# The UBI Banca Group
# Consolidated Results as at 31st December 2017

# 1st Year Business Plan Delivery – Focus on main trends

*9th February 2018*

UBI Banca
UNIONE DI BANCHE ITALIANE

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*Methodology*

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

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**ECONOMICS**

***12 months for UBI Banca and***
***9 months for the 3 Acquired Banks***

**BALANCE SHEET**

***31st Dec '16 are aggregate figures of***
***UBI Banca and 3 Acquired Banks***

# UBI Banca: an impressive 2017, after the completion of the Single Bank project in February 2017, 4 months ahead of Business Plan expectations

**November 2016**
**Launch of the Single Bank Project with the Merger of BPCI**

**January 2017**
**Announcement of the acquisition of the 3 Banks*** from Resolution Fund

**February 2017**
**Completion ahead of schedule** of **UBI Banca Single Bank project** (7 banking subsidiaries merged into UBI Banca) **started** in **November 2016**

**May 2017**
**Closing** of **3 Banks acquisition**

**Business Plan update**

**June 2017**
**Capital increase successfully carried out (400 mln€** relating **to the acquisition** of **the 3 Banks)**

**July 2017**
**Trade union agreement closed** for the **advanced exit of ~700 resources** in UBI Banca Stand Alone

**October 2017**
**Merger** of former **Banca Marche** and subsidiary **into UBI Banca**

**Closed** the **trade union agreement** for the **exit** of ~**400 resources**

**Closing** of **67 branches**

**Sale of UBI International**

**November 2017**
**Merger** of former **Banca Etruria** and subsidiary **into UBI Banca**

Closed further **42** branches

**February 2018**
**Scheduled Merger** of former **Carichieti into UBI Banca ….**

- **Nine mergers carried out from November 2016 to November 2017, last one to be completed at end February 2018**
- **2 main trade union agreements closed in 2017**
- **1,379 exits (over 700 hirings) in 2017; 550 exits expected in 2018**
- **Over 100 branches closed in 2017**
- **Full commercial reorganisation of the Group**
- **Strengthening of Credit Management with the creation of the UTP unit (Bad loan unit existing from 2009) – approx. 500 people involved**

* The 3 Acquired Banks: Nuova Banca delle Marche, Nuova Banca dell'Etruria e del Lazio and Nuova Carichieti. As from 6th September 2017, the acquired Banks changed their denominations, namely Nuova Banca delle Marche into "Banca Adriatica S.p.A.", Nuova Banca dell'Etruria e del Lazio into "Banca Tirrenica S.p.A.", and Nuova CariChieti into "Banca Teatina S.p.A.".

# Reduction in cost of funding delivered, net interest income growth confirmed over the last 3 quarters notwithstanding reduction in contribution from securities portfolio. Growth confirmed in TLTRO2 perimeter, approx. 69 million benefit booked in 4Q2017

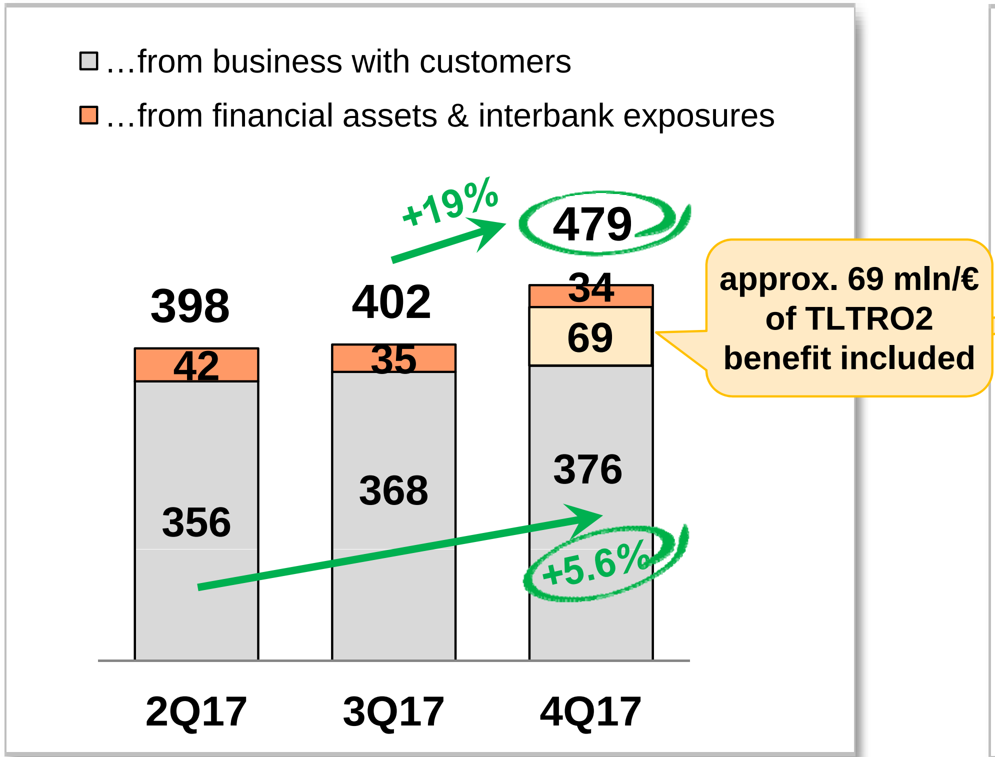
*Figures in €/mln*

**Cost of funding (markdown) excluding TLTRO2**

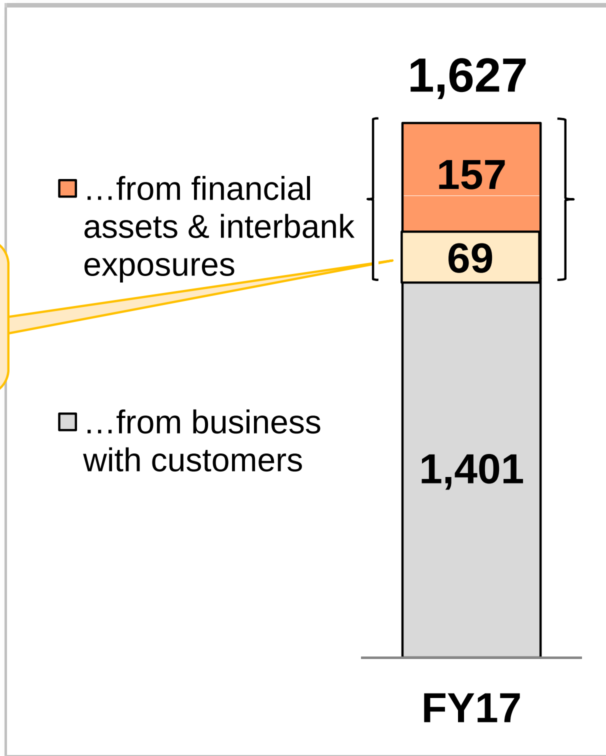
| 2Q17 | 3Q17 | 4Q17 |
|---|---|---|
| -87 bps | -83 bps | -78 bps |

*Progressive positive cost of funding reduction continues in line with Business Plan expectations*

**Quarterly evolution of Net interest income…**




**FY 2017 Net interest income…**




- **Securities portfolio** contribution: **187 mln/€** in 2017 vs 227 mln/€ in 2016*

* Referred to UBI Banca Stand alone perimeter

# The reduction and diversification of the Financial assets portfolio continue, also to limit volatility of AFS reserve. Italian Govies reduce to 11.2 bln/€

| *Amounts in bln€* | Dec '16 (aggregate) | June '17 | Sept '17 | Dec '17 |
|---|---|---|---|---|
| Financial Assets | 21.9 | 18.0 | 17.5 | 16.8 |
| *o/w Italian Govies* | *16.6* | *11.9* | *12.0* | *11.2* |

