PRESS RELEASE

UBI Group (UBI Banca+ 3 Acquired Banks) results for the period ended 30th June 2017

Significant strategic actions were successfully undertaken in the second quarter which, together with initiatives concluded in the first quarter[1], constitute an integral part of the implementation of the UBI Group Business Plan to 2020.

The most important strategic actions can be summarised as follows:

- **the contract for the purchase of Nuova Banca delle Marche, Nuova Banca dell'Etruria e del Lazio and Nuova Cassa di Riparmio di Chieti (the "3 Acquired Banks") was concluded on 10th May 2017, with consolidation date from the 1st April 2017, once satisfaction of the suspensive conditions had been verified, which included the transfer by the 3 Banks of €2.2 billion of non-performing loans to the Atlante Fund. At the same time the Business Plan to 2020 was updated in order to comprise the expansion of the perimeter of the UBI Group to include the three Acquired Banks and the new synergies expected;**

- **an increase in the share capital for approximately €400 million launched on 12th June was concluded with complete success on 5th July 2017;**

- **trade union negotiations were commenced on 15th June in relation to the update of the 2020 Business Plan, as a consequence of the acquisition and integration of the 3 Banks as part of the new organisation of Group structure. These negotiations are expected to be concluded in October 2017, at the time of the first of the three mergers into UBI Banca that are planned, that of Nuova Banca Marche[2];**

- **at the same time the second stage of the trade union negotiations started in June 2016 were carried out and completed at the end of July - relating to the 2020 UBI Stand-Alone Business Plan - which define the early exit of further approx. 700 staff (in addition to the approximately 600 redundancies agreed in December 2016, which have already taken place), together with a generation turnover plan and the harmonisation of supplementary company trade union agreements for all Group personnel. That agreement enables approximately €20 million of cost savings synergies to be anticipated to 2018.**

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[1] The Single Bank Project (the merger of the seven network banks into UBI Banca) was concluded successfully in the first quarter of the year, four months ahead of schedule; 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 commercial approach was introduced for small to medium-size enterprises and corporate, with a virtual sector/supply chain vision, etc.

[2] As already reported, the mergers of the 3 Acquired Banks are expected to take place at the end of October 2017 (Nuova Banca Marche together with its subsidiary Cassa di Risparmio di Loreto), the end of November 2017 (Nuova Banca Etruria together with its subsidiary Banca Federico del Vecchio) and in February 2018 (Nuova Carichieti).

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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)**

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

- **Performing loans of €85.8 billion (+1.5% vs €84.5 billion as at 31st December 2016)**
  - **of which UBI Stand-Alone of €75.4 billion (+2.2% vs €73.8 billion as at 31st December 2016)**
- **Net non-performing loans[3] of €8.4 billion (-8.7% vs €9.3 billion as at 31st December 2016)**
  - **of which UBI Stand-Alone of €7.7 billion (-3.9% vs €8.1 billion as at 31st December 2016)**
- **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% vs €89.8 billion as at 31st December 2016, an increase both for UBI Stand-Alone (+7.1% vs December 2016 and +12.6% vs June 2016) and for the 3 Acquired Banks (+2.6%)**

- **Total funding from ordinary Group customers[4] (direct and indirect) of €179.4 billion (€176.1 billion in December 2016). In particular, in UBI Stand Alone, total funding grew by 3% vs December 2016 and by 5.3% (6.3% net of the performance effect) vs June 2016**

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

Income statement results for the enlarged Group performed very well overall compared with Business Plan forecasts: the positive trends for UBI Stand-Alone Business Plan forecasts were confirmed, while the losses recorded for the 3 Acquired Banks were lower than expected, even

[3] 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

[4] Direct funding is calculated net of funding acquired through external distribution networks, institutional funding and repurchase agreements with the *Cassa di Compensazione e Garanzia*.

though these have not yet benefited from the synergies expected from their IT and organisational integration into the UBI Group.

- **<u>1H2017 stated net profit</u> of €696 million inclusive of badwill[5], of which:**
  - **UBI Stand-Alone profit of €110.9 million euro (compared with a loss of €787 million in the first half of 2016, following the recognition of most of the Stand-Alone Business Plan costs)**
  - **Net Result of the 3 Acquired Banks to -€27.7 million (net of the reversal of the purchase price allocation of +€13.8 million)**

- **<u>1H2017 profit net of non-recurring items</u> of €130 million[6], of which:**
  - **a UBI Stand-Alone profit of €155.4 million (-€ 537.9 in 1H2016)**
  - **Net Result of the 3 Acquired Banks to -€25.4 million (net of the reversal of the purchase price allocation of +€13.8 million)**

- **<u>2Q2017 stated net profit</u> of €629 million inclusive of badwill[7], of which:**
  - **UBI Stand-Alone profit of €43.8 million euro**
  - **Net Result of the 3 Acquired Banks to -€27.7 million (net of the reversal of the purchase price allocation of +€13.8 million)**

- **<u>2Q2017 profit net of non-recurring items</u> of €43.7 million, of which:**
  - **a UBI Stand-Alone profit of €69.1 million**
  - **Net Result of the 3 Acquired Banks to -€25.4 million (net of the reversal of the purchase price allocation of +€13.8 million)**

Focus on <u>UBI Stand-Alone results: the commercial contribution to net interest margin improves in 2Q2017, strong growth recorded in net commission income</u>

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

- **Operating income of €1,626.3 million, up 2.4% on 1H 2016:**
  - **net interest income was down 9.8% to €690.7 million, due to both a reduction and change in the mix of the securities portfolio (for which total assets fell on average from €19.5 billion in 2016 to €15.5 billion in 2017) and to a compression of the spreads on loans which more than offset the additional decrease in the cost of funding. Net interest income was also affected by lower interest income on unlikely-to-pay loans by over €24 million. As a reminder, net interest income does not include TLTRO benefits, which will be recognised in 4Q20217**
  - **net fee and commission income of €714.2 million was up 7% on the same period in 2016 (€667.5 million)**
  - **a finance result of €151.3 million (€82.6 million in the 1H 2016)**

[5] 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 €13.8 million net.
[6] 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 investment in the Atlante Fund amounting to €64.7 million; badwill of €612.5 million.
[7] 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 €13.8 million net.

