The UBI Banca Group
Consolidated Results as at 31st March 2017

11th May 2017

Disclaimer

This document has been prepared by Unione di Banche Italiane Spa ("UBI") for informational purposes only and for use in the presentation of May 2017. It is not permitted to publish, transmit or otherwise reproduce this document, in whole or in part, in any format, to any third party without the express written consent of UBI and it is not permitted to alter, manipulate, obscure or take out of context any information set out in the document.

The information, opinions, estimates and forecasts contained herein have not been independently verified and are subject to change without notice. They have been obtained from, or are based upon, sources we believe to be reliable but UBI makes no representation (either expressed or implied) or warranty on their completeness, timeliness or accuracy. Nothing contained in this document or expressed during the presentation constitutes financial, legal, tax or other advice, nor should any investment or any other decision be solely based on this document.

This document does not constitute a solicitation, offer, invitation or recommendation to purchase, subscribe or sell for any investment instruments, to effect any transaction, or to conclude any legal act of any kind whatsoever.

This document contains statements that are forward-looking: such statements are based upon the current beliefs and expectations of UBI and are subject to significant risks and uncertainties. These risks and uncertainties, many of which are outside the control of UBI, could cause the results of UBI to differ materially from those set forth in such forward looking statements.

Under no circumstances will UBI or its affiliates, representatives, directors, officers and employees have any liability whatsoever (in negligence or otherwise) for any loss or damage howsoever arising from any use of this document or its contents or otherwise arising in connection with the document or the above mentioned presentation.

For further information about the UBI Group, please refer to publicly available information, including Annual, Quarterly and Interim Reports.

By receiving this document you agree to be bound by the foregoing limitations.

Please be informed that some of the managers of UBI involved in the drawing up and in the presentation of data contained in this document possess stock of the bank. The disclosure relating to shareholdings of top management is available in the annual reports.

<u>Methodology</u>

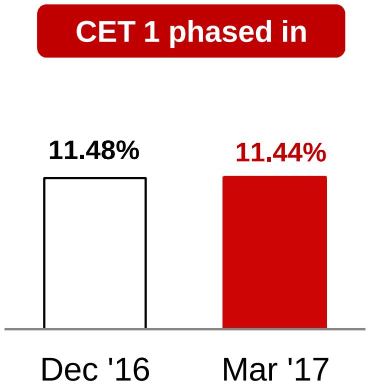
The "notes on the reclassified financial statements" contained in the periodic financial reports of the Group may be consulted for a fuller comprehension of the rules followed in preparing the reclassified financial statements.

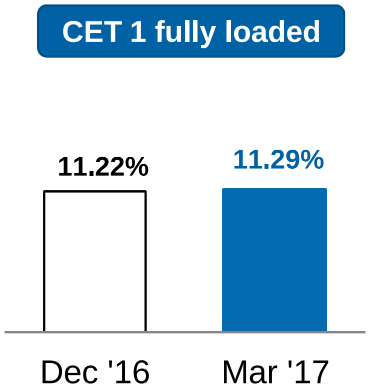
1Q17 take aways

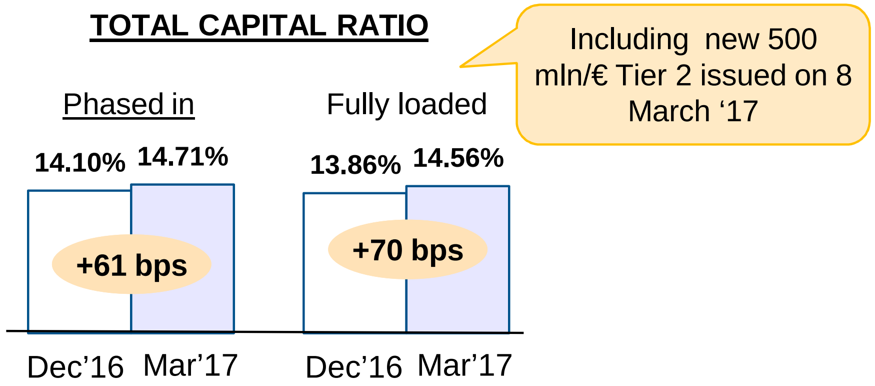
- ✓ Profit **net of non recurring items** to 86.3 mln€, more than doubled vs 1Q2016 (42.5 mln€) and over three times 4Q2016 result (26.4 mln€)
- ✓ **Stated profit** to 67 mln€ (including a further impairment on the Atlante position), approx.+60% vs 42.1 mln€ in 1Q2016 (-75.6 mln€ in 4Q2016)
- ✓ **Performing Loans to customers** grow by 0.6% (net of CCG) vs Dec 2016 and flat vs March 2016
- ✓ **Focus on AUM and Bancassurance confirmed** (+3.6% in terms of volumes vs Dec 2016 and +15.3% vs March 2016)
- ✓ Consequent **significant and continuing growth recorded in commission income** (+4.1% vs 1Q2016 and +1.3% vs 4Q2016). The first quarter of 2017 is the highest ever result since Group inception
- ✓ Ongoing **reduction and de-risking of the proprietary securities portfolio** down to 15.8 €bln at end March 2017, contributing, together with decreasing spreads, to pressure on net interest margin
- ✓ **Strong cost control**, with 1Q2017 **operating costs lower than both 1Q2016 and 4Q2016**
- ✓ **Improving credit quality** confirmed, with **NPEs decreasing stocks** (both gross and net), **lower inflows** (both vs 1Q2016 and 4Q2016) **and overall higher coverage. Cost of credit to 64 bps** (74 bps in 1Q2016)
- ✓ **Former Network Banks migrations** completed in February 2017 ahead of original planning
- ✓ 1Q2017 results are **on the right path to confirm a 2017 financial year with strongly improved results**

CET1 ratio at 11.29% fully loaded and at 11.44% phased in

Respectively +379 bps and +394 bps vs SREP requirement at 7.5%







Key impacts *See annex 4*

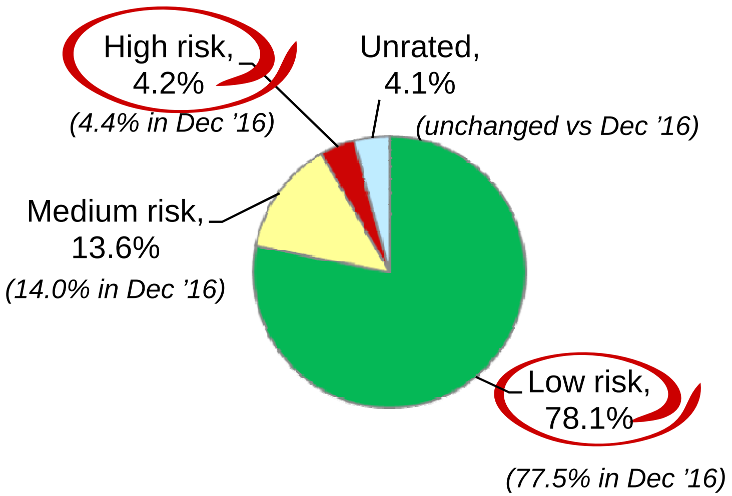
RESULT FOR THE PERIOD	Included net of dividend accrual and of cash out for charity purposes. The positive results enable the eligibility of the DTAs on future profitability
AFS Reserve	Negative impact of Govies AFS reserve and transitional regulation, representing -12 bps on phased in CET1 and -15 bps on fully loaded CET1
RWAs	Increase in capital absorption on IRB volumes more than offset by reduction in estimate volumes on Product companies (riskier portfolios). RWA density stable at 52%

Stable Performing Loans volumes, continued decrease in NPEs

Amounts in bln€	Mar '16	Dec '16	Mar '17
TOTAL NET LOAN BOOK	**84.1**	**81.9**	**84.5**
NET PERFORMING EXPOSURES	**74.4**	**73.8**	**76.6**
o/w repos with CCG	0.6	0.3	2.6
o/w other Net Performing Exposures	73.9	73.5	74.0
o/w ML term	55.4	55.7	56.2
o/w Short term	18.5	17.8	17.8
NET NON PERFORMING EXPOSURES	**9.7**	**8.1**	**8.0**