AFS reserve on Italian Govies as at 31st Dec '17 at -120 mln/€

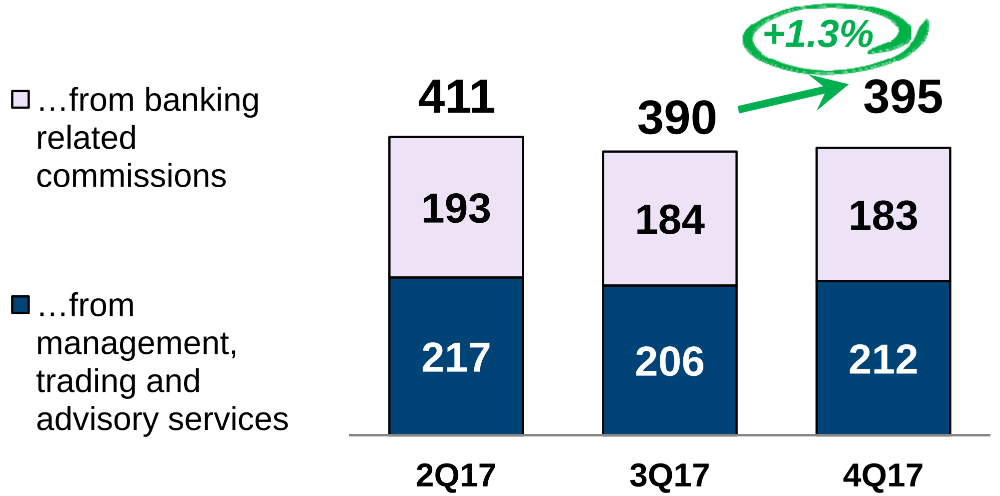
**Maturity of the Italian Govies Portfolio as at 31st Dec '17**

| *Amounts in mln/€* | *AFS* | *HFT* | *HTM* | *FVO* | *TOTAL* | *%* |
|---|---|---|---|---|---|---|
| 1H18 | 123 | 17 | | 1 | **141** | *1.3%* |
| 2H18 | 46 | | | 1 | **47** | *0.4%* |
| 2019-2020 | 134 | 23 | | 3 | **160** | *1.4%* |
| 2021-2022 | 241 | 0 | 4,322 | 1 | **4,564** | *40.9%* |
| 2023-2025 | 2,640 | 10 | 1,616 | 1 | **4,267** | *38.2%* |
| From 2025 and over | 1,982 | 0 | | 0 | **1,982** | *17.8%* |
| **Total portfolio** | **5,165** | **50** | **5,938** | **7** | **11,161** | *100%* |
| **% of portfolio on total Italian Govies** | **46.3%** | **0.4%** | **53.2%** | **0.1%** | **100%** | |

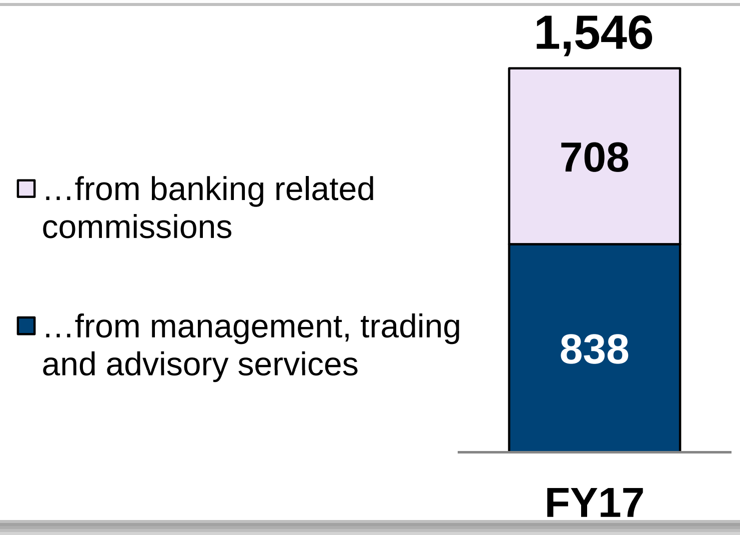
*Modified duration at 3.04 years (Dec '17)*

# Net Commission income: solid 4th quarter results notwithstanding reorganisation of Network and Customers in last quarter of the year….

**Quarterly evolution of Net commission income…**




**FY Net commission income…**




| | 2Q17 | 3Q17 | 4Q17 |
|---|---|---|---|
| *o/w up-front fees* | 13.9% | 12.3% | 9.5% |
| *o/w performance fees* | 1.0% | 0.6% | 3.4% |
| ***Volumes Placed (AUM and Bancassurance)*** | 3,270 | 2,807 | 1,982 |

| | FY17 |
|---|---|
| *o/w up-front fees* | 12.8% |
| *o/w performance fees* | 1.5% |
| ***Volumes Placed (AUM and Bancassurance)*** | 11,166 |

| | 2Q17 | 3Q17 | 4Q17 |
|---|---|---|---|
| **Net commission income excl. upfront and performance fees** | 349 | 339 | +1.5% 344 |

*Figures in €/mln*

# …. enabled by further increase in AUM + Bancassurance at 65.4 bln/€ in Dec ‘17 and gain of market shares
# AuC affected by UBI International disposal (approx. 3.1 bln/€)

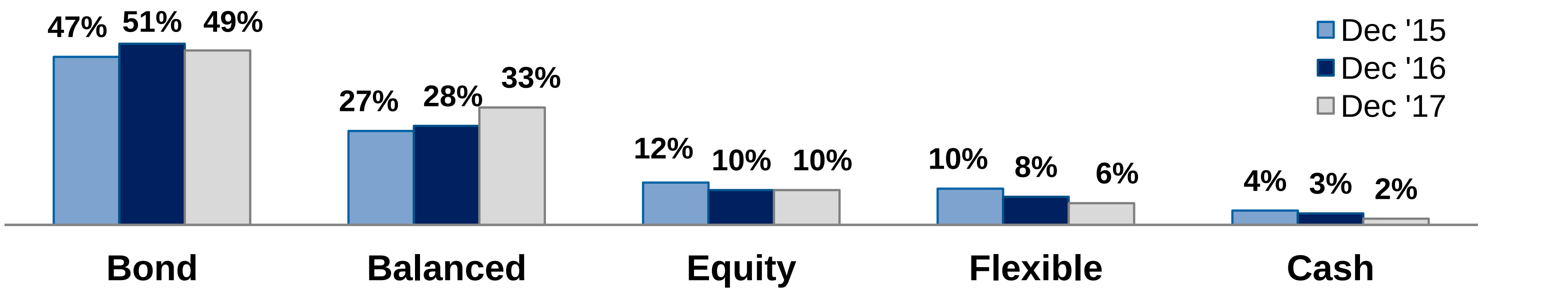
**Market share in Italy (banking companies) - Source Assogestioni and IVASS**

| | Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 |
|---|---|---|---|---|---|---|---|---|---|
| **Market share net AuM*** | 5.86% | 5.99% | 6.14% | 6.28% | 6.30% | 6.36% | 6.38% | 6.48% | 6.70% |
| **Life Ins. Premium**** | | | 3.82% | | | | 4.89% | | |