- **Total operating expenses of €1,021.7 million were down by a further 1.6% on 1H 2016 with all expense items recording a reduction: staff costs -0.8%, administrative expenses -3.1% and net impairment losses on property, plant and equipment and intangible assets -2.2%**
- **Net impairment losses on loans fell to approximately €287 million, compared with €1,206.4 million in 2016, which included the impact of greater provisions taken in relation to objectives and actions set out in the Business Plan which had, among other, determined the re-absorption of the shortfall[8]. The annualised loan loss rate as at 30th June 2017 stood at 69 basis points**
- **Net impairment losses on other assets amounted to €93.4 million, of which €89.3 million relating to the write-down of the investment in the Atlante Fund, compared with €50.4 million in 2016, which also related to non-recurring events.**

<u>**2Q 2017 vs 1Q 2017:**</u>

- **Operating income of €828.2 million (+3.8% compared with €798.2 million in 1Q 2017)**
  - **net interest income of €343.5 million compared with €347.2 million in 1Q 2017, as a result of a reduction in the contribution from financial assets following the reduction and change in mix of the group's securities portfolio. Net interest income resulting from general banking business with customers came to approximately €302 million compared with approximately €301 million in 1Q 2017, notwithstanding lower interest income on unlikely-to-pay loans of around €3 million.**
    As a reminder, net interest income does not include TLTRO benefits, which will be recognised in 4Q20217
  - **net fee and commission income of €363.4 million grew further compared with €350.9 million in 1Q 2017: improvements were seen both in the contribution from services linked to securities business (+€4 million) and that from general banking fees and commissions (+€8 million)**
  - **a finance result of €86 million (€65.4 million in 1Q 2017)**
- **Total operating expenses of €499.7 million (-4.3% compared with 1Q 2017, which, moreover, included the ordinary contribution to Resolution Fund)**
- **Net impairment losses on loans remained again at low levels (€152.1 million vs €134.8 million in 1Q 2017)**
- **Net impairment losses on other assets of €77.3 million were attributable primarily to a further write down of the investment in the Atlante Fund, which had already occurred in 1Q 2017 for €18.7 million.**

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Bergamo, 4th August 2017 – The Management Board of Unione di Banche Italiane Spa (UBI Banca) has approved the consolidated results for the first half of 2017, which, **from the 1st April 2017 and therefore for one quarter only**, include the three recently acquired banks.

The results for the first half of 2017 include the impact of the allocation of badwill[9] 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

[8] This impact on the shortfall as at 30 June 2016 amounted to approximately €851 million.
[9] As a reminder, IFRS 3 (R) allows anyway final allocation of badwill to be carried out within 12 months of the acquisition

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.

The **first half** ended for the enlarged Group with a **profit of €696 million[10], which includes the net profit for UBI Banca Stand Alone amounting to €111 million and the result for the 3 Acquired Banks amounting to -€27.7 million (already net of badwill reversal for €+13.8 million)**.

Net of non-recurring items[11], profit for the enlarged Group came to €130 million, including the net profit for UBI Banca Stand Alone amounting to €155.4 million and the result for the 3 Acquired Banks amounting to -€25.4 million (already net of badwill reversal for €+13.8 million).

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Group results for the period ended 30th June 2017 (6 months for UBI + 3 months for the 3 Acquired Banks)

The first half of 2017 ended for the enlarged Group with operating income of approximately €1,739 million, of which €1,626.3 million attributable to UBI Stand-Alone (+2.4% compared with 1H 2016).
With regard to income, **net interest income** came to €745.2 million and was composed as follows:

- €53.6 million relating to the 3 Acquired Banks and resulting almost totally from general banking business with customers. For the period ended 30th June 2017, the result for the 3 Acquired Banks already partially included the benefits of an initial progressive reduction of approximately 30 bps in the cost funding, which occurred in 2Q 2017;
- €690.7 million resulting from UBI Stand-Alone (€765.6 million in 2016). A smaller contribution from the securities portfolio contributed to the decrease (-€22 million) as a result of a €5 billion decrease in investments in debt securities – the sale of which, however, generated significant profits on disposals in the first half (over €125 million) – and a decrease in the margin for general banking business with customers (-€50.6 million), of which approx. half due to a reduction in interest received on unlikely-to-pay loans, down by over €24 million half year-on-half year.
  As a reminder, net interest income does not include TLTRO benefits, which will be recognised in 4Q20217.

Net fee and commission income came to €761.4 million, of which €47.2 million relating to the 3 Acquired Banks. Approximately 78% of the latter amount (€37 million) relates to general banking business with customers, and the rest to management, trading and advisory services for securities business, which together with the composition of net interest income, confirms the almost total focus of the three Acquired Banks on funding and lending business with customers.
As concerns the contribution from UBI Stand-Alone, this rose to €714.2 million, up by 7% compared with €667.5 million in 2016, the result of the positive contribution from management, trading and advisory services (up 8.5% to €410 million) – driven by a substantial increase volumes

[10] Also includes €612,9 million as above.
[11] See note 5

of assets under management and insurance products – and also of that from fees and commissions earned on general banking business (up 5.1% to €304.3 million).

Net profit from trading and hedging activity came to €148.8 million, of which €151.3 million attributable to UBI Stand-Alone.
The latter was composed as follows:
- €42.7 million from trading activity (€5.6 million in 1H 2016);
- €99.6 million from the disposal of financial assets, including Italian government securities (€86.5 million in 1H 2016);
- €10.9 million from fair value movements in financial assets designated at fair value (-€8.2 million in 1H 2016);
- hedging activities recorded a loss of €1.8 million (-€1.3 million in 1H 2016).

Other operating income came to €58.8 million, of which €5.5 million earned by the 3 Acquired Banks.

Operating expenses totalled €1,158.2 million, of which €1,021.7 million relating to UBI Stand-Alone (the latter was down €16.4 million on the first six months of 2016):
- staff costs amounted to €716.9 million, of which €634.3 million relating to UBI Stand-Alone, where the reduction already in progress for several years continued (down a further 0.8% compared with 1H 2016 as a result of a reduction in average staff numbers, -262 staff, and a lower weight of variable components), and €82.6 million relating to the 3 Acquired Banks. Action is also in progress for further reductions in staff costs, while guaranteeing good generation turnover at the same time.
  Additional savings on costs are in fact expected for UBI Stand-Alone both in relation to redundancies that occurred in the first part of the year (Trade Union Agreement of December 2016) and in relation to 700 redundancies, over half of which are expected during the second half of 2017, negotiated in a recent Trade Union Agreement reached on 26th July 2017.
  With regard to the 3 Acquired Banks, approximately 200 redundancies[12] are expected in the second half of the year in relation to Trade Union Agreements stipulated before these banks were purchased by UBI.
  Finally, trade union negotiations were commenced on 15th June 2017 in relation to the update of the 2019/2020 Business Plan, as a consequence of the acquisition and integration of the three banks as part of the new organisation of Group structure. These negotiations are expected to be concluded in October 2017 at the time of the first of the three mergers into UBI Banca that are planned, that of Nuova Banca Marche;
- administrative expenses totalled €366 million, of which €49.8 million relating to the 3 Acquired Banks, which have not yet benefited from the organisational and IT benefits planned with the merger into UBI and €317.3 million relating to UBI Stand-Alone, where the reduction in progress is continuing (-3.2% compared with 1H 2016);
- net impairment losses on property, plant and equipment and intangible assets amounting to €75.3 million, of which €5.2 million relating to the 3 Acquired Banks.

Net impairment losses on loans amounted to €282.6 million, to give an annualised loan loss rate of 64 basis points.
As a result of disposals of non-performing loans carried out before the acquisition, net impairment losses on loans in the 3 Acquired Banks stood at €10 million, more than offset by the benefit

[12] As at 30th June 2017, approximately 445 staff had yet to gain access to the "solidarity fund" (out of 532 staff subject to agreements prior to the acquisition of the three banks by UBI Banca).

resulting from the reversal of badwill allocated to adjust the value of non-performing loans (€14.5 million).
Coverage for non-performing loans as at 30th June 2017 for the enlarged Group stood at 48.8% inclusive of write-offs (40.2% excluding write-offs).

