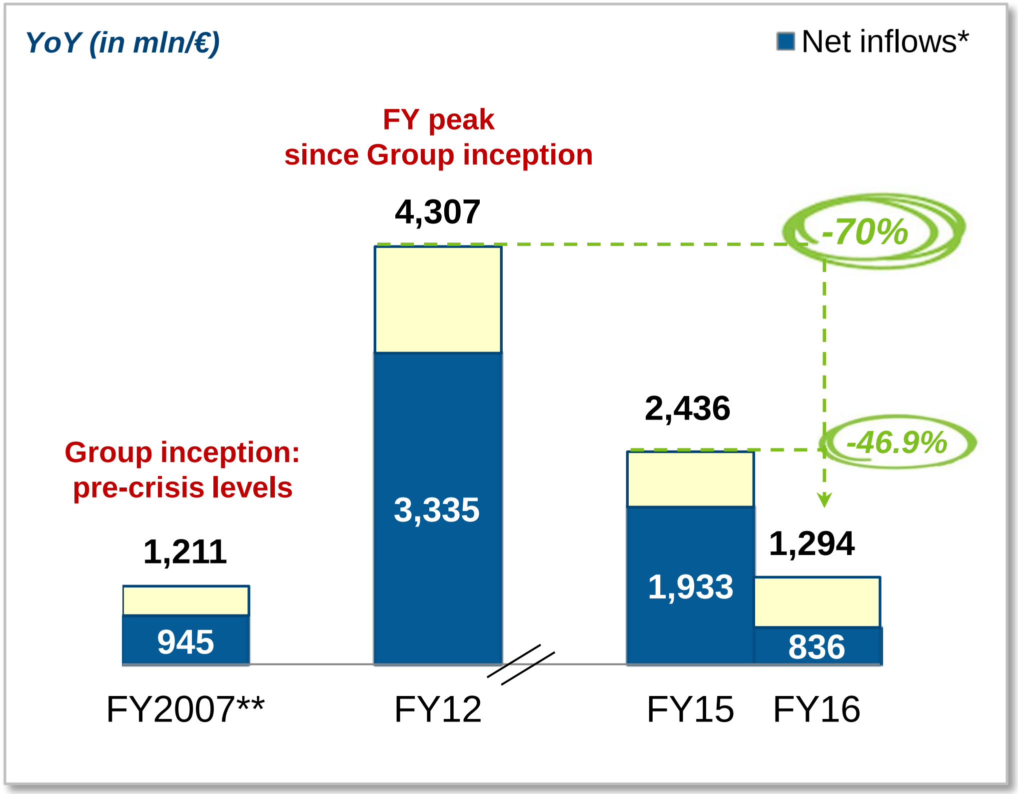
Further progress in de-risking:
performing loan portfolio risk profile*

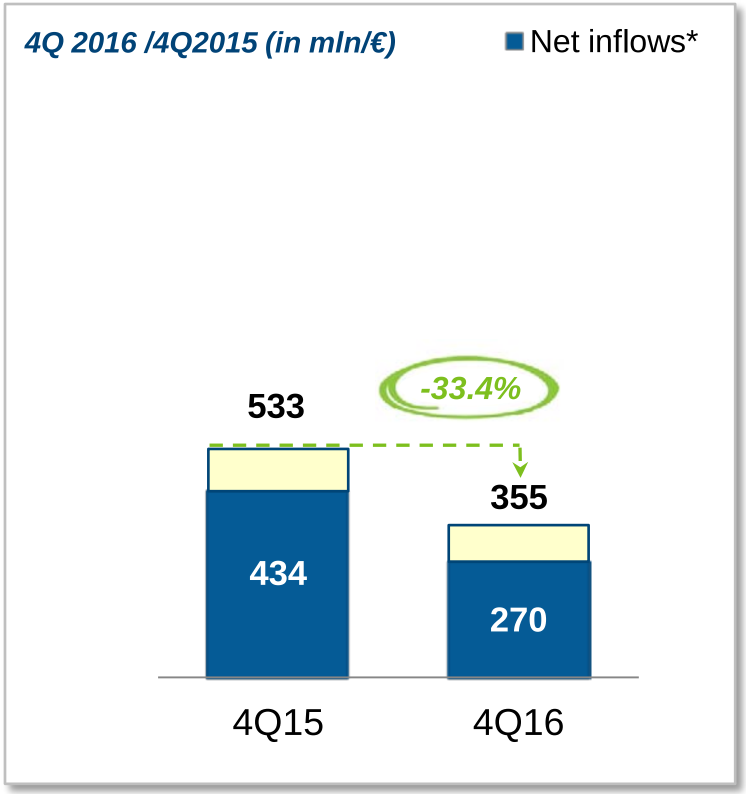


* Perimeter: Network Banks + UBI Banca (IRB perimeter)

…actually reflected into the evidences of gross inflows from performing to NPEs which are virtually <u>back to FY2007 levels</u> and represent <u>a decrease of 70% since the FY peak in 2012…</u>

