

## PRESS RELEASE

The first stage of the Business Plan is currently being concluded ahead of schedule and with better-than-expected results:

- following the conclusion in November of the “first wave” of the merger into UBI of the first two network banks (BRE and BPCI), with no negative impacts or effects on customers, on 20<sup>th</sup> February all the five other network banks (Banca Popolare di Bergamo, Banco di Brescia, Banca di Valle Camonica, Banca Popolare di Ancona and Banca Carime) will be merged into UBI, again well ahead of schedule;
- following trade union agreements, 500 staff will leave the Group at the end of February 2017. As a matter of fact, again earlier than expected, applications to adhere to the “solidarity fund” were received from over 1,250 staff;
- the lower growth in short-term loans and the relative impact on net interest income was more than offset by the lower cost of funding and an increase in fee and commission items, driven in particular by strong growth in assets under management;
- operating expenses were down notwithstanding the inclusion of higher ordinary and extraordinary contributions to the Guarantee Funds;
- the radical reduction in the size of new inflows to deteriorated loans from performing status, accompanied by action to use the shortfall taken in June 2016, resulted in a strong reduction in total non-performing exposures both in gross terms (from €13,434 million to €12,521 million) and in net terms (from €9,689 million to €8,056 million);
- altogether, a series of results already achieved, creating the conditions to forecast a strong improvement in 2017 results compared with 2016;
- finally, consistent with the information already reported when the Business Plan was presented, a proposal is made to distribute a cash dividend of 11 eurocents per share for the year 2016.

The main figures for 2016 compared with 2015

- **The balance sheet**

- Total funding from captive customers of the Group, net of performance effect, grew by 2% YoY:
  - Inflows into sight deposits remained high (the total amounted to €52.4 billion in December 2016 compared with €50.3 billion in September 2016 and €47.7 billion in December 2015)
  - The progressive growth in the stock of assets under management and insurance products is continuing, amounting to +11.8% and +14.1% respectively compared with the end of December 2015 (+3.8% and +2.3% compared with September 2016). They totalled €38.1 billion and €16.5 billion respectively;
- Performing loans remained stable year-on-year, absorbing the reduction in the run-off portfolio and the impact of activity to select and eliminate positions with negative EVA
- The improvement in credit quality is continuing
  - At the end of December 2016, total gross non-performing exposures fell further to €12,521 million (-6.8% compared with December 2015 and -5.4% compared with

September 2016), which together with greater recognition of provisions helped to reduce total net non-performing loans to €8,056 million (-16.9% on December 2015 and -3.3% on September 2016)

- Gross non-performing exposures account for 14.4% of total gross loans (15.1% in 2015). Net non-performing exposures fell to 9.8% of total net loans (11.5% in 2015)
- The formation of new non-performing loans reduced significantly, with new inflows from performing to non-performing status contracting by 47% compared with 2015. Compared with the record annual high reached in 2012, inflows from performing to non-performing status have fallen by 70% and are essentially in line with the 2007 level
- Coverage for total non-performing exposures, inclusive of write-offs<sup>1</sup>, has risen further to reach 45.8% (45.1% in September 2016 and 37.2% in December 2015).
- The solidity of capital ratios is confirmed:
  - A fully loaded CET1 ratio of 11.22% compared with 11.28% in September 2016. As already reported, the fully loaded CET1 ratio does not include the effect of the tax deductibility of the increased loan provisions recognised with the absorption of the shortfall, which will progressively bring about a benefit estimated at over +40 basis points
  - A “fully loaded” leverage ratio of 5.6%
  - NSFR and LCR >1;

- **The income statement**

If the impacts of the costs forecast for the implementation of the Business Plan recognised “up front” from June 2016 (€50 million net approx.), the extraordinary contributions to the Resolution Fund (€50.4 million net) and the write-down of the Atlante Fund (€52.9 million net) are all included, then 2016 ends with a loss of €30.2 million (a profit of €116.8 million in 2015).

Net of the impacts of the Business Plan and of extraordinary items, the year 2016 ended with a normalised profit of €11.6 million, affected by a significant reduction in the contribution from finance activities (€153.7 million compared with €290.6 million in 2015) and higher ordinary contributions to the Resolution Fund and to the Deposit Guarantee Scheme amounting to €33.2 million in 2016. This compares with a normalised profit of €189 million in 2015.

**The main income statement items:**

- A fall in net interest income of 8.2% on an annual basis. This does not include the benefits of the TLTRO2. This downward trend is slowing strongly, as shown by performance in 4Q 2016, which, on the same number-of-day basis as 3Q 2016, gives a similar result (approximately €365 million compared with €368 million)
- As a result of significant growth in indirect funding, and in assets under management in particular, net fee and commission income rose 2.7% compared with 2015 to €1,335 million. In 4Q 2016 net fee and commission income came to €346.2 million, up on €321.4 million in 3Q 2016 - even net of performance fees (€18.3 million) - and on €330.6 million in 4Q 2015
- Control over operating expenses continued in 2016. They came to €2,153.5 million, down by 1% (€1.7 million) compared with €2,175.2 million in 2015 notwithstanding higher ordinary

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<sup>1</sup> Write-offs amount to approximately €2.3 billion – In 4Q 2016 write-offs were effected amounting to approx. €450 million which significantly impacted on balance sheet coverage rates.

**and extraordinary contributions to the Resolution Fund and to the Deposit Guarantee Scheme (€131.9 million in 2016 compared with €98.7 million in 2015)**

- **Loan losses, net of the impacts of the Business Plan<sup>2</sup>, of approximately €15 million compare with approximately €803 million in 2015**
- **Net impairment losses on other assets of €130.1 million (€16.9 million in 2015) relate to the large write-down of the Atlante Fund (€73 million) and to the virtual elimination of the residual credit risk connected with financial instruments resulting from non-performing loan positions recognised in 2Q 2016 (€47 million).**

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Bergamo, 9<sup>th</sup> February 2017 – The Management Board of Unione di Banche Italiane Spa (UBI Banca) has approved the draft separate annual report and consolidated report of UBI Banca for the year ended 31<sup>st</sup> December 2016 which will be submitted to the approval of the Supervisory Board on 7<sup>th</sup> March 2017.

The Management Board will submit a proposal to the Shareholders' Meeting, to be held in a single call on 7<sup>th</sup> April 2017, to distribute a dividend of €0.11 per share on each of the shares outstanding after the completion of the share exchange operations relating to the second wave of mergers leading to the completion of the Single Bank project (date of effect 20<sup>th</sup> February 2017), net of treasury shares held in portfolio.

If approved by the Shareholders' Meeting in the amount proposed, the dividend will be paid with the *ex dividend* date, record date and payment date on 22<sup>nd</sup>, 23<sup>rd</sup> and 24<sup>th</sup> May 2017 respectively.

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### **Results for the financial year 2016 compared with 2015**

The year 2016 ended, after the “up front” recognition of the one-off impacts relating to the Business Plan presented on 27<sup>th</sup> June 2016 (-€50 million approx.), extraordinary contributions to the Resolution Fund (50,4 million net) and the write down of the Atlante Fund (52.9 million net), with a net loss of €30.2 million (against a profit of €16.8 million for 2015).

Net of the Business Plan impacts and non-recurring items, normalised profit for 2016 came to €11.6 million - including a lower contribution from finance (153.7 million vs 290.6 in 2015) and 33.2 million of higher contributions to the Resolution Fund and the Deposit Guarantee Scheme - compared with €186 million in 2015.