Approximately €99 million of **net impairment losses on other financial assets/liabilities** were recognised, connected primarily with the write-down by €89.3 million of the investment in the Atlante Fund by UBI Stand-Alone.

Tax for the period stood at €79.4 million to give a tax rate of 40.81%, and does not include any benefit from the recognition of DTAs on prior losses of the 3 Acquired Banks, which will start to be accounted for after the merger of the latter in UBI Banca.

Finally, expenses of approximately €20 million net of taxes and non-controlling interests **incurred for the Business Plan** (Single Bank Project, project to integrate the three Acquired Banks, redundancy incentives) were recognised in the first half of the year.

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<u>**Income statement results for 2Q 2017**</u>

Operations in 2Q 2017 recorded a **profit of €629 million**: the 3 Acquired Banks contributed with a loss of €27.7 million (net of badwill reversal of +€13.8 million), still affected by operating expenses, notwithstanding a reduction in loan losses, while **UBI Stand-Alone realised a profit of €43.8 million**, penalised by a further write-down of the investment in the Atlante Fund (approximately €71 million gross and €50 million net), even though core business performed well (a €52.3 million quarter-on-quarter increase in net operating income). Profit in the second quarter compares with a net loss of €829 million recorded in the same period of 2016 (triggered by recognition of almost all the costs incurred for the Business Plan) and with a profit of €67 million earned in the first three months of 2017.

From a quarterly viewpoint, **operating income** totalled €940.8 million, of which €112.8 million relating to the three Acquired Banks and €828.2 million to UBI Stand-Alone. The latter recorded an improvement compared with €815.5 million recorded in the same three months of 2016 and above all compared with €798.2 million recognised in the first quarter of 2017, attributable to **growth in almost all items of income, while net interest income remained substantially stable**.

Net interest income improved to €398 million for the enlarged Group in 2Q 2017 as a result of the contribution from the three Acquired Banks (€54.5 million, achieved almost totally from general banking business with customers), while the result for net interest income generated by UBI Stand-Alone remained substantially stable at €343.5 million. For UBI Stand-Alone, the second quarter in particular recorded a <u>positive contribution from general banking business with customers (€302 million compared with €301 million in 1Q 2017)</u>, due, on the one hand, to growth in volumes of assets (a 0.7% increase in average gross interest-bearing volumes) and on the other hand to the effect of interest rates on funding with longer maturities. The spread on business with customers remained essentially unchanged in the two quarters, but the mark-down, which confirmed the trend seen in the previous year, is slowly improving.
As a reminder, net interest income does not include TLTRO benefits, which will be recognised in 4Q20217.

Net fee and commission income came to €410.5 million, of which €47.2 million recorded by the 3 Acquired Banks (earned mainly from general banking business) and €363.4 million by the original UBI Banca Group (+€12.5 million). The improvement achieved by UBI Stand-Alone relates both to growth in the contribution from management, trading and advisory services (up €3.8 million to €206.9 million) and also from fees and commissions earned from banking services (up €8.7 million to €156.5 million).

The result for **financial activities** totalled €83.4 million in the second quarter of the year, which included a loss of €2.6 million incurred by the new banks, mainly as a result of loan disposals, and a profit of approximately €86 million earned by UBI Stand-Alone. The latter recorded an improvement of €20.6 million compared with €65.4 million recorded in the previous three months, the result above all of disposal activities, which rose to €59.1 million from €40.5 million in the first half of 2017. Trading activity made a contribution of €18.7 million (€23.9 million in 1Q 2017), while FVO activities generated €7.9 million (approximately €3 million in 1Q 2017).

Net income on insurance operations, relating to the 3 Acquired Banks and to the second quarter only, came to €4.1 million.

A quarterly examination shows **operating expenses** of €636.2 million in the second quarter, of which €141.8 million relating to the three Acquired Banks (staff costs of €82.6 million, other administrative expenses of €49.8 million and €5.6 million of net impairment losses on property, plant and equipment and intangible assets) and €499.7 million to the Stand-Alone Group. The latter confirmed the trend in progress to contain costs and recorded a fall of €22.3 million compared with €522 million in the first three months of the year, the result of good performance by all components:
- staff costs fell €6.8 million from €320.6 million to €313.7 million, the aggregate result of the first savings generated by the trend for staff numbers (redundancies under the Trade Union Agreement of 11th December 2016 were concentrated mainly at the end of February) and also of the benefit resulting from the adoption of various different forms of working agreed with trade unions;
- other administrative expenses fell by €15.4 million to €151 million, also because the figures for the first three months of the year included an estimate of the ordinary contribution to the Resolution Fund amounting to €31.6 million, which was then adjusted down to €27.7 million in the second quarter. Net of that contribution current spending showed growth concentrated in project activities consisting primarily of advertising and IT consulting services;
- net impairment losses on property, plant and equipment and intangible assets remained stable at €35 million.

The second quarter recorded €147.8 million of **net impairment losses on loans**, one of the lowest figures recorded in recent years, compared with €134.8 million recognised in the first three months. The **loan loss rate** for the second quarter therefore stood at 0.63%, down from 0.64% in the first three months (annualised data).

The income statement for the 2Q 2017 was impacted by the recognition of €82.7 million of **net impairment losses on other financial assets/liabilities**, of which €77.3 million relating to the UBI Stand-Alone (€70.6 million of which relating to the net write-down of the investment in the Atlante Fund, in addition to the write-down of €18.7 million recognised in 1Q 2017) and €5.4 million relating to the 3 Acquired Banks.

Finally the period recorded **non-recurring expenses** of €11.6 million net of tax and non-controlling interests in relation to the Single Bank Project and the project to integrate the 3 Acquired Banks.

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The balance sheet (UBI Banca + 3 Acquired Banks)

Loans to customers[13] as at 30th June 2017 totalled €94.2 billion, recording growth of 0.5% compared with €93.8 billion as at 31st December 2016, the combined result of growth of 1.6% for UBI Stand-Alone lending (up to €83.2 billion from €81.9 billion at the end of December 2016) and a contraction in lending for the three Acquired Banks (down to €11 billion from €11.9 billion at the end of December 2016).
More specifically, within the item:

- performing loans to customers stood at €85.8 billion (+1.5% compared with December 2016): UBI Stand-Alone recorded a 2.2% increase in lending to €75.4 billion, the result of a positive trend (+3.7%) for medium to long-term items, while the 3 Acquired Banks reported a contraction in performing loans of approximately €0.4 billion to €10.3 billion;
- net non-performing loans amounted to approximately €8.5 billion, down 8.7% from €9.3 billion at the end of 2016, due to both a decrease in gross non-performing loans and to greater recognition of provisions connected, amongst other things, with the allocation of badwill.

As concerns credit quality, **total gross non-performing loans**, amounting to €14,141 million, had reduced at the end of June (down 1.6% compared with €14,374 million in December 2016) and accounted for **14.1% of total gross loans**. In detail:

- total gross UBI Stand-Alone stocks reduced to €12,146 million from €12,521 million at the end of 2016;
- total gross non performing loans in the 3 Acquired Banks rose slightly to €1,994 million from €1,853 million at the end of 2016.