**Quarterly evolution of Indirect funding**

| *Amounts in bln€* | Dec '16 (aggregate) | June '17 | Sept '17 | Dec '17 | *Dec '17 vs Dec '16* | *Dec '17 vs Sept '17* |
|---|---|---|---|---|---|---|
| AuM | 40.2 | 42.3 | 43.3 | 43.8 | *9.2%* | *1.3%* |
| Bancassurance | 18.4 | 19.7 | 20.5 | 21.6 | *17.2%* | *5.5%* |
| AuC | 31.2 | 33.8 | 35.1 | 31.0 | *-0.6%* | *-11.5%* |
| **Total Indirect Funding** | **89.8** | **95.8** | **98.8** | **96.5** | ***7.4%*** | ***-2.4%*** |

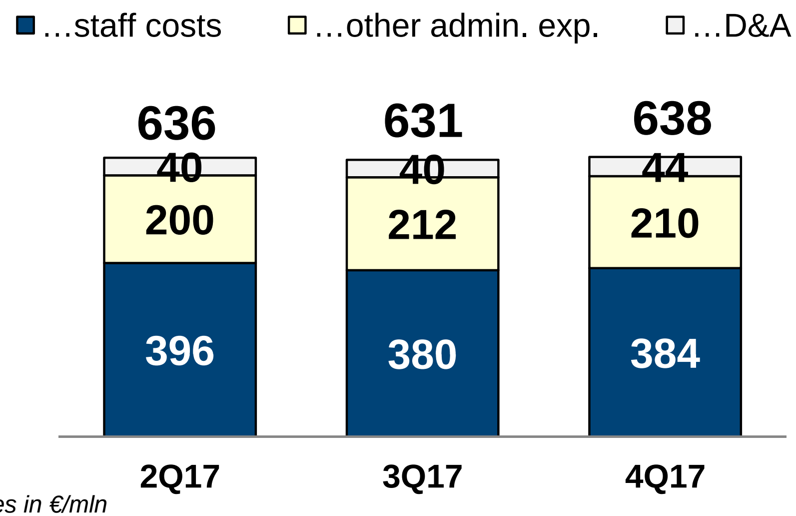
**UBI PRAMERICA SGR AuM composition**




* Referred to banking companies
** Latest available data

# Operating costs under control thanks to trade union agreements, branch closings, and migrations, premises to enable 2018 cost synergies

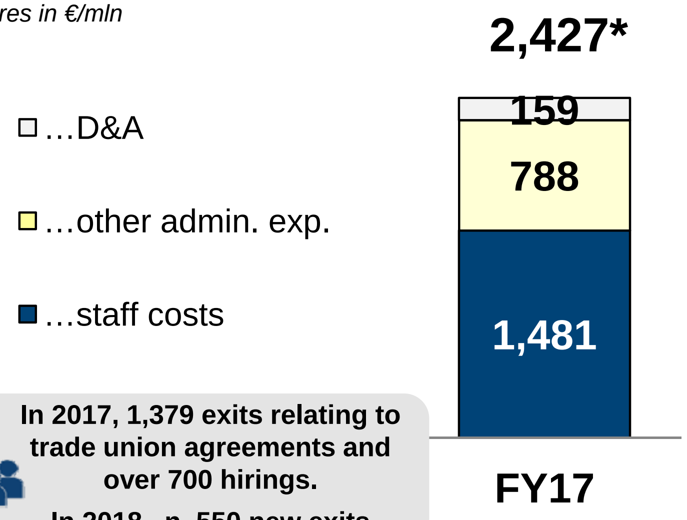
## Quarterly evolution of operating costs…




*Figures in €/mln*

## FY operating costs…

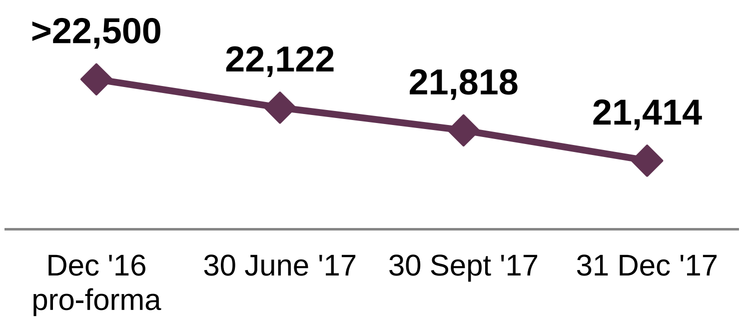
*Figures in €/mln*



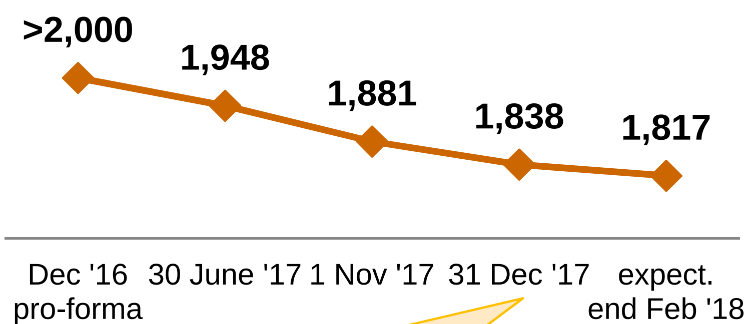

In 2017, 1,379 exits relating to trade union agreements and over 700 hirings.

In 2018, n. 550 new exits

### # of headcounts (end of period)




### # of domestic branches




***Over 100 branches closed in 4Q17 after migrations***

* Including contribution to SRF for 28 mln/€ and to DGS for 42 mln/€

# As from 31st Dec '17, application of IFRS3.
# All categories of NPEs show decrease 4Q17/3Q17

| *Amount in €/000* | | 30 Sept 2017 *(open balances)* | 31 Dec 2017 *(open balances)* | *IFRS3* 30 Sept 2017 | *IFRS3* 31 Dec 2017 | Derecognition of provisions | Netting of badwill allocated *(including reversal till 31 Dec '17)* |
|---|---|---|---|---|---|---|---|
| **BAD LOANS** | gross exposure | 7,568 | 7,621 | 7,362 | 7,344 | (218) | (60) |
| | impairment losses | (3,491) | (3,585) | (3,285) | (3,308) | 218 | 60 |
| | net carrying amount | 4,077 | 4,036 | 4,077 | 4,036 | | |
| | ***coverage*** | ***46.13%*** | ***47.04%*** | ***44.62%*** | ***45.05%*** | | |
| | ***coverage incl. write-offs*** | ***58.83%*** | ***59.51%*** | ***57.95%*** | ***58.36%*** | | |
| **UNLIKEY TO PAY** | gross exposure | 6,167 | 6,018 | 5,193 | 5,143 | (434) | (442) |
| | impairment losses | (2,098) | (2,048) | (1,124) | (1,173) | 434 | 442 |
| | net carrying amount | 4,069 | 3,970 | 4,069 | 3,970 | | |
| | ***coverage*** | ***34.02%*** | ***34.04%*** | ***21.65%*** | ***22.80%*** | | |
| **PAST DUE** | gross exposure | 298 | 166 | 298 | 166 | | |
| | impairment losses | (25) | (11) | (25) | (11) | | |
| | net carrying amount | 273 | 155 | 273 | 155 | | |
| | ***coverage*** | ***8.50%*** | ***6.36%*** | ***8.50%*** | ***6.36%*** | | |
| **TOTAL NPEs** | **gross exposure** | **14,033** | **13,805** | **12,853** | **12,652** | **(651)** | **(502)** |
| | **impairment losses** | **(5,614)** | **(5,644)** | **(4,434)** | **(4,491)** | **651** | **502** |
| | **net carrying amount** | **8,419** | **8,161** | **8,419** | **8,161** | | |
| | ***coverage*** | ***40.01%*** | ***40.88%*** | ***34.50%*** | ***35.50%*** | | |
| | ***coverage incl. write-offs*** | ***48.57%*** | ***49.47%*** | ***44.57%*** | ***45.59%*** | | |
| **PERFORMING LOANS** | gross exposure | 85,886 | 84,588 | 85,886 | 84,588 | | |
| | impairment losses | (425) | (411) | (425) | (411) | | |
| | net carrying amount | 85,461 | 84,177 | 85,461 | 84,177 | | |
| | ***coverage*** | ***0.50%*** | ***0.49%*** | ***0.50%*** | ***0.49%*** | | |
| **TOTAL LOAN BOOK** | **gross exposure** | **99,919** | **98,393** | **98,740** | **97,240** | **(651)** | **(502)** |
| | **impairment losses** | **(6,040)** | **(6,055)** | **(4,860)** | **(4,902)** | **651** | **502** |
| | **net carrying amount** | **93,880** | **92,338** | **93,880** | **92,338** | | |
| | ***coverage*** | ***6.04%*** | ***6.15%*** | ***4.92%*** | ***5.04%*** | | |
| ***gross NPEs on gross total loans*** | | ***14.04%*** | ***14.03%*** | ***13.02%*** | ***13.01%*** | | |
| ***net NPEs on net total loans*** | | ***8.97%*** | ***8.84%*** | ***8.97%*** | ***8.84%*** | | |

