PRESS RELEASE

Results as at 31 March 2017 of the UBI Group

The first quarter saw the completion of important strategic initiatives to evolve the Group's business and operating model in accordance with the Business Plan. Major initiatives included the following:

- **the Single Bank Project (the merger of the seven network banks into UBI Banca) was concluded successfully four months ahead of schedule. This involved approximately 1,600 branches, 9.1 million customer registrations, and a change in the IBAN of all current accounts. The project also involved most of the 17,000 employees of the Group**
- **a new organisational model was implemented with the reconfiguration of the units under the Chief Commercial Officer (the creation of Macro Geographical Areas and Corporate and Investment Banking and Top Private Banking divisions) and the Chief Wealth and Welfare Officer**
- **responsibility for the management of unlikely-to-pay loans was transferred from the distribution network to the central problem loan unit, while the specialist bad loan management unit was maintained (a total of 400 staff)**
- **a new approach was introduced for small to medium-size enterprises and corporates with a sector/virtual supply chain vision.**

Notwithstanding the huge efforts required, which involved all Group units both at headquarters and in the distribution network, total grants of medium to long-term loans grew to €2.7 billion, +13.6% compared with the same period in 2016, and over 5,000 new customers were acquired.

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<u>The 1Q2017 income statement</u>

Consolidated profit net of non-recurring items of €86.3 million, +103% compared with €42.5 million in 1Q 2016

Consolidated net profit of €67 million, +59.4% compared with €42.1 million in 1Q 2016, notwithstanding a further write-down of the Atlante Fund by €13.5 million net, residual costs incurred for the Single Bank Project of €4.6 million net and project costs relating to the Bridge Banks of €1.1 million net

Net operating income of €276.1 million, up on both 1Q 2016 (+12.6%) and on 4Q 2016 (+49.1%):

- **Operating income of €798.2 million, up on both 1Q 2016 (+3.3%) and on 4Q 2016 (+1.6%)**
- **Operating expenses of €522 million, down on both 1Q 2016 (-1.1%) and on 4Q 2016 (-13%)**

Losses on loans of €134.8 million, a decrease compared both with 1Q 2016 (-13.2%) and with 4Q 2016 (-29.7%)

<u>The balance sheet as at 31 March 2017</u>

Fully loaded CET1 ratio of 11.29% (11.22% as at 31.12.2016)
Phased in CET1 ratio of 11.44% (11.48% as at 31.12.2016)
LCR and NSFR > 100%

Performing loans to customers up to approximately €74 billion net of financing to the *Cassa di Compensazione e Garanzia*[1] (+0.6% compared with December 2016 and slightly up on March 2016)

Non-performing exposures of €12.4 billion (gross) and €7.96 billion (net), falling continuously compared with both December 2016 and March 2016
New inflows of non-performing loans reducing further:

- **in gross terms: -18.5% vs 1Q 2016 and -10.7% vs 4Q 2016**
- **in net terms: -26% vs 1Q 2016 and -17% vs 4Q 2016**

Total indirect funding of €86.9 billion, up by 5.8% on December 2016 and by 12% on March 2016

- **Assets under management of €56.6 billion, +3.6% on December 2016, +15.3% on March '16**
- **Assets under custody of €30.3 billion, +10.1% on December 2016, +6.2% on March 2016**

Total funding from ordinary customers[2] (direct and indirect) of €153.8 billion (€150.7 billion in December 2016 and €146.9 billion in March 2016).

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Focus on the income statement:

<u>1Q 2017 vs 4Q 2016</u>:

- **Operating income of €798.2 million (+1.6% compared with €785.5 million previously)**
  - **Net interest income of €347.2 million, -4.8% mainly following the reduction in the contribution from the Italian government securities portfolio[3] (-11.4% at 48.8 million), and pressure on commercial spreads affecting the contribution from the business with customers (-3.7% at 300.9 million). Net interest income does not include benefit arising from TLTRO**
  - **Net fee and commission income of €350.9 million (+1.3%), driven by the good performance of assets under management. The 1Q17 result is the <u>highest</u> since Group inception**
  - **A result from finance of €65.4 million (€47.4 million in 4Q 2016)**
- **Operating expenses of €522 million (-13% and -6.9% excluding contributions to the Resolution Fund)**
  - **Staff costs of €320.6 million (-0.3%). Exits as at 28th February 2017 numbered approximately 500 staff, with full benefits in 2Q 2017.**

[1] Inclusive of the CCG, loans to customers stood at €76.6 billion at the end of March 2017 compared with €73.8 billion in December 2016 and €74.4 billion in March 2016.
[2] Net of funding through third party distribution networks and institutional funding.
[3] In terms of volumes, the Italian Government bonds portfolio was down to 11.5 billion from 13.2 as at December 2016 and 17.7 as at March 2016.