Inflows of gross performing loans to non-performing status came to €715.9 million in the first half of the year and were the result of the sum of new inflows recorded for UBI Stand-Alone, which contracted continuously to €616 million (i.e. -8.1% 1H2017-on-1H 2016), and inflows recorded in the 3 Acquired Banks amounting to €100 million in 2Q 2017.

Figures for the end of June 2017 show a significant improvement in coverage compared with December 2016.
If loan write-offs are included, **coverage for total non-performing loans rose to 48.8%** (44.6% in December 2016). **Loan write-offs** amounted to €2.4 billion. If loan write-offs are excluded, coverage for total non-performing loans was 40.2%, a marked increase compared with 35.6% in December 2016, partly, but not only, the result of the allocation of badwill to increase loan provisions.

The combined effect of the reduction in total gross loans and greater coverage contributed to the contraction in net non-performing loans, which totalled €8,452 million at the end of June 2017 (down from €9,258 million in December 2016), accounting for **9% of total net loans**.
In terms of composition by class of loan:

- total net bad loans amounted to €4,050 million (€4,075 million in December 2016). Inclusive of loan write-offs, **coverage for bad loans stood at 59.2% in June 2017** (58.6% in December 2016). A similar trend was seen in coverage for bad loans net of loan write-offs, which reached 46.3% at the end of June 2017 (45.6% at the end of December 2016);
- the unlikely-to-pay category amounted to €4,157 million in net terms (€4,881 million in December 2016), with coverage of 34.3% (24.8% in December 2016);

[13] See note 3

- net positions past due and/or in arrears amounted to €246 million (compared with €302 million in December 2016), with coverage of 9.5%.

As concerns funding, the positive trend for **total core funding from ordinary customers**[14] was firmly established (comprised of core direct funding from ordinary customers and indirect funding) standing at €179 billion in June 2017, compared with €176.1 billion in December 2016.

More specifically, **direct funding from ordinary customers**, amounting to €83.6 billion (€86.3 billion in December 2016) was down, primarily due to (i) the progressive maturity of stocks of bonds placed with captive customers (down €3 billion compared with 2016, contracting both in UBI Stand-Alone and in the 3 Acquired Banks), which were not replaced, partly due to the "bail-in" regulatory framework, and to (ii) the reduction in time deposits in the three Acquired Banks (-€0.6 billion), while significant growth was recorded for assets under management.
Growth in current accounts and deposits remained strong in UBI Stand-Alone (up €2 billion to €54.3 billion in 2017), while these fell slightly in the 3 Acquired Banks (-€0.5 billion), on a par with the other more costly forms of funding described above, following the recent launch of a policy to reduce interest rates paid. Current accounts and deposits stood overall at €62.8 billion (€61.3 billion in December 2016).

In June 2017, **indirect funding** had again performed extremely well in meeting customer demand for investments and reached €95.8 billion, with overall growth of over €6 billion (+6.7%) since the end of 2016 (+7.1% in UBI Stand-Alone and +2.6% in the three Acquired Banks). In detail, at the end of the first half:
- assets under management in the strict sense reached €42.3 billion (+5.4% compared with December 2016);
- insurance funding stood at €19.7 billion (+6.9% compared with December 2016);
- assets under custody amounted to €33.8 billion (+8.3% compared with December 2016).

Group exposure to the ECB in TLTRO2s had risen, with value date 29th March 2017, to €12.5 billion from €10 billion obtained in June 2016. The entire amount relates to UBI Stand-Alone.
The contractual maturity schedule for that TLTRO2 exposure, recognised under "due to banks", and therefore not included in direct funding, involves repayment of €10 billion in June 2020 and €2.5 billion in March 2021.

The Group continues to benefit from a solid liquidity position, with ratios (Net Stable Funding Ratio and Liquidity Coverage Ratio) constantly higher than one and total **eligible assets** as at 30th June 2017 of €25.4 billion (of which €10.6 billion available), already net of haircuts.

In June 2017, the Group's **financial assets** had a total mark-to-market value of €18 billion (-17.8% compared with December 2016), of which €11.9 billion relating to Italian government securities (€16.5 billion in December 2016).

At the end of June 2017, the UBI Banca Group's consolidated **equity**, inclusive of profit for the period, stood at €9,956.2 million and had benefited from both the increase in the share capital and the recognition of badwill.

In terms of **capital ratios, at the end of June 2017** the **fully loaded CET1 ratio** stood at **11.32%** and the **phased-in CET1 ratio** stood at **11.42%**. In both cases the increase in RWAs (due to the

[14] Net of funding acquired through external distribution networks, institutional funding and repurchase agreements with the *Cassa di Compensazione e Garanzia* (a central counterparty clearing house).

inclusion of the 3 Acquired Banks and growth in loans in UBI – RWA's stood at €69.2 billion at the end of June compared with €59.2 billion relating to UBI Stand-Alone at the end of March 2017) was offset by growth in the CET1 resulting from the recognition of badwill, the increase in the share capital, the sale of hedge funds and an improvement in the AFS reserve.

Again at the end of June 2017, the **total capital ratio** reached 13.94%, in fully loaded terms and 14.06% in phased-in terms.

Finally, the **fully loaded leverage ratio** was 5.61% and the phased-in ratio was 5.66%.

* * *

The human resources of the UBI Banca Group were composed of 22,122 staff as at 30th June 2017 (17,244 in UBI Stand-Alone and 4,878 in the 3 Acquired Banks). Again as at 30th June 2017, the branch network was composed of 1,954 branches (1,948 branches in Italy and six abroad).

* * *

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 Law), that the financial information contained in this press release is reliably based on the records contained in corporate documents and accounting records.

* * *

Business Outlook

The performance of net interest income in the second half of 2017 will benefit from recognition in the fourth quarter 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 the second half of 2017 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.

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Attachments
Financial statements

UBI Banca Group:

- Reclassified consolidated balance sheet
- Reclassified consolidated quarterly balance sheets
- Reclassified consolidated income statement
- Reclassified consolidated quarterly income statement
- Reclassified consolidated income statement net of the most significant non-recurring items
- Reclassified consolidated income statement net of the most significant non-recurring items (details)

Notes to the financial statements

The half-year financial report as at and for the period ended 30th June 2017 is the first financial report for disclosure to the market published subsequent to the conclusion of the business combination operation relating to the acquisition of Nuova Banca delle Marche, Nuova Banca dell'Etruria e del Lazio and Nuova Cassa di Risparmio di Chieti. More specifically, the scope of the full consolidation has been modified from the second quarter of 2017 to include the aforementioned directly controlled banks and companies.

The financial statements that follow include the balance sheet and income statement figures for Nuova Banca delle Marche, Nuova Banca dell'Etruria e del Lazio and Nuova Cassa di Risparmio di Chieti and their respective subsidiaries from 1st April 2017, taken as the date on which the acquisition of control took place in accordance with the IFRS 3. The figures as at and for the period ended 30th June 2017 are compared with previous periods which represent the UBI Banca Group without the contribution of the new banks and therefore they are not fully comparable with those figures.