As already reported, the impacts of the implementation of the Business Plan, recognised primarily in the second quarter of the year, came to a total of approximately -€50 million net and they regarded the following:

- an increase in loan provisions, of which approximately €51 million (€86 million net of taxes and non-controlling interests) consisting of provisions already deducted from the regulatory capital (the “shortfall”), attributable also to the objective of reducing the ratio of

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<sup>2</sup> One key goal of the Group's 2019-2020 Business Plan is to reduce the ratio of net non-performing exposures to tangible equity (the “Texas ratio”). In order to achieve that result the Group has decided to adopt an even more prudential approach in its management of problem loans, by increasing coverage with greater provisions, which has determined a partial absorption of the provision shortfall (€51 million), already deducted from the fully loaded CET1 capital. This will generate an improvement in the CET1 ratio estimated at approximately an additional 40 basis points which will manifest progressively in coming years starting from 2017. The figure for loan losses is shown net of that component.

net non-performing exposures to tangible equity (the “Texas ratio”) over the course of the Business Plan;

- redundancy expenses of €323 million (€207 million net of tax and non-controlling interests) designed to progressively reduce staff numbers in the Group. *UBI Banca informs that 500 resources will leave the Group on a voluntary basis at the end of February 2017, and that it has received requests for the access to the Solidarity Fund from more than 1,250 resources.*
- impairment losses on brands (€63 million, €38 million net of tax and non-controlling interests) and part of project expenses (€3.4 million approx., €15,5 million net of tax and non-controlling interests), in relation to the “Single Bank Project”, and impairment losses on real estate (4.6 million, 3.1 million net of tax and non controlling interests).

The financial year 2016 ended with **operating income** of €1,119.5 million, compared with approximately €1,371 million in 2015, characterised by a smaller contribution from net interest income and finance, while it was supported by significant growth in net fee and commission income driven by an increase in assets under management.

In detail, **net interest income**, amounting to approximately €1,498 million, was down compared with €1,631 million in 2015, following a reduction in the contribution from the proprietary securities portfolio (-€62 million net of interbank) - for which action is in progress to reduce it and change the mix, in accordance with the Business Plan – and a contraction in the result for business with customers (-€72 million). More specifically, with regard to the latter, a strong decrease in interest expense on funding (-€35 million year-on-year) achieved as result of a change in the funding mix, was unable to offset the negative impact of the fall in market interest rates (the 1 month Euribor fell on average by 27 basis points) on lending rates, in a context of stable average volumes of lending.

The performance of net interest income was also affected by a reduction in interest income from non-performing assets, in relation to the significant contraction in volumes of unlikely-to-pay loans, down -€45.8 million year-on-year.

Growth in **net fee and commission income** accelerated further to total €1,335 million, +2.7% compared with 2015, notwithstanding lower performance fees (-€8.8 million). Commissions on management, trading and advisory services, which account for approximately 56% of total fees and commissions, came to €746.1 million, up 6.8% on 2015, as a consequence of the strong growth on assets under management. Fees and commissions from ordinary banking business stood at €89 million and recorded a decline of 2% compared with the previous year.

The **result for financial activities** came to €153.7 million (€90.6 million in 2015), and was comprised of the following:

- €70 million from trading activity (€63.9 million in 2015);
- €1.8 million from the disposal of financial assets (€11.4 million in 2015), mainly attributable, as in the previous period, to the disposal of Italian government securities (€17.1 million compared with €170 million before). In 2016 the item also included the proceeds from shares of Visa Europe Ltd., which totalled €16.5 million;
- -€8.4 million from fair value movements in financial assets (+€4.3 million in 2015);
- €0.4 million from hedging activities (+€11 million in 2015).

**On the expenses front**, notwithstanding the inclusion of higher ordinary and extraordinary contributions to the Single Resolution Fund and to the Deposit Guarantee Scheme, totalling €131.9 million compared with €98.7 million in 2015, operating expenses came to €2,153.5 million, down €1.7 million compared with 2015 (-1%), as result of a reduction in all expense items.

*Operating expenses do not include extraordinary costs in relation to the new Business Plan, which have been reclassified under separate items, in order to allow a clear examination of ordinary operating trends.*

In million euro	2015	2016	Change %
Staff costs	(1,295)	(1,275)	(1.5%)
Other administrative expenses	(727)	(735)	1.0%
<i>of which ordinary contribution to RF and DGS</i>	(33)	(57)	71.4%
<i>of which extraordinary contribution to RF</i>	(65)	(75)	14.3%
<i>Other administrative expenses excluding all the contributions to RF and DGS</i>	(628)	(603)	(4.1%)
Net impairment losses on property, equipment and investment property and intangible assets	(153)	(144)	(6.2%)
<b>Operating expenses</b>	<b>(2,175)</b>	<b>(2,153)</b>	<b>(1.0%)</b>
<b>Operating expenses excluding all the contributions to the RF and to the DGS</b>	<b>(2,077)</b>	<b>(2,022)</b>	<b>(2.6%)</b>

In detail:

- **staff costs** recorded a further reduction of €19.8 million (-1.53%) compared with 2015, to total €1,275.3 million. These savings came mainly from a reduction in average staff numbers (-262 over twelve months), from staff turnover incentive schemes, from lower payments for labour services provided in the various forms set out in the trade union agreements signed from time to time, from extraordinary leave schemes and from the impact of new part-time positions.  
**As already reported, a further 500 staff will leave at the end of February 2017 and a total of more than 1,250 applications have been received for voluntary redundancy;**
- **other administrative expenses** amounting to €734.6 million compare with €727 million in 2015. The savings achieved during the year made it possible to partially offset the higher contributions to the Resolution Fund and to the Deposit Guarantee Scheme (+€33.2 million). In fact net of those contributions administrative expenses fell by 4.1%;
- finally, **depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets** totalled €143.5 million, down €9.5 million compared with 2015 as a result of lower depreciation and amortisation on real estate items, but also due to a smaller purchase price allocation following the recognition of impairment on brands as part of the implementation of the Business Plan.

In 2016 **net impairment losses on loans** were recognised amounting to €1,565.5 million (€802.6 million in 2015), and they included greater provisions announced on 27<sup>th</sup> June 2016 as a baseline for Business Plan projections which led to a partial reduction of the provision “shortfall” and that is the difference between expected losses and provisions, already deducted from regulatory capital, amounting to approximately €51 million. Net of that amount, impairment losses for the period came to approximately €714.5 million (-11% year-on-year).

As a result of the provisions made, total coverage for non-performing exposures increased to 45.8% inclusive of write-offs (37.2% in December 2015).

**Net impairment losses on other financial assets/liabilities** came to €130 million (€16.9 million in 2015) primarily due to the write-down of the Atlante Fund (€73 million) and to the virtual elimination of the residual credit risk connected with financial instruments resulting from non-performing loan positions (approx. 47 million).

Finally, the 2016 income statement included a net gain of €3 million on the disposal of investments, of which €20.7 million from the disposal of the historical headquarters of BPCI and some real estate properties belonging to Banca Carime.

Tax receivables arose during the year on income from continuing operations amounting to €82.4 million, to give a tax rate of 24.34% compared with tax of €61.1 million<sup>3</sup> levied in 2015 which gave rise to a tax rate of 43.12%.