- **Other administrative expenses of €166.3 million (-31% and -19.7% net of contributions to the Resolution Fund)**
- **Losses on loans of €134.8 million (-29.7%), amounting to 64 basis points annualised (94 basis points in 4Q 2016).**

<u>1Q 2017 vs 1Q 2016:</u>

- **Operating income of €798.2 million (+3.3% compared with €772.9 million previously)**
  - **Net interest income of €347.2 million, -10.4% mainly following the reduction in the contribution from the Italian government securities portfolio[4] (-17.7% to €48.8 million), and pressure on commercial spreads on business with customers (-9% to €300,9 million). Net interest income does not include benefit arising from TLTRO**
  - **Net fee and commission income of €350.9 million (+4.1%), driven by the good performance of assets under management. The 1Q17 result is the <u>highest</u> since Group inception**
  - **A finance result of €65.4 million (€15.7 million in 1Q 2016)**
- **Operating expenses of €522 million (-1.1%)**
  - **Staff costs of €320.6 million, largely unchanged compared with 1Q 2016. Exits as at 28th February 2017 numbered approximately 500 staff, with full benefits in 2Q 2017.**
  - **Other administrative expenses of €166.3 million (-3.2%)**
- **Losses on loans of €134.8 million (-13.2%), amounting to 64 basis points annualised (74 basis points in 1Q 2016)**

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Bergamo, 10th May 2017 – The Management Board of Unione di Banche Italiane Spa (UBI Banca) approved its consolidated results for the first quarter of 2017, which ended with a **profit of €67 million, to record a 59.4% increase compared with €42.1 million in 1Q 2016, notwithstanding the inclusion in 2017 of a further write-down of the Atlante Fund by €13.5 million net, residual costs incurred for the Single Bank Project – completed in February 2017 – amounting to €4.6 million net and project costs relating to the Bridge Banks of €1.1 million net.**

If non-recurring items are not included, profit for 1Q 2017 came to €86.3 million, +103% compared with €42.5 million in 1Q 2016.

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<u>1Q 2017 results in detail</u>

a) compared with <u>1Q 2016</u>

The first quarter of the year ended with a **profit** of over €67 million, up 59.4% on €42.1 million earned in the same period of 2016, the result of positive performance by operating income, a further fall in expenses and lower loan losses.
Net of non-recurring items, profit came to €86.3 million[5], +103% compared with €42.5 million in 1Q 2016.

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4 Please see note n. 3

5 Non-recurring items (net of tax and non-controlling interests) consisted of expenses of €19.3 million in the first quarter of 2017 (due to the recognition of a further write-down on the investment in the Atlante Fund, to costs incurred for the project to integrate the bridge banks and to costs arising from the completion of the Single Bank project) and of expenses of €0.4 million in the same period of 2016 (following the recognition of adjustments to redundancy expenses).

This result takes on, amongst other things, even more importance when it is considered that during this time the Group managed all the complexities of the merger of the last five former Network Banks.

Net operating income in the first quarter of 2017 ended with a result of €276.1 million, an improvement of 12.6% on 1Q 2016.

Operating income totalled €798.2 million, +3.3% compared with €772.9 million in 2016, the aggregate result of the performances reported below.

Net interest income, amounting to €347.2 million, was down 10.4% year-on-year due to a reduction both in the contribution from the securities portfolio (in terms of volumes down by a total of €3.8 billion, while the more profitable Italian government securities component reduced by approximately €6 billion, with profit-taking which benefited the finance result) and, above all, in the contribution from business with customers (-9% to €301 million), which was affected by spread reduction.
As a reminder, for the purpose of comparison with the market, net interest income does not include the benefits of the TLTRO, which will be recognised at the end of the year.

The performance by net interest income was **more than offset** by other components of income.

Net fee and commission income increased by €13.7 million to €350.9 million, **reaching for the first time an amount higher than that of net interest margin**. **The result achieved in 1Q2017 is the highest since Group inception**.
This improvement is the result of growth of €11.5 million in relation to the performance of management, trading and advisory services (totalling €203.1 million), driven by a substantial increase in assets under management and insurance products (+15.3% in terms of volumes), while it also saw an increase of €2.2 million in fees and commissions earned on ordinary banking business (totalling €147.8 million).

The **result from finance** was particularly strong, amounting to €65.4 million compared with €15.7 million in 2016 and it included the profits on the sale of Italian government securities mentioned above (€43.6 million compared with €24.6 million in 2016).
In detail, the **result from finance** was composed as follows:
- €24 million from trading activities (€1.5 million in 1Q 2016);
- €40.5 million from the disposal of financial assets, including Italian government securities (€16.5 million in 1Q 2016);
- €3 million from fair value movements in financial assets designated at fair value (-€1.3 million in 1Q 2016);
- a loss on hedging activities of €2.1 million (a loss of €1 million in 1Q 2016).

In the first quarter of the year **operating expenses** totalled €522 million compared with €527.6 million in the first quarter of 2016.
In detail:
- **staff costs** amounting to €320.6 million were largely unchanged compared with €319.8 million in 2016: growth in wages and increases connected with the national trade union agreement were in fact adequately offset by a decrease in staff numbers.
  As already mentioned, approximately 500 staff left on 28th February 2017, ahead of schedule with respect to Business Plan forecasts. The full impact of these departures will take effect in 2Q 2017;
- **other administrative expenses**, amounting to €166.3 million, compare favourably with €171.8 million in 1Q 2016. Savings were recorded on almost all expense items, but the first quarter of

2017 also benefited from the absence of intragroup VAT on service fees, following the creation of a Single Bank;
- finally, **depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets** totalled €35.1 million. This was also down €0.9 million attributable to the reduction in the purchase price allocation following impairment of the former network bank brands recognised in 1H 2016.