NPES: GROSS AND NET INFLOWS FROM PERFORMING



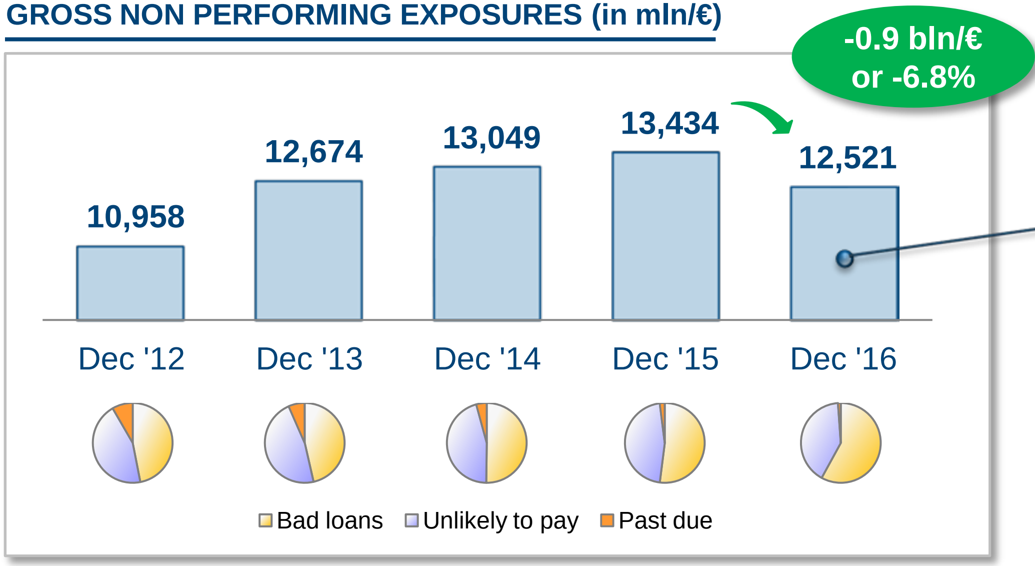


* Net inflows from performing = inflows from performing - outflows to performing ** 1Q BL data estimated, as data in FY2007 included the full year for BPU and 9 months for BL (merger on 01.04.2007)

Note: starting from June '16, data are exposed by customer relationships

… NPEs stock amounts are back to a level lower than those registered in Dec '13 (gross) and Dec '12 (net)

GROSS NON PERFORMING EXPOSURES (in mln/€)

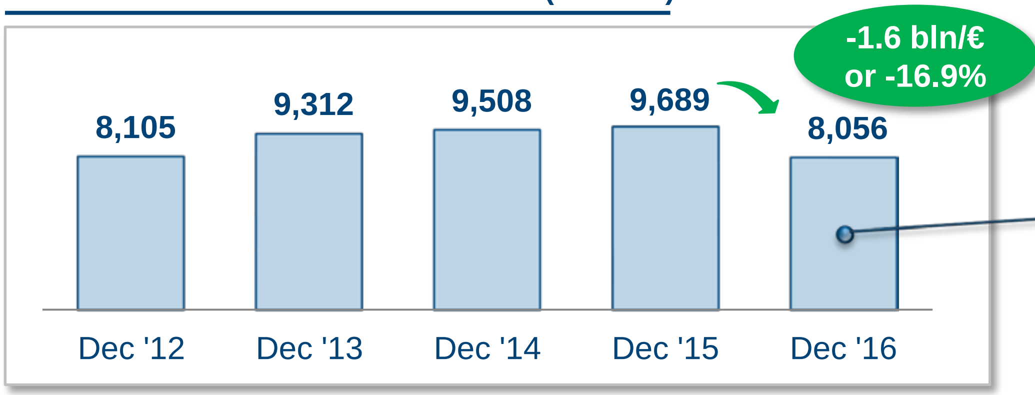


corresponding to

14.4% *of the total gross loan book*

from ***15.1%*** *as at Dec '15*

NET NON PERFORMING EXPOSURES (in mln/€)



corresponding to

9.8% *of the total net loan book*

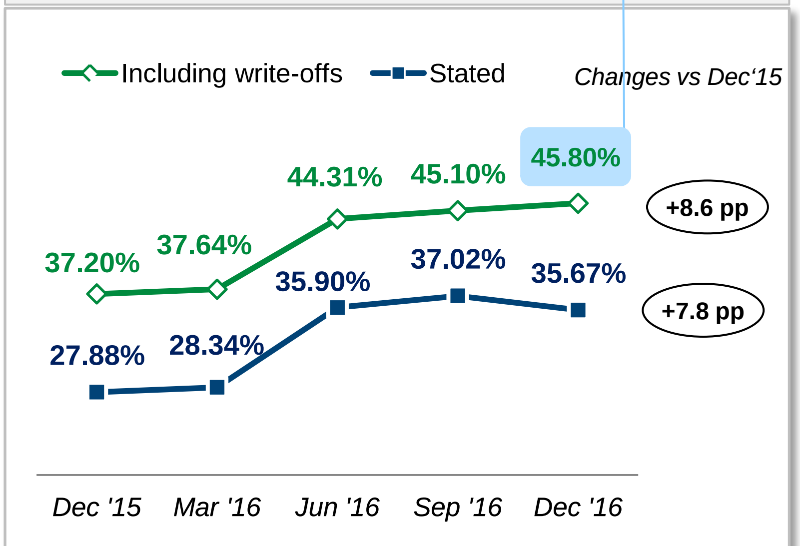
from ***11.5%*** *as at Dec '15*

Note: 2012 is the first year that reflects the change in posting criteria for past due (from 180 to 90 days)
Detail on NPE breakdown in annex 10

Coverage including write offs stands at 45.8% (~58.5% for bad loans)

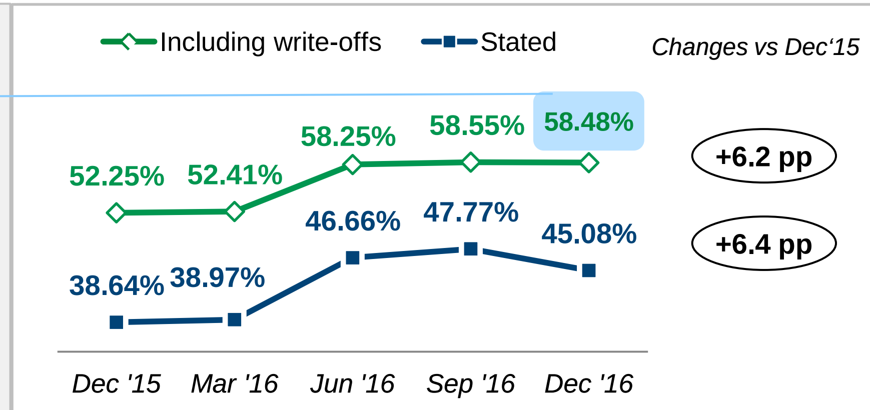
In line with new regulations*, write-offs registered in 4Q16 were approx. 450 mln/€. Total stock write off amounts at over 2.3 bln/€