- **Important reduction in gross NPEs from 15.1% in Dec'15 to 13% in Dec '17**
- **To be further reduced to lower than 10% in 2019/2020 thanks to the sale of an important amount of NPEs following IFRS9 FTA**
- **Cost of credit in FY17 at 79 bps notwithstanding the inspection underway by the ECB**
- **Confirmed by evidences collected by the bank, the accuracy of credit classification**

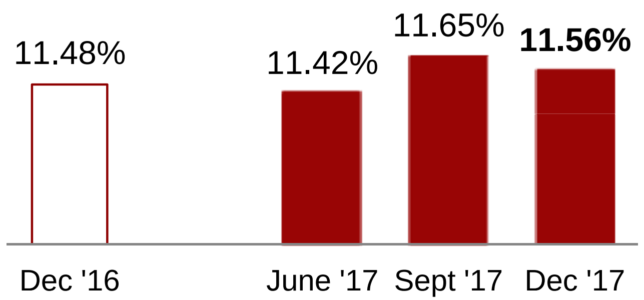
* Calculated as gross value of badwill allocated to NPEs equal to 565.5 mln/€, net of 64 mln/€ referred to PPA reversal

# CET1 ratio: 11.43% fully loaded at year end.
# Total IFRS9 FTA impact fully loaded at -12 bps

**PROPOSED DIVIDEND: 11 cent/€**

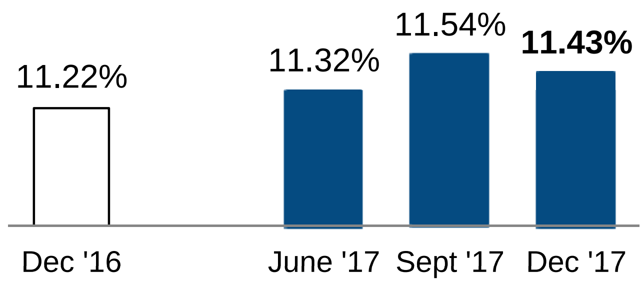
### CET 1 phased in

*UBI Banca Stand alone* | *UBI Banca + 3 banks acquired*




### CET 1 fully loaded

*UBI Banca Stand alone* | *UBI Banca + 3 banks acquired*




***CET 1 key Δ Dec '17 vs Sept '17*:**

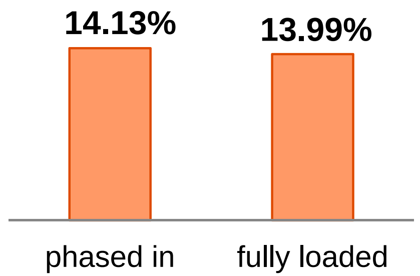
| | |
|---|---|
| -27 bps | update of credit risk parameters (historical series) included in internal models |
| -7 bps | investments in UCITS* |
| +23 bps | synthetic securitization |

## IFRS 9 preliminary indications:

- **sale of a substantial package of non-performing loans over the next 3 years was decided in order to accelerate the achievement of a gross non-performing loan ratio of less than 10% between 2019 and 2020, depending on market conditions**
- **fully loaded impact of First Time Adoption of IFRS 9 is expected, inclusive of all the components envisaged, to total approximately -12 bps on the CET1 (FTA impact absorbed by Model Change also extended to 3 Banks)**
- **transitional provisions allow the phase-in of IFRS9 over 5 years, thereby rendering the impact of FTA lower than -1 basis point for 2018**

### TOTAL CAPITAL as at 31st Dec '17

*UBI Banca + 3 banks acquired*




* Undertakings for Collective Investment in Transferable Securities

SREP requirements: 7.5% for 2017 and 8.625% for 2018

# Business Outlook on ordinary operations

The trend for operating income is one of growth compared with 2017, as a result of the effect of the following main components:

- growth in **net interest income** as a result, amongst other things, of a further reduction in the cost of funding;
- a **further growing contribution from fees and commissions** both with regard to asset management business and general banking business with customers.

The path taken to optimise **operating expenses will continue as a result in particular of the benefits related to incentive schemes** and the complete integration of the new banks also following the IT migration.

Credit risk should remain particularly low in the performing portfolio, inflows of new non-performing loans will reduce and the performance of credit recovery will improve, with a consequent **containment of loan losses.**

<u>**On the basis of these trends, the net normalised result for 2018 is expected to show important growth compared with the previous year.**</u>

The following is also envisaged during the course of 2018:

- with the migration of Banca Teatina by the end of February, the completion of the integration of the new banks on time and within the budgeted integration costs;
- the disposal of the first tranche of the portfolio of non-performing loans identified, within the context of the First Time Adoption of the new international standard IFRS 9 in force from 1st January 2018.

# Annexes

# Total funding from ordinary customers at 176.9 bln/€, affected by the sale of UBI International. In 4Q17 direct funding at 94.4 bln/€

| DIRECT FUNDING… | Dec '16 (aggregate) | June '17 | Sept '17 | Dec '17 |
|---|---|---|---|---|
| **…from ORDINARY CUSTOMERS** | **86.3** | **83.6** | **82.6** | **80.4** |
| *of which* | | | | |
| *Current accounts and deposits* | *61.3* | *62.8* | *64.0* | *64.3* |
| *Term deposits, financing & other payables* | *6.5* | *5.8* | *4.6* | *4.2* |
| *Bonds issued* | *16.1* | *12.9* | *12.2* | *10.8* |
| *Certificates of deposit* | *2.3* | *2.2* | *1.8* | *1.1* |
| **…from INSTITUTIONAL CUSTOMERS** | **17.0** | **14.9** | **14.0** | **14.0** |
| *of which* | | | | |
| *Covered Bonds* | *9.4* | *9.3* | *8.3* | *9.5* |
| *EMTN* | *4.3* | *4.0* | *3.9* | *4.6* |
| *CD and ECP* | *0.1* | - | - | - |
| *Repos with CCG* | *3.1* | *1.6* | *1.7* | - |
| **TOTAL DIRECT FUNDING** | **103.3** | **98.5** | **96.6** | **94.4** |
| **INDIRECT FUNDING** (AuM+Bancassurance+AuC) | **89.8** | **95.8** | **98.8** | **96.5** |
| **TOTAL FUNDING FROM ORDINARY CUSTOMERS** (DIRECT from Ordinary Customers +Indirect funding) | **176.1** | **179.4** | **181.4** | **176.9** |

