

The UBI Banca Group Consolidated Results as at 30th June 2016

5th August 2016

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Methodology

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

1H16 take-aways

- Growth in performing exposures (“PEs”): **+1.3%** vs March '16.
Increase in lending market share to private sector (households, corporate and financial companies), net of bad loans at **5.7%** (+3 bps vs Mar '16)
- Decrease in deteriorated loans (“NPEs”) both in gross and net terms: vs March '16 respectively **-1.6%** *without any disposal* -, and **-12%** thanks to higher provisions* also announced in 2019/2020 Business Plan
- Strong improvement in coverage up to **44.3%** for NPEs and to **58.3%** for Bad Loans (including write-offs), respectively +667 bps and +584 bps vs Mar '16
- Further decrease of inflows from PEs to NPEs: **-47.4%** 1H16 vs 1H15
Further decrease of inflows from other NPEs to Bad Loans: **-18.7%** 1H16 vs 1H15
- Increase in AuM and bancassurance **(+2.3 bln/€)** vs Dec. '15). UBI Pramerica's market share increases **to 2.7%** vs 2.5% as at Dec '15.
- **95%** of 2019/2020 Business Plan impacts already booked in 2Q16 (-835 mln/€ net) leading to a loss for the 1H16 period of **-787 mln/€**
- Single Bank project well on track

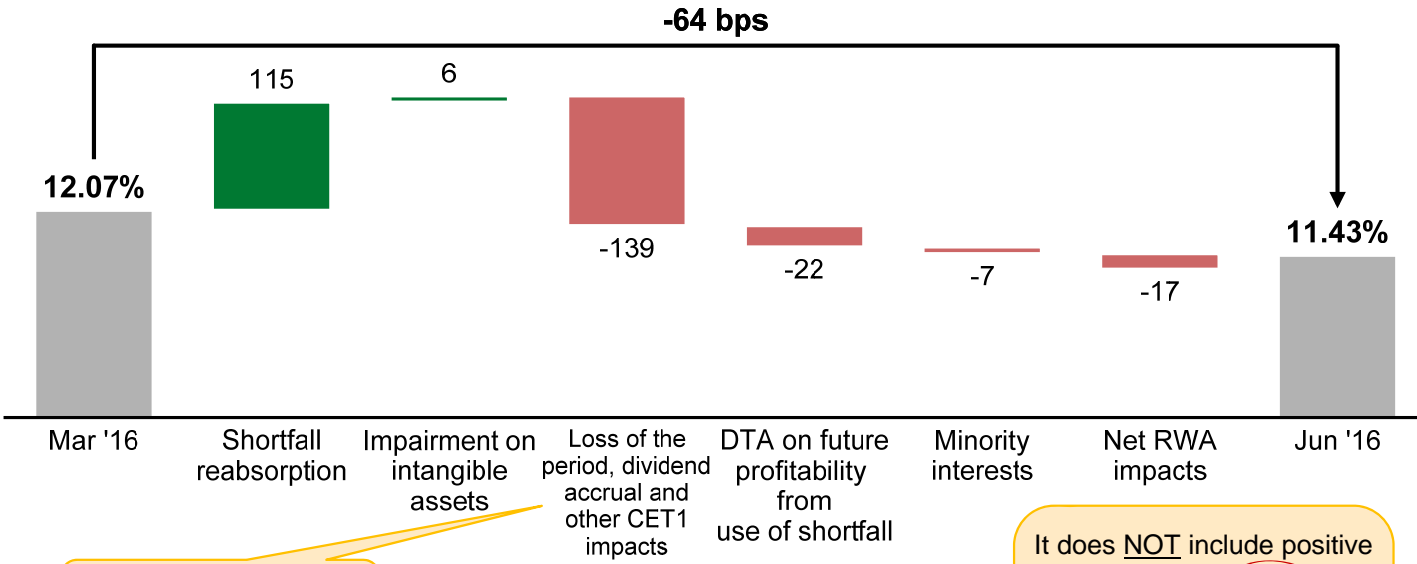
* o/w shortfall reabsorption for 851 mln/€

Sound capital base allows up-fronting of Business Plan impacts.