- **Continued decrease in NPEs**, down by 1.2% vs Dec 2016 and by 17.7% vs March 2016
- Slight **increase in performing loans**, mainly in the Medium-long term
- **Low risk exposures represent 78.1% of the performing portfolio** (they were 77.5% in Dec 2016 and 76% in March 2016)
- New origination of M/L term loans up by 13.6% vs March 2016 to 2.7 bln€

PERFORMING LOAN PORTFOLIO RISK PROFILE*



* Perimeter: UBI Banca + IW Bank (IRB perimeter)

Total Funding from Ordinary Customers in constant growth

IAS amounts in bln€	Mar '16	Dec '16	Mar '17
DIRECT FUNDING FROM ORDINARY CUSTOMERS	**71.1**	**69.1**	**67.4**
Current accounts and deposits	48.6	52.4	52.5
Term deposits, other payables and repos	1.7	1.6	1.5
Securities in issue:			
Bonds issued by former Network banks + UBI	18.6	14.4	12.9
Bonds distributed on Extra-captive customers*	1.8	0.5	0.5
Other (mainly customer CDs)	0.3	0.2	0.1
DIRECT FUNDING FROM INSTITUTIONAL CUSTOMERS	**18.6**	**16.1**	**16.6**
Covered Bonds	9.2	9.4	9.3
EMTN	2.5	4.3	4.8
CD and ECP	0.7	0.1	0.0
Repos with CCG	6.2	2.3	2.5
TOTAL DIRECT FUNDING	**89.7**	**85.2**	**84.0**
AUM + Bancassurance	**49.1**	**54.6**	**56.6**
TOTAL FUNDING FROM ORDINARY CUSTOMERS (DIRECT + INDIRECT)	**146.9**	**150.7**	**153.8**
TLTRO	**8.1**	**10.0**	**12.5**

Confirmed high and resilient Sight deposit volumes

Retail bonds on captive customers down by 1.5 bln€ vs Dec 16 and 5.7 bln€ vs March 2016, fully switched to AUM + bancassurance

Increase in **Institutional funding** due to new issue (500 mln€ of Tier 2 in March 2017)

2.5 billion additional TLTRO taken up value 29/03/2017 (total TLTRO 12,5 bln€)

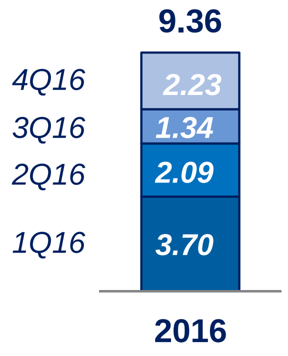
* Bonds placed by Centrobanca on third party banks networks, progressively expiring.
Subordinated bonds: ~3.4 bln/€ as at 31 Mar '17 (of which 1.3 mln/€ on institutional investors) corresponding to 5.6% of total direct funding

Bond maturities well planned and distributed over time

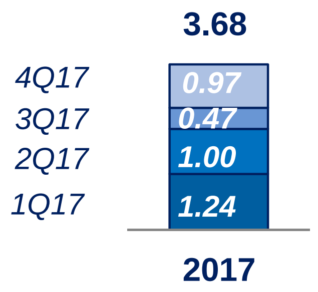
RETAIL BONDS

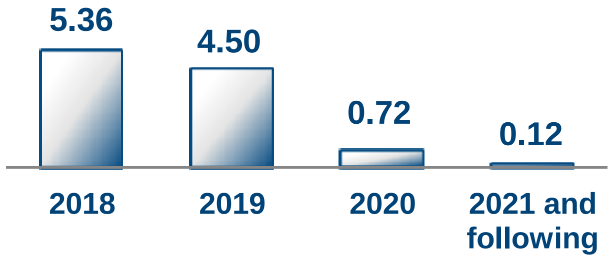
Maturities profile

*(Nominal amounts in € bln, net of bond repurchases, **31 Mar '17**)*



2017



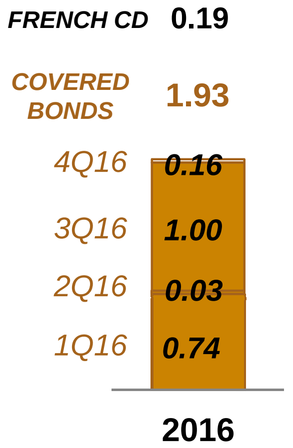


INSTITUTIONAL BONDS

Maturities profile

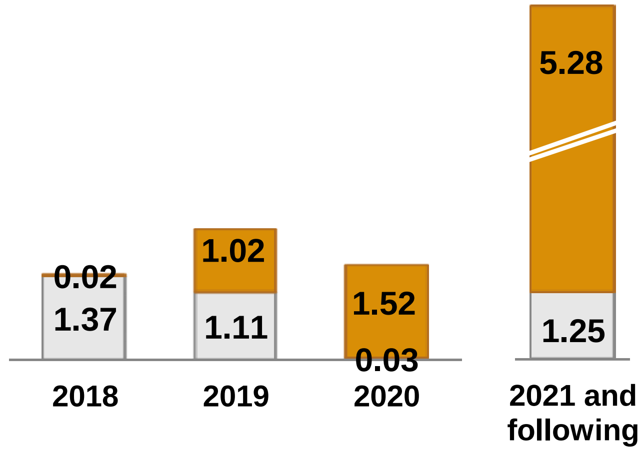
*(Nominal amounts in € bln, **31 Mar '17**)*

EMTN* COVERED BONDS**



2017

quarter	EMTN	COVERED BONDS
1Q17	0.08	
2Q17	0.75	
3Q17	0.05	1,00
4Q17	0.16	



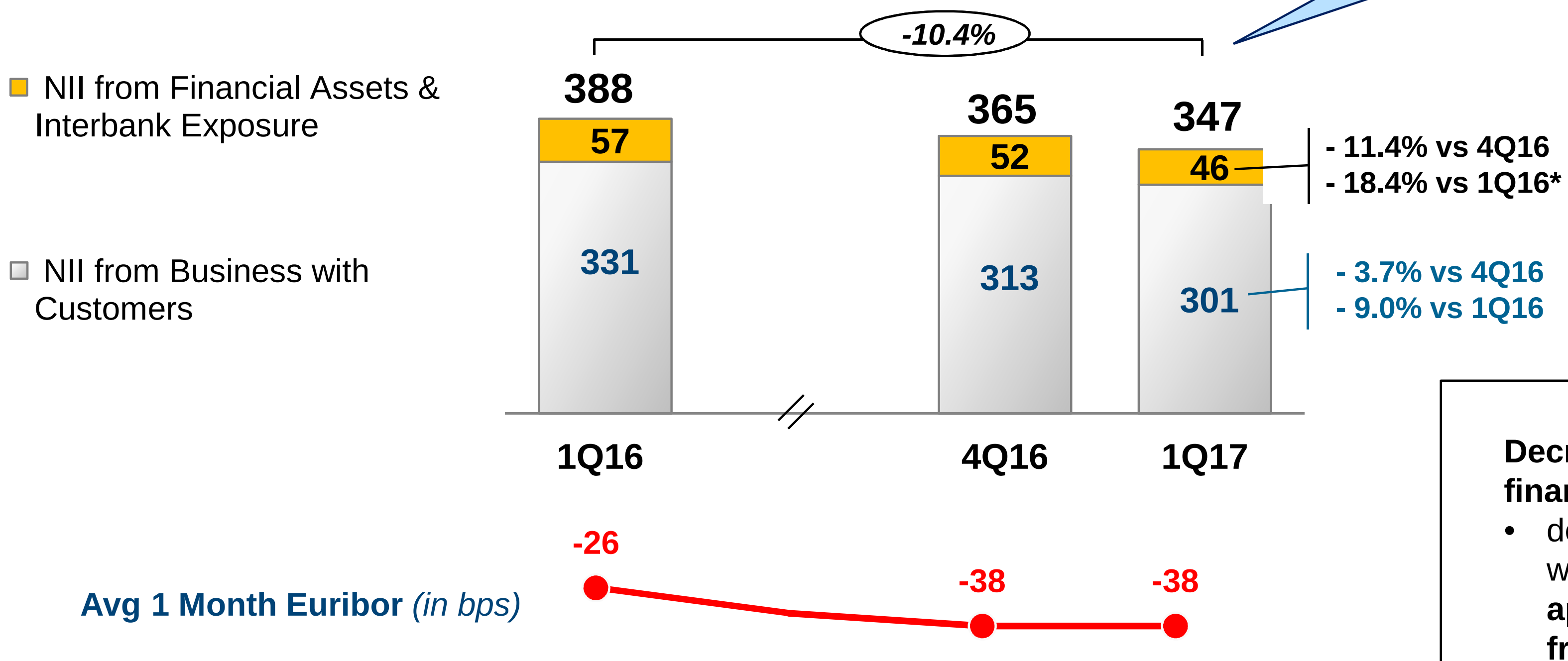
* EMTN: 0.1 bln/€ EMTN expired in 1H16, further 0.07 bln/€ puttable matured in 4Q16