**Growing notwithstanding the - 1bln/€ due to the sale of UBI International**

As envisaged in the 2019-2020 Business Plan, retail bonds wil be replaced by insitutional funding

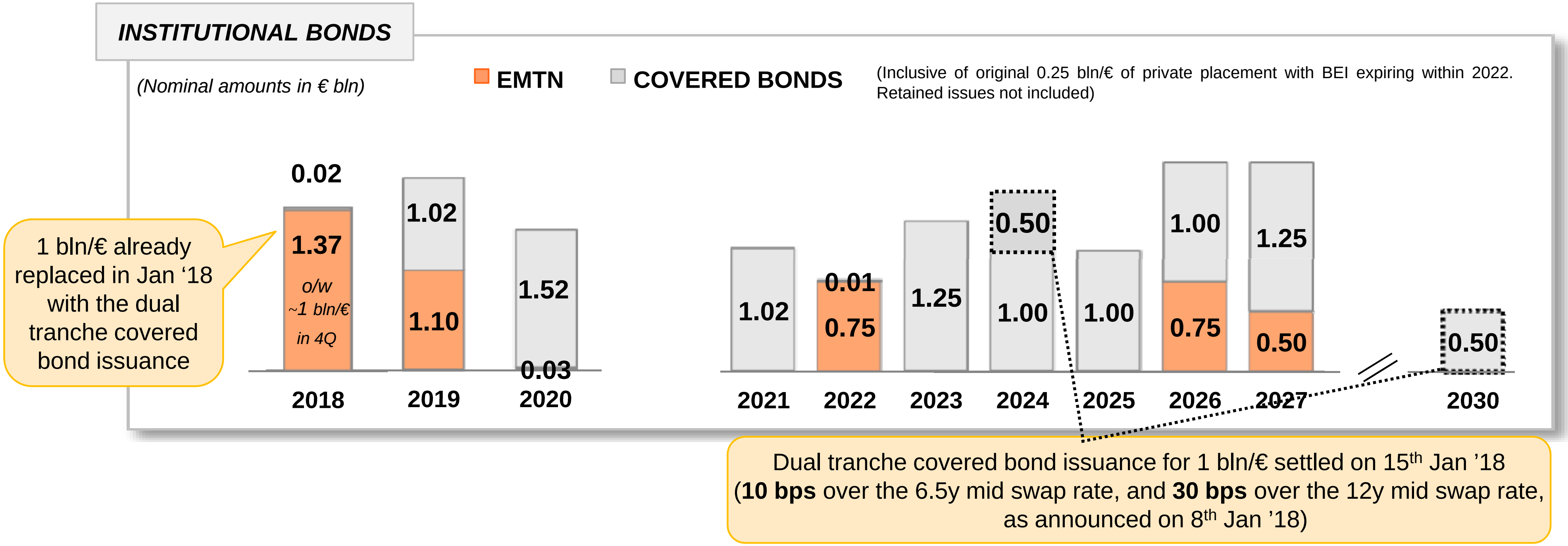
October 2017 issuances:

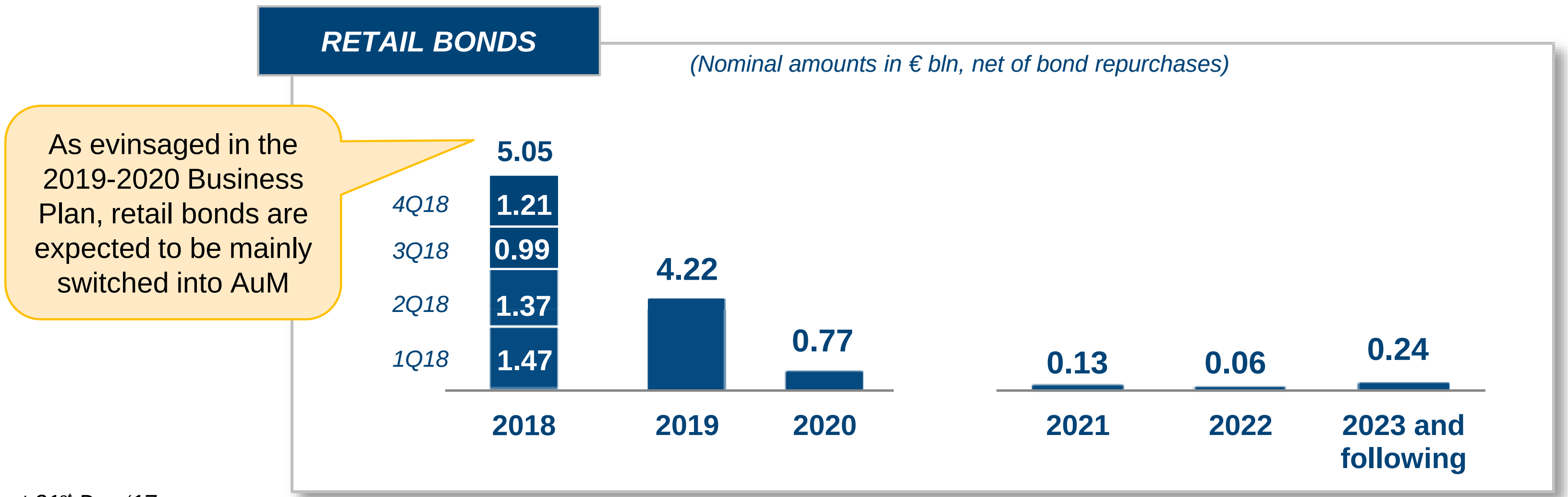
- ✓10 year covered bond for 1.25 bln/€ *(35 bps over the 10y mid swap rate)*
- ✓ 5 year senior EMTN for 0.75 bln/€ *(62 bps over the 5y mid swap rate)*

***With effect from 1st Nov' 17, UBI International has been sold to EFG International (approx. 1 bln/€ of direct funding and approx. 3.1 bln/€ of indirect funding, mostly assets under custody)***

*IAS amounts in bln€*

# Funding maturity profile: regular reimbursements as a consequence of ordinary good institutional placing power *confirmed also by last Jan. issuance*




*Data as at 31st Dec '17*

Note: as per the 3 banks acquired, in Dec '17 there are in place 3 securitisations for a market outstanding amount of approx. 0.4 bln/€.
*(In Dec' 16, there were 11 securitisations, most of which highly amortised and redeemed ahead of maturity)*

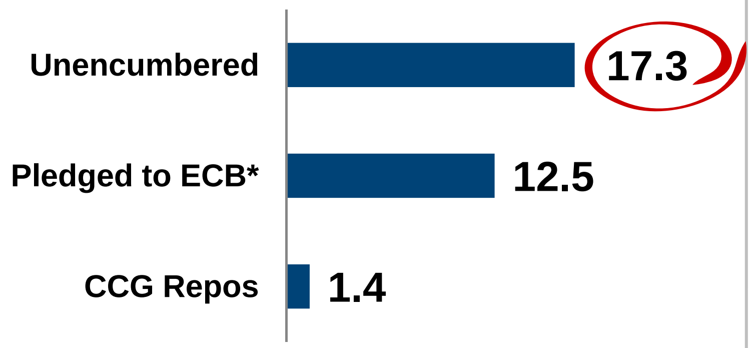
# Liquidity resources at 31.2 bln/€, representing over 45% of current accounts and deposits