Net impairment losses on loans fell to €134.8 million in the period January-March 2017, compared with €155.3 million in the first quarter of 2016, to give an annualised loan loss rate of 0.64% of total net loans compared with 0.74% previously.
The impairment losses recognised resulted in total coverage for non-performing loans of 35.8% (46.02% inclusive of loan write-offs), to give an increase of +7.49 percentage points (+8.38 pp inclusive of write offs) compared to March 2016.

The income statement for the first quarter of 2017 also recorded **net impairment losses on other financial assets/liabilities** amounting to €16.1 million, primarily the result of a further write-down of the investment in the Atlante Fund, normalised for an amount of €18.7 million.

Taxes on income for the period from continuing operations amounted to €39 million compared with €34.4 million in 1Q 2016, to give a tax rate of 33.1% compared with 40.77% previously.

Finally, the following items (subject to normalisation) have been stated separately net of tax and non-controlling interests;
- expenses incurred for the completion of the Single Bank Project (other administrative expenses: €4.6 million net of and of non-controlling interests);
- expenses incurred for the acquisition of the bridge banks (other administrative expenses: €1.1 million net of taxes).

b) compared with 4Q 2016

The first quarter of the year ended with a **profit** of €67 million, compared with a loss of €75.6 million in 4Q 2016, affected above all by expenses borne by the banking sector as a whole at the end of year[6].

Net of non-recurring items[7], profit in the first quarter of the year **came to €86.3 million, compared with a profit of €26.4 million recorded in the fourth quarter of 2016.**

The result for net operating income, amounting to €276.1 million shows significant growth of 49% compared with the fourth quarter of 2016, driven by higher revenues and a reduction in expenses. Net of non-recurring items, the result for net operating income recorded an increase of 6.3%.

Operating income came to €798.2 million compared with €785.5 million in 4Q 2016, up 1.6% as a result of good performance by fee and commission income and by the finance result, which more than offset pressure on net interest income.

[6] Essentially the additional contribution to the Resolution fund of €50.4 million net, the overall write-down of the investment in the Atlante Fund of €52.9 million net and the write-down of the stake held in the Voluntary Scheme of the Interbank Deposit Protection Fund for CariCesena, amounting to €2.8 million net.
[7] See note 5.

Net interest income, amounting to €347.2 million, was down 4.8% compared with 4Q 2016, the result of a lower contribution from the securities portfolio (-11.4% to €48.8 million), the result primarily of a further reduction and a change in the mix of investments in securities (-€1.7 billion for Italian government securities in particular) and a smaller flow of net interest income from customers (-3.7% to €300.9), which continued to be affected by interest rates on the loan portfolio.
As a reminder, for the purpose of comparison with the market, net interest income does not include the benefits of the TLTRO, which will be recognised at the end of the year.

Net fee and commission income stood at €350.9 million, an increase compared with €346.2 million in 4Q 2016, as a result of good performance by net fee and commissions on management, trading and advisory services (up €12.4 million to €203.1 million), partially offset by a contraction in fees and commissions on general banking services (down €7.7 million to €147.8 million), affected above all by the seasonal nature of commission charges.

The **result for finance activities** was particularly strong, amounting to €65.4 million compared with €47.4 million in 2016. It was composed as follows:
- €24 million from trading activity (€46.4 million in 4Q 2016);
- €40.5 million from the disposal of financial assets, including Italian government securities (€2.7 million in 4Q 2016);
- €3 million from fair value movements in financial assets designated at fair value (-€1.2 million in 4Q 2016);
- a loss of €2.1 million from hedging activity (a loss of €0.6 million in 4Q 2016).

In the first quarter of the year, **operating expenses** totalled €522 million, down 13% compared with the figure for the last quarter of 2016, which, however, included €74.7 million for an extraordinary contribution to the Resolution Fund, but did not include an ordinary contribution of €31.6 million recognised in 1Q 2017. Net of those contributions, operating expenses were down 6.9%.
In detail:
- **staff costs**, amounting to €320.6 million, were down 0.3% compared with the previous quarter. As already mentioned, approximately 500 staff left on 28th February 2017, ahead of schedule with respect to Business Plan forecasts. The full impact of these departures will take effect in 2Q 2017;
- **other administrative expenses**, amounting to €166.3 million, compared favourably with €241.2 million in the fourth quarter of 2016 (-31%), which, however, included the extraordinary contribution mentioned above, but did not include the ordinary contribution of €31.6 million recognised in 1Q 2017. Net of that contribution, other administrative expenses were down 19.7% which confirms the strong commitment made by the Group to control costs;
- finally, **depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets** totalled €35.1 million, also down, by €2.4 million, the result of lower depreciation on real estate assets.

Net impairment losses on the loans fell to €134.8 million in the period January-March 2017, compared with €191.8 million in the fourth quarter of 2016, to give an annualised loan loss rate of 0.64% of total net loans compared with 0.94% previously.
The impairment losses recognised resulted in total coverage for non-performing loans of 35.8% (46.02% inclusive of loan write-offs), to give an increase of 0.16 percentage points (0.22 pp inclusive of write offs) compared with the end of 2016.

The income statement for the first quarter of 2017 also recorded **net impairment losses on other financial assets/liabilities** amounting to €16.1 million, primarily the result of a further write-down of the investment in the Atlante Fund normalised for €18.7 million. In 4Q 2016 **net impairment**

losses on other financial assets/liabilities came to €79.2 million, of which €73 million was also attributable to the write-down of the Atlante Fund.