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

Net Interest Income trends:

Net Interest Income trend *(€ mln)*

TLTRO2 benefit not yet included



Financial assets portfolio *(€ bln)*	**Mar '16**	**Dec '16**	**Mar '17**
Total Financial Assets	**19.74**	**17.86**	**16.57**
Total Italian Govies	**17.69**	**13.18**	**11.48**

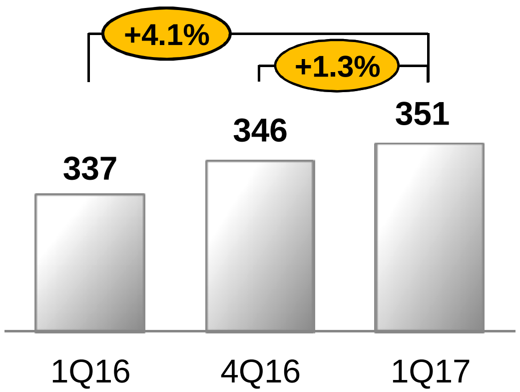
Decreasing contribution from financial assets portfolio, being:
- de-risked: sale of Italian govies with a strong contribution, **approx 44 mln€, to Result from finance**
- and **diversified**: mainly US treasury bonds and Spanish bonos

Market rates and acceleration of **Single bank project** (with relocation of account managers) impacting on commercial activities contribution

* NII from financial Assets, excluding Interbank Exposure in 1Q2017: €48.8 million, -17.7% vs 1Q16

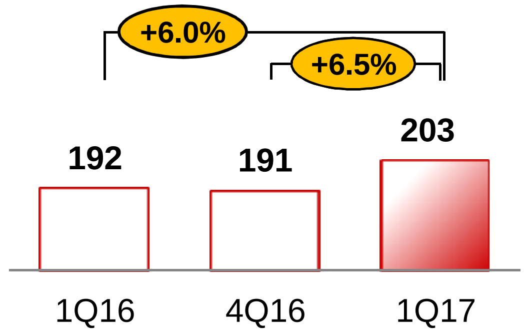
Net Commission Income, at all times high since Group inception and above Net Interest Income for the first time, driven by AUM performance

TOTAL NET COMMISSION INCOME *(€ mln)*

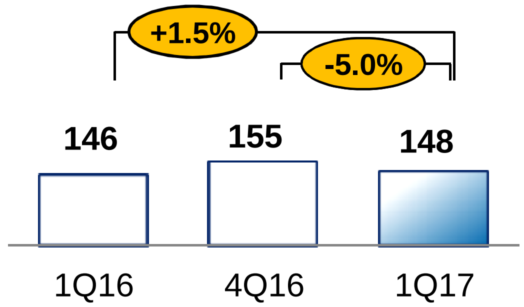


of which			
up-front fees	17.7%	10.6%	15.7%
performance fees	0.7%	5.3%	0.9%
Volumes Placed (AUM and Bancassurance)	3,167	1,981	3,108

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



BANKING RELATED COMMISSIONS* *(€ mln)*



Strong increase of AuM and Bancassurance products: overall a growth of +3.6% vs Dec 2016 and of 15.3% vs March 2016

INDIRECT FUNDING EVOLUTION

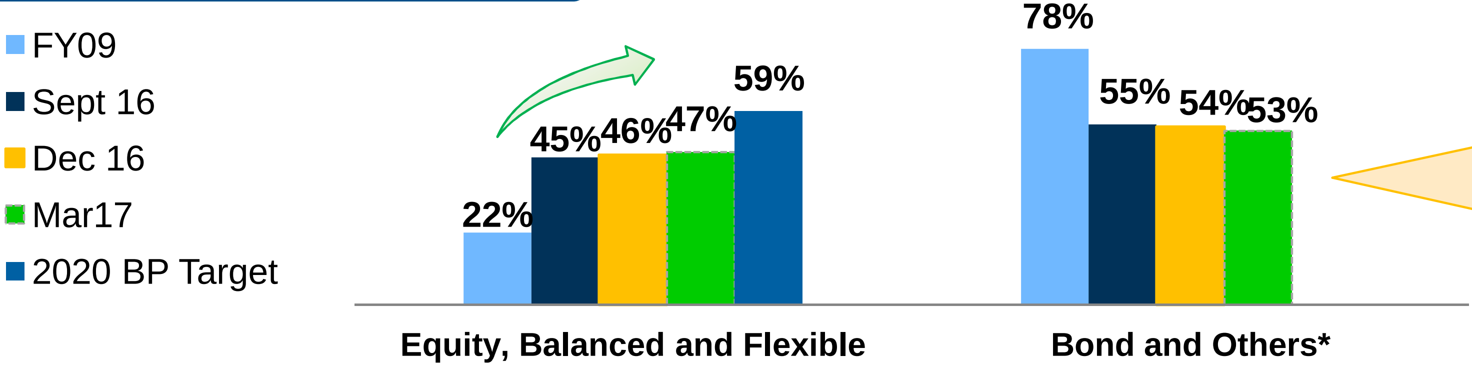
bln/€	Mar '16	Dec '16	Mar '17	*% change vs Dec '16*	*% change vs Mar '16*
AuM	34.1	38.2	39.7	*4.2%*	*16.6%*
Bancassurance	15.0	16.5	16.9	*2.4%*	*12.3%*
AUM + Bancassurance	**49.1**	**54.6**	**56.6**	*3.6%*	*15.3%*
AuC	28.5	27.5	30.3	*10.1%*	*6.2%*
Total Indirect Funding	**77.6**	**82.1**	**86.9**	*5.8%*	*12.0%*

Continuing strong performance in AUM and Bancassurance

AUC volumes flattish net of Performance effect (1.9 bln/€ March17 on March 16, 2.3 bln/€ March 17 on Dec 16)

AUC represent a further opportunity of conversion into AUM

UBI PRAMERICA SGR AUM composition



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

* Bond, Money Market, Hedge Funds and Cash

Operating costs evolution confirms further savings both vs 1Q2016 and vs 4Q2016

mln/€	1Q16	4Q16	1Q17	*% change 1Q17 vs 1Q16*	*% change 1Q17 vs 4Q16*
Staff costs	320	322	321	*0.2%*	*-0.3%*
Other Adm. Expenses excluding contribution to Funds	140	168	135	*-3.6%*	*-19.7%*
Single Resolution Fund Ord	32		32		
Single Resolution Fund Extr.	-	75			
D&A *(including PPA)*	36	38	35	*-2.6%*	*-6.4%*
Total operating costs incl. contribution to funds	**528**	**600**	**522**	**-1.1%**	**-13.0%**
Total operating costs excl. contribution to funds	**496**	**527**	**490**	**-1.1%**	**-6.9%**