TOTAL NPEs coverage

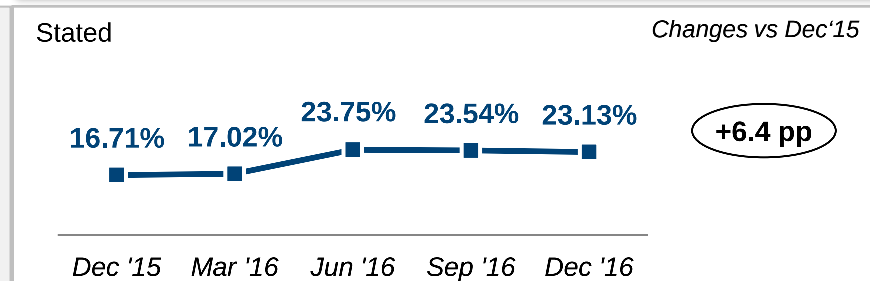


Coverage by type of NPEs

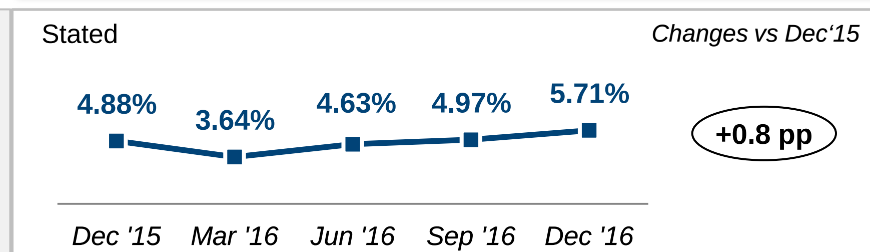
BAD LOANS



UNLIKELY



PAST DUE

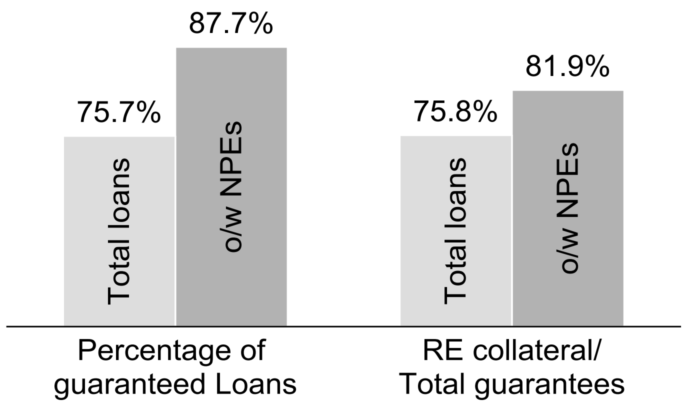


Please see annexes 9 for LLPs from 2007 to 2016 and annex 11 for regulators' orientation

High level of guarantees on NPEs (guarantees are mostly RE) and High Bad Loan recovery rates confirmed in 2016

Portfolio strongly backed by guarantees
Table A.3.2 Notes to the accounts

Guarantees include collaterals and personal guarantees on total loan portfolio

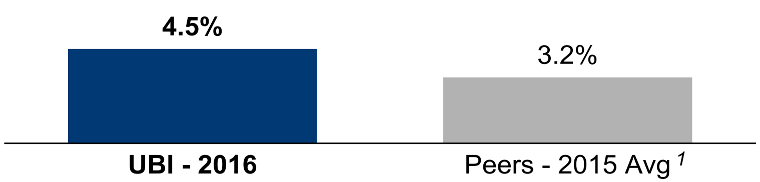


Calculated on net loans

Calculated on fair value of guarantees

High bad loan recovery rates
Table A.1.7 Part E Notes to the accounts

Rate of bad loan recovery (%)



The recovery rate is taken from Section A.1.7 – Part E of the notes to the consolidated financial statements and consists of the ratio of payments received during the year (excluding disposals and cancellations) and the sum of gross outstanding bad loans at the beginning of the year, plus the gross inflow during the year

1) Weighted average of ISP, Banco Popolare, BPER and BPM in 2015

2016 results in line and sometimes ahead of Business Plan objectives: (1/2)

Reorganisation of the Group ahead of original expectations

A) Single Bank Project

- **Merger of BPCI and BRE into UBI Banca, with repurchase of minorities** and benefit on CET1 and migration onto UBI Banca IT system in line with plan on 22nd November 2016
- **Merger of Banca Popolare di Bergamo, Banco di Brescia, Banca Di Valle Camonica, Banca Popolare di Ancona and Banca Carime to be effected ahead of Business Plan**, in a single wave on February 20th well ahead of schedule (original expectation within 1H2017)
- **500 staff to leave the Bank on 28th February 2017**. Over 1,250 applications received to adhere to the "solidarity fund" for voluntary exits

✓

B) Increase in NPE coverage also through the use of the shortfall, done starting from June 2016 ✓

C) Nearly all costs enabling Business Plan implementation up-fronted in 2016 ✓

2016 results in line and sometimes ahead of Business Plan objectives: (2/2)

2016 results in line with 2016 Business Plan expectations

- **Operating Revenues**: perfectly in line with expectations, 3.1 bln/€, but with a different mix:
  lower Net interest income, fully compensated by higher Net Commissions and higher Result from finance ✓

- **Costs**: Net of the extraordinary contribution to the Resolution Fund, Operating costs are lower than Business Plan expectations ✓

- **Cost of risk (including use of shortfall)**: lower than Business Plan expectations ✓

- **Net result (net of Atlante fund and extraordinary resolution fund provisioning):** better than Business Plan expectations ✓

Outlook for ordinary operations (net of non recurring items)

- The **net normalised result for 2017 is expected to grow substantially**, facilitated, amongst other things, by the conclusion of the "Single Bank" project ahead of schedule (last wave – migration of remaining 5 Network Banks - expected on 20th February 2017).