Reclassified balance sheets and income statements have been prepared in order to allow a meaningful management commentary on capital and operating figures.
In detail, a reclassified income statement has been prepared for the period ended 30th June 2017 which uses details provided in single additional columns to show the contribution made by the Stand-Alone UBI Banca Group and by the new banks, together with the negative consolidation difference.
For the purposes of preparing figures for comparative periods, consideration was given to the very particular situation in which the new banks found themselves in 2016, since these had been generated from resolutions of the preceding banks that had been placed under administration. As a result of those particular situations it was not considered representative nor easy to understand if comparative income statement figures were presented to give an account of the Group's profitability in 2016 inclusive of the new banks.
In detail:

- from a balance sheet viewpoint, the reclassified statement as at 30th June 2017 is presented with an "aggregate" column as at 31st December 2016 (in order to also take account of figures relating to the new banks) and this allows a consistent examination of balance sheet items on a half yearly basis.
The statement reporting the quarterly balance sheets, on the other hand, shows figures inclusive of the new banks as at 30th June 2017 together with a column, again as at 30th June 2017, dedicated to the Stand-Alone UBI Banca Group, in order to allow a reading that is consistent with the comparative figures for all the preceding periods.
In order to improve the comparability of the reclassified financial statements, the historical balance sheet figures for the new banks have been adjusted to take account of non-performing loans that were transferred to REV II in the first quarter of 2017 and to the Atlante Fund in the second quarter 2017, for a total of €2,485 million;

- from an income statement viewpoint the reclassified half yearly statements for the period ended the 30th June 2017 include columns providing details for the Stand-Alone UBI Banca Group, for the new banks (for the second quarter of 2017 only) and for the allocation of badwill and these are compared with comparative figures (for all the previous periods) for the Stand-Alone UBI Banca Group.

The table reporting the quarterly income statements reports figures inclusive of the new banks for the second quarter, together with a column, again for the second quarter of 2017, dedicated to the Stand-Alone UBI Banca Group, in order to allow a reading that is consistent with the comparative figures for all the preceding periods.

The income statement for the UBI Banca Group (inclusive of the new banks acquired) has been adjusted to eliminate the operating impacts (interest income, impairment losses on loans and losses on disposals) of the loan portfolio transferred to the Atlante Fund on 10th May 2017 with effect from 1st January 2017.

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	30.6.2017	31.12.2016 *Aggregate*	Changes	% changes
ASSETS				
Cash and cash equivalents	2,986,091	3,219,180	-233,089	-7.2%
Financial assets held for trading	671,482	881,457	-209,975	-23.8%
Financial assets designated at fair value	161,374	218,743	-57,369	-26.2%
Available-for-sale financial assets	11,128,949	13,516,860	-2,387,911	-17.7%
Held-to-maturity investments	5,993,150	7,327,544	-1,334,394	-18.2%
Loans and advances to banks	8,793,116	4,820,974	3,972,142	82.4%
Loans and advances to customers	94,228,583	93,769,311	459,272	0.5%
Hedging derivatives	425,087	466,715	-41,628	-8.9%
Fair value change in hedged financial assets (+/-)	-13,717	39,398	-53,115	-134.8%
Equity investments	245,758	254,384	-8,626	-3.4%
Technical reserves of reinsurers	516	369	147	39.8%
Property, plant and equipment	1,815,457	1,844,592	-29,135	-1.6%
Intangible assets	1,715,241	1,719,950	-4,709	-0.3%
of which: goodwill	*1,465,260*	*1,468,808*	*-3,548*	*-0.2%*
Tax assets	4,245,141	4,393,975	-148,834	-3.4%
Non-current assets and disposal groups held for sale	6,455	5,681	774	13.6%
Other assets	1,876,852	1,645,992	230,860	14.0%
Total assets	**134,279,535**	**134,125,125**	**154,410**	**0.1%**
LIABILITIES AND EQUITY				
Due to banks	16,530,503	14,458,089	2,072,414	14.3%
Due to customers	70,112,391	70,989,458	-877,067	-1.2%
Debt securities issued	28,362,209	32,268,779	-3,906,570	-12.1%
Financial liabilities held for trading	710,665	861,478	-150,813	-17.5%
Financial liabilities designated at fair value	39,017	40,329	-1,312	-3.3%
Hedging derivatives	183,463	279,455	-95,992	-34.3%
Tax liabilities	243,275	243,771	-496	-0.2%
Other liabilities	5,226,358	2,520,157	2,706,201	107.4%
Post-employment benefits	376,866	422,230	-45,364	-10.7%
Provisions for risks and charges:	747,427	751,965	-4,538	-0.6%
a) pension and similar obligations	140,033	145,373	-5,340	-3.7%
b) other provisions	607,394	606,592	802	0.1%
Technical reserves	1,723,643	1,675,012	48,631	-
Share capital, share premiums, reserves, valuation reserves and treasury shares	9,260,113	11,393,077	-2,132,964	-18.7%
Non-controlling interests	67,560	82,644	-15,084	-18.3%
Profit (loss) for the period/year	696,045	-1,861,319	n.s.	n.s.
Total liabilities and equity	**134,279,535**	**134,125,125**	**154,410**	**0.1%**

The reclassified balance sheet as at 30th June 2017 includes the figures in the accounts of the new banks (and the companies they control) which entered the scope of consolidation from 1st April 2017.
In order to allow an examination of balance sheet items on a half yearly basis in consistent terms, the statement in question reports the comparative period as at 31st December 2016 restated on an "aggregate" basis in order to take account of figures relating to the new banks