Taxes on income for the period from continuing operations amounted to €39 million compared with tax recoveries of approximately €20.7 million in 4Q 2016.

Finally, the following items (subject to normalisation) have been stated separately for 1Q 2017 net of tax and non-controlling interests:
- expenses incurred for the completion of the Single Bank Project (other administrative expenses: €4.6 million net of taxes and of non-controlling interests);
- expenses incurred for the acquisition of the bridge banks (other administrative expenses: €1.1 million net of taxes).

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The balance sheet

Loans to customers as at 31st March 2017, stood at €84.5 billion, compared with €81.9 billion in December 2016 and €84.1 billion in March 2016.
More specifically, within the item:
- <u>performing loans to customers[8] amounted to €74 billion</u> (+0.6% compared with December 2016 and slightly higher than the level in March 2016), with a quarter-on-quarter increase attributable primarily to the item "mortgages and other medium to long-term financing", which grew by approximately €500 million on a quarterly basis. That increase had positive impacts on the mix of the performing portfolio, 78.1% of which consisted of low risk positions (77.5% in December 2016) and 4.2% of high risk positions (substantially unchanged quarter-on-quarter);
- exposure to the *Cassa Compensazione e Garanzia* stood at €2.6 billion (€0.3 billion in December 2016 and €0.6 billion in March 2016);
- <u>net non-performing exposures fell under €8 billion</u> (down 1.2% on December 2016 and down 17.7% on March 2016).

As concerns credit quality, **total gross non-performing exposures**, amounting to €12,406 million, decreased slightly (down 0.9% compared with €12,521 million in December 2016 and down 8.1% from €13.496 million in March 2016) and accounted for 13.9% of total gross loans (14.4% at the end of the year, 15.3% the year before).
Flows of gross performing loans to non-performing status, amounting to €317 million in the first quarter of the year, again recorded a significant favourable contraction, falling by a further 10.7% compared with the end of 2016, after a fall of 46.9% recorded year-on-year in December 2016 and of 70% in the period December 2016-December 2012, the latter year being at the height of the crisis.

Figures for the end of March 2017 show a slight improvement in coverage compared with December 2016 and a significant increase compared with March 2016, also due to the impact of the higher provisions which led to the re-absorption of the shortfall recognised in June 2016.
If loan write-offs are included, **coverage for total non-performing loans rises to 46%** (45.8% in December 2016 and 37.6% in March 2016). Loans written off amounted to €2,3 billion (unchanged compared with December 2016, of which €450 million relating to the fourth quarter of 2016). If

8 Net of the CCG reported below.

loans written-off are excluded, coverage for total non-performing loans was 35.83% (slightly up on 35.67% in December 2016 and a substantial improvement compared with 28.34% in March 2016).

The **combined effect of the reduction in total gross loans and greater coverage, contributed to the contraction in net non-performing loans**, which totalled €7,961 million, down from €8,056 million in December 2016 and from €9,671 million in March 2016.
In terms of composition by class of loan:

- total net bad loans amounted to €3,963 million (€3,987 million in December 2016 and €4,347 million in March 2016). If loans written-off are included, **coverage for bad loans stood at 58.57% at the end of March 2017** (stable compared with December 2016 and up 6.2 percentage points from 52.41% in March 2016). A similar trend was seen for the percentage changes in coverage for bad loans net of loans written-off, which reached 45.15% at the end of March 2017;
- the "unlikely-to-pay" category amounted to €3,850 million net (€3,935 million in December 2016 and €5,071 million in March 2016), to give coverage of 23.39% (up from 23.13% in December 2016 and from 17.02% in March 2016);
- net positions past due and/or in arrears amounted to €148 million, compared with €133 million in December 2016 and €254 million in March 2016, with coverage of 4.89%.

As concerns funding, the positive trend for **total core funding from ordinary customers**[9] was firmly established (comprised of core direct funding from ordinary customers and indirect funding), standing at €153.8 billion in March 2017 compared with €150.7 billion at the end of December 2016 and €146.9 billion in March 2016.
More specifically, **direct funding from ordinary customers**, amounting to €67.4 billion (€69.1 billion in December 2016 and €71.1 billion in March 2016) was down, primarily as a result of the progressive maturity of stocks of bonds which had been placed with captive customers that were not replaced, partly due to the "bail-in" regulatory framework (-€5.8 billion year-on-year and -€1.5 billion compared with December 2016), against a more than proportional growth in assets under management.
Furthermore, although with a slightly smaller increase, the favourable trend for current account deposits now in progress for a number of quarters continued, up to €52.5 billion in March 2017 from €52.4 billion at the end of 2016 and from €48.6 billion in March 2016 (+8% year-on-year approx.).

In March 2017 **indirect funding** had again performed extremely well, meeting customer demand for investments, to reach €86.9 billion, with growth of €4.8 billion since the end of 2016 (+5.8%) and of €9.3 billion (+12%) year-on-year. In detail, at the end of the quarter:

- assets under management in the narrow sense reached €39.7 billion (+4.2% quarter-on-quarter and +16.6% year-on-year);
- insurance products amounted to €16.9 billion (+2.4% compared with the end of 2016 and +12.3% year-on-year);
- assets under custody stood at €30.3 billion (+10.1% compared with the end of 2016 and +6.2% since March 2016).