- The overall trend for **operating income is one of growth compared with 2016** as a result of the combined effect of the following main components:
  - ✓ **growth in net interest income** notwithstanding a smaller contribution from the proprietary portfolio, also due to the forecast further reduction in its dimension. An improvement in net interest income from customers is expected, benefiting from a recovery in volumes of lending, the further re-composition of direct funding towards less costly items and the positive impact of the expected achievement of volumes of lending targets for TLTRO2;
  - ✓ continued **growth in fee and commission income** from indirect funding with a greater contribution from the "running" component.

- The positive conclusion of the recent trade union agreement and the encouraging result for applications to the "Solidarity Fund" (over 1,250 applications received) make it possible to improve the target for the **containment of recurring operating expenses.**

- The particularly low risk attaching to the performing portfolio, the action to increase coverage undertaken in the first half of 2016 and the continuation of the reduction in inflows of new non-performing loans and in the stock of NPEs as a consequence, should confirm **the substantial reduction in loan losses** forecast in the 2017 Business Plan.

- As concerns the operation to acquire the 3 Target Bridge Institutions, the pre-closing conditions are taking place with the expected modalities.

Annexes

P&L isolating Business Plan impacts – FY comparison

Figures in € mln	FY15	FY15 net of non recurring items	FY16	FY16 net of non recurring items and BP impacts
Net interest income	1,631.1	1,631.1	1,497.9	1,497.9
Net commission income	1,300.1	1,300.1	1,335.0	1,335.0
Dividends and similar income	10.3	10.3	9.7	9.7
Profits of equity-accounted investees	35.3	35.3	24.1	24.1
Net result from finance	290.6	290.6	153.7	153.7
Other income items	103.4	103.4	99.1	99.1
Operating income	**3,370.9**	**3,370.9**	**3,119.5**	**3,119.5**
Staff costs	(1,295.1)	(1,295.1)	(1,275.3)	(1,275.3)
Other administrative expenses	(727.1)	(661.7)	(734.7)	(660.0)
of which ordinary contribution to RF and DGS	*(33.4)*	*(33.4)*	*(57.2)*	*(57.2)*
of which extraordinary contribution to RF	*(65.3)*		*(74.7)*	
Other administrative expenses excluding all the contributions to RF and DGS	*(628.4)*	*(628.4)*	*(602.8)*	*(602.8)*
Net impairment losses on property, equipment and investment property and intangible assets	(153.0)	(153.0)	(143.5)	(143.5)
Operating expenses	**(2,175.2)**	**(2,109.9)**	**(2,153.5)**	**(2,078.8)**
Net operating income	**1,195.7**	**1,261.0**	**966.0**	**1,040.7**
Net impairment losses on loans	(802.6)	(802.6)	(714.6)	(714.6)
Net impairment losses on other financial assets and liabilities	(16.9)	(16.9)	(130.1)	(60.9)
of which impairment of Atlante fund contribution			*(73.0)*	
Net provisions for risks and charges	(3.0)	(3.0)	(42.9)	(42.9)
Profits (losses) from disposal of investments and equity investments	0.5	0.9	23.0	1.0
of which sale of BPCI building	-	-	*20.7*	
Pre-tax profit from continuing operations	**373.7**	**439.4**	**101.5**	**223.3**
Taxes on income for the period from continuing operations	(161.1)	(156.7)	(82.5)	(112.9)
Profits/losses for the period attributable to non-controlling interests	(29.8)	(30.9)	1.3	1.2
Profit for the period before Business Plan impacts	**182.8**	**251.8**	**20.2**	**111.6**
Net impairment losses on loans with shortfall absorption (net of tax)			(586.0)	
Charges for exit incentives (net of tax)	(62.7)	(62.7)	(207.8)	
Brands impairment (net of tax)			(37.9)	
Real estate impairment (net of tax)	(3.3)		(3.1)	
Charges for Single Bank project (net of tax)			(15.5)	
Profit (loss) for the period	**116.8**	**189.1**	**(830.2)**	**111.6**

P&L isolating Business Plan impacts – Quarterly comparison

Figures in € mln	4Q15	3Q16	4Q16	*% change 4Q16 vs 4Q15*	*% change 4Q16 vs 3Q16*
Net interest income	385.2	367.6	364.8	*(5.3%)*	*(0.8%)*
Net commission income	330.6	321.4	346.2	*4.7%*	*7.7%*
Dividends and similar income	1.6	1.1	(0.1)	*n.s.*	*n.s.*
Profits of equity-accounted investees	12.1	7.0	5.2	*(57.1%)*	*(25.6%)*
Net result from finance	151.7	23.8	47.4	*(68.8%)*	*99.4%*
Other income items	22.6	24.8	22.0	*(2.5%)*	*(11.0%)*
Operating income	**903.8**	**745.6**	**785.5**	***(13.1%)***	***5.4%***
Staff costs	(322.4)	(314.7)	(321.5)	*(0.3%)*	*2.2%*
Other administrative expenses	(272.5)	(166.1)	(241.2)	*(11.5%)*	*45.3%*
of which ordinary contribution to RF and DGS	*(33.4)*	*(26.4)*	*1.2*	*n.s.*	*n.s.*
of which extraordinary contribution to RF	*(65.3)*		*(74.7)*	*n.s.*	*n.s.*
Other administrative expenses excluding all the contributions to RF and DGS	*(173.8)*	*(139.7)*	*(167.8)*	*(3.5%)*	*20.1%*
Net impairment losses on property, equipment and investment property and intangible assets	(38.3)	(34.3)	(37.5)	*(2.0%)*	*9.5%*
Operating expenses	**(633.1)**	**(515.0)**	**(600.3)**	***(5.2%)***	***16.6%***
Net operating income	**270.7**	**230.6**	**185.2**	***(31.6%)***	***(19.7%)***
Net impairment losses on loans	(245.0)	(167.4)	(191.8)	*(21.7%)*	*14.6%*
Net impairment losses on other financial assets and liabilities	(10.5)	(0.4)	(79.2)	*n.s.*	*n.s.*
of which impairment of Atlante fund contribution					
Net provisions for risks and charges	44.8	(3.5)	(12.7)	*n.s.*	*n.s.*
Profits (losses) from disposal of investments and equity investments	0.1	0.3	21.0	*n.s.*	*n.s.*
of which sale of BPCI building					
Pre-tax profit from continuing operations	**60.1**	**59.6**	**(77.4)**	***n.s.***	***n.s.***
Taxes on income for the period from continuing operations	(33.3)	(14.7)	20.7	*n.s.*	*n.s.*
Profits/losses for the period attributable to non-controlling interests	(7.2)	(7.7)	(8.3)	*16.0%*	*7.7%*
Profit for the period before Business Plan impacts	**19.6**	**37.2**	**(65.0)**	***n.s.***	***n.s.***
Net impairment losses on loans with shortfall absorption (net of tax)					
Charges for exit incentives (net of tax)	(61.5)	(0.2)	0.1	*n.s.*	*n.s.*
Brands impairment (net of tax)				*n.s.*	*n.s.*
Real estate impairment (net of tax)	(3.3)		(3.1)	*n.s.*	*n.s.*
Charges for Single Bank project (net of tax)		(4.5)	(7.6)	*n.s.*	*71.1%*
Profit (loss) for the period	**(45.2)**	**32.5**	**(75.6)**	***67.2%***	***n.s.***
Profit (loss) for the period net of non-recurring items	**26.6**	**37.2**	**26.4**	***n.s.***	***(28.9%)***