UBI Banca Group: Reclassified consolidated quarterly balance sheets

Figures in thousands of euro	30.6.2017	30.6.2017 *of which UBI Banca Stand-Alone Group*	31.3.2017 *UBI Banca Stand-Alone Group*	31.12.2016 *UBI Banca Stand-Alone Group*	30.9.2016 *UBI Banca Stand-Alone Group*	30.6.2016 *UBI Banca Stand-Alone Group*	31.3.2016 UBI Banca Stand-Alone Group
ASSETS							
Cash and cash equivalents	2,986,091	478,913	476,835	519,357	490,884	476,840	506,194
Financial assets held for trading	671,482	537,750	627,034	729,616	677,514	681,543	966,772
Financial assets designated at fair value	161,374	126,000	190,448	188,449	189,638	188,641	194,738
Available-for-sale financial assets	11,128,949	7,888,779	8,475,803	9,613,833	14,144,698	15,417,870	15,699,461
Held-to-maturity investments	5,993,150	5,993,150	7,274,195	7,327,544	3,403,798	3,452,886	3,445,469
Loans and advances to banks	8,793,116	7,716,568	4,850,605	3,719,548	4,108,062	3,930,021	3,591,309
Loans and advances to customers	94,228,583	83,185,416	84,521,597	81,854,280	82,010,978	83,906,862	84,072,553
Hedging derivatives	425,087	420,207	424,061	461,767	792,164	791,268	714,946
Fair value change in hedged financial assets (+/-)	-13,717	-28,478	10,591	23,963	68,955	63,857	61,469
Equity investments	245,758	245,733	254,842	254,364	260,220	253,719	259,545
Technical reserves of reinsurers	516	-	-	-	-	-	-
Property, plant and equipment	1,815,457	1,621,477	1,637,718	1,648,347	1,652,607	1,659,827	1,673,882
Intangible assets	1,715,241	1,675,884	1,686,920	1,695,973	1,688,282	1,685,184	1,747,089
of which: goodwill	*1,465,260*	*1,465,260*	*1,465,260*	*1,465,260*	*1,465,260*	*1,465,260*	*1,465,260*
Tax assets	4,245,141	2,900,453	2,982,254	3,044,044	2,981,776	3,006,517	2,790,272
Non-current assets and disposal groups held for sale	6,455	6,455	5,811	5,681	64,401	63,883	70,283
Other assets	1,876,852	1,454,884	924,423	1,297,151	832,951	1,081,317	895,255
Total assets	**134,279,535**	**114,223,191**	**114,343,137**	**112,383,917**	**113,366,928**	**116,660,235**	**116,689,237**
LIABILITIES AND EQUITY							
Due to banks	16,530,503	16,591,881	16,665,755	14,131,928	13,800,894	13,691,017	11,495,105
Due to customers	70,112,391	56,772,071	56,443,308	56,226,416	53,789,291	55,460,078	56,527,759
Debt securities issued	28,362,209	25,420,265	27,562,538	28,939,597	30,794,003	32,064,830	33,124,613
Financial liabilities held for trading	710,665	674,704	722,633	800,038	584,324	612,314	610,468
Financial liabilities designated at fair value	39,017	-	-	-	-	-	-
Hedging derivatives	183,463	147,050	195,586	239,529	1,100,804	1,110,942	1,000,034
Tax liabilities	243,275	211,333	229,327	232,866	243,662	241,596	427,460
Other liabilities	5,226,358	4,226,761	2,726,147	1,962,806	2,750,791	3,230,328	2,476,949
Post-employment benefits	376,866	297,657	306,523	332,006	343,160	339,679	337,289
Provisions for risks and charges:	747,427	471,875	466,939	457,126	587,569	591,468	255,392
a) pension and similar obligations	140,033	65,807	69,230	70,361	72,347	73,527	68,981
b) other provisions	607,394	406,068	397,709	386,765	515,222	517,941	186,411
Technical reserves	1,723,643	-	-	-	-	-	-
Share capital, share premiums, reserves, valuation reserves and treasury shares	9,260,113	9,241,896	8,906,575	9,819,728	9,644,117	9,629,328	9,877,656
Non-controlling interests	67,560	56,837	50,769	72,027	482,826	475,640	514,451
Profit (loss) for the period	696,045	110,861	67,037	-830,150	-754,513	-786,985	42,061
Total liabilities and equity	**134,279,535**	**114,223,191**	**114,343,137**	**112,383,917**	**113,366,928**	**116,660,235**	**116,689,237**

The reclassified balance sheet as at 30th June 2017 includes the figures in the accounts of the new banks (and the companies they control) which entered the scope of consolidation from the 1st April 2017. In order to allow a consistent reading of the quarterly balance sheets a column as at 30th June 2017 has also been inserted with figures for the Stand-Alone UBI Banca Group that is fully in line with the previous comparative periods.

UBI Banca Group: Reclassified consolidated income statement

Figures in thousands of euro	1H 2017 A	*of which UBI Banca Stand-Alone Group*	*of which New Banks 2nd Quarter*	*Allocation of Badwill*	1H 2016 *UBI Banca Stand-Alone Group* B	Changes A-B	% changes A/B	FY 2016 *UBI Banca Stand-Alone Group* C
Net interest income	745,200	*690,690*	*53,570*	*900*	765,572	(20,372)	(2.7%)	1,497,891
of which: effects of the purchase price allocation	*(6,710)*	*(6,710)*	*-*	*-*	*(10,475)*	*(3,765)*	*(35.9%)*	*(19,707)*
Net interest income excluding the effects of the PPA	*751,910*	*697,400*	*53,570*	*900*	*776,047*	*(24,137)*	*(3.1%)*	*1,517,598*
Dividends and similar income	10,043	*5,922*	*4,121*	*-*	8,599	1,444	16.8%	9,678
Profits of equity-accounted investees	10,598	*10,597*	*1*	*-*	11,950	(1,352)	(11.3%)	24,136
Net fee and commission income	761,395	*714,240*	*47,160*	*-*	667,453	93,942	14.1%	1,335,033
of which performance fees	*7,213*	*7,213*	*-*	*-*	*5,534*	*1,679*	*30.3%*	*26,349*
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	148,757	*151,332*	*(2,576)*	*-*	82,589	66,168	80.1%	153,711
Net income from insurance operations	4,145	*-*	*4,138*	*-*	-	4,145	-	-
Other net operating income/expense	58,845	*53,559*	*5,461*	*-*	52,243	6,602	12.6%	99,050
Operating income	**1,738,983**	*1,626,340*	*111,875*	*900*	**1,588,406**	**150,577**	**9.5%**	**3,119,499**
Operating income excluding the effects of the PPA	***1,745,693***	*1,633,050*	*111,875*	*900*	***1,598,881***	***146,812***	***9.2%***	***3,139,206***
Staff costs	(716,892)	*(634,312)*	*(82,579)*	*-*	(639,098)	77,794	12.2%	(1,275,306)
Other administrative expenses	(366,039)	*(317,302)*	*(49,823)*	*955*	(327,326)	38,713	11.8%	(734,654)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(75,302)	*(70,123)*	*(9,415)*	*4,235*	(71,730)	3,572	5.0%	(143,506)
of which: effects of the purchase price allocation	*(3,914)*	*(3,914)*	*-*	*-*	*(6,672)*	*(2,758)*	*(41.3%)*	*(10,624)*
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets excluding the effects of the PPA	*(71,388)*	*(66,209)*	*(9,415)*	*4,235*	*(65,058)*	*6,330*	*9.7%*	*(132,882)*
Operating expenses	**(1,158,233)**	*(1,021,737)*	*(141,817)*	*5,190*	**(1,038,154)**	**120,079**	**11.6%**	**(2,153,466)**
Operating expenses excluding the effects of the PPA	***(1,154,319)***	*(1,017,823)*	*(141,817)*	*5,190*	***(1,031,482)***	***122,837***	***11.9%***	***(2,142,842)***
Net operating income	**580,750**	*604,603*	*(29,942)*	*6,090*	**550,252**	**30,498**	**5.5%**	**966,033**
Net operating income excluding the effects of the PPA	***591,374***	*615,227*	*(29,942)*	*6,090*	***567,399***	***23,975***	***4.2%***	***996,364***
Net impairment losses on loans	(282,628)	*(286,861)*	*(10,237)*	*14,470*	(1,206,373)	(923,745)	(76.6%)	(1,565,527)
Net impairment losses on other financial assets and liabilities	(98,805)	*(93,415)*	*(5,391)*	*-*	(50,467)	48,338	95.8%	(130,057)
Net provisions for risks and charges	(5,352)	*(11,441)*	*6,089*	*-*	(26,657)	(21,305)	(79.9%)	(42,885)
Profits from the disposal of equity investments	612	*375*	*237*	*-*	1,603	(991)	(61.8%)	22,969
Pre-tax profit (loss) from continuing operations	**194,577**	*213,261*	*(39,244)*	*20,560*	**(731,642)**	**926,219**	**n.s.**	**(749,467)**
Pre-tax profit (loss) from continuing operations excluding the effects of the PPA	***205,201***	*223,885*	*(39,244)*	*20,560*	***(714,495)***	***919,696***	***n.s.***	***(719,136)***
Taxes on income for the period/year from continuing operations	(79,413)	*(72,813)*	*281*	*(6,799)*	176,440	(255,853)	n.s.	182,388
of which: effects of the purchase price allocation	*3,516*	*3,516*	*-*	*-*	*5,684*	*(2,168)*	*(38.1%)*	*10,048*
(Profit) loss for the period/year attributable to non-controlling interests	(12,444)	*(12,297)*	*(147)*	*-*	17,272	(29,716)	n.s.	1,267
of which: effects of the purchase price allocation	*190*	*190*	*-*	*-*	*1,030*	*(840)*	*(81.6%)*	*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	*109,638*	*135,069*	*(39,110)*	*13,761*	*(527,497)*	*637,135*	*n.s.*	*(547,225)*
Profit (loss) for the period/year attributable to the shareholders of the Parent before the Business Plan and other impacts	**102,720**	*128,151*	*(39,110)*	*13,761*	**(537,930)**	**640,650**	**n.s.**	**(565,812)**
Redundancy expenses net of taxes and non-controlling interests	(2,285)	*-*	*(2,285)*	*-*	(207,679)	(205,394)	(98.9%)	(207,783)
Impairment losses on brands net of taxes and non-controlling interests	-	*-*	*-*	*-*	(37,936)	(37,936)	(100.0%)	(37,936)
Single Bank project expenses net of taxes and non-controlling interests	(6,106)	*(6,106)*	*-*	*-*	(3,440)	2,666	77.5%	(15,541)
Impairment losses on property, plant and equipment net of taxes and non-controlling interests	-	*-*	*-*	*-*	-	-	-	(3,078)
Bridge bank project expenses net of taxes and non-controlling interests	(11,184)	*(11,184)*	*-*	*-*	-	11,184	-	-
Negative consolidation difference	612,900	*-*	*-*	*612,900*	-	(612,900)	-	-
Profit (loss) for the period/year attributable to the shareholders of the Parent	**696,045**	*110,861*	*(41,395)*	*626,661*	**(786,985)**	**1,483,030**	**n.s.**	**(830,150)**
Total impact of the purchase price allocation on the income statement	*(6,918)*	*(6,918)*	*-*	*-*	*(10,433)*	*(3,515)*	*(33.7%)*	*(18,587)*