Direct funding from institutional customers amounted to €16.6 billion, up compared with €16.1 billion in December 2016 as a result of the issuance in March 2017 of a subordinated Tier 2 bond for €500 million and down year-on-year by €1.9 billion attributable to a contraction in repurchase agreement months with the CCG (-€3.7 billion), only partially offset by the aforementioned issuance and by growth in volumes of EMTNs at the end of December 2016.

[9] Net of funding from third party networks and institutional funding.

Group exposure to the ECB in TLTRO2s had risen as at 29th March 2017 to €12.5 billion from €10 billion taken in June 2016.
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 its solid liquidity position, with ratios (Net Stable Funding Ratio and Liquidity Coverage Ratio) constantly higher than one and total eligible assets as at 31st March 2017 of €26.2 billion (of which €12.1 billion available), already net of haircuts.

At the end of 2016 the Group's financial assets had a total mark-to-market value of €16.6 billion (-7.2% compared with December 2016 and -18.4% compared with March 2016), of which €11.5 billion consisting of Italian government securities. The latter total had fallen compared with €13.2 billion in December 2016 (-13%) and with €17.69 billion in March 2016 (-35% approx.).

At the end of March 2017, the **consolidated equity** of the UBI Banca Group, inclusive of profit for the period, stood at €8,974 million compared with €8,990 million at the end of December 2016.

In terms of capital ratios, in March 2017 the fully loaded CET1 ratio stood at 11.29%, a slight improvement on 11.22% in December 2016, notwithstanding the adverse computation for the AFS reserve and the inclusion of the result for the period net of dividend and charitable-donation allocations. The achievement of a positive result makes deferred tax assets eligible for offsetting against future profits.

The phased-in CET1 ratio stood at 11.44%, slightly down compared with 11.48% in December 2016, also penalised by changes in the AFS reserve.

As already reported, the SREP requirement for 2017 is for a **minimum phased-in CET1 capital ratio requirement** of 7.5%, the result of the sum of the minimum Pillar 1 regulatory capital ratio (4.5%), the Pillar 2 requirement (1.75%) and the capital conservation buffer (1.25%);

The **total capital ratio** reached 14.56% in fully loaded terms and 14.71% in phased-in terms at the end of March 2017 (up from 13.86% and 14.10% previously). This improvement is primarily attributable to the issuance of subordinated Tier 2 bonds for €500 million already mentioned.

Finally, the leverage ratio calculated on the basis of Commission Delegated Regulation EU 2015/62 indications was 5.41% "phased-in" and 5.35% "fully loaded".

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The human resources of the UBI Banca Group totalled 17,151 as at 31st March 2017 (17,560 in December 2016). The branch network consisted of 1,447 branches as at 31st March 2017 (1,441 branches in Italy and 6 abroad) down by 83 branches compared with the end of 2016 and by over 500 branches since the birth of the Group.

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

Elisabetta Stegher, as the Senior Officer Responsible for preparing the corporate accounting documents of Unione di Banche Italiane Spa, hereby declares, in compliance with the second paragraph of article 154 *bis* of the *Testo unico delle disposizioni in materia di intermediazione finanziaria* (Consolidated Finance Act), 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 for ordinary operations

With regard to the business outlook for consolidated operations during the year, the information given for the UBI Banca stand alone results when the 2016 Annual Report was approved is confirmed.
It should be considered that the three Bridge Banks, for which the closing for the purchase and sale agreement took place on 10th May 2017, will form part of the consolidation scope from 1st April 2017. In the half year report the outlook for operations will therefore relate to that larger consolidation scope.

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Attachments
Financial statements

UBI Banca Group:

- Reclassified consolidated balance sheet
- Reclassified consolidated income statement
- Quarterly evolution of reclassified consolidated income statement
- Reclassified consolidated income statement net of the most significant non-recurring items

Notes to the financial statements

To allow a vision that is more consistent with a management accounting style, reclassified financial statements have been prepared. The comments on the performance of the main statement of financial position and income statement items are made on the basis of the reclassified financial statements.

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.

In order to facilitate analysis of the Group's operating performance and in compliance with Consob Communication No. DEM/6064293 of 28th July 2006[1], a special detailed schedule has been included, which shows the impact on earnings of the principal non-recurring events and items.

[1] Following the entry into force (on 3rd July 2016) of ESMA guidelines 2015/1415 which the Consob (Italian securities market authority) incorporated in its issuer supervisory and monitoring practices, the UBI Banca Group policy on the identification of non-recurring items (reported in the normalised statements) was revised. The new policy, which limits the nature of non-recurring expenses to clearly specified items of income and expense (connected for example with the adoption of a Business Plan, or with the impacts of valuations and disposals of property plant and equipment, tangible and financial assets and HTM investments, with the effects of regulatory and methodological changes and also with extraordinary events including those of a systemic nature) was approved by the Management Board on 18th October 2016.