Main Reclassified Balance Sheet Items

MAIN ASSETS ITEMS *Figures in millions of euro*	**31.12.2015**	**30.06.2016**	**30.09.2016**	**31.12.2016**	**% annual change**	**% quarterly change**
Financial assets (AFS, HFT, FV, HTM)	20,239	19,741	18,416	17,859	-11.8%	-3.0%
Loans to customers	84,586	83,907	82,011	81,854	-3.2%	-0.2%
Property, equipment and investment property	1,744	1,660	1,653	1,648	-5.5%	-0.3%
Intangible assets	1,757	1,685	1,688	1,696	-3.5%	0.5%
of which: goodwill	*1,465*	*1,465*	*1,465*	*1,465*	0.0%	0.0%
Tax assets	2,815	3,007	2,982	3,044	8.1%	2.1%
Other assets	1,172	1,081	833	1,297	10.7%	55.7%
Total assets	**117,201**	**116,660**	**113,367**	**112,384**	**-4.1%**	**-0.9%**

MAIN LIABILITIES AND EQUITY ITEMS *Figures in millions of euro*	**31.12.2015**	**30.06.2016**	**30.09.2016**	**31.12.2016**	**% annual change**	**% quarterly change**
Net interbank position*	7,024	9,761	9,693	10,412	48.2%	7.4%
Due to customers	55,264	55,460	53,789	56,226	1.7%	4.5%
Securities issued	36,248	32,065	30,794	28,940	-20.2%	-6.0%
Tax liabilities	473	242	244	233	-50.7%	-4.4%
Net worth attributable to the Parent	9,865	9,629	9,644	9,820	-0.5%	1.8%
Non-controlling interests	536	476	483	72	-86.6%	-85.1%
Profit for the period	117	(787)	(755)	(830)	n.s.	10.0%
Total liabilities and equity	**117,201**	**116,660**	**113,367**	**112,384**	**-4.1%**	**-0.9%**

* Including €8.1 bln TLTRO1 replaced with € 10 bln TLTRO 2 taken in June '16

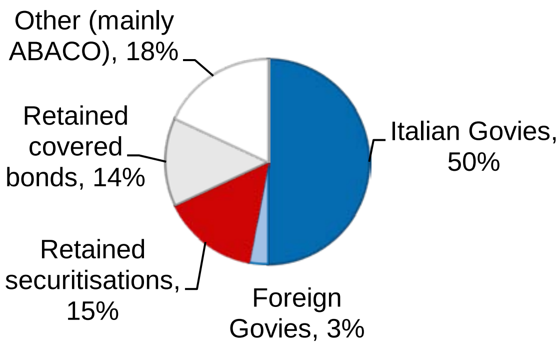
Total eligible assets at 28 bln/€, of which 14.4 bln/€ unencumbered. Eligible assets represent over 53% of current accounts and deposits

Eligible Assets

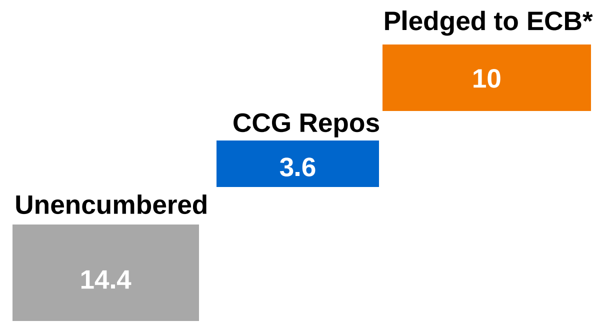
28.0 bln/€

(net of haircut, as at 31st Dec 2016)

Composition (%)



Usage (bln/€)



Increased capacity to generate eligible assets, both in terms of ABACO *(currently at approx. 75% of the end of Business Plan target)* and of retained securitisations *(not expected to increase further)*, a significant effort and success in terms of digitalisation enhancement

✓ ***Loan to Deposit ratio = 96.1%***

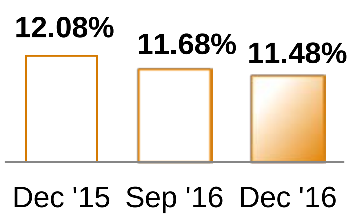
* 10 bln/€ TLTRO 2, expiring in June 2020

Capital Ratios (Phased in, Basel 3) as at Dec '16: Common Equity Tier 1 Ratio at 11.48%, Total Capital Ratio at 14.10%