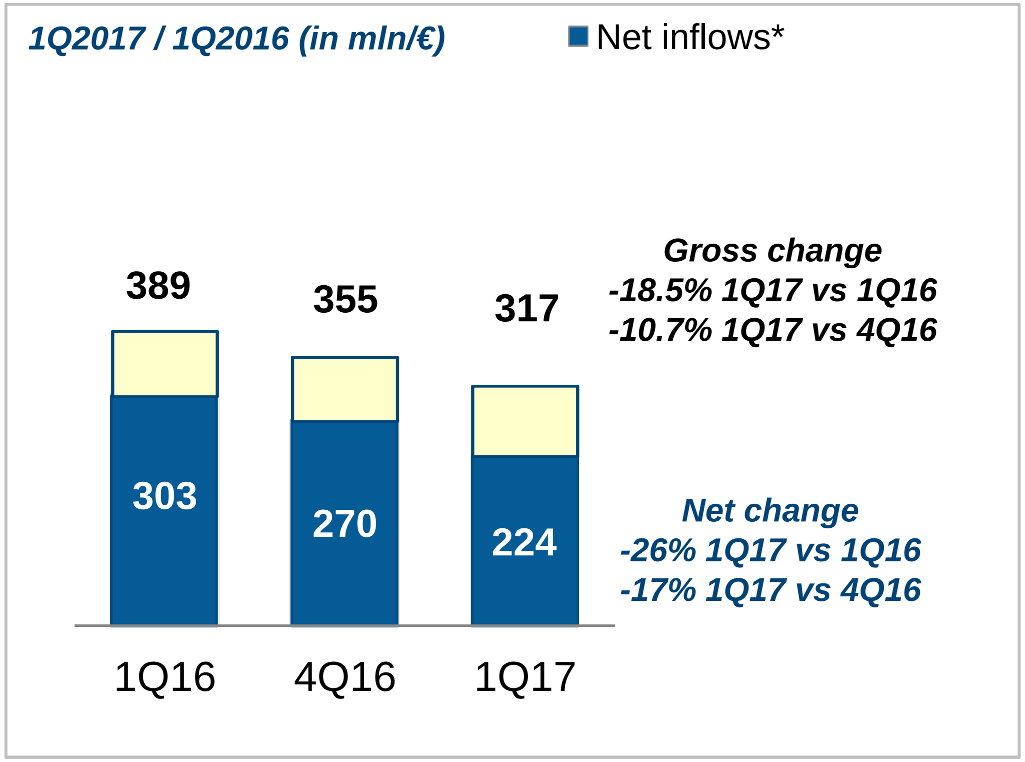
Approx 500 resources have left the Group on 28 February 2017, with full savings as from 2Q2017

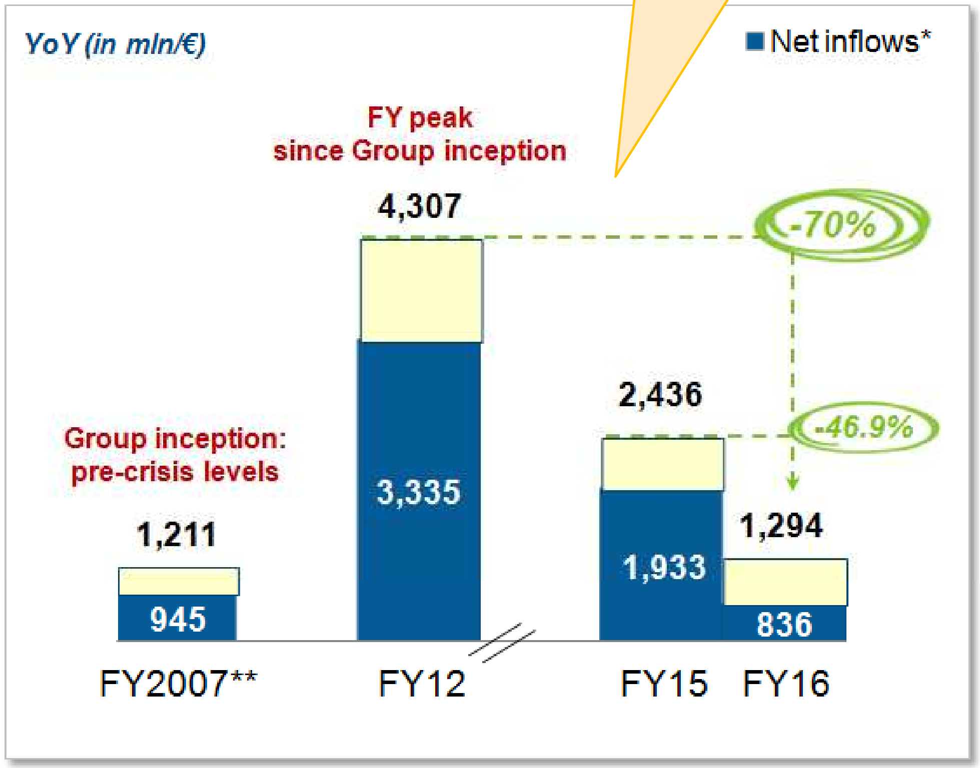
For an analysis of cost trends since 2007 in annex 6

After having almost halved the NPEs gross inflows from performing in FY16, 1Q17 continues on the same path with a relevant decrease (-18.5% YoY and -10.7% QoQ)

More than 4 years of continuing decrease

NPEs: GROSS AND NET INFLOWS FROM PERFORMING



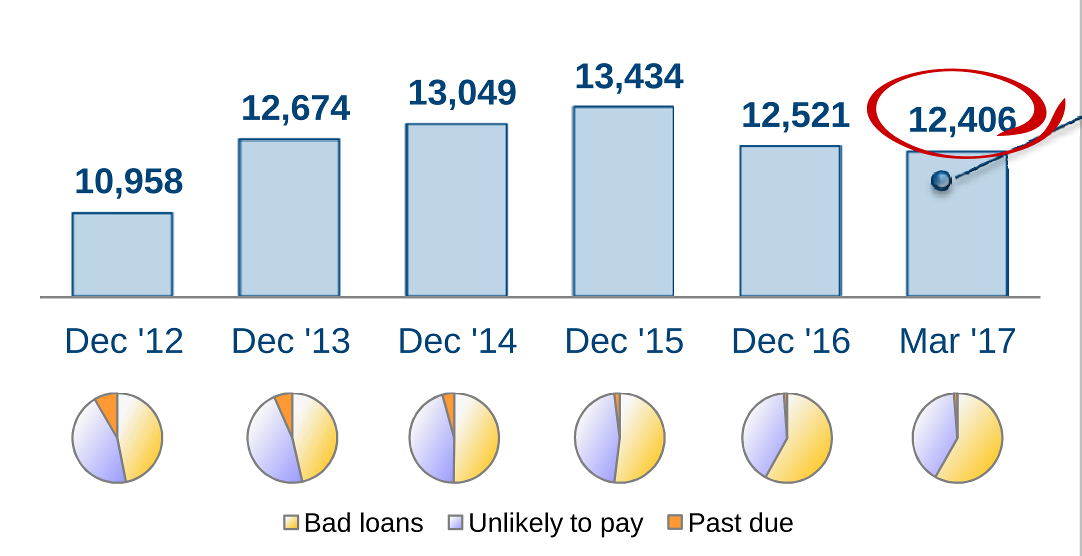


* Net inflows from performing = inflows from performing - outflows to performing ** 1Q BL data estimated, as data in FY2007 included the full year for BPU and 9 months for BL (merger on 01.04.2007)

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

NPEs stock amounts are continuing to decrease, levels lower than those registered in Dec ’16 (both gross and net). High recovery rates