CET1 growth in short/medium term already certain thanks to minorities inclusion and use of DTAs on shortfall (+0.7pp approx.)

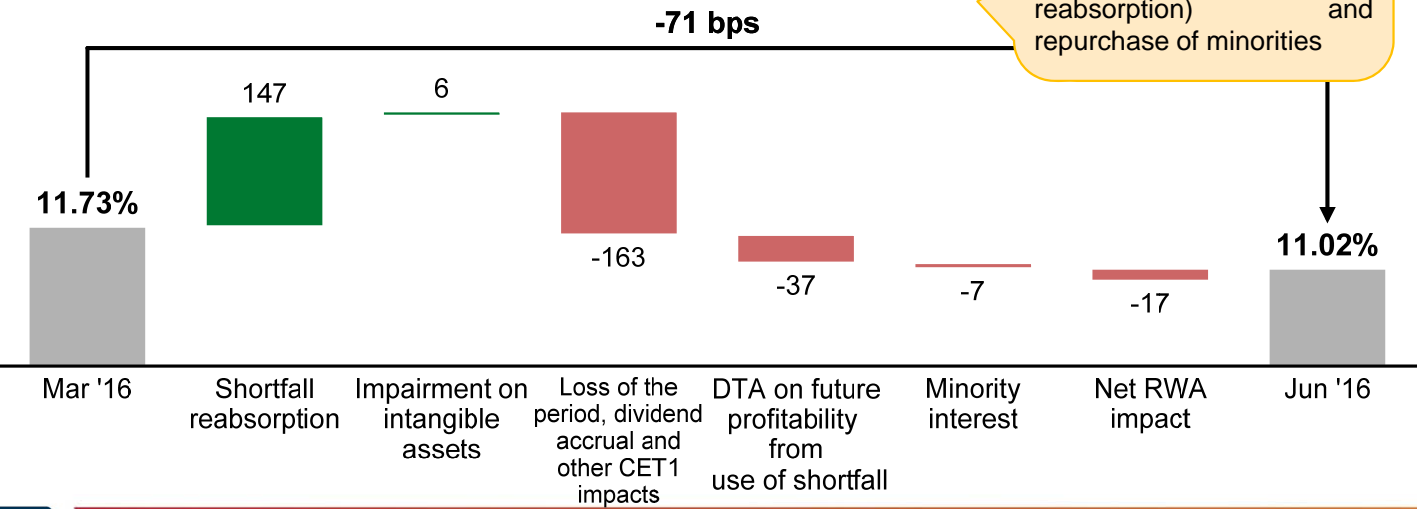
UBI 2019/2020
Business Plan

CET 1 ratio PHASED IN (Δ bps)



Including 95% of Business Plan costs

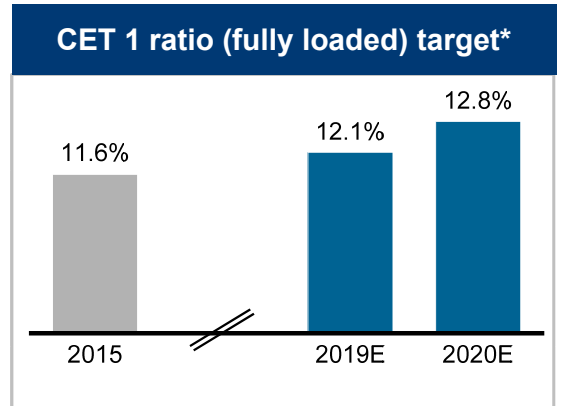
CET 1 ratio FULLY LOADED (Δ bps)



It does NOT include positive impacts (approx. +70 bps) from recovery of DTA on higher provisions (shortfall reabsorption) and repurchase of minorities

Impacts in 2Q16 recognised for approx. -1,242 mln gross (or -835 mln/€ net of taxes and non-controlling interests):