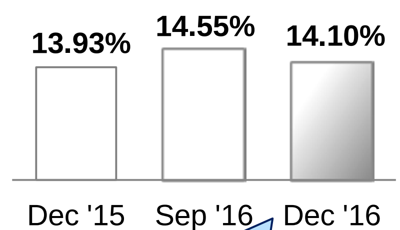
mln/€	Dec '15	Sep '16	Dec '16
Common Equity Tier 1 Capital (before filters and transitional provisions)	8,182.0	6,905.1	6,787.2
Transitional provisions (minority interest)	176.6	120.1	18.9
Transitional provisions (AFS Reserves)	-59.1	-43.1	-25.2
Transitional provisions (loss of the period)		18.7	
Transitional provisions (DTA)		92.3	113.4
Common Equity Tier 1 Capital filters	-3.1	-5.0	-7.7
Italian Govies filters	-191.0	15.9	25.6
Common Equity Tier 1 *(after filters)*	**8,105.4**	**7,104.0**	**6,912.2**
Common Equity Tier 1 regulatory adjustments: negative elements for deduction excess of expected losses over impairment losses	*-696.5*	*-54.2*	*-83.0*
Common Equity Tier 1 Capital (CET1)	**7,408.9**	**7,049.8**	**6,829.3**
Additional Tier 1 before deductions	**38.9**	**36.7**	**0.3**
Additional Tier 1 regulatory adjustments	38.9	36.7	0.3
of which negative elements for deduction excess of expected losses over impairment losses	*-38.9*	*-18.1*	*-0.3*
Additional Tier 1	**-**	**-**	**-**
Tier 1 Capital (CET 1 +Additional Tier 1)	**7,408.9**	**7,049.8**	**6,829.3**
Tier 2 Capital before transitional provisions	1,443.5	1,747.8	1,606.2
Tier 2 instruments grandfathering	-	-	-
Tier 2 Capital after transitional provisions	**1,443.5**	**1,747.8**	**1,606.2**
Tier 2 capital regulatory adjustments	-307.3	-12.5	-46.4
of which: negative elements for deduction excess of expected losses over impairment losses	*-315.2*	*-18.1*	*-20.8*
Tier 2 Capital	**1,136.1**	**1,735.2**	**1,559.8**
TOTAL OWN FUNDS	**8,545.0**	**8,785.0**	**8,389.1**

mln/€	Dec '15	Sep '16	Dec '16
Risk weighted assets	**61,344.9**	**60,378.8**	**59,483.9**
Total prudential requirements	**4,907.6**	**4,830.3**	**4,758.7**
Credit risk	*4,536.7*	*4,469.4*	*4,351.1*
CVA (Credit Value Adjustment) risk	*15.5*	*17.1*	*12.0*
Market risk	*78.8*	*65.8*	*112.4*
Operational risk	*276.7*	*278.1*	*283.3*

CET 1 *PHASED IN*



TOTAL CAPITAL *PHASED IN*



Approx. -142 mln/€ Tier 2 instruments amortised

- B3 Leverage:
  - ✓ phased in 5.75%
  - ✓ fully loaded 5.62%
- 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

Net Interest Income – Consolidated Customer Spread Details

Do not include the effects of TLTRO2 volumes and costs

CUSTOMER SPREADS

in bps on avg. STOCK*	**1Q15**	**2Q15**	**3Q15**	**4Q15**	**1Q16**	**2Q16**	**3Q16**	**4Q16**
1M Euribor	0	-5	-9	-15	-26	-35	-38	-38
Mark up vs 1M Euribor	275	269	259	256	260	258	252	244
Short term	*323*	*308*	*293*	*283*	*280*	*275*	*269*	*256*
Medium-long term	*262*	*259*	*251*	*250*	*255*	*254*	*248*	*242*
Mark down vs 1M Euribor	-89	-86	-85	-84	-88	-92	-89	-84
Sight deposits	*-16*	*-18*	*-19*	*-24*	*-35*	*-43*	*-43*	*-42*
Term deposits	*-119*	*-95*	*-101*	*-86*	*-90*	*-88*	*-68*	*-65*
Retail bonds	*-135*	*-128*	*-123*	*-124*	*-132*	*-131*	*-125*	*-121*
Institutional bonds	*-186*	*-187*	*-187*	*-174*	*-165*	*-162*	*-156*	*-142*
UBI Group - Customer spread	**186**	**183**	**174**	**172**	**172**	**166**	**163**	**160**

* Average period data referred to the whole consolidated Group (Network banks+ Product companies + UBI)

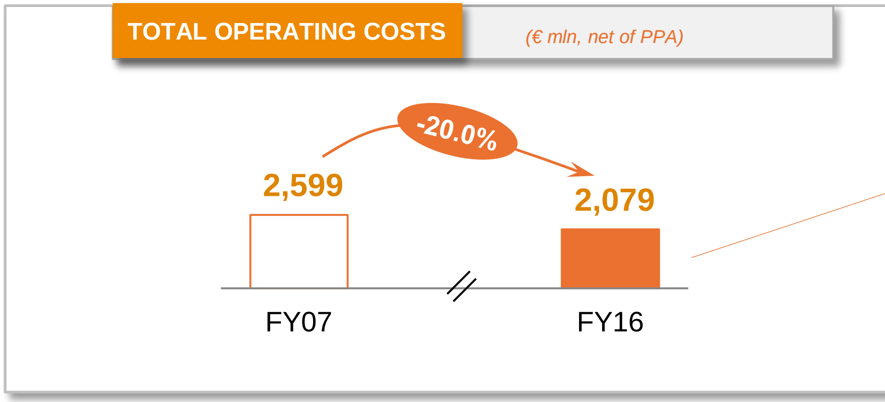
Detail of Net Commission Income at 1,335 mln/€