GROSS NON PERFORMING EXPOSURES (in mln/€)



corresponding to

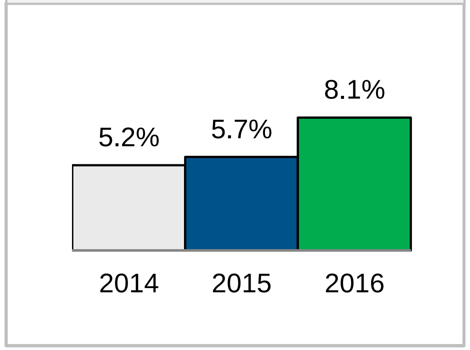
13.9% *of the total gross loan book*

from ***14.4%*** *as at Dec ‘16*

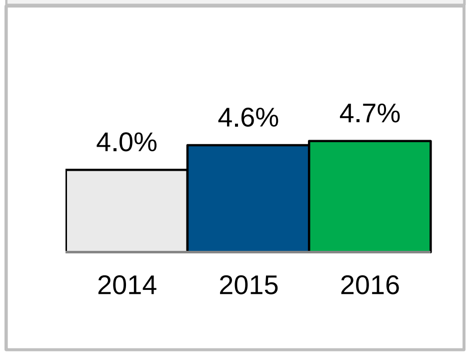
from ***15.1%*** *as at Dec ‘15*

Recovery rate[1]

TOTAL NPEs

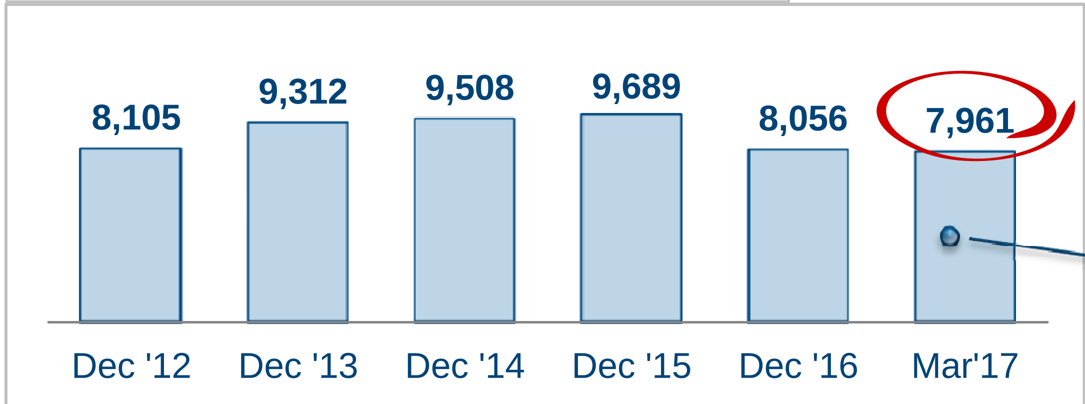


BAD LOANS



Source: 2016 Annual Report, Consolidated Perimeter

NET NON PERFORMING EXPOSURES (in mln/€)



corresponding to

9.4% *of the total net loan book*

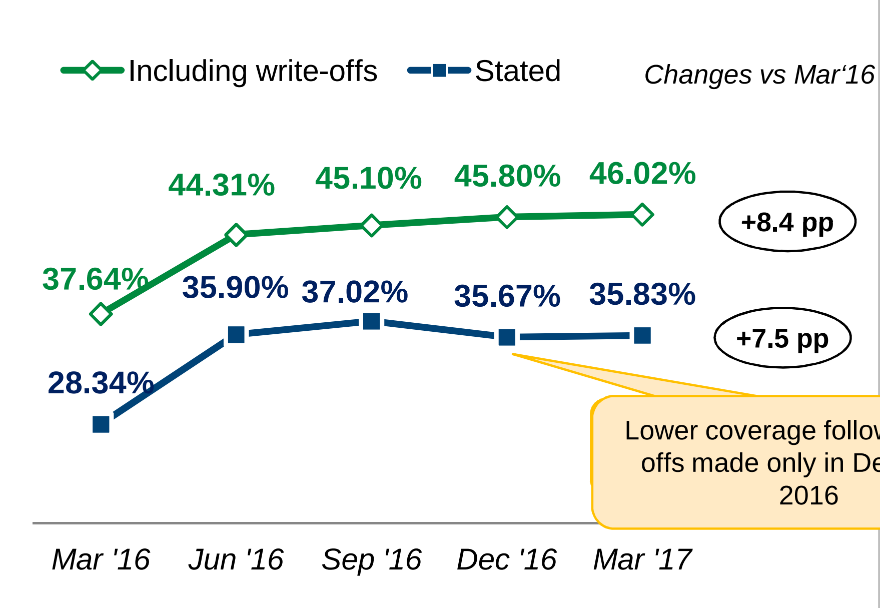
from ***9.8%*** *as at Dec ‘16*

from ***11.5%*** *as at Dec ‘15*

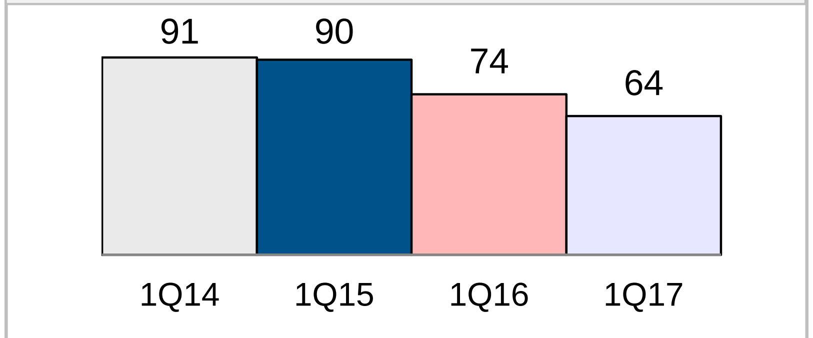
Note: 2012 is the first year that reflects the change in posting criteria for past due (from 180 to 90 days)
Detail on NPE breakdown in annex 7
1) Recovery rate = payments received / (initial gross exposure + total increases). Not comparable with to the recovery rate calculated for Basel purposes that includes the whole lifetime of default loans management