- **increase in LLPs** of 851mln/€ (586 mln/€ net), relating to provisions already deducted from the regulatory capital (the "shortfall")
- **redundancy expenses** of 324 mln/€ (208 mln/€ net)
- **impairment losses on brands** of 63 mln/€ (38 mln/€ net) and first tranche of **Single Bank Project costs** of 5 mln/€ (3 mln/€ net)

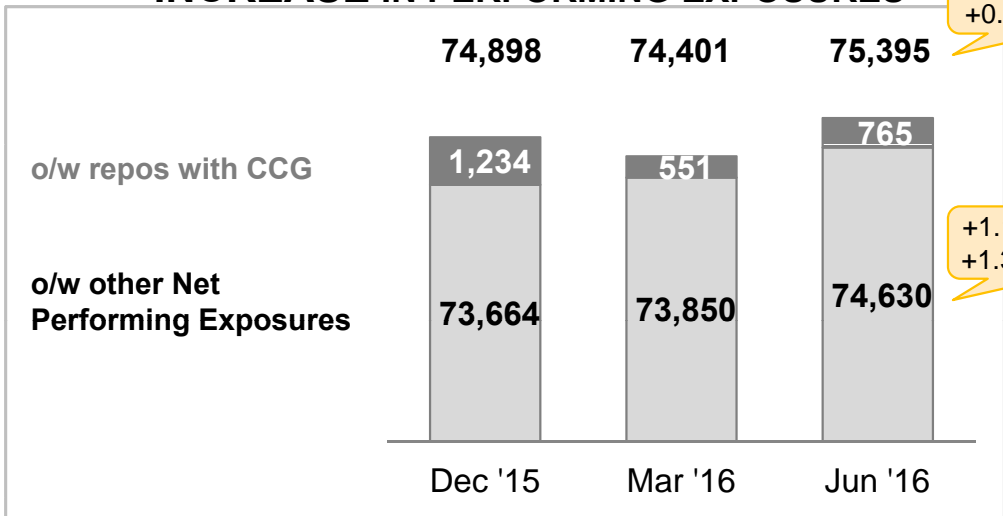


* 2019 and 2020 datapoints include neutral impact from the combination of the following: new regulations (IFRS9, LGD default, etc.), update of the models, other minor effects

Positive lending evolution: performing stocks at 74.6 bln/€: +1.1% vs March 2016 and +1.3% vs Dec2015, driven by improved demand for M/L term lending: 1H2016 new origination up by 13.2% to 6.6 bln/€

TOTAL NET LOAN BOOK	84,586	84,073	83,907
<i>Amounts in mln/€</i>	<i>Dec '15</i>	<i>Mar '16</i>	<i>Jun '16</i>