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### **Results for 4Q 2016 compared with 3Q 2016**

4Q 2016 ended with a loss of €75.6 million, compared with a profit of €32.5 million in 3Q 2016, primarily due to the recognition in 2016 of a total of €103.2 million net relating to the extraordinary contribution to the Resolution Fund and to the write-down of the Atlante Fund.

Net of non recurring items, the fourth quarter of 2016 ended with a profit of €6.4 million compared with €37.1 million in 3Q 2016.

In terms of ordinary operations, the fourth quarter of 2016 recorded the following performance compared with 3Q 2016:

- net interest income of 365 million was slightly down (-0.8%) compared to approx 368 million in 3Q 2016, almost totally due to the cancellation of interest on the restructuring of a customer debt (-1.9 million);
- net fee and commission income came to €346.2 million, up on €321.4 million in 3Q 2016, even net of performance fees (€18.3 million);
- the result for financial activities grew to €47.4 million compared with €23.7 million in 3Q 2016, above all as result of the contribution from trading.

The performance of **operating expenses** in the fourth quarter of the year, net of the contributions to the Resolution Fund and to the Deposit Guarantee Scheme, confirmed the effectiveness of action taken to contain ordinary costs compared with the same period in 2016, while the comparison with 3Q 2016 was affected by the usual seasonal factors.

In million euro	4Q15	3Q16	4Q16
Staff costs	(322)	(315)	(322)
Other administrative expenses	(272)	(166)	(241)
<i>of which ordinary contribution to RF and DGS</i>	(33)	(26)	1
<i>of which extraordinary contribution to RF</i>	(65)		(75)
<i>Other administrative expenses excluding all the contributions to RF and DGS</i>	(174)	(140)	(168)
Net impairment losses on property, equipment and investment property and intangible assets	(38)	(34)	(38)
<b>Operating expenses</b>	<b>(633)</b>	<b>(515)</b>	<b>(600)</b>
<b>Operating expenses excluding all the contributions to the RF and to the DGS</b>	<b>(534)</b>	<b>(489)</b>	<b>(527)</b>

**Net impairment losses on loans** were recognised in the fourth quarter of the year amounting to €91.8 million, compared with €67.4 million in 3Q 2016 and with €245 million in 4Q 2015.

<sup>3</sup> This amount included a negative non-recurring component amounting to €25.6 million

Finally, extraordinary items were recognised in the quarter including the write-down of the Atlante Fund (€73 million) and the profit on the sale of the historical headquarters of BPCI (€20.7 million).

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## The balance sheet

**Loans to customers** as at 31<sup>st</sup> December 2016, amounted to €1.8 billion compared with €2 billion in September 2016 (€4.6 billion at the end of December 2015), primarily due to a reduction in non-performing loans and less exposure to the *Cassa Compensazione e Garanzia*.

In detail, the item is the aggregate result of the following changes:

- performing loans to customers<sup>4</sup> stood at €73.5 billion, largely unchanged compared with both September 2016 (€73.4 billion ) and December 2015 (€73.7 billion), although the composition was different. Total medium to long-term loans rose year-on-year by approximately €800 million, since new grants now fully succeed in offsetting the loan run-off (approximately -€800 million per year), while total short-term loans contracted (-€0.9 billion approx.), the result, amongst other things, of a review commenced with the launch of the Business Plan, which led to the gradual elimination of negative EVA positions. This elimination involved a reduction of approximately €0.5 billion in short-term loans in 3Q 2016, with no impact on net interest income, but with advantages in terms of lower risk weighted assets and additions to collective provisions;
- exposure to the CCG stands at €0.3 billion (€0.2 billion in September 2016 and €1.2 billion in December 2015);
- net non-performing loans fell further to €1 billion (-16.9% compared with December 2015, -3.3% compared with September 2016).

As concerns credit quality, **total gross non-performing exposures** stood at €1,521 million, down significantly compared with December 2015 (-€0.9 billion or -6.8% compared with €1,434 million in December 2015) and now accounts for 14.4% of total gross loans (15.1% in December 2015). The total also fell compared with €1,321 million in September 2016.

**Flows of gross performing loans to non-performing status**, amounting to €1,294 million, again contracted significantly down by 47% compared with 2015 and by 70% compared with the high reached during the crisis (€4,307 million in 2012).

The results for 2016 show a further improvement in coverage compared with December 2015. If loan write-offs are included, **coverage for total non-performing exposures rose to 45.8%** (45.1% in September 2016 and 37.2% in December 2015).

At the end of 2016 loan write-offs stood at €2,342 million, of which €450 million relating to the fourth quarter of 2016. Net of loan write-offs, coverage for total non-performing exposures was 35.67% (slightly down compared with 37.02% in September 2016, as result of the write-offs recognised in the fourth quarter, but significantly up compared with 27.9% in December 2015).

As a result of the combined effect of the reduction in total gross loans and greater coverage, total net non-performing exposures fell further by 16.9% to €8,056 million (€8,333 million in September 2016 and €9,689 million in December 2015).

In detail:

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<sup>4</sup> Net of the CCG (a central counterparty clearing house) reported below.

- total net bad loans amounted to €3,987 million (€3,913 million in September 2016 and €4,288 million in December 2015).  
If loan write-offs are included, **coverage for bad loans rose at the end of the year to 58.5%** (58.55% in September 2016 and 52.25% in December 2015).  
Net of loan write-offs, coverage for bad loans was 45.1% (slightly down compared with 47.8% in September 2016, but markedly up compared with 38.6% at the end of 2015);
- the “unlikely-to-pay” category amounted to €3,935 million net (€4,258 million in September 2016 and €5,147 million in December 2015), with coverage of 23.13%;
- net positions past due and/or in arrears amounted to €133 million, compared with €162 million in September 2016 and €254 million in December 2015, with coverage of 5.71%.

**Direct funding from ordinary customers**, amounting to €9.1 billion (€9.3 billion in September 2016, €7.5 billion last December) was down, primarily as a result of the progressive maturity of bonds which had been placed in the past on third party networks (down €2.3 billion year-on-year approx. and down €1 billion approx. from September to December 2016).

Furthermore, the trends already recorded for Group customers were confirmed:

- a constant increase in current accounts, up to €2.4 billion at the end of 2016 from €0.3 billion in September 2016 and from €7.7 billion in December 2015 (+9.9% year-on-year);
- a reduction in the stock of bonds placed with captive customers, in accordance with the provisions of the Business Plan and also in consideration of bail-in regulations (down €5.8 billion year-on-year and down €1.5 billion compared with September 2016).

**Indirect funding from ordinary customers** performed well reaching €2.1 billion. In detail **assets under management in the narrow sense** reached €8.2 billion (+11.8% compared with December 2015 and +3.8% compared with September 2016) and insurance funding came to €16.5 billion (+14.1% compared with December 2015 and +2.3% compared with September 2016), while **assets under custody**, amounting to €7.5 billion, were down 11.3% compared with December 2015 as a result, amongst other things, of market performance, but were unchanged compared with September 2016.

With specific reference to **total direct and indirect funding from captive Group customers**, a growth of 2% was registered YoY net of the performance effect<sup>5</sup>.