Net Commission Income (€ mln)	4Q15	1Q16	2Q16	3Q16	4Q16	FY15	FY16	FY16 vs FY15	4Q16 vs 3Q16	4Q16 vs 4Q15
MANAGEMENT, TRADING & ADVISORY SERVICES	**181**	**192**	**186**	**177**	**191**	**699**	**746**	**6.8%**	**7.5%**	**5.6%**
of which:										
Portfolio management	*98*	*75*	*78*	*82*	*99*	*331*	*335*	*1.3%*	*20.4%*	*0.8%*
Placement of securities	*33*	*67*	*60*	*58*	*43*	*188*	*227*	*20.8%*	*-25.7%*	*31.8%*
Third party services distribution	*49*	*49*	*47*	*41*	*50*	*179*	*187*	*4.0%*	*24.3%*	*2.7%*
BANKING RELATED COMMISSIONS*	**150**	**146**	**144**	**144**	**155**	**601**	**589**	**-2.0%**	**7.9%**	**3.6%**
of which:										
Guarantees (banking activity)	*10*	*13*	*10*	*10*	*10*	*45*	*43*	*-5.9%*	*-3.2%*	*-3.6%*
Collection and payment services	*29*	*24*	*26*	*25*	*27*	*111*	*102*	*-8.8%*	*7.5%*	*-9.0%*
Services for factoring transactions	*4*	*4*	*3*	*3*	*4*	*16*	*14*	*-11.5%*	*14.1%*	*-1.1%*
Current accounts management	*51*	*44*	*46*	*48*	*55*	*195*	*193*	*-0.8%*	*16.1%*	*7.7%*
Other services	*54*	*59*	*56*	*57*	*59*	*227*	*231*	*1.6%*	*3.0%*	*8.4%*
TOTAL NET COMMISSION INCOME	**331**	**337**	**330**	**321**	**346**	**1,300**	**1,335**	**2.7%**	**7.7%**	**4.7%**
of which										
*UP-FRONT FEES***	*28*	*59*	*49*	*41*	*35*	*146*	*185*			
as a % on total net commission income	*8%*	*18%*	*15%*	*13%*	*10%*	*11%*	*14%*			
PERFORMANCE FEES	*23*	*2*	*3*	*3*	*18*	*35*	*26*			
as a % on total net commission income	*7%*	*1%*	*1%*	*1%*	*5%*	*3%*	*2%*			

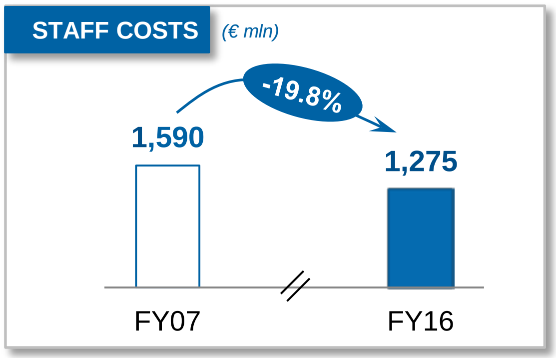
* Includes FX negotiations.
** Funds&sicav, insurance products, other third party products

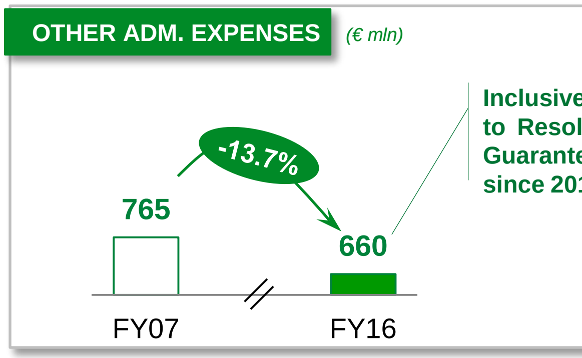
Strong track record in cost management from 2007 to 2016

(Amounts net of non-recurring items)

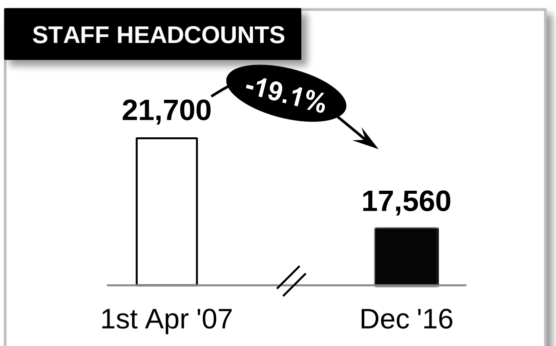


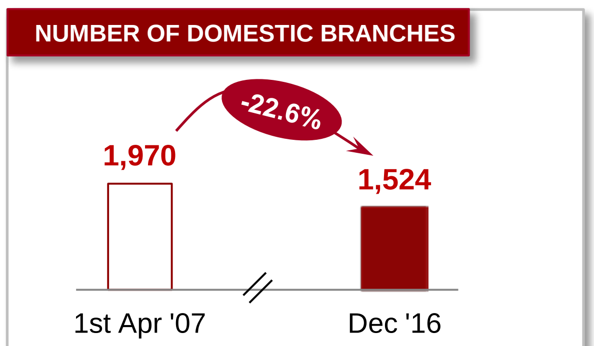
Inclusive of Ordinary contribution to Resolution Fund (RF) and Deposit Guarantee Scheme, accounted since 2015





Inclusive of ordinary contribution to Resolution Fund and Deposit Guarantee Scheme, accounted since 2015