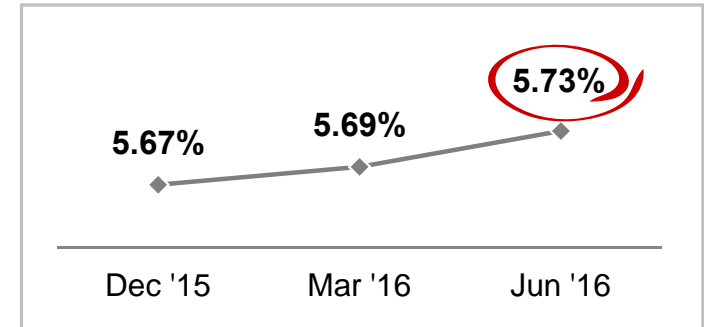
INCREASE IN PERFORMING EXPOSURES



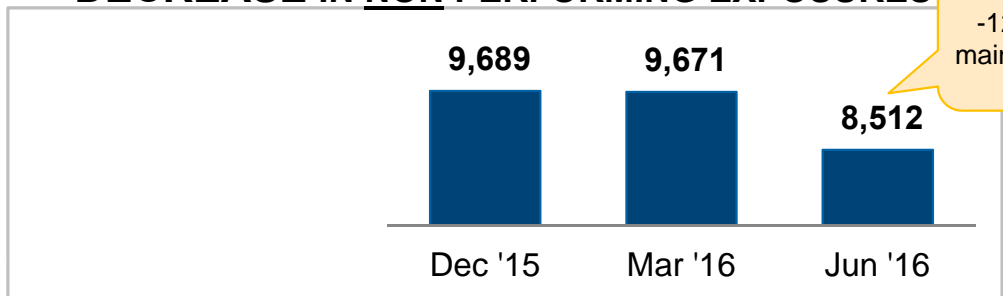
+1.3% vs Mar '16
+0.7% vs Dec '15

+1.1% vs Mar '16
+1.3% vs Dec '15

Growth in lending market share*



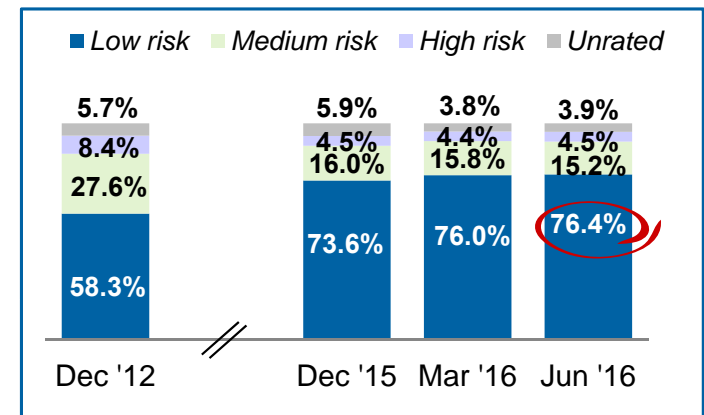
DECREASE IN NON PERFORMING EXPOSURES



-12% vs Mar '16 and
-12.1% vs Dec '15
mainly due to shortfall
reabsorption

Progress in de-risking:

performing loan portfolio risk profile**



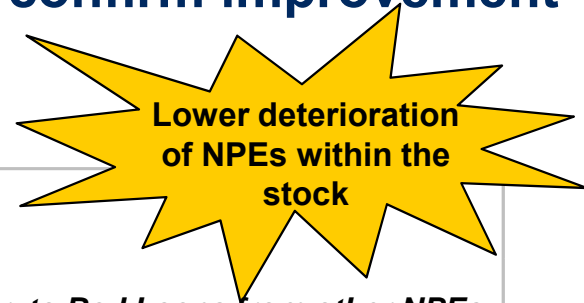
* Net of Bad Loans, referred to households, corporate and financial companies. Repos not included. Source: Bank of Italy and ABI monthly outlook

** Perimeter: Network Banks + UBI Banca (IRB perimeter)

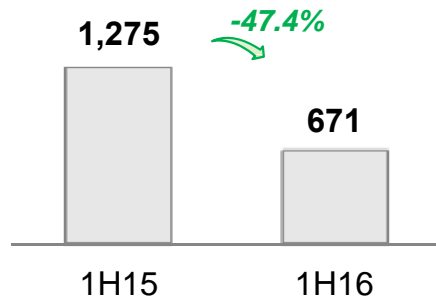
Gross NPEs: decreasing stocks and lower new inflows confirm improvement in credit quality