**Direct funding from institutional customers** stood at €16 billion, down compared with €19 billion at the end of 2016 and more or less unchanged compared with €15.3 billion in September 2016. Repurchase agreements with the CCG were down year-on-year (-€4 billion approximately) and covered bonds decreased slightly (€9.4 billion compared with €9.9 billion at the end of 2015), while volumes of EMTNs increased to €4.3 billion compared with €2.5 billion at the end of 2015.

Group exposure to the ECB consisted of a total of €10 billion of TLTRO2s, recognised under “due to banks” and therefore not included in direct funding.

The solidity of the Group’s liquidity position is again confirmed with liquidity ratios (Net Stable Funding Ratio and Liquidity Coverage Ratio) now higher than one for some years and total **assets eligible for refinancing** as at 31<sup>st</sup> December 2016 of €28 billion (of which €14.4 billion available), already net of haircuts.

At the end of 2016, the Group’s **financial assets** had a mark-to-market value of €17.9 billion, of which €13.2 billion relating to Italian government securities. The latter item had fallen compared with September 2016 (€15 billion) and with December 2015 (€18.3 billion), as a continuation of the

<sup>5</sup> Including the performance effect, total funding from captive Group customers was up by 0.9% to 150.7 billion euro.

Group's strategic policy to reduce and diversify its portfolio as provided for also by the provisions of the Business Plan.

At the end of 2016, the consolidated **equity** of the UBI Banca Group inclusive of profit for the period, stood at €8,990 million compared with €8,890 million at the end of September 2016.

In terms of **capital ratios**, the estimated fully loaded CET1 ratio at the end of 2016 was 11.22%, compared with 11.28% in September 2016. The share capital increase reserved for the purchase of minority interests (approximately +28 basis points) made it possible to nearly offset the negative impact of the extraordinary contributions to the Resolution Fund, the write-down of the Atlante Fund and the increase in the negative dimension of the AFS reserve. These, however, had a negative impact on the phased-in CET1 ratio which fell to 11.48% from 11.68% in September 2016 (significantly higher compared with an SREP requirement of 7.5%)<sup>6</sup>.

As already mentioned, the fully loaded CET1 ratio does not include the effect of the tax deductibility of the increased loan provisions recognised in June 2016, which will progressively bring about a benefit estimated at over +40 basis points when used against future profits.

The “phased-in” Total Capital Ratio stood at 14.10% at the end of 2016. Finally, the leverage ratio calculated on the basis of Commission Delegated Regulation EU 2015/62 indications was 5.75% “phased-in” and 5.62% “fully loaded”.

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Human resources of the UBI Banca Group totalled 17,560 as at 31<sup>st</sup> December 2016 compared with 17,716 at the end of 2015. The branch network at the end of the period consisted of 1,524 branches in Italy (1,554 in December 2015) and six abroad.

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

Elisabetta Stegher, as the Senior Officer Responsible for preparing the corporate accounting documents of Unione di Banche Italiane Spa, hereby declares, in compliance with the second paragraph of article 154 *bis* of the *Testo unico delle disposizioni in materia di intermediazione finanziaria* (Consolidated Finance Act), that the financial information contained in this press release is reliably based on the records contained in corporate documents and accounting records.

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### **Outlook for ordinary operations (net of non-recurring items)**

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

The overall trend for **operating income is one of growth compared with 2016** as a result of the combined effect of the following main components:

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<sup>6</sup> The purchase of minorities had a positive impact of approximately 10 basis points on the phased-in CET1 ratio, because that ratio still partially included the benefit of the contribution of minorities.

- **growth in net interest income** notwithstanding a smaller contribution from the proprietary portfolio, also due to the forecast further reduction in its dimension. An improvement in net interest income from customers is expected, benefiting from a recovery in volumes of lending, the further re-composition of direct funding towards less costly items and the positive impact of the expected achievement of volumes of lending targets for TLTR02;
- continued **growth in fee and commission income** from indirect funding with a greater contribution from the “running” component.

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

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

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

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**Attachments**  
**Financial statements**

**UBI Banca Group:**

- Reclassified consolidated balance sheet
- Reclassified consolidated income statement
- Quarterly evolution of reclassified consolidated income statement
- Reclassified consolidated income statement net of the most significant non-recurring items
- Reclassified consolidated income statement net of the most significant non-recurring items: details (2016 and 2015)
  
- Consolidated balance sheet - Mandatory statement
- Consolidated income statement - Mandatory statement

**Notes to the financial statements**

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

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

The mandatory financial statements, prepared on the basis of Bank of Italy Circular No. 262 of 22nd December 2005 and subsequent amendments and additions (in particular, 4<sup>th</sup> update of 15<sup>th</sup> December 2015).

In order to facilitate analysis of the Group’s operating performance and in compliance with Consob Communication No. DEM/6064293 of 28th July 2006<sup>1</sup>, two special schedules have been included, the first a brief summary (which provides a comparison of the normalised results for the period) and the second more detailed, which shows the impact on earnings of the principal non-recurring events and items.

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

# UBI Banca Group: Reclassified consolidated balance sheet

Figures in thousands of euro	31.12.2016	31.12.2015	Changes	% changes
<b>ASSETS</b>				
Cash and cash equivalents	519,357	530,098	-10,741	-2.0%
Financial assets held for trading	729,616	994,478	-264,862	-26.6%
Financial assets designated at fair value	188,449	196,034	-7,585	-3.9%
Available-for-sale financial assets	9,613,833	15,554,282	-5,940,449	-38.2%
Held-to-maturity investments	7,327,544	3,494,547	3,832,997	109.7%
Loans and advances to banks	3,719,548	3,429,937	289,611	8.4%
Loans and advances to customers	81,854,280	84,586,200	-2,731,920	-3.2%
Hedging derivatives	461,767	594,685	-132,918	-22.4%
Fair value change in hedged financial assets (+/-)	23,963	59,994	-36,031	-60.1%
Equity investments	254,364	260,812	-6,448	-2.5%
Property, plant and equipment	1,648,347	1,744,463	-96,116	-5.5%
Intangible assets	1,695,973	1,757,468	-61,495	-3.5%
<i>of which: goodwill</i>	<i>1,465,260</i>	<i>1,465,260</i>	<i>-</i>	<i>-</i>
Tax assets	3,044,044	2,814,933	229,111	8.1%
Non-current assets and disposal groups held for sale	5,681	11,148	-5,467	-49.0%
Other assets	1,297,151	1,171,686	125,465	10.7%
<b>Total assets</b>	<b>112,383,917</b>	<b>117,200,765</b>	<b>-4,816,848</b>	<b>-4.1%</b>
<b>LIABILITIES AND EQUITY</b>				
Due to banks	14,131,928	10,454,303	3,677,625	35.2%
Due to customers	56,226,416	55,264,471	961,945	1.7%
Debt securities issued	28,939,597	36,247,928	-7,308,331	-20.2%
Financial liabilities held for trading	800,038	531,812	268,226	50.4%
Hedging derivatives	239,529	749,725	-510,196	-68.1%
Tax liabilities	232,866	472,564	-239,698	-50.7%
Other liabilities	1,962,806	2,354,617	-391,811	-16.6%
Post-employment benefits	332,006	340,954	-8,948	-2.6%
Provisions for risks and charges:	457,126	266,628	190,498	71.4%
a) pension and similar obligations	70,361	70,237	124	0.2%
b) other provisions	386,765	196,391	190,374	96.9%
Share capital, share premiums, reserves, valuation reserves and treasury shares	9,819,728	9,865,097	-45,369	-0.5%
Non-controlling interests	72,027	535,901	-463,874	-86.6%
Profit (loss) for the year	-830,150	116,765	-946,915	n.s.
<b>Total liabilities and equity</b>	<b>112,383,917</b>	<b>117,200,765</b>	<b>-4,816,848</b>	<b>-4.1%</b>