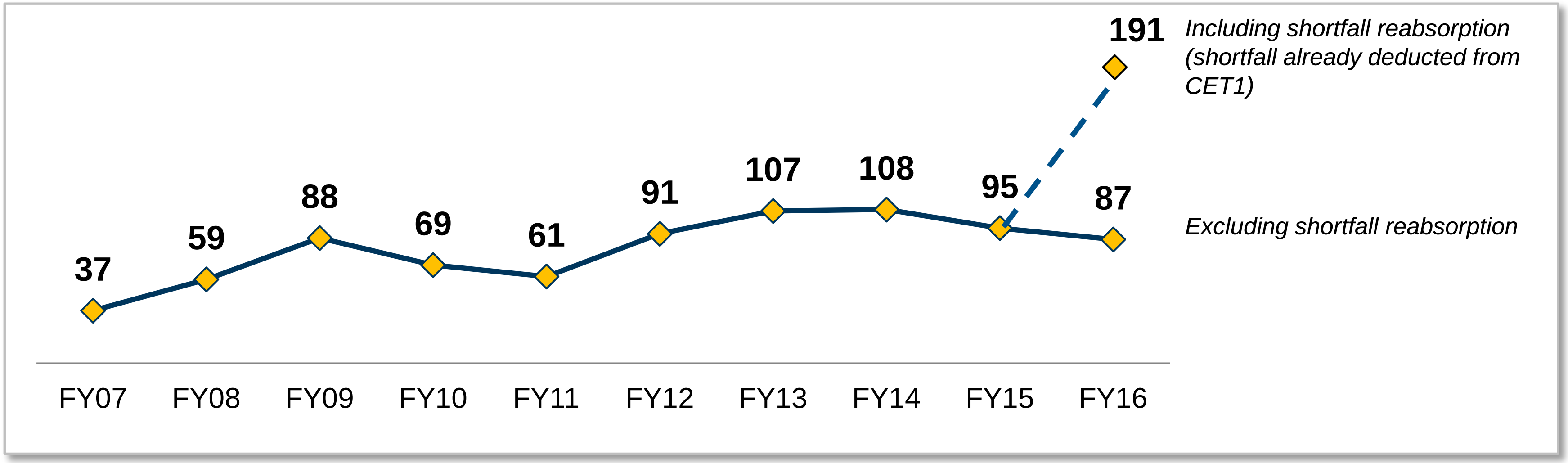




Note: staff headcounts at the end of the period

Regular trend in loan loss rates

Loan loss rate (in bps)



Impairment losses on loans (mln/€)	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Annual LLPs	343	566	865	707	607	847	943	929	803	1,566
o/w shortfall reabsorption										*851*
o/w ordinary LLPs	*343*	*566*	*865*	*707*	*607*	*847*	*943*	*929*	*803*	*715*

FY07 normalised figure at 28 bps

Loan book details

Figures in mln/€	Gross exposure				Net exposure			
	Dec '15	*Jun '16*	*Sep '16*	*Dec '16*	*Dec '15*	*Jun '16*	*Sep '16*	*Dec '16*
Total loan book	**88,748**	**89,086**	**87,307**	**86,699**	**84,586**	**83,907**	**82,011**	**81,854**
of which:								
Non performing exposures	**13,434**	**13,280**	**13,231**	**12,521**	**9,689**	**8,512**	**8,333**	**8,056**
- Bad loans *("Sofferenze")*	6,988	7,216	7,491	7,261	4,288	3,849	3,913	3,987
- "Unlikely to pay" loans	6,180	5,862	5,569	5,119	5,147	4,470	4,258	3,935
- Past due loans	267	203	171	141	254	194	162	133

-5.4% vs Sep '16

-6.8% vs Dec '16

-3.3% vs Sep '16

-16.9% vs Dec '16

Figures in mln/€	Gross exposure				Net exposure			
	Dec '15	*Jun '16*	*Sep '16*	*Dec '16*	*Dec '15*	*Jun '16*	*Sep '16*	*Dec '16*
Total loan book	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
of which:								
Non performing exposures	**15.1%**	**14.9%**	**15.2%**	**14.4%**	**11.5%**	**10.1%**	**10.2%**	**9.8%**
- Bad loans *("Sofferenze")*	7.9%	8.1%	8.6%	8.4%	5.1%	4.6%	4.8%	4.9%
- "Unlikely to pay" loans	7.0%	6.6%	6.4%	5.9%	6.1%	5.3%	5.2%	4.8%
- Past due loans	0.3%	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%

The relevance of the write-off policy has been confirmed by recent regulations

According to ECB Draft Guidance to Banks on Non Performing Loans

“The timely recognition of provisions and timely write-off of unrecoverable loans is a key supervisory focus as it serves to strengthen the balance sheet of banks and enables them to (re)focus on their core business, most notably lending to the economy. All banks should include in their internal policies clear **guidance on the timeliness of provisions and write-offs**"

1 THE FRAMEWORK

- “International commentators such as the IMF have underscored the need for banking supervisors to have a **general policy requiring timely write-off of uncollectible loans** and assist banks in formulating **sound write-off criteria”**
- “In the same context, the IMF has also noted that supervisors fulfill their roles of assessing credit risk and enforcing the capital adequacy of banks, in part, by ensuring **sufficient and timely loan loss provisioning**, and has highlighted the **many benefits of timely write-off of uncollectible loans”**
- “In addition, the BCBS 2015 paper entitled “Sound Credit Risk Assessment and Valuation” states that **uncollectibility is to be recognised in the appropriate period through allowances or write-offs”**
- *(…omissis…)*

“The **write-offs** are the amount of principal and past due interest of any debt instrument that an institution is no longer recognising because they are considered uncollectible”

2 THE TECHNICALITIES

- “Write-offs can relate to a financial asset in **its entirety, or to a portion of it**. Therefore, the gross carrying amount of a financial asset is reduced by the amount of the write-off”
- “An entity should write off a financial asset or part of a financial asset **in the period** in which the loan or part of the loan is **considered unrecoverable”**
- “Write-off **can** take place **before legal actions** against the borrower to recover the debt have been concluded in full. A write-off **does not involve the bank forfeiting the legal right to recover the debt”**
- “Once an amount has been written off from the balance sheet, **it is not possible to write-back/reverse that adjustment**, in opposition to impairment provisions, which can be retaken through the statement of profit and loss where there are changes in the estimation. Write-offs **should not be written-back** and if cash or other assets are eventually collected these collections would be directly recognised as income in the statement of profit or loss.”
- *(…omissis…)*

Sources: EBA/CP/2016/21 and Draft guidance to banks on NPLs