UBI Banca Group: Reclassified consolidated balance sheet

Figures in thousands of euro	31.3.2017 A	31.12.2016 B	Changes A-B	% changes A/B	31.3.2016 C	Changes A-C	% changes A/C
ASSETS							
Cash and cash equivalents	476,835	519,357	-42,522	-8.2%	506,194	-29,359	-5.8%
Financial assets held for trading	627,034	729,616	-102,582	-14.1%	966,772	-339,738	-35.1%
Financial assets designated at fair value	190,448	188,449	1,999	1.1%	194,738	-4,290	-2.2%
Available-for-sale financial assets	8,475,803	9,613,833	-1,138,030	-11.8%	15,699,461	-7,223,658	-46.0%
Held-to-maturity investments	7,274,195	7,327,544	-53,349	-0.7%	3,445,469	3,828,726	111.1%
Loans and advances to banks	4,850,605	3,719,548	1,131,057	30.4%	3,591,309	1,259,296	35.1%
Loans and advances to customers	84,521,597	81,854,280	2,667,317	3.3%	84,072,553	449,044	0.5%
Hedging derivatives	424,061	461,767	-37,706	-8.2%	714,946	-290,885	-40.7%
Fair value change in hedged financial assets (+/-)	10,591	23,963	-13,372	-55.8%	61,469	-50,878	-82.8%
Equity investments	254,842	254,364	478	0.2%	259,545	-4,703	-1.8%
Property, plant and equipment	1,637,718	1,648,347	-10,629	-0.6%	1,673,882	-36,164	-2.2%
Intangible assets	1,686,920	1,695,973	-9,053	-0.5%	1,747,089	-60,169	-3.4%
of which: goodwill	*1,465,260*	*1,465,260*	-	-	*1,465,260*	-	-
Tax assets	2,982,254	3,044,044	-61,790	-2.0%	2,790,272	191,982	6.9%
Non-current assets and disposal groups held for sale	5,811	5,681	130	2.3%	70,283	-64,472	-91.7%
Other assets	924,423	1,297,151	-372,728	-28.7%	895,255	29,168	3.3%
Total assets	**114,343,137**	**112,383,917**	**1,959,220**	**1.7%**	**116,689,237**	**-2,346,100**	**-2.0%**
LIABILITIES AND EQUITY							
Due to banks	16,665,755	14,131,928	2,533,827	17.9%	11,495,105	5,170,650	45.0%
Due to customers	56,443,308	56,226,416	216,892	0.4%	56,527,759	-84,451	-0.1%
Debt securities issued	27,562,538	28,939,597	-1,377,059	-4.8%	33,124,613	-5,562,075	-16.8%
Financial liabilities held for trading	722,633	800,038	-77,405	-9.7%	610,468	112,165	18.4%
Hedging derivatives	195,586	239,529	-43,943	-18.3%	1,000,034	-804,448	-80.4%
Tax liabilities	229,327	232,866	-3,539	-1.5%	427,460	-198,133	-46.4%
Other liabilities	2,726,147	1,962,806	763,341	38.9%	2,476,949	249,198	10.1%
Post-employment benefits	306,523	332,006	-25,483	-7.7%	337,289	-30,766	-9.1%
Provisions for risks and charges:	466,939	457,126	9,813	2.1%	255,392	211,547	82.8%
a) pension and similar obligations	69,230	70,361	-1,131	-1.6%	68,981	249	0.4%
b) other provisions	397,709	386,765	10,944	2.8%	186,411	211,298	113.4%
Share capital, share premiums, reserves, valuation reserves and treasury shares	8,906,575	9,819,728	-913,153	-9.3%	9,877,656	-971,081	-9.8%
Non-controlling interests	50,769	72,027	-21,258	-29.5%	514,451	-463,682	-90.1%
Profit (loss) for the period/year	67,037	-830,150	n.s.	n.s.	42,061	24,976	59.4%
Total liabilities and equity	**114,343,137**	**112,383,917**	**1,959,220**	**1.7%**	**116,689,237**	**-2,346,100**	**-2.0%**