# UBI Banca Group: Reclassified consolidated income statement

	2016 A	2015 B	Changes A-B	% changes A/B	4th Quarter 2016 C	4th Quarter 2015 D	Changes C-D	% changes C/D
Figures in thousands of euro								
Net interest income	1,497,891	1,631,055	(133,164)	(8.2%)	364,765	385,240	(20,475)	(5.3%)
<i>of which: effects of the purchase price allocation</i>	(19,707)	(27,149)	(7,442)	(27.4%)	(3,362)	(6,901)	(3,539)	(51.3%)
<i>Net interest income excluding the effects of the PPA</i>	<b>1,517,598</b>	<b>1,658,204</b>	<b>(140,606)</b>	<b>(8.5%)</b>	<b>368,127</b>	<b>392,141</b>	<b>(24,014)</b>	<b>(6.1%)</b>
Dividends and similar income	9,678	10,349	(671)	(6.5%)	(59)	1,578	(1,637)	n.s.
Profits of equity-accounted investees	24,136	35,260	(11,124)	(31.5%)	5,197	12,104	(6,907)	(57.1%)
Net fee and commission income	1,335,033	1,300,119	34,914	2.7%	346,188	330,574	15,614	4.7%
<i>of which performance fees</i>	26,349	35,182	(8,833)	(25.1%)	18,291	22,496	(4,205)	(18.7%)
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	153,711	290,633	(136,922)	(47.1%)	47,367	151,705	(104,338)	(68.8%)
Other net operating income/expense	99,050	103,448	(4,398)	(4.3%)	22,047	22,611	(564)	(2.5%)
<b>Operating income</b>	<b>3,119,499</b>	<b>3,370,864</b>	<b>(251,365)</b>	<b>(7.5%)</b>	<b>785,505</b>	<b>903,812</b>	<b>(118,307)</b>	<b>(13.1%)</b>
<i>Operating income excluding the effects of the PPA</i>	<b>3,139,206</b>	<b>3,398,013</b>	<b>(258,807)</b>	<b>(7.6%)</b>	<b>788,867</b>	<b>910,713</b>	<b>(121,846)</b>	<b>(13.4%)</b>
Staff costs	(1,275,306)	(1,295,090)	(19,784)	(1.5%)	(321,521)	(322,360)	(839)	(0.3%)
Other administrative expenses	(734,654)	(727,067)	7,587	1.0%	(241,245)	(272,472)	(31,227)	(11.5%)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(143,506)	(153,024)	(9,518)	(6.2%)	(37,511)	(38,294)	(783)	(2.0%)
<i>of which: effects of the purchase price allocation</i>	(10,624)	(13,158)	(2,534)	(19.3%)	(1,912)	(3,283)	(1,371)	(41.8%)
<i>Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets excluding the effects of the PPA</i>	<i>(132,882)</i>	<i>(139,866)</i>	<i>(6,984)</i>	<i>(5.0%)</i>	<i>(35,599)</i>	<i>(35,011)</i>	<i>588</i>	<i>1.7%</i>
<b>Operating expenses</b>	<b>(2,153,466)</b>	<b>(2,175,181)</b>	<b>(21,715)</b>	<b>(1.0%)</b>	<b>(600,277)</b>	<b>(633,126)</b>	<b>(32,849)</b>	<b>(5.2%)</b>
<i>Operating expenses excluding the effects of the PPA</i>	<b>(2,142,842)</b>	<b>(2,162,023)</b>	<b>(19,181)</b>	<b>(0.9%)</b>	<b>(598,365)</b>	<b>(629,843)</b>	<b>(31,478)</b>	<b>(5.0%)</b>
<b>Net operating income</b>	<b>966,033</b>	<b>1,195,683</b>	<b>(229,650)</b>	<b>(19.2%)</b>	<b>185,228</b>	<b>270,686</b>	<b>(85,458)</b>	<b>(31.6%)</b>
<i>Net operating income excluding the effects of the PPA</i>	<b>996,364</b>	<b>1,235,990</b>	<b>(239,626)</b>	<b>(19.4%)</b>	<b>190,502</b>	<b>280,870</b>	<b>(90,368)</b>	<b>(32.2%)</b>
Net impairment losses on loans	(1,565,527)	(802,646)	762,881	95.0%	(191,773)	(245,013)	(53,240)	(21.7%)
Net impairment losses on other financial assets and liabilities	(130,057)	(16,866)	113,191	n.s.	(79,204)	(10,464)	68,740	n.s.
Net provisions for risks and charges	(42,885)	(2,975)	39,910	n.s.	(12,684)	44,794	(57,478)	n.s.
Profits from the disposal of equity investments	22,969	464	22,505	n.s.	21,027	81	20,946	n.s.
<b>Pre-tax profit (loss) from continuing operations</b>	<b>(749,467)</b>	<b>373,660</b>	<b>(1,123,127)</b>	<b>n.s.</b>	<b>(77,406)</b>	<b>60,084</b>	<b>(137,490)</b>	<b>n.s.</b>
<i>Pre-tax profit (loss) from continuing operations excluding the effects of the PPA</i>	<b>(719,136)</b>	<b>413,967</b>	<b>(1,133,103)</b>	<b>n.s.</b>	<b>(72,132)</b>	<b>70,268</b>	<b>(142,400)</b>	<b>n.s.</b>
Taxes on income for the period/year from continuing operations	182,388	(161,121)	(343,509)	n.s.	20,669	(33,342)	(54,011)	n.s.
<i>of which: effects of the purchase price allocation</i>	10,048	13,362	(3,314)	(24.8%)	1,742	3,376	(1,634)	(48.4%)
(Profit) loss for the period/year attributable to non-controlling interests	1,267	(29,765)	(31,032)	n.s.	(8,298)	(7,151)	1,147	16.0%
<i>of which: effects of the purchase price allocation</i>	1,696	2,115	(419)	(19.8%)	221	529	(308)	(58.2%)
<i>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</i>	<i>(547,225)</i>	<i>207,604</i>	<i>(754,829)</i>	<i>n.s.</i>	<i>(61,724)</i>	<i>25,870</i>	<i>(87,594)</i>	<i>n.s.</i>
<b>Profit (loss) for the period/year attributable to the shareholders of the Parent before the Business Plan and other impacts</b>	<b>(565,812)</b>	<b>182,774</b>	<b>(748,586)</b>	<b>n.s.</b>	<b>(65,035)</b>	<b>19,591</b>	<b>(84,626)</b>	<b>n.s.</b>
Redundancy expenses net of taxes and non-controlling interests	(207,783)	(62,705)	145,078	231.4%	114	(61,515)	61,629	n.s.
Impairment losses on brands net of taxes and non-controlling interests	(37,936)	-	37,936	-	-	-	-	-
Single Bank project expenses net of taxes and non-controlling interests	(15,541)	-	15,541	-	(7,638)	-	7,638	-
Impairment losses on property, plant and equipment net of taxes and non-controlling interests	(3,078)	(3,304)	(226)	(6.8%)	(3,078)	(3,304)	(226)	(6.8%)
<b>Profit (loss) for the period/year attributable to the shareholders of the Parent</b>	<b>(830,150)</b>	<b>116,765</b>	<b>(946,915)</b>	<b>n.s.</b>	<b>(75,637)</b>	<b>(45,228)</b>	<b>30,409</b>	<b>67.2%</b>
<i>Total impact of the purchase price allocation on the income statement</i>	<i>(18,587)</i>	<i>(24,830)</i>	<i>(6,243)</i>	<i>(25.1%)</i>	<i>(3,311)</i>	<i>(6,279)</i>	<i>(2,968)</i>	<i>(47.3%)</i>