The reclassified income statement for the first half of 2017 includes the figures for the new banks (and the companies they control) which entered the scope of consolidation from the 1st April 2017. The comparative periods relate to the Stand-Alone UBI Banca Group, in consideration of the fact that relative significance of the income statement figures for the new banks is not sufficient to alter the original income structure of the Group. In consideration of the modest relative size of the consolidation entries, a column giving details has not been presented and therefore the sum of the columns is not the same as the consolidated figure for the first half of 2017.

UBI Banca Group: Reclassified consolidated quarterly income statements

Figures in thousands of euro	2017			2016			
	2nd Quarter	2nd Quarter *of which UBI Banca Stand-Alone Group*	1st Quarter *UBI Banca Stand-Alone Group*	4th Quarter *UBI Banca Stand-Alone Group*	3rd Quarter *UBI Banca Stand-Alone Group*	2nd Quarter *UBI Banca Stand-Alone Group*	1st Quarter *UBI Banca Stand-Alone Group*
Net interest income	398,013	343,503	347,187	364,765	367,554	377,972	387,600
of which: effects of the purchase price allocation	*(3,340)*	*(3,340)*	*(3,370)*	*(3,362)*	*(5,870)*	*(4,859)*	*(5,616)*
Net interest income excluding the effects of the PPA	*401,353*	*346,843*	*350,557*	*368,127*	*373,424*	*382,831*	*393,216*
Dividends and similar income	7,998	3,877	2,045	(59)	1,138	8,076	523
Profits of equity-accounted investees	6,789	6,788	3,809	5,197	6,989	6,698	5,252
Net fee and commission income	410,534	363,379	350,861	346,188	321,392	330,307	337,146
of which performance fees	*3,990*	*3,990*	*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	83,397	85,972	65,360	47,367	23,755	66,875	15,714
Net income from insurance operations	4,145	-	-	-	-	-	-
Other net operating income/expense	29,956	24,671	28,889	22,047	24,760	25,538	26,705
Operating income	**940,832**	**828,190**	**798,151**	**785,505**	**745,588**	**815,466**	**772,940**
Operating income excluding the effects of the PPA	***944,172***	***831,530***	***801,521***	***788,867***	***751,458***	***820,325***	***778,556***
Staff costs	(396,313)	(313,733)	(320,579)	(321,521)	(314,687)	(319,311)	(319,787)
Other administrative expenses	(199,694)	(150,957)	(166,345)	(241,245)	(166,083)	(155,526)	(171,800)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(40,207)	(35,028)	(35,095)	(37,511)	(34,265)	(35,688)	(36,042)
of which: effects of the purchase price allocation	*(1,971)*	*(1,971)*	*(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	*(38,236)*	*(33,057)*	*(33,152)*	*(35,599)*	*(32,225)*	*(32,305)*	*(32,753)*
Operating expenses	**(636,214)**	**(499,718)**	**(522,019)**	**(600,277)**	**(515,035)**	**(510,525)**	**(527,629)**
Operating expenses excluding the effects of the PPA	***(634,243)***	***(497,747)***	***(520,076)***	***(598,365)***	***(512,995)***	***(507,142)***	***(524,340)***
Net operating income	**304,618**	**328,472**	**276,132**	**185,228**	**230,553**	**304,941**	**245,311**
Net operating income excluding the effects of the PPA	***309,929***	***333,783***	***281,445***	***190,502***	***238,463***	***313,183***	***254,216***
Net impairment losses on loans	(147,826)	(152,059)	(134,802)	(191,773)	(167,381)	(1,051,034)	(155,339)
Net impairment losses on other financial assets and liabilities	(82,663)	(77,273)	(16,142)	(79,204)	(386)	(50,719)	252
Net provisions for risks and charges	2,108	(3,981)	(7,460)	(12,684)	(3,544)	(20,289)	(6,368)
Profits from the disposal of equity investments	496	259	116	21,027	339	1,201	402
Pre-tax profit (loss) from continuing operations	**76,733**	**95,418**	**117,844**	**(77,406)**	**59,581**	**(815,900)**	**84,258**
Pre-tax profit (loss) from continuing operations excluding the effects of the PPA	***82,044***	***100,729***	***123,157***	***(72,132)***	***67,491***	***(807,658)***	***93,163***
Taxes on income for the period from continuing operations	(40,407)	(33,807)	(39,006)	20,669	(14,721)	210,792	(34,352)
of which: effects of the purchase price allocation	*1,758*	*1,758*	*1,758*	*1,742*	*2,622*	*2,732*	*2,952*
(Profit) loss for the period attributable to non-controlling interests	(6,362)	(6,215)	(6,082)	(8,298)	(7,707)	24,672	(7,400)
of which: effects of the purchase price allocation	*95*	*95*	*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	*33,422*	*58,854*	*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	**29,964**	**55,396**	**72,756**	**(65,035)**	**37,153**	**(580,436)**	**42,506**
Redundancy expenses net of taxes and non-controlling interests	(2,285)	-	-	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	(1,489)	(1,489)	(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 bank project expenses net of taxes and non-controlling interests	(10,082)	(10,082)	(1,102)	-	-	-	-
Negative consolidation difference	612,900	-	-	-	-	-	-
Profit (loss) for the period attributable to the shareholders of the Parent	**629,008**	**43,825**	**67,037**	**(75,637)**	**32,472**	**(829,046)**	**42,061**
Total impact of the purchase price allocation on the income statement	*(3,458)*	*(3,458)*	*(3,460)*	*(3,311)*	*(4,843)*	*(5,001)*	*(5,432)*

The reclassified income statement for the second quarter of 2017 includes the figures for the new banks (and the companies they control) which entered the scope of consolidation from the 1st April 2017.