UBI Banca Group: Reclassified consolidated income statement

Figures in thousands of euro	1Q 2017 A	1Q 2016 B	Changes A-B	% changes A/B	FY 2016 C
Net interest income	347,187	387,600	(40,413)	(10.4%)	1,497,891
of which: effects of the purchase price allocation	*(3,370)*	*(5,616)*	*(2,246)*	*(40.0%)*	*(19,707)*
Net interest income excluding the effects of the PPA	*350,557*	*393,216*	*(42,659)*	*(10.8%)*	*1,517,598*
Dividends and similar income	2,045	523	1,522	291.0%	9,678
Profits of equity-accounted investees	3,809	5,252	(1,443)	(27.5%)	24,136
Net fee and commission income	350,861	337,146	13,715	4.1%	1,335,033
of which performance fees	*3,223*	*2,311*	*912*	39.5%	*26,349*
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	65,360	15,714	49,646	315.9%	153,711
Other net operating income/expense	28,889	26,705	2,184	8.2%	99,050
Operating income	**798,151**	**772,940**	**25,211**	**3.3%**	**3,119,499**
Operating income excluding the effects of the PPA	***801,521***	***778,556***	***22,965***	***2.9%***	***3,139,206***
Staff costs	(320,579)	(319,787)	792	0.2%	(1,275,306)
Other administrative expenses	(166,345)	(171,800)	(5,455)	(3.2%)	(734,654)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(35,095)	(36,042)	(947)	(2.6%)	(143,506)
of which: effects of the purchase price allocation	*(1,943)*	*(3,289)*	*(1,346)*	*(40.9%)*	*(10,624)*
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets excluding the effects of the PPA	*(33,152)*	*(32,753)*	*399*	*1.2%*	*(132,882)*
Operating expenses	**(522,019)**	**(527,629)**	**(5,610)**	**(1.1%)**	**(2,153,466)**
Operating expenses excluding the effects of the PPA	***(520,076)***	***(524,340)***	***(4,264)***	***(0.8%)***	***(2,142,842)***
Net operating income	**276,132**	**245,311**	**30,821**	**12.6%**	**966,033**
Net operating income excluding the effects of the PPA	***281,445***	***254,216***	***27,229***	***10.7%***	***996,364***
Net impairment losses on loans	(134,802)	(155,339)	(20,537)	(13.2%)	(1,565,527)
Net impairment losses on other financial assets and liabilities	(16,142)	252	16,394	n.s.	(130,057)
Net provisions for risks and charges	(7,460)	(6,368)	1,092	17.1%	(42,885)
Profits from the disposal of equity investments	116	402	(286)	(71.1%)	22,969
Pre-tax profit (loss) from continuing operations	**117,844**	**84,258**	**33,586**	**39.9%**	**(749,467)**
Pre-tax profit from continuing operations excluding the effects of the PPA	***123,157***	***93,163***	***29,994***	***32.2%***	***(719,136)***
Taxes on income for the period/year from continuing operations	(39,006)	(34,352)	4,654	13.5%	182,388
of which: effects of the purchase price allocation	*1,758*	*2,952*	*(1,194)*	*(40.4%)*	*10,048*
(Profit) loss for the period/year attributable to non-controlling interests	(6,082)	(7,400)	(1,318)	(17.8%)	1,267
of which: effects of the purchase price allocation	*95*	*521*	*(426)*	*(81.8%)*	*1,696*
Profit (loss) for the period/year attributable to the shareholders of the Parent before the Business Plan and other impacts excluding the effects of the PPA	*76,216*	*47,938*	*28,278*	*59.0%*	*(547,225)*
Profit (loss) for the period/year attributable to the shareholders of the Parent before the Business Plan and other impacts	**72,756**	**42,506**	**30,250**	**71.2%**	**(565,812)**
Redundancy expenses net of taxes and non-controlling interests	-	(445)	(445)	(100.0%)	(207,783)
Impairment losses on brands net of taxes and non-controlling interests	-	-	-	-	(37,936)
Single Bank project expenses net of taxes and non-controlling interests	(4,617)	-	4,617	-	(15,541)
Impairment losses on property, plant and equipment net of taxes and non-controlling interests	-	-	-	-	(3,078)
Bridge Banks project expenses net of taxes and non-controlling interests	(1,102)	-	1,102	-	-
Profit (loss) for the period/year attributable to the shareholders of the Parent	**67,037**	**42,061**	**24,976**	**59.4%**	**(830,150)**

Total impact of the purchase price allocation on the income statement	*(3,460)*	*(5,432)*	*(1,972)*	*(36.3%)*	*(18,587)*

Reclassified consolidated quarterly income statements

Figures in thousands of euro	2017	2016			
	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Net interest income	347,187	364,765	367,554	377,972	387,600
of which: effects of the purchase price allocation	*(3,370)*	*(3,362)*	*(5,870)*	*(4,859)*	*(5,616)*
Net interest income excluding the effects of the PPA	*350,557*	*368,127*	*373,424*	*382,831*	*393,216*
Dividends and similar income	2,045	(59)	1,138	8,076	523
Profits of equity-accounted investees	3,809	5,197	6,989	6,698	5,252
Net fee and commission income	350,861	346,188	321,392	330,307	337,146
of which performance fees	*3,223*	*18,291*	*2,524*	*3,223*	*2,311*
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	65,360	47,367	23,755	66,875	15,714
Other net operating income/expense	28,889	22,047	24,760	25,538	26,705
Operating income	**798,151**	**785,505**	**745,588**	**815,466**	**772,940**
Operating income excluding the effects of the PPA	***801,521***	***788,867***	***751,458***	***820,325***	***778,556***
Staff costs	(320,579)	(321,521)	(314,687)	(319,311)	(319,787)
Other administrative expenses	(166,345)	(241,245)	(166,083)	(155,526)	(171,800)
and equipment and intangible assets	(35,095)	(37,511)	(34,265)	(35,688)	(36,042)
of which: effects of the purchase price allocation	*(1,943)*	*(1,912)*	*(2,040)*	*(3,383)*	*(3,289)*
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets excluding the effects of the PPA	*(33,152)*	*(35,599)*	*(32,225)*	*(32,305)*	*(32,753)*
Operating expenses	**(522,019)**	**(600,277)**	**(515,035)**	**(510,525)**	**(527,629)**
Operating expenses excluding the effects of the PPA	***(520,076)***	***(598,365)***	***(512,995)***	***(507,142)***	***(524,340)***
Net operating income	**276,132**	**185,228**	**230,553**	**304,941**	**245,311**
Net operating income excluding the effects of the PPA	***281,445***	***190,502***	***238,463***	***313,183***	***254,216***
Net impairment losses on loans	(134,802)	(191,773)	(167,381)	(1,051,034)	(155,339)
Net impairment losses on other financial assets and liabilities	(16,142)	(79,204)	(386)	(50,719)	252
Net provisions for risks and charges	(7,460)	(12,684)	(3,544)	(20,289)	(6,368)
Profits from the disposal of equity investments	116	21,027	339	1,201	402
Pre-tax profit (loss) from continuing operations	**117,844**	**(77,406)**	**59,581**	**(815,900)**	**84,258**
Pre-tax profit (loss) from continuing operations excluding the effects of the PPA	***123,157***	***(72,132)***	***67,491***	***(807,658)***	***93,163***
Taxes on income for the period from continuing operations	(39,006)	20,669	(14,721)	210,792	(34,352)
of which: effects of the purchase price allocation	*1,758*	*1,742*	*2,622*	*2,732*	*2,952*
(Profit) loss for the period attributable to non-controlling interests	(6,082)	(8,298)	(7,707)	24,672	(7,400)
of which: effects of the purchase price allocation	*95*	*221*	*445*	*509*	*521*
Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan and other impacts excluding the effects of the PPA	*76,216*	*(61,724)*	*41,996*	*(575,435)*	*47,938*
Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan and other impacts	**72,756**	**(65,035)**	**37,153**	**(580,436)**	**42,506**
Redundancy expenses net of taxes and non-controlling interests	-	114	(218)	(207,234)	(445)
Impairment losses on brands net of taxes and non-controlling interests	-	-	-	(37,936)	-
Single Bank project expenses net of taxes and non-controlling interests	(4,617)	(7,638)	(4,463)	(3,440)	-
Impairment losses on property, plant and equipment net of taxes and non-controlling interests	-	(3,078)	-	-	-
Bridge Banks project expenses net of taxes and non-controlling interests	(1,102)	-	-	-	-
Profit (loss) for the period attributable to the shareholders of the Parent	**67,037**	**(75,637)**	**32,472**	**(829,046)**	**42,061**