**31.2 bln/€**

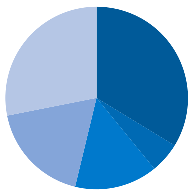
| *Excess Liquidity on ECB Account* |
|---|
| **5.2 bln/€** |

| *Eligible assets (net of haircut)* |
|---|
| **26 bln/€** |

***Destination*** *(amounts in €/bln)*




***Composition of eligible assets (net of haircut)***



| | |
|---|---|
| Italian Govies | 33.7% |
| Foreign govies | 5.4% |
| Retained covered bonds | 14.7% |
| Retained securitisation | 18.1% |
| Other (mainly ABACO) | 28.1% |

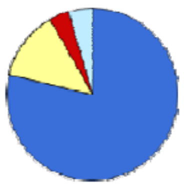
*Data as at 29th Dec '17*

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

# Net loan book at 92.3 bln/€, of which 8.8% of NPEs (vs 9.9% in Dec 2016)

| *Amounts in bln€* | Dec '16 (aggregate) | June '17 | Sept '17 | Dec '17 | *Dec '17 vs Dec '16* | *Dec '17 vs Sept '17* |
|---|---|---|---|---|---|---|
| **TOTAL NET LOAN BOOK** | **93.8*** | **94.2** | **93.9** | **92.3** | ***-1.5%*** | ***-1.6%*** |
| *of which* | | | | | | |
| **NET PERFORMING EXPOSURES** | **84.5** | **85.8** | **85.5** | **84.2** | ***-0.4%*** | ***-1.5%*** |
| *o/w Medium-Long term* | *64.3* | *66.0* | *66.2* | *65.6* | *2.0%* | *-0.8%* |
| *o/w Short term* | *19.9* | *19.5* | *19.1* | *18.6* | *-6.9%* | *-3.0%* |
| *o/w repos and other with CCG* | *0.3* | *0.3* | *0.2* | *0.1* | *-48.0%* | *-20.9%* |
| **NET NPEs** | **9.3**** | **8.5** | **8.4** | **8.2** | ***-11.8%*** | ***-3.1%*** |

***Breakdown of performing portfolio under AIRB (UBI+IW Bank)***



| | Dec '17 vs Sept '17 |
|---|---|
| Low risk | 78.8% vs 79.0% |
| Medium risk | 13.1% vs 12.6% |
| High risk | 3.7% vs 4.2% |
| Unrated | 4.4% vs 4.2% |

***The quality of the performing loan book is confirmed even in Dec '17, which includes for the first time the 3 banks acquired (first estimate for the 3 banks, to be confirmed)***

* 3 Banks Acquired: 11.9 bln/€ net loan book in Dec '16. When compared to 12.4 bln/€ *(shown in the Update to the 2019-2020 Business Plan presentation of 11 May 2017, slide # 27)*, please consider it has been netted by 0.6 bln/€ bad loans sold to REV (1.8 bln/€ gross)

** 0.5 bln/€ decrease in June '17 vs Dec '16 following badwill allocation to NPEs

UBI Banca

# Badwill allocation and reversal in 2017

**Definitive allocation of Badwill at inception**

| Total equity value allocated |
|---|
| **995.3 mln/€** |

| Allocated to P&L |
|---|
| **640.8 mln/€** |

| Allocated to assets and liabilities (on and off balance sheet) |
|---|
| **354.4 mln/€ net of deferred taxes** *(547.8 mln/€ gross of deferred taxes)* |

| o/w, lower value of NPEs |
|---|
| **378.5 mln/€ net of DTA** *(565.5 mln/€ gross of DTA)* |

**Reversals in 2017**

o/w, as at 31 Dec' 2017

- reversed to Equity **1.7 mln/€**
- reversed to P&L **47.0 mln/€**

| Detail of reversal | FY17 |
|---|---|
| *Net interest income* | 3.0 |
| *Insurance income* | -0.5 |
| *Other Admn. expenses* | 3.7 |
| *D&A* | -6.1 |
| *LLPs* | 64.0 |
| *Impair. fin. assets/liab* | 5.3 |
| *Taxes* | -22.4 |
| **Total reversed to P&L** | **47.0** |

## P&L in STATED terms

| Figures in € mln | UBI Banca FY16 | FY17 UBI Banca + 3 quarters from acquired banks FY17 |
|---|---|---|
| Net interest income | 1,498 | 1,627 |
| Net commission income | 1,335 | 1,546 |
| Net result from finance | 154 | 253 |
| Profits of equity-accounted investees | 24 | 23 |
| Dividends and similar income | 10 | 13 |
| Net income from insurance operations | | 12 |
| Other income items | 99 | 104 |
| **Operating income** | **3,119** | **3,578** |
| Staff costs | (1,275) | (1,481) |
| Other administrative expenses | (735) | (788) |
| Net impairment losses on property, equipment and investment property and intangible assets | (144) | (158) |
| **Operating expenses** | **(2,153)** | **(2,427)** |
| **Net operating income** | **966** | **1,151** |
| Net impairment losses on loans | (1,566)* | (728) |
| Net impairment losses on other financial assets and liabilities | (130) | (134) |
| Net provisions for risks and charges | (43) | (9) |
| Profits from disposal of equity investments | 23 | 1 |
| **Pre-tax profit from continuing operations** | **(749)** | **281** |
| Taxes on income for the period from continuing operations | 182 | (120) |
| Profits/losses for the period attributable to non-controlling interests | 1 | (27) |
| **Profit for the period before Business Plan impacts** | **(566)** | **134** |
| Charges for exit incentives *(net of tax and non-controlling interests)* | (208) | (41) |
| Brands impairment *(net of tax and non-controlling interests)* | (38) | 0 |
| Charges for Single Bank project *(net of tax and non-controlling interests)* | (16) | (7) |
| Impairment losses on property, plant and equipment *(net of taxes and non-controlling interests)* | (3) | (3) |
| Charges for Three Banks acquired *(net of tax and non-controlling interests)* | | (33) |
| **Badwill** | | **641** |
| **Profit (loss) stated for the period including badwill** | **(830)** | **691** |

including approx. 69 mln/€ of TLTRO2 benefit, accrued both for 2017 (49 mln/€) and 2016 (20 mln/€)

including approx. 63 mln/€ arising from the valuation of a call option on an agreement with a partner

including contributions to SRF (28 mln/€), DGS (42 mln/€)

including a significant part of the findings from the recent ECB inspection

including approx:
- 42 mln/€ related to contribution to Interbank Deposit Protection Fund (33 in 3Q17 and 9 in 4Q17), and
- 90 mln/€ related to Atlante fund impairments (19 mln/€ in 1Q17 and 70 mln/€ in 2Q17)

including approx. 35 mln/€ related to the Framework Agreement signed on 26th October with trade unions