# UBI Banca Group: Reclassified consolidated quarterly income statements

Figures in thousands of euro	2016				2015			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Net interest income	364,765	367,554	377,972	387,600	385,240	398,667	416,543	430,605
<i>of which: effects of the purchase price allocation</i>	(3,362)	(5,870)	(4,859)	(5,616)	(6,901)	(6,630)	(7,115)	(6,503)
Net interest income excluding the effects of the PPA	368,127	373,424	382,831	393,216	392,141	405,297	423,658	437,108
Dividends and similar income	(59)	1,138	8,076	523	1,578	3,452	4,786	533
Profits of equity-accounted investees	5,197	6,989	6,698	5,252	12,104	3,583	13,405	6,168
Net fee and commission income	346,188	321,392	330,307	337,146	330,574	300,467	327,886	341,192
<i>of which performance fees</i>	18,291	2,524	3,223	2,311	22,496	878	4,934	6,874
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	47,367	23,755	66,875	15,714	151,705	27,830	53,074	58,024
Other net operating income/expense	22,047	24,760	25,538	26,705	22,611	24,162	27,186	29,489
<b>Operating income</b>	<b>785,505</b>	<b>745,588</b>	<b>815,466</b>	<b>772,940</b>	<b>903,812</b>	<b>758,161</b>	<b>842,880</b>	<b>866,011</b>
<b>Operating income excluding the effects of the PPA</b>	<b>788,867</b>	<b>751,458</b>	<b>820,325</b>	<b>778,556</b>	<b>910,713</b>	<b>764,791</b>	<b>849,995</b>	<b>872,514</b>
Staff costs	(321,521)	(314,687)	(319,311)	(319,787)	(322,360)	(317,957)	(319,843)	(334,930)
Other administrative expenses	(241,245)	(166,083)	(155,526)	(171,800)	(272,472)	(141,642)	(165,021)	(147,932)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(37,511)	(34,265)	(35,688)	(36,042)	(38,294)	(36,952)	(39,280)	(38,498)
<i>of which: effects of the purchase price allocation</i>	(1,912)	(2,040)	(3,383)	(3,289)	(3,283)	(3,285)	(3,316)	(3,274)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets excluding the effects of the PPA	(35,599)	(32,225)	(32,305)	(32,753)	(35,011)	(33,667)	(35,964)	(35,224)
<b>Operating expenses</b>	<b>(600,277)</b>	<b>(515,035)</b>	<b>(510,525)</b>	<b>(527,629)</b>	<b>(633,126)</b>	<b>(496,551)</b>	<b>(524,144)</b>	<b>(521,360)</b>
<b>Operating expenses excluding the effects of the PPA</b>	<b>(598,365)</b>	<b>(512,995)</b>	<b>(507,142)</b>	<b>(524,340)</b>	<b>(629,843)</b>	<b>(493,266)</b>	<b>(520,828)</b>	<b>(518,086)</b>
<b>Net operating income</b>	<b>185,228</b>	<b>230,553</b>	<b>304,941</b>	<b>245,311</b>	<b>270,686</b>	<b>261,610</b>	<b>318,736</b>	<b>344,651</b>
<b>Net operating income excluding the effects of the PPA</b>	<b>190,502</b>	<b>238,463</b>	<b>313,183</b>	<b>254,216</b>	<b>280,870</b>	<b>271,525</b>	<b>329,167</b>	<b>354,428</b>
Net impairment losses on loans	(191,773)	(167,381)	(1,051,034)	(155,339)	(245,013)	(168,534)	(198,907)	(190,192)
Net impairment losses on other financial assets and liabilities	(79,204)	(386)	(50,719)	252	(10,464)	(3,054)	(2,382)	(966)
Net provisions for risks and charges	(12,684)	(3,544)	(20,289)	(6,368)	44,794	(18,634)	(24,816)	(4,319)
Profits (losses) from the disposal of equity investments	21,027	339	1,201	402	81	300	392	(309)
<b>Pre-tax profit (loss) from continuing operations</b>	<b>(77,406)</b>	<b>59,581</b>	<b>(815,900)</b>	<b>84,258</b>	<b>60,084</b>	<b>71,688</b>	<b>93,023</b>	<b>148,865</b>
<b>Pre-tax profit (loss) from continuing operations excluding the effects of the PPA</b>	<b>(72,132)</b>	<b>67,491</b>	<b>(807,658)</b>	<b>93,163</b>	<b>70,268</b>	<b>81,603</b>	<b>103,454</b>	<b>158,642</b>
Taxes on income for the period from continuing operations	20,669	(14,721)	210,792	(34,352)	(33,342)	(28,632)	(37,149)	(61,998)
<i>of which: effects of the purchase price allocation</i>	1,742	2,622	2,732	2,952	3,376	3,287	3,458	3,241
(Profit) loss for the period attributable to non-controlling interests	(8,298)	(7,707)	24,672	(7,400)	(7,151)	(5,506)	(7,359)	(9,749)
<i>of which: effects of the purchase price allocation</i>	221	445	509	521	529	423	604	559
<i>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</i>	(61,724)	41,996	(575,435)	47,938	25,870	43,755	54,884	83,095
<b>Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan and other impacts</b>	<b>(65,035)</b>	<b>37,153</b>	<b>(580,436)</b>	<b>42,506</b>	<b>19,591</b>	<b>37,550</b>	<b>48,515</b>	<b>77,118</b>
Redundancy expenses net of taxes and non-controlling interests	114	(218)	(207,234)	(445)	(61,515)	-	-	(1,190)
Impairment losses on brands net of taxes and non-controlling interests	-	-	(37,936)	-	-	-	-	-
Single Bank project expenses net of taxes and non-controlling interests	(7,638)	(4,463)	(3,440)	-	-	-	-	-
Impairment losses on property, plant and equipment net of taxes and non-controlling interests	(3,078)	-	-	-	(3,304)	-	-	-
<b>Profit (loss) for the period attributable to the shareholders of the Parent</b>	<b>(75,637)</b>	<b>32,472</b>	<b>(829,046)</b>	<b>42,061</b>	<b>(45,228)</b>	<b>37,550</b>	<b>48,515</b>	<b>75,928</b>
<i>Total impact of the purchase price allocation on the income statement</i>	(3,311)	(4,843)	(5,001)	(5,432)	(6,279)	(6,205)	(6,369)	(5,977)
<b>Profit (loss) for the period net of non-recurring items</b>	<b>26,420</b>	<b>37,153</b>	<b>(580,436)</b>	<b>42,506</b>	<b>26,630</b>	<b>37,550</b>	<b>48,515</b>	<b>76,396</b>