Coverage still increasing QoQ notwithstanding lower Loss Provision rate

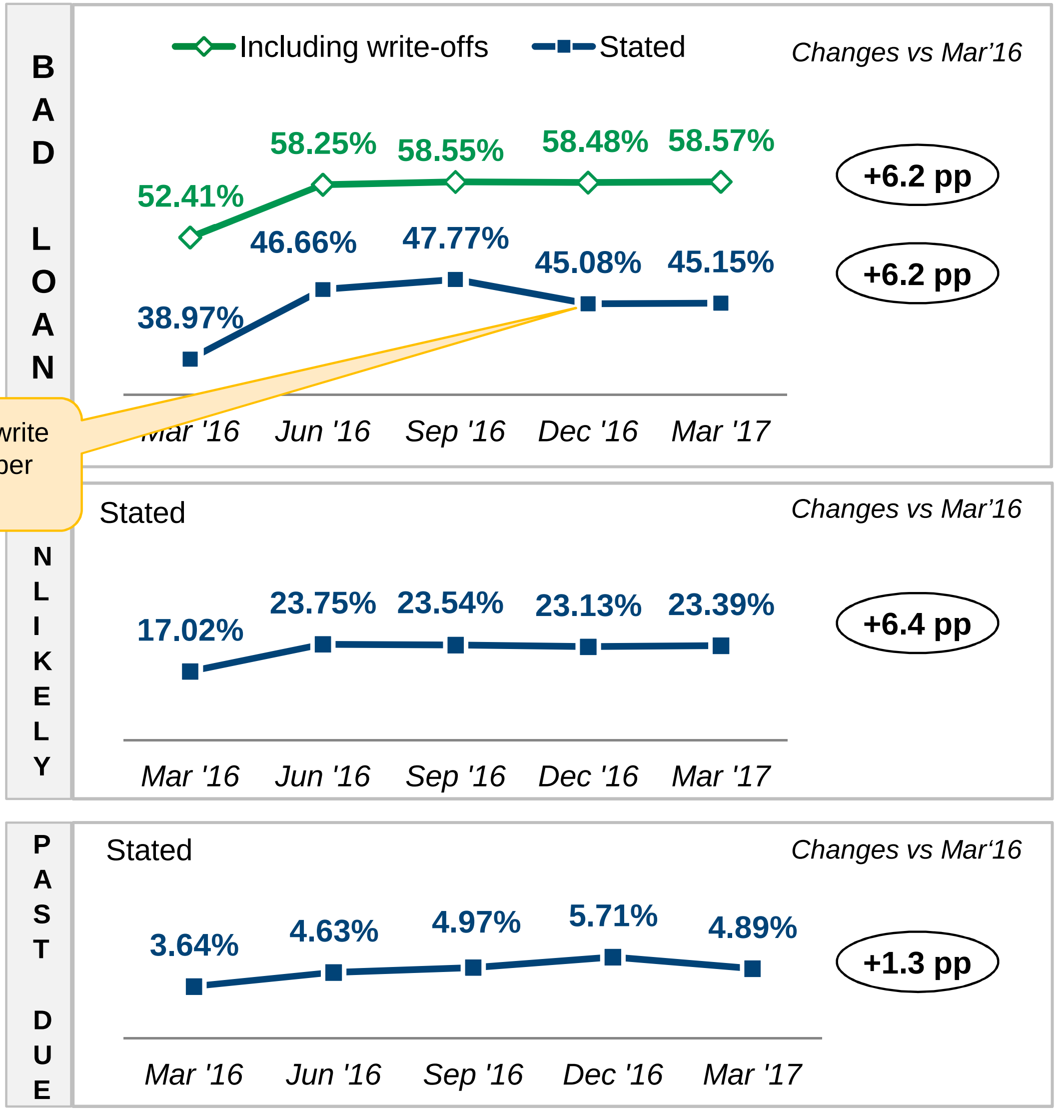
TOTAL NPEs coverage



LOAN LOSS PROVISION RATE (IN BPS)



COVERAGE by type of NPEs



Please see annexes 9 for regulators' orientation on write-offs

Outlook for ordinary operations

With regard to the business outlook for consolidated operations, the indications given for the UBI Banca stand alone results when the 2016 Annual Report was approved are confirmed.

It should be considered that the three Bridge Banks, for which the closing for the purchase and sale contract took place yesterday, will form part of the consolidation scope from 1st April 2017. In the half year report the outlook for operations will therefore relate to that larger consolidation scope.

Annexes

P&L isolating Business Plan impacts

MAIN INCOME STATEMENT ITEMS *Figures in € mln*	1Q16	4Q16	1Q17	% change 1Q17 vs 1Q16	% change 1Q17 vs 4Q16
Net interest income	387.6	364.8	347.2	*(10.4%)*	*(4.8%)*
Net commission income	337.1	346.2	350.9	*4.1%*	*1.3%*
Net result from finance	15.7	47.4	65.4	*315.9%*	*38.0%*
Profits of equity-accounted investees	5.3	5.2	3.8	*(27.5%)*	*(26.7%)*
Other income items	27.2	22.0	30.9	*13.6%*	*40.7%*
Operating income	**772.9**	**785.5**	**798.2**	**3.3%**	**1.6%**
Staff costs	(319.8)	(321.5)	(320.6)	*0.2%*	*(0.3%)*
Other administrative expenses	(171.8)	(241.2)	(166.3)	*(3.2%)*	*(31.0%)*
Net impairment losses on property, equipment and investment property and intangible assets	(36.0)	(37.5)	(35.1)	*(2.6%)*	*(6.4%)*
Operating expenses	**(527.6)**	**(600.3)**	**(522.0)**	**(1.1%)**	**(13.0%)**
Net operating income	**245.3**	**185.2**	**276.1**	**12.6%**	**49.1%**
Net impairment losses on loans	(155.3)	(191.8)	(134.8)	*(13.2%)*	*(29.7%)*
Net impairment losses on other financial assets and liabilities	0.3	(79.2)	(16.1)	*n.s.*	*n.s.*
Net provisions for risks and charges	(6.4)	(12.7)	(7.5)	*17.1%*	*(41.2%)*
Profits (losses) from disposal of equity investments	0.4	21.0	0.1	*(71.1%)*	*n.s.*
Pre-tax profit (loss) from continuing operations	**84.3**	**(77.4)**	**117.8**	**39.9%**	**n.s.**
Taxes on income for the period from continuing operations	(34.4)	20.7	(39.0)	*13.5%*	*n.s.*
Profits for the period attributable to non-controlling interests	(7.4)	(8.3)	(6.1)	*(17.8%)*	*(26.7%)*
Profit (loss) for the period before Business Plan impacts and other extraordinary impacts	**42.5**	**(65.0)**	**72.8**		
Charges for exit incentives (net of tax and minorities)	(0.4)	0.1	0.0		
Charges for Single Bank project (net of tax and minorities)	0.0	(7.6)	(4.6)		
Real estate impairment (net of tax and minorities)	0.0	(3.1)	0.0		
Charges for Bridge Banks project (net of tax and minorities)	0.0	0.0	(1.1)		
Profit (loss) for the period	**42.1**	**(75.6)**	**67.0**	**59.4%**	**n.s.**
Profit for the period NET OF NON-RECURRING ITEMS	**42.5**	**26.4**	**86.3**	**103.0%**	**226.6%**

Main Reclassified Balance Sheet Items

MAIN ASSETS ITEMS *Figures in millions of euro*	**31.03.2016**	**30.06.2016**	**31.12.2016**	**31.03.2017**	**% annual change**	**% quarterly change**
Financial assets (AFS, HFT, FV, HTM)	20,306	19,741	17,859	16,567	-18.4%	-7.2%
Loans to customers	84,073	83,907	81,854	84,522	0.5%	3.3%
Property, equipment and investment property	1,674	1,660	1,648	1,638	-2.2%	-0.6%
Intangible assets	1,747	1,685	1,696	1,687	-3.4%	-0.5%
of which: goodwill	*1,465*	*1,465*	*1,465*	*1,465*	0.0%	0.0%
Tax assets	2,790	3,007	3,044	2,982	6.9%	-2.0%
Other assets	895	1,081	1,297	924	3.3%	-28.7%
Total assets	**116,689**	**116,660**	**112,384**	**114,343**	**-2.0%**	**1.7%**

MAIN LIABILITIES AND EQUITY ITEMS *Figures in millions of euro*	**31.03.2016**	**30.06.2016**	**31.12.2016**	**31.03.2017**	**% annual change**	**% quarterly change**
Net interbank position*	7,904	9,761	10,412	11,815	49.5%	13.5%
Due to customers	56,528	55,460	56,226	56,443	-0.1%	0.4%
Securities issued	33,125	32,065	28,940	27,563	-16.8%	-4.8%
Tax liabilities	427	242	233	229	-46.4%	-1.5%
Net worth attributable to the Parent	9,878	9,629	9,820	8,907	-9.8%	-9.3%
Non-controlling interests	514	476	72	51	-90.1%	-29.5%
Profit for the period	42	(787)	(830)	67	59.4%	n.s.
Total liabilities and equity	**116,689**	**116,660**	**112,384**	**114,343**	**-2.0%**	**1.7%**