Total impact of the purchase price allocation on the income statement	*(3,460)*	*(3,311)*	*(4,843)*	*(5,001)*	*(5,432)*

Reclassified consolidated income statement net of the most significant non-recurring items

Figures in thousands of euro	1Q 2017	2019/2020 Business Plan Single Bank Project expenses	Other non-recurring items Impairment losses on the Atlante Fund	Other non-recurring items Bridge Banks project expenses	1Q 2017 *net of non-recurring items* ***A***	1Q 2016	Non-recurring items Adjustments to redundancy expenses (purs. Trade union agreement of 23 12 2015)	1Q 2016 *net of non-recurring items* ***B***	Changes A-B	% changes A/B
Net interest income (including the effects of the PPA)	347,187				347,187	387,600		387,600	(40,413)	(10.4%)
Dividends and similar income	2,045				2,045	523		523	1,522	291.0%
Profits of equity-accounted investees	3,809				3,809	5,252		5,252	(1,443)	(27.5%)
Net fee and commission income	350,861				350,861	337,146		337,146	13,715	4.1%
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	65,360				65,360	15,714		15,714	49,646	315.9%
Other net operating income/expense	28,889				28,889	26,705		26,705	2,184	8.2%
Operating income (including the effects of the PPA)	**798,151**	**-**	**-**	**-**	**798,151**	**772,940**	**-**	**772,940**	**25,211**	**3.3%**
Staff costs	(320,579)				(320,579)	(319,787)		(319,787)	792	0.2%
Other administrative expenses	(166,345)				(166,345)	(171,800)		(171,800)	(5,455)	(3.2%)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(35,095)				(35,095)	(36,042)		(36,042)	(947)	(2.6%)
Operating expenses (including the effects of the PPA)	**(522,019)**	**-**	**-**	**-**	**(522,019)**	**(527,629)**	**-**	**(527,629)**	**(5,610)**	**(1.1%)**
Net operating income (including the effects of the PPA)	**276,132**	**-**	**-**	**-**	**276,132**	**245,311**	**-**	**245,311**	**30,821**	**12.6%**
Net impairment losses on loans	(134,802)				(134,802)	(155,339)		(155,339)	(20,537)	(13.2%)
Net impairment losses on other financial assets and liabilities	(16,142)		18,663		2,521	252		252	(2,269)	n.s.
Net provisions for risks and charges	(7,460)				(7,460)	(6,368)		(6,368)	1,092	17.1%
Profits from the disposal of equity investments	116				116	402		402	(286)	(71.1%)
Pre-tax profit (loss) from continuing operations (including the effects of the PPA)	**117,844**	**-**	**18,663**	**-**	**136,507**	**84,258**	**-**	**84,258**	**52,249**	**62.0%**
Taxes on income for the period from continuing operations	(39,006)		(5,132)		(44,138)	(34,352)		(34,352)	9,786	28.5%
(Profit)/Loss for the period attributable to non-controlling interests	(6,082)				(6,082)	(7,400)		(7,400)	(1,318)	(17.8%)
Profit for the period attributable to the shareholders of the Parent before the Business Plan and other impacts	**72,756**	**-**	**13,531**	**-**	**86,287**	**42,506**	**-**	**42,506**	**43,781**	**103.0%**
Redundancy expenses net of taxes and non-controlling interests	-				-	(445)	445	-	-	-
Single Bank project expenses net of taxes and non-controlling interests	(4,617)	4,617			-	-		-	-	-
Bridge Banks project expenses net of taxes and non-controlling interests	(1,102)			1,102	-	-		-	-	-
Profit for the period attributable to the shareholders of the Parent	**67,037**	**4,617**	**13,531**	**1,102**	**86,287**	**42,061**	**445**	**42,506**	**43,781**	**103.0%**