Note: in the second quarter of 2016, the line-item "Net impairment losses on loans" includes the impact of the increased provisions with a consequent absorption of the provision shortfall mentioned in the introduction to the Business Plan presentation (approximately €851 million gross, €586 million net)

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

	2016 <i>net of non-recurring items</i>	2015 <i>net of non-recurring items</i>	Changes	% changes
Figures in thousands of euro				
Net interest income (including the effects of the PPA)	1,497,891	1,631,055	(133,164)	(8.2%)
Dividends and similar income	9,678	10,349	(671)	(6.5%)
Profits of equity-accounted investees	24,136	35,260	(11,124)	(31.5%)
Net fee and commission income	1,335,033	1,300,119	34,914	2.7%
<i>of which performance fees</i>	26,349	35,182	(8,833)	(25.1%)
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	153,711	290,633	(136,922)	(47.1%)
Other net operating income/expense	99,050	103,448	(4,398)	(4.3%)
<b>Operating income</b> (including the effects of the PPA)	<b>3,119,499</b>	<b>3,370,864</b>	<b>(251,365)</b>	<b>(7.5%)</b>
Staff costs	(1,275,306)	(1,295,090)	(19,784)	(1.5%)
Other administrative expenses	(660,003)	(661,748)	(1,745)	(0.3%)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(143,506)	(153,024)	(9,518)	(6.2%)
<b>Operating expenses</b> (including the effects of the PPA)	<b>(2,078,815)</b>	<b>(2,109,862)</b>	<b>(31,047)</b>	<b>(1.5%)</b>
<b>Net operating income</b> (including the effects of the PPA)	<b>1,040,684</b>	<b>1,261,002</b>	<b>(220,318)</b>	<b>(17.5%)</b>
Net impairment losses on loans	(1,565,527)	(802,646)	762,881	95.0%
Net impairment losses on other financial assets and liabilities	(53,117)	(16,866)	36,251	214.9%
Net provisions for risks and charges	(42,885)	(2,975)	39,910	n.s.
Profits from the disposal of equity investments	1,024	927	97	10.5%
<b>Pre-tax profit (loss) from continuing operations</b> (including the effects of the PPA)	<b>(619,821)</b>	<b>439,442</b>	<b>(1,059,263)</b>	<b>n.s.</b>
Taxes on income for the year from continuing operations	144,216	(156,725)	(300,941)	n.s.
(Profit) loss for the year attributable to non-controlling interests	1,248	(30,921)	(32,169)	n.s.
<b>Profit (loss) for the year attributable to the shareholders of the Parent before the Business Plan and other impacts</b>	<b>(474,357)</b>	<b>251,796</b>	<b>(726,153)</b>	<b>n.s.</b>
Redundancy expenses net of taxes and non-controlling interests	-	(62,705)	(62,705)	(100.0%)
<b>Profit (loss) for the year attributable to the shareholders of the Parent</b>	<b>(474,357)</b>	<b>189,091</b>	<b>(663,448)</b>	<b>n.s.</b>
<b>Portion of impairment losses on loans with consequent absorption of the shortfall (net)</b>	<b>(585,992)</b>			
<b>Profit for the year attributable to the shareholders of the Parent net of the portion of impairment losses on loans with absorption of the shortfall</b>	<b>111,635</b>	<b>189,091</b>	<b>(77,456)</b>	<b>(41.0%)</b>

# UBI Banca Group

## Reclassified consolidated income statement net of the most significant non-recurring items (2016)

	2016	2019/2020 Business Plan			Other non-recurring items					2016 net of non-recurring items
		Redundancy expenses as per the Agreement of 11th December 2016	Brand impairment	Single Bank Project expenses	Impairment losses on the Atlante Fund	Additional contribution to the Resolution Fund	Profit on the disposal of properties	Impairment losses on owned real estate properties	Impairment losses on IDPF Voluntary Scheme AFS securities	
Figures in thousands of euro										
Net interest income (including the effects of the PPA)	1,497,891									1,497,891
Dividends and similar income	9,678									9,678
Profits of equity-accounted investees	24,136									24,136
Net fee and commission income	1,335,033									1,335,033
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	153,711									153,711
Other net operating income/expense	99,050									99,050
<b>Operating income</b> (including the effects of the PPA)	<b>3,119,499</b>	-	-	-	-	-	-	-	-	<b>3,119,499</b>
Staff costs	(1,275,306)									(1,275,306)
Other administrative expenses	(734,654)					74,651				(660,003)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(143,506)									(143,506)
<b>Operating expenses</b> (including the effects of the PPA)	<b>(2,153,466)</b>	-	-	-	-	<b>74,651</b>	-	-	-	<b>(2,078,815)</b>
<b>Net operating income</b> (including the effects of the PPA)	<b>966,033</b>	-	-	-	-	<b>74,651</b>	-	-	-	<b>1,040,684</b>
Net impairment losses on loans	(1,565,527)									(1,565,527)
Net impairment losses on other financial assets and liabilities	(130,057)				73,030			3,910		(53,117)
Net provisions for risks and charges	(42,885)									(42,885)
Profits from the disposal of equity investments	22,969						(21,945)			1,024
<b>Pre-tax profit (loss) from continuing operations</b> (including the effects of the PPA)	<b>(749,467)</b>	-	-	-	<b>73,030</b>	<b>74,651</b>	<b>(21,945)</b>	-	<b>3,910</b>	<b>(619,821)</b>
Taxes on income for the year from continuing operations	182,388				(20,083)	(24,271)	7,257		(1,075)	144,216
(Profit) loss for the year attributable to non-controlling interests	1,267					(17)			(2)	1,248
<b>Profit (loss) for the year attributable to the shareholders of the Parent before the Business Plan and other impacts</b>	<b>(565,812)</b>	-	-	-	<b>52,947</b>	<b>50,363</b>	<b>(14,688)</b>	-	<b>2,833</b>	<b>(474,357)</b>
Redundancy expenses net of taxes and non-controlling interests	(207,783)	207,783								-
Impairment losses on brands net of taxes and non-controlling interests	(37,936)		37,936							-
Single Bank project expenses net of taxes and non-controlling interests	(15,541)			15,541						-
Impairment losses on property, plant and equipment net of taxes and non-controlling interests	(3,078)							3,078		-
<b>Profit (loss) for the year attributable to the shareholders of the Parent</b>	<b>(830,150)</b>	<b>207,783</b>	<b>37,936</b>	<b>15,541</b>	<b>52,947</b>	<b>50,363</b>	<b>(14,688)</b>	<b>3,078</b>	<b>2,833</b>	<b>(474,357)</b>

Note: the line-item "Net impairment losses on loans" includes the impact of the increased provisions with a consequent absorption of the provision shortfall mentioned in the introduction to the Business Plan presentation (approximately €851 million gross, €586 million net)