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

Figures in thousands of euro	1H 2017 A net of non-recurring items	of which UBI Banca Stand-Alone Group net of non-recurring items	1H 2016 B UBI Banca Stand-Alone Group net of non-recurring items	Changes A-B	% changes A/B
Net interest income (including the effects of the PPA)	745,200	690,690	765,572	(20,372)	(2.7%)
Dividends and similar income	10,043	5,922	8,599	1,444	16.8%
Profits of equity-accounted investees	10,598	10,597	11,950	(1,352)	(11.3%)
Net fee and commission income	761,395	714,240	667,453	93,942	14.1%
of which performance fees	*7,213*	*7,213*	*5,534*	*1,679*	*30.3%*
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	92,820	95,395	82,589	10,231	12.4%
Net income from insurance operations	4,145	0	-	4,145	-
Other net operating income/expense	58,845	53,559	52,243	6,602	12.6%
Operating income (including the effects of the PPA)	**1,683,046**	**1,570,403**	**1,588,406**	**94,640**	**6.0%**
Staff costs	(716,892)	(634,312)	(639,098)	77,794	12.2%
Other administrative expenses	(366,039)	(317,302)	(327,326)	38,713	11.8%
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(75,302)	(70,123)	(71,730)	3,572	5.0%
Operating expenses (including the effects of the PPA)	**(1,158,233)**	**(1,021,737)**	**(1,038,154)**	**120,079**	**11.6%**
Net operating income (including the effects of the PPA)	**524,813**	**548,666**	**550,252**	**(25,439)**	**(4.6%)**
Net impairment losses on loans	(282,628)	(286,861)	(1,206,373)	(923,745)	(76.6%)
Net impairment losses on other financial assets and liabilities	(9,546)	(4,156)	(50,467)	40,921	(81.1%)
Net provisions for risks and charges	(5,352)	(11,441)	(26,657)	(21,305)	(79.9%)
Profits from the disposal of equity investments	612	375	1,603	(991)	(61.8%)
Pre-tax profit (loss) from continuing operations (including the effects of the PPA)	**227,899**	**246,583**	**(731,642)**	**959,541**	**n.s.**
Taxes on income for the period from continuing operations	(85,460)	(78,860)	176,440	(261,900)	n.s.
(Profit) loss for the period attributable to non-controlling interests	(12,444)	(12,297)	17,272	(29,716)	n.s.
Profit for the period attributable to the shareholders of the Parent	**129,995**	**155,426**	**(537,930)**	**667,925**	**n.s.**

The normalised reclassified income statement for the first half of 2017 includes the figures for the new banks (and the companies they control) which entered the scope of consolidation from the 1st April 2017.
The comparative period relates to the Stand-Alone UBI Banca Group, in consideration of the fact that relative significance of the income statement figures for the new banks is not sufficient to alter the original income structure of the Group
Following the approval of the new UBI Banca Group guidelines for the identification of non-recurring items, which occurred on 18th October 2016, the summary statement has been revised with regard to the figures for the comparative period and these therefore differ from the information published in the interim financial report for the period ended the 30th June 2016.

UBI Banca Group: Reclassified consolidated income statement net of the most significant non-recurring items (1H2017 details)

Figures in thousands of euro	1H 2017	2019/2020 Business Plan					Other non-recurring items	1H 2017
		Allocation of Badwill	Profit on the disposal of HTM securities	Bridge bank project expenses	Single bank project expenses	Expenses for redundancy incentives	Impairment losses on the Atlante Fund	*net of non-recurring items*
Net interest income (including the effects of the PPA)	745,200							745,200
Dividends and similar income	10,043							10,043
Profits of equity-accounted investees	10,598							10,598
Net fee and commission income	761,395							761,395
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	148,757		(55,937)					92,820
Net income from insurance operations	4,145							4,145
Other net operating income/expense	58,845							58,845
Operating income (including the effects of the PPA)	**1,738,983**	**-**	**(55,937)**	**-**	**-**	**-**	**-**	**1,683,046**
Staff costs	(716,892)							(716,892)
Other administrative expenses	(366,039)							(366,039)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(75,302)							(75,302)
Operating expenses (including the effects of the PPA)	**(1,158,233)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,158,233)**
Net operating income (including the effects of the PPA)	**580,750**	**-**	**(55,937)**	**-**	**-**	**-**	**-**	**524,813**
Net impairment losses on loans	(282,628)							(282,628)
Net impairment losses on other financial assets and liabilities	(98,805)						89,259	(9,546)
Net provisions for risks and charges	(5,352)							(5,352)
Profits from the disposal of equity investments	612							612
Pre-tax profit from continuing operations (including the effects of the PPA)	**194,577**	**-**	**(55,937)**	**-**	**-**	**-**	**89,259**	**227,899**
Taxes on income for the period from continuing operations	(79,413)		18,499				(24,546)	(85,460)
Profit for the period attributable to non-controlling interests	(12,444)							(12,444)
Profit for the period attributable to the shareholders of the Parent before the Business Plan and other impacts	**102,720**	**-**	**(37,438)**	**-**	**-**	**-**	**64,713**	**129,995**
Redundancy expenses net of taxes and non-controlling interests	(2,285)					2,285		-
Impairment losses on brands net of taxes and non-controlling interests	-							-
Single Bank project expenses net of taxes and non-controlling interests	(6,106)				6,106			-
Impairment losses on property, plant and equipment net of taxes and non-controlling interests	-							-
Bridge bank project expenses net of taxes and non-controlling interests	(11,184)			11,184				-
Negative consolidation difference	612,900	(612,900)						-
Profit for the period attributable to the shareholders of the Parent	**696,045**	**(612,900)**	**(37,438)**	**11,184**	**6,106**	**2,285**	**64,713**	**129,995**

The reclassified income statement for the first half of 2017 includes the figures for the new banks (and the companies they control) which entered the scope of consolidation from the 1st April 2017. The comparative figures relate to the Stand-Alone UBI Banca Group, in consideration of the fact that relative significance of the income statement figures for the new banks is not sufficient to alter the income structure of the original Group. Following the approval of the new UBI Banca Group guidelines for the identification of non-recurring items, which occurred on 18th October 2016, the summary statement has been revised with regard to the figures for the comparative period and these therefore differ from the information published in the interim financial report for the period ended the 30th June 2016.