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

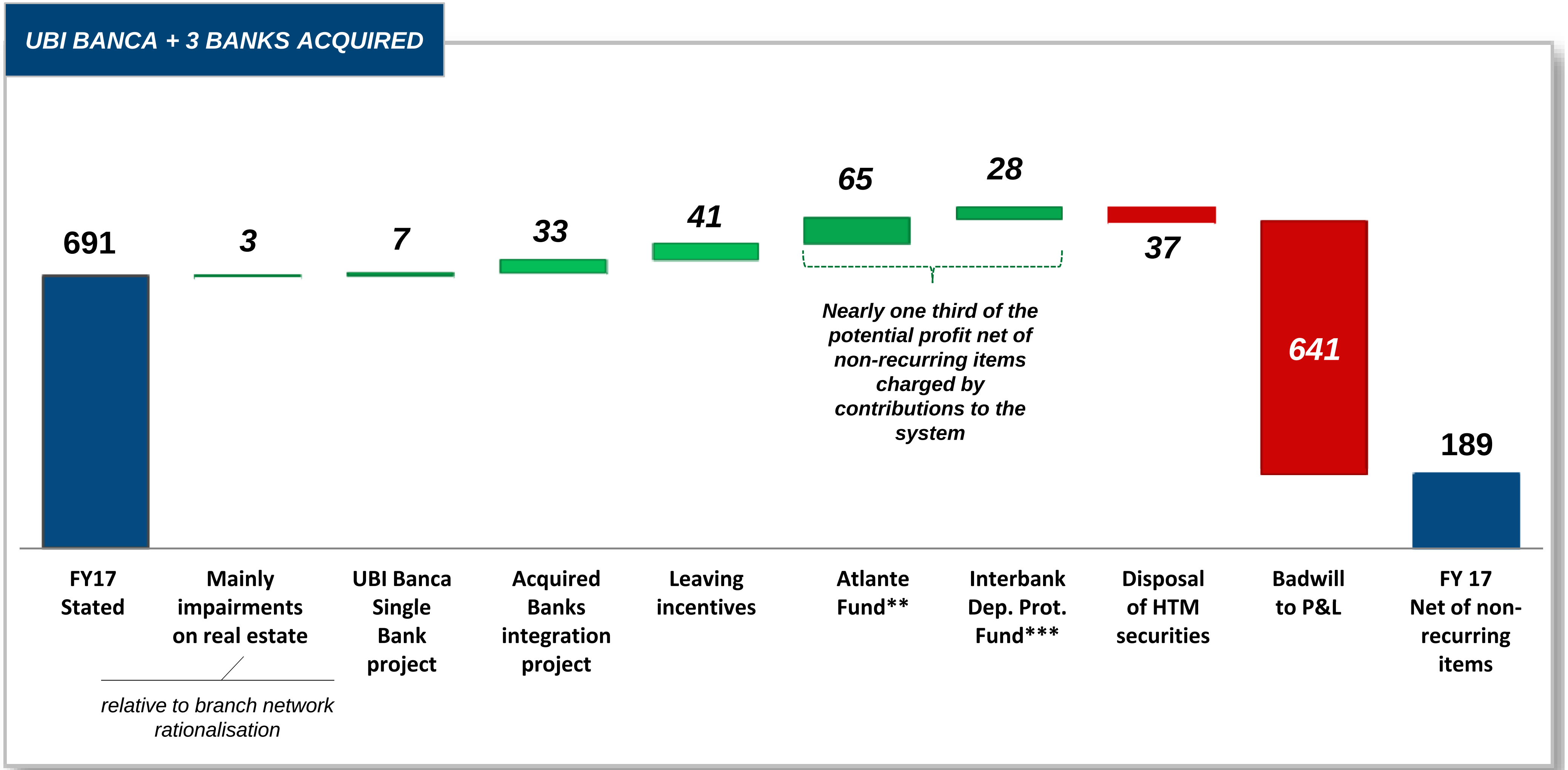
*Note: Detail of badwill allocation and reversal in annex*

## P&L in STATED terms

| Figures in € mln | 2Q17 | 3Q17 | 4Q17 |
|---|---|---|---|
| | UBI Banca + Acquired banks | | |
| Net interest income | 398 | 402 | 479 |
| Net commission income | 411 | 390 | 395 |
| Net result from finance | 83 | 36 | 67 |
| Profits of equity-accounted investees | 7 | 6 | 7 |
| Dividends and similar income | 8 | 0 | 3 |
| Net income from insurance operations | 4 | 5 | 4 |
| Other income items | 30 | 17 | 28 |
| **Operating income** | **941** | **856** | **983** |
| Staff costs | (396) | (380) | (384) |
| Other administrative expenses | (200) | (212) | (210) |
| Net impairment losses on property, equipment and investment property and intangible assets | (40) | (40) | (44) |
| **Operating expenses** | **(636)** | **(631)** | **(638)** |
| **Net operating income** | **305** | **225** | **346** |
| Net impairment losses on loans | (148) | (135) | (311) |
| Net impairment losses on other financial assets and liabilities | (83) | (32) | (4) |
| Net provisions for risks and charges | 2 | (5) | 1 |
| Profits from disposal of equity investments | 0 | 0 | (0) |
| **Pre-tax profit from continuing operations** | **77** | **54** | **33** |
| Taxes on income for the period from continuing operations | (40) | (33) | (8) |
| Profits/losses for the period attributable to non-controlling interests | (6) | (6) | (8) |
| **Profit for the period before Business Plan impacts** | **30** | **15** | **16** |
| Charges for exit incentives *(net of tax and non-controlling interests)* | (2) | (1) | (38) |
| Brands impairment *(net of tax and non-controlling interests)* | | | |
| Charges for Single Bank project *(net of tax and non-controlling interests)* | (1) | (0) | (0) |
| Impairment losses on property, plant and equipment *(net of taxes and non-controlling interests)* | | | (3) |
| Charges for Three Banks acquired *(net of tax and non-controlling interests)* | (10) | (10) | (12) |
| **Badwill** | **613** | **3** | **25** |
| **Profit stated for the period including badwill** | **629** | **6** | **(12)** |

*Note: Detail of badwill allocation and reversal in annex*

# Relevant non-recurring items* affected the FY17 results




* Net of taxes and minorities

** Gross amount in "Net impairment losses on other financial assets and liabilities": 89 mln/€ in FY17 (73 mln/€ in UBI Stand alone FY16)

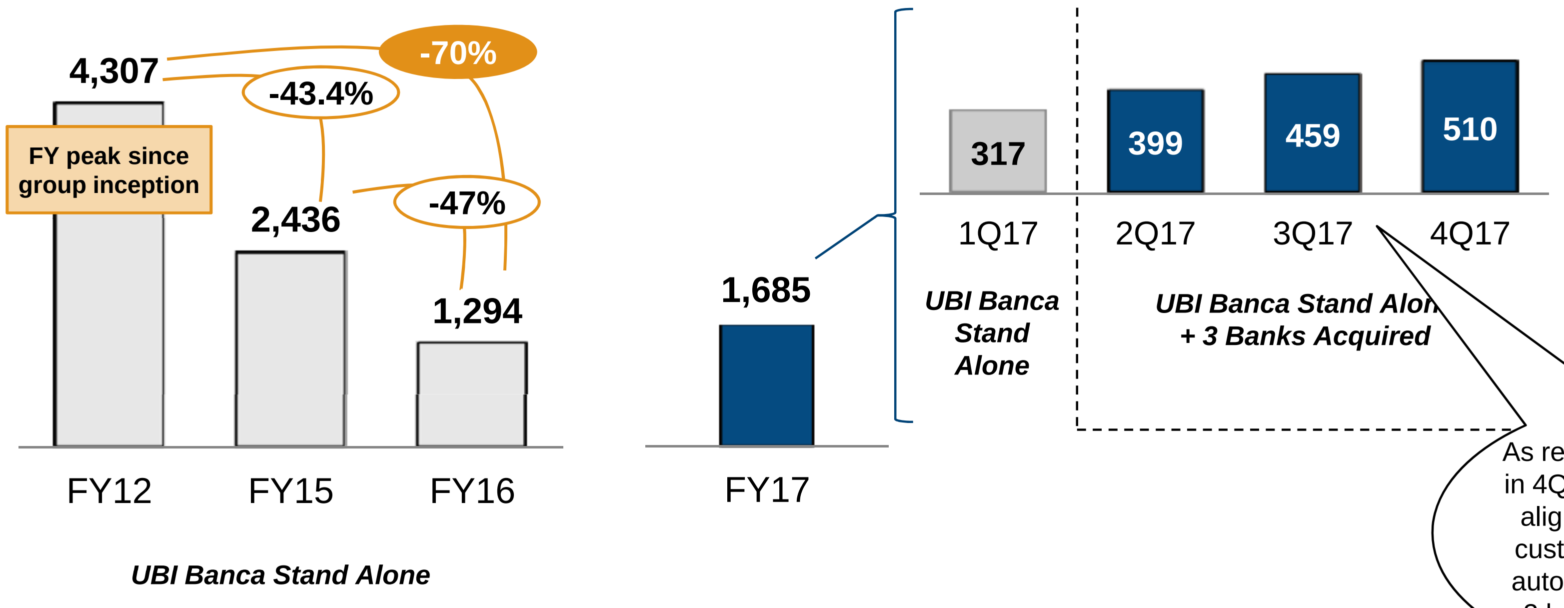
*** Gross amount in "Net impairment losses on other financial assets and liabilities": 42 mln/€ in FY17 (4 mln/€ in UBI Stand alone FY16)