# UBI Banca Group

## Reclassified consolidated income statement net of the most significant non-recurring items (2015)

Figures in thousands of euro	2015	non-recurring items				2015 net of non-recurring items
		Disposal of equity investments	Extraordinary contribution to the Resolution Fund	Impairment losses on owned real estate properties	Conclusion of tax litigation	
Net interest income (including the effects of the PPA)	1,631,055					1,631,055
Dividends and similar income	10,349					10,349
Profits of equity-accounted investees	35,260					35,260
Net fee and commission income	1,300,119					1,300,119
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	290,633					290,633
Other net operating income/expense	103,448					103,448
<b>Operating income (including the effects of the PPA)</b>	<b>3,370,864</b>	-	-	-	-	<b>3,370,864</b>
Staff costs	(1,295,090)					(1,295,090)
Other administrative expenses	(727,067)		65,319			(661,748)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(153,024)					(153,024)
<b>Operating expenses (including the effects of the PPA)</b>	<b>(2,175,181)</b>	-	<b>65,319</b>	-	-	<b>(2,109,862)</b>
<b>Net operating income (including the effects of the PPA)</b>	<b>1,195,683</b>	-	<b>65,319</b>	-	-	<b>1,261,002</b>
Net impairment losses on loans	(802,646)					(802,646)
Net impairment losses on other financial assets and liabilities	(16,866)					(16,866)
Net provisions for risks and charges	(2,975)					(2,975)
Profits from the disposal of equity investments	464	463				927
<b>Pre-tax profit (loss) from continuing operations (including the effects of the PPA)</b>	<b>373,660</b>	<b>463</b>	<b>65,319</b>	-	-	<b>439,442</b>
Taxes on income for the year from continuing operations	(161,121)	5	(21,237)		25,628	(156,725)
(Profit) loss for the year attributable to non-controlling interests	(29,765)		(1,156)			(30,921)
<b>Profit (loss) for the year attributable to the shareholders of the Parent before the Business Plan and other impacts</b>	<b>182,774</b>	<b>468</b>	<b>42,926</b>	-	<b>25,628</b>	<b>251,796</b>
Redundancy expenses net of taxes and non-controlling interests	(62,705)					(62,705)
Impairment losses on brands net of taxes and non-controlling interests	-					-
Single Bank project expenses net of taxes and non-controlling interests	-					-
Impairment losses on property, plant and equipment net of taxes and non-controlling interests	(3,304)			3,304		-
<b>Profit (loss) for the year attributable to the shareholders of the Parent</b>	<b>116,765</b>	<b>468</b>	<b>42,926</b>	<b>3,304</b>	<b>25,628</b>	<b>189,091</b>

# UBI Banca Group: Consolidated balance sheet

## - mandatory statement -

<b>ASSET ITEMS</b> <i>(figures in thousand euro)</i>	<b>31.12.2016</b>	<b>31.12.2015</b>
Cash and cash equivalents	519,357	530,098
Financial assets held for trading	729,616	994,478
Financial assets designated at fair value	188,449	196,034
Available-for-sale financial assets	9,613,833	15,554,282
Held-to-maturity investments	7,327,544	3,494,547
Loans and advances to banks	3,719,548	3,429,937
Loans and advances to customers	81,854,280	84,586,200
Hedging derivatives	461,767	594,685
Fair value change in hedged financial assets (+/-)	23,963	59,994
Equity investments	254,364	260,812
Property, plant and equipment	1,648,347	1,744,463
Intangible assets	1,695,973	1,757,468
of which:		
- goodwill	1,465,260	1,465,260
Tax assets:	3,044,044	2,814,933
a) current	435,128	605,770
b) deferred	2,608,916	2,209,163
- of which pursuant to Law No. 214/2011	1,956,572	1,966,054
Non current assets and disposal groups held for sale	5,681	11,148
Other assets	1,297,151	1,171,686
<b>Total assets</b>	<b>112,383,917</b>	<b>117,200,765</b>

<b>LIABILITIES AND EQUITY</b> <i>(figures in thousands of euro)</i>	<b>31.12.2016</b>	<b>31.12.2015</b>
Due to banks	14,131,928	10,454,303
Due to customers	56,226,416	55,264,471
Debt securities issued	28,939,597	36,247,928
Financial liabilities held for trading	800,038	531,812
Hedging derivatives	239,529	749,725
Tax liabilities:	232,866	472,564
a) current	59,817	171,620
b) deferred	173,049	300,944
Other liabilities	1,962,806	2,354,617
Post employment benefits	332,006	340,954
Provisions for risks and charges:	457,126	266,628
a) pension and similar obligations	70,361	70,237
b) other provisions	386,765	196,391
Valuation reserves	(73,950)	260,848
Reserves	3,664,366	3,556,603
Share premiums	3,798,430	3,798,430
Share capital	2,440,751	2,254,371
Treasury shares	(9,869)	(5,155)
Non-controlling interests	72,027	535,901
Profit (loss) for the year	(830,150)	116,765
<b>Total liabilities and equity</b>	<b>112,383,917</b>	<b>117,200,765</b>

# UBI Banca Group: Consolidated income statement

## - mandatory statement -

<b>Items</b> <i>figures in thousands of euro</i>	<b>2016</b>	<b>2015</b>
10. Interest and similar income	2,161,121	2,509,201
20. Interest expense and similar	(663,230)	(878,146)
<b>30. Net interest income</b>	<b>1,497,891</b>	<b>1,631,055</b>
40. Fee and commission income	1,508,992	1,488,853
50. Fee and commission expense	(173,959)	(188,734)
<b>60. Net fee and commission income</b>	<b>1,335,033</b>	<b>1,300,119</b>
70. Dividends and similar income	9,678	10,349
80. Net trading income	69,947	63,919
90. Net hedging income	415	10,968
100. Income from disposal or repurchase of:	91,770	211,390
a) loans and receivables	(31,482)	(34,527)
b) available-for-sale financial assets	149,014	262,251
d) financial liabilities	(25,762)	(16,334)
110. Net income (loss) on financial assets and liabilities designated at fair value	(8,421)	4,356
<b>120. Gross income</b>	<b>2,996,313</b>	<b>3,232,156</b>
130. Net impairment losses on:	(1,695,584)	(819,512)
a) loans and receivables	(1,565,527)	(802,646)
b) available-for-sale financial assets	(111,643)	(18,290)
d) other financial transactions	(18,414)	1,424
<b>140. Net financial income</b>	<b>1,300,729</b>	<b>2,412,644</b>
<b>170. Net income from banking and insurance operations</b>	<b>1,300,729</b>	<b>2,412,644</b>
180. Administrative expenses	(2,570,182)	(2,340,247)
a) staff costs	(1,599,717)	(1,391,732)
b) other administrative expenses	(970,465)	(948,515)
190. Net provisions for risks and charges	(42,885)	(2,975)
200. Net impairment losses on property, plant and equipment	(80,823)	(88,096)
210. Net impairment losses on intangible assets	(125,197)	(66,523)
220. Other net operating income/(expense)	306,541	321,441
<b>230. Operating expenses</b>	<b>(2,512,546)</b>	<b>(2,176,400)</b>
240. Profits of equity investments	24,136	35,516
260. Net impairment losses on goodwill	-	-
270. Profits on disposal of investments	22,969	208
<b>280. Pre-tax profit (loss) from continuing operations</b>	<b>(1,164,712)</b>	<b>271,968</b>
290. Taxes on income for the year from continuing operations	319,619	(127,502)
<b>300. Post-tax profit (loss) from continuing operations</b>	<b>(845,093)</b>	<b>144,466</b>
<b>320. Profit (loss) for the year</b>	<b>(845,093)</b>	<b>144,466</b>
330. (Profit) loss attributable to non-controlling interests	14,943	(27,701)
<b>340. Profit (loss) for the year attributable to the Parent</b>	<b>(830,150)</b>	<b>116,765</b>