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

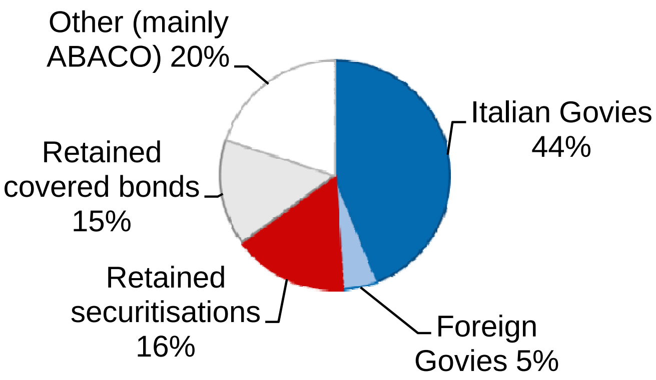
Total eligible assets at 26.2 bln/€, of which 12.1 bln/€ unencumbered. Eligible assets represent 50% of current accounts and deposits

Eligible Assets

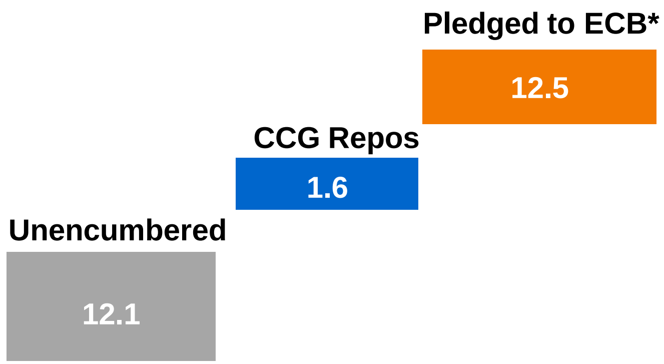
26.2 bln/€

(net of haircut, as at 31st Mar 2017)

Composition (%)



Usage (bln/€)



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

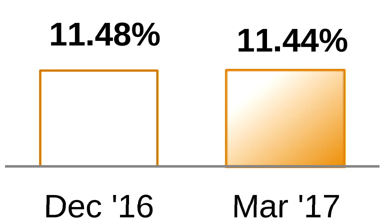
Capital Ratios (Phased in, Basel 3) as at Mar '17:

Common Equity Tier 1 Ratio at 11.44%, Total Capital Ratio at 14.71%

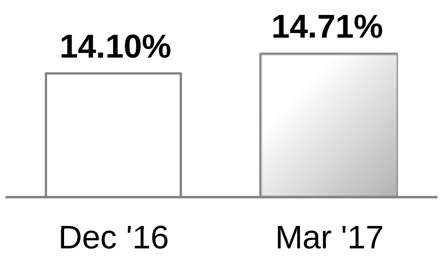
mln/€	Dec '16	Mar '17
Common Equity Tier 1 Capital (before filters and transitional provisions)	6,787.2	6,755.7
Transitional provisions (minority interest)	18.9	8.9
Transitional provisions (AFS Reserves - debt and other equity instruments)	-25.2	-12.6
Transitional provisions (AFS Reserves - Govies)	25.6	32.1
Transitional provisions (DTA)	113.4	53.9
Common Equity Tier 1 Capital filters	-7.7	-7.9
Common Equity Tier 1 *(after filters)*	**6,912.2**	**6,830.1**
Common Equity Tier 1 regulatory adjustments: negative elements for deduction excess of expected losses over impairment losses	*-83.0*	*-57.0*
Common Equity Tier 1 Capital (CET1)	**6,829.3**	**6,773.1**
Additional Tier 1 before deductions	**0.3**	**0.0**
Additional Tier 1 regulatory adjustments	0.3	0.0
of which negative elements for deduction excess of expected losses over impairment losses	*-0.3*	*0.0*
Additional Tier 1	**-**	**-**
Tier 1 Capital (CET 1 +Additional Tier 1)	**6,829.3**	**6,773.1**
Tier 2 Capital before transitional provisions	1,606.2	1,975.6
Tier 2 instruments grandfathering	-	-
Tier 2 Capital after transitional provisions	**1,606.2**	**1,975.6**
Tier 2 capital regulatory adjustments	-46.4	-38.6
of which: negative elements for deduction excess of expected losses over impairment losses	*-20.8*	*-6.3*
Tier 2 Capital	**1,559.8**	**1,937.0**
TOTAL OWN FUNDS	**8,389.1**	**8,710.1**

mln/€	Dec '16	Mar '17
Risk weighted assets	**59,483.9**	**59,206.8**
Total prudential requirements	**4,758.7**	**4,736.5**
Credit risk	*4,351.0*	*4,325.3*
CVA (Credit Value Adjustment) risk	*12.0*	*9.2*
Market risk	*112.4*	*118.7*
Operational risk	*283.3*	*283.3*

CET 1 *PHASED IN*



TOTAL CAPITAL *PHASED IN*



- B3 Leverage as at 31 Mar '17:
  - ✓ phased in 5.41%
  - ✓ fully loaded 5.35%
- LCR* and NSFR > 100%

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

Detail of Net Commission Income at 351 mln/€ up +4.1% YoY and +1.3% QoQ

Net Commission Income *(€ mln)*	1Q16	2Q16	3Q16	4Q16	1Q17	1Q17 vs 1Q16	1Q17 vs 4Q16
MANAGEMENT, TRADING & ADVISORY SERVICES	**192**	**186**	**177**	**191**	**203**	**6.0%**	**6.5%**
of which:							
Portfolio management	*75*	*78*	*82*	*99*	*87*	*15.9%*	*-12.2%*
Placement of securities	*67*	*60*	*58*	*43*	*66*	*-1.5%*	*52.9%*
Third party services distribution	*49*	*47*	*41*	*50*	*55*	*12.5%*	*9.2%*
BANKING RELATED COMMISSIONS*	**146**	**144**	**144**	**155**	**148**	**1.5%**	**-5.0%**
of which:							
Guarantees (banking activity)	*13*	*10*	*10*	*10*	*12*	*-1.5%*	*27.9%*
Collection and payment services	*24*	*26*	*25*	*27*	*24*	*-0.5%*	*-8.4%*
Services for factoring transactions	*4*	*3*	*3*	*4*	*3*	*-19.4%*	*-17.9%*
Current accounts management	*44*	*46*	*48*	*55*	*49*	*11.1%*	*-11.8%*
Other services	*59*	*56*	*57*	*59*	*58*	*-2.8%*	*-1.8%*
TOTAL NET COMMISSION INCOME	**337**	**330**	**321**	**346**	**351**	**4.1%**	**1.3%**
of which							
*UP-FRONT FEES***	*59*	*49*	*41*	*35*	*55*	*-7%*	*58%*
as a % on total net commission income	*18%*	*15%*	*13%*	*10%*	*16%*		
PERFORMANCE FEES	*2*	*3*	*3*	*18*	*3*	*39%*	*-83%*
as a % on total net commission income	*1%*	*1%*	*1%*	*5%*	*1%*		

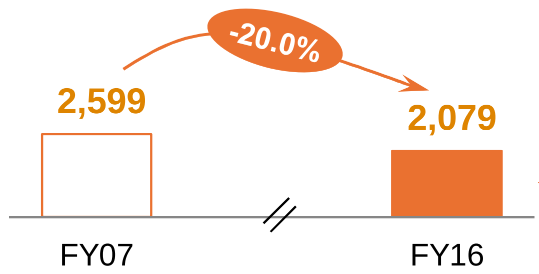
* Includes FX negotiations.
** Funds&sicav, insurance products, other third party products

Strong track record in cost management from 2007 to 2016

(Amounts net of non-recurring items)

TOTAL OPERATING COSTS

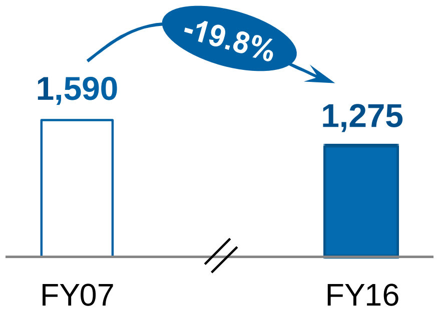
(€ mln, net of PPA)