# Flows from performing to non performing loans remain contained

*Loan Loss Provision Rate as at 31 Dec'17*

***79 bps****

**NPEs: GROSS INFLOWS FROM PERFORMING** *(amounts in mln/€)*




As reported in Sept'17 results, in 4Q17 completed process to align NPEs on overlapping customers, and extension of automatisms in use in UBI to 3 banks acquired (approx. 120 mln/€)

* It considers UBI Banca Stand alone for 12 months and the Acquired Banks for 9 months

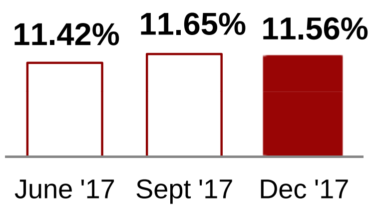
# Capital Ratios (Phased in, Basel 3) as at Dec '17:

## *Common Equity Tier 1 Ratio at 11.56%, Total Capital Ratio at 14.13%*

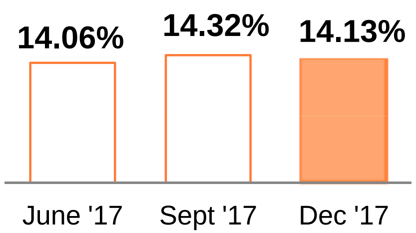
| *mln/€* | June '17 | Sept '17 | Dec '17 |
|---|---|---|---|
| Common Equity Tier 1 Capital (before filters and transitional provisions) | 7,870.8 | 7,828.9 | 7,712.4 |
| Transitional provisions (minority interest) | 8.9 | 8.6 | 8.5 |
| Transitional provisions (AFS Reserves - debt and other equity instruments) | -16.7 | -14.6 | -13.7 |
| Transitional provisions (AFS Reserves - Govies) | 27.5 | 24.1 | 24.6 |
| Transitional provisions (pension fund) | -4.2 | -1.9 | -1.0 |
| Transitional provisions (DTA) | 52.7 | 55.6 | 66.2 |
| Common Equity Tier 1 Capital filters | -9.4 | -10.6 | -7.6 |
| **Common Equity Tier 1 *(after filters)*** | **7,929.8** | **7,890.0** | **7,789.2** |
| *Common Equity Tier 1 regulatory adjustments: negative elements for deduction excess of expected losses over impairment losses* | *-22.1* | *-47.7* | *-34.7* |
| **Common Equity Tier 1 Capital (CET1)** | **7,907.7** | **7,842.3** | **7,754.5** |
| **Additional Tier 1 before deductions** | **0.03** | **0.03** | **0.00** |
| Additional Tier 1 regulatory adjustments | 0.03 | 0.03 | 0.00 |
| *of which negative elements for deduction excess of expected losses over impairment losses* | *-0.03* | *-0.03* | *0.00* |
| **Additional Tier 1** | **-** | **-** | **-** |
| **Tier 1 Capital (CET 1 +Additional Tier 1)** | **7,907.7** | **7,842.3** | **7,754.5** |
| Tier 2 Capital before transitional provisions | 1,858.1 | 1,834.0 | 1,775.6 |
| *Tier 2 instruments grandfathering* | - | - | |
| **Tier 2 Capital after transitional provisions** | **1,858.1** | **1,834.0** | **1,775.6** |
| Tier 2 capital regulatory adjustments | -37.4 | -41.1 | -54.6 |
| *of which: negative elements for deduction excess of expected losses over impairment losses* | *-2.5* | *-5.3* | *-3.9* |
| **Tier 2 Capital** | **1,820.7** | **1,792.9** | **1,721.0** |
| **TOTAL OWN FUNDS** | **9,728.4** | **9,635.2** | **9,475.5** |

| *mln/€* | June '17 | Sept '17 | Dec '17 |
|---|---|---|---|
| **Risk weighted assets** | **69,216.6** | **67,289.2** | **67,053.7** |
| **Total prudential requirements** | **5,537.3** | **5,383.1** | **5,364.3** |
| *Credit risk* | *5,124.5* | *4,977.1* | *4,946.6* |
| *CVA (Credit Value Adjustment) risk* | *13.6* | *11.1* | *4.9* |
| *Market risk* | *92.5* | *88.2* | *75.7* |
| *Operational risk* | *306.7* | *306.7* | *337.0* |

**CET 1 *PHASED IN***




**TOTAL CAPITAL *PHASED IN***




- B3 Leverage as at 31st Dec'17:
  - ✓ phased in 5.85%
  - ✓ fully loaded 5.78%
- LCR and NSFR > 100%

# Main Reclassified Balance Sheet Items

| **MAIN ASSET ITEMS** *Figures in millions of euro* | **31 Dec' 2016** *Aggregate* | **30 June 2017** | **30 Sept 2017** | **31 Dec 2017** |
|---|---|---|---|---|
| Financial assets (AFS, HFT, FV, HTM) | 21,945 | 17,955 | 17,523 | 15,801 |
| Loans to customers | 93,769 | 94,229 | 93,880 | 92,338 |
| Property, equipment and investment property | 1,845 | 1,815 | 1,809 | 1,812 |
| Intangible assets | 1,720 | 1,715 | 1,713 | 1,728 |
| *of which: goodwill* | *1,469* | *1,465* | *1,465* | *1,465* |
| Tax assets | 4,394 | 4,245 | 4,181 | 4,170 |
| Other assets | 1,646 | 1,877 | 1,284 | 1,451 |
| **Total assets** | **134,125** | **134,280** | **129,634** | **127,376** |

| **MAIN LIABILITY AND EQUITY ITEMS** *Figures in millions of euro* | **31 Dec' 2016** *Aggregate* | **30 June 2017** | **30 Sept 2017** | **31 Dec 2017** |
|---|---|---|---|---|
| Net interbank position | 9,637 | 7,737 | 10,460 | 8,897 |
| Due to customers | 70,989 | 70,112 | 70,280 | 68,435 |
| Securities issued | 32,269 | 28,362 | 26,274 | 26,015 |
| Tax liabilities | 244 | 243 | 229 | 223 |
| Net worth attributable to the Parent | 11,393 | 9,260 | 9,255 | 9,235 |
| Non-controlling interests | 83 | 68 | 72 | 80 |
| Profit for the period | (1,861) | 696 | 702 | 691 |
| **Total liabilities and equity** | **134,125** | **134,280** | **129,634** | **127,376** |