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

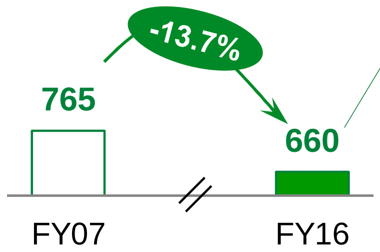
STAFF COSTS

(€ mln)



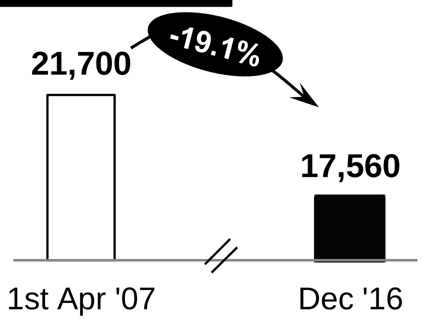
OTHER ADM. EXPENSES

(€ mln)

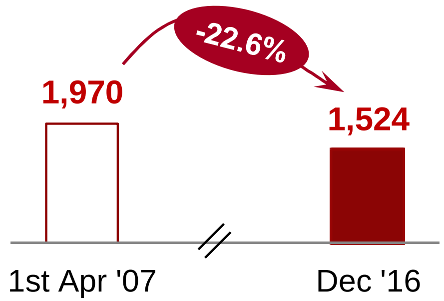


Inclusive of ordinary contribution to Resolution Fund and Deposit Guarantee Scheme, accounted since 2015

STAFF HEADCOUNTS



NUMBER OF DOMESTIC BRANCHES



Note: staff headcounts at the end of the period

Loan book details

Figures in mln/€	Gross exposure			Net exposure		
	Mar' 16	*Dec '16*	*Mar '17*	*Mar' 16*	*Dec '16*	*Mar '17*
Total loan book	**88,310**	**86,699**	**89,342**	**84,073**	**81,854**	**84,522**
of which:						
Non performing exposures	**13,496**	**12,521**	**12,406**	**9,671**	**8,056**	**7,961**
- Bad loans *("Sofferenze")*	7,122	7,261	7,226	4,347	3,987	3,963
- "Unlikely to pay" loans	6,111	5,119	5,025	5,071	3,935	3,850
- Past due loans	263	141	155	254	133	148

-8.1% vs Mar '16

-0.9% vs Dec '16

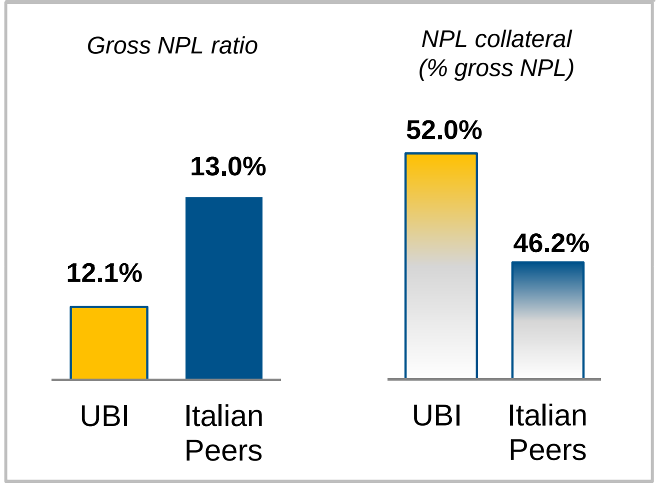
-17.7% vs Mar '16

-1.2% vs Dec '16

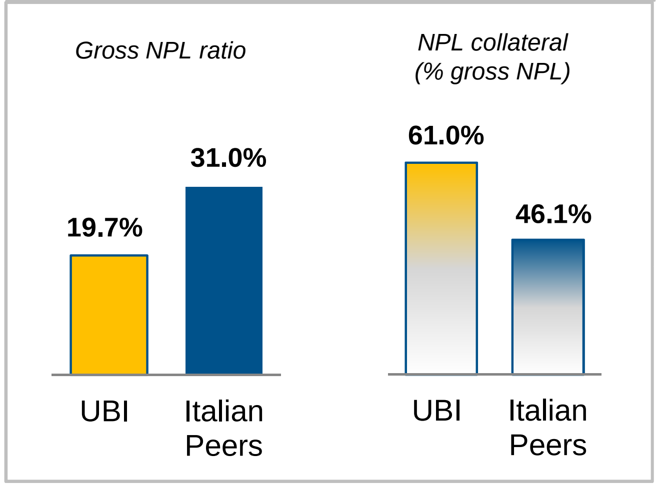
Figures in mln/€	Gross exposure			Net exposure		
	Mar '16	*Dec '16*	*Mar '17*	*Mar '16*	*Dec '16*	*Mar '17*
Total loan book	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
of which:						
Non performing exposures	**15.3%**	**14.4%**	**13.9%**	**11.5%**	**9.8%**	**9.4%**
- Bad loans *("Sofferenze")*	8.1%	8.4%	8.1%	5.2%	4.9%	4.7%
- "Unlikely to pay" loans	6.9%	5.9%	5.6%	6.0%	4.8%	4.6%
- Past due loans	0.3%	0.2%	0.2%	0.3%	0.2%	0.2%

Good asset quality (as confirmed by the Transparency Exercise)

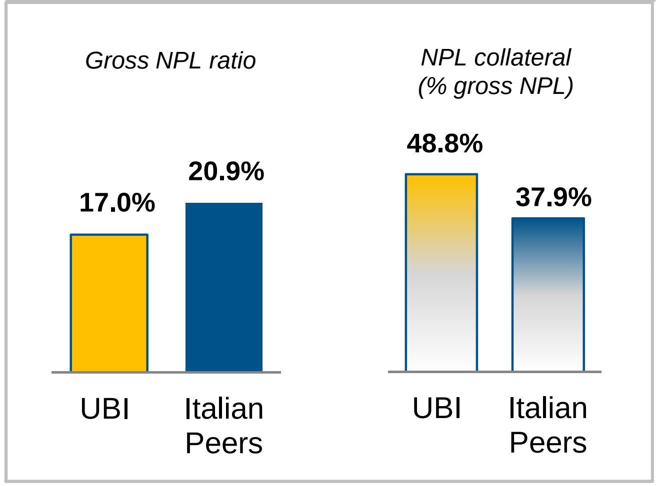
Households (a)



SMEs (b)

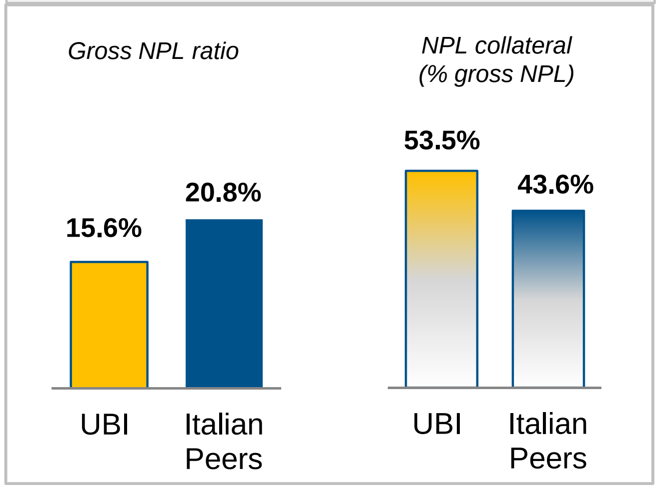


Other corporates (c)



Other corporates = Non financial corporations other than SMEs

Aggregate (a+b+c)



EU WideTransparency exercise, June 2016 – EBA and BCE methodology.
Italian Peers = average of the panel of Italian Banks considered by the EU WideTransparency exercise.
Gross NPL ratio - Italian Peers: the panel is considered as a whole aggregate;
NPLs collateral as a percentage of gross NPL - Italian Peers: average of the single peer incidence

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

According to ECB Draft Guidance to Banks on Non Performing Loans

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

1 THE FRAMEWORK

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

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

2 THE TECHNICALITIES

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

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