€ mln

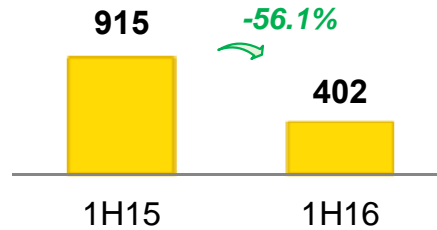
FOCUS ON 1H2016 VS 1H2015



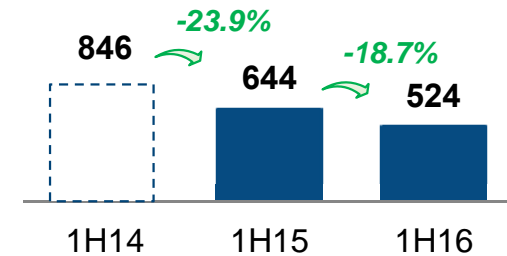
NPEs, inflows from performing



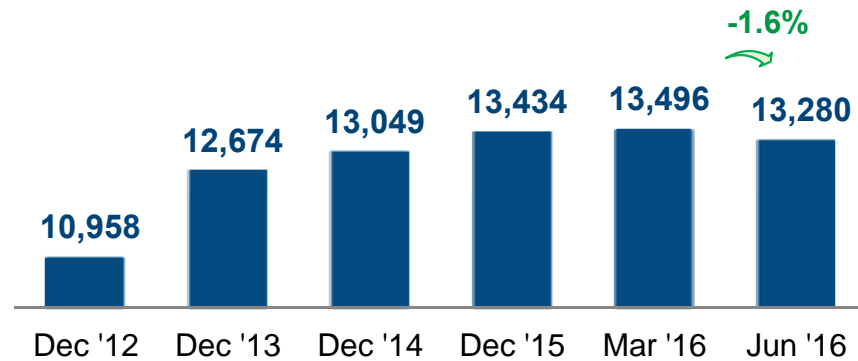
*NPEs, net inflows from performing**



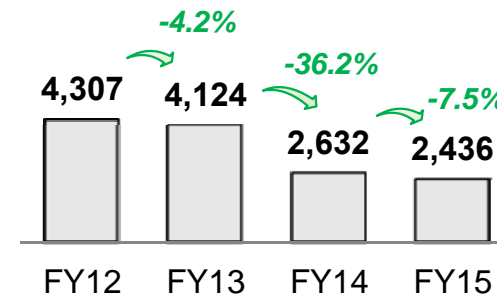
Transfer to Bad Loans from other NPEs



Gross NPEs



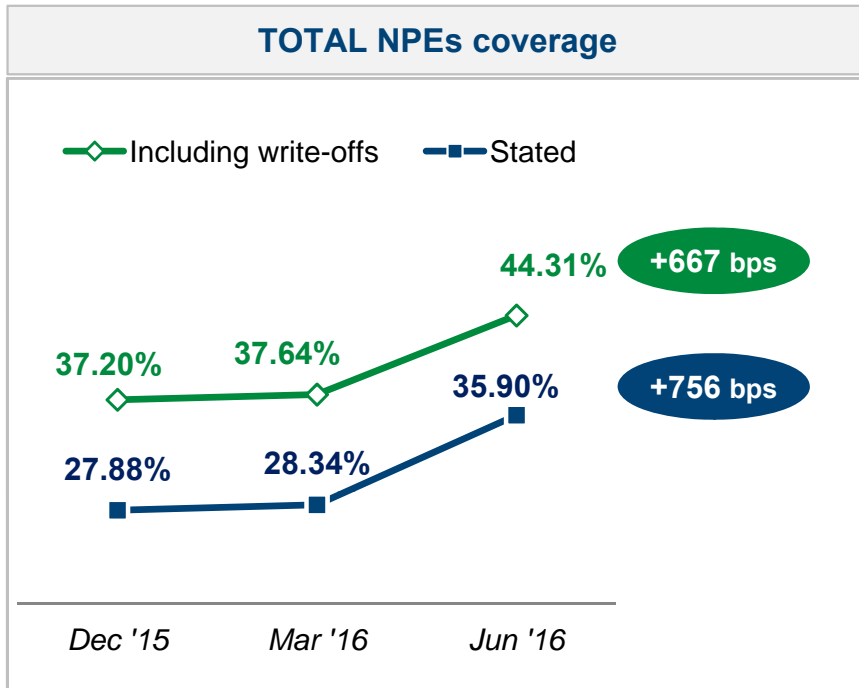
Inflows from performing loans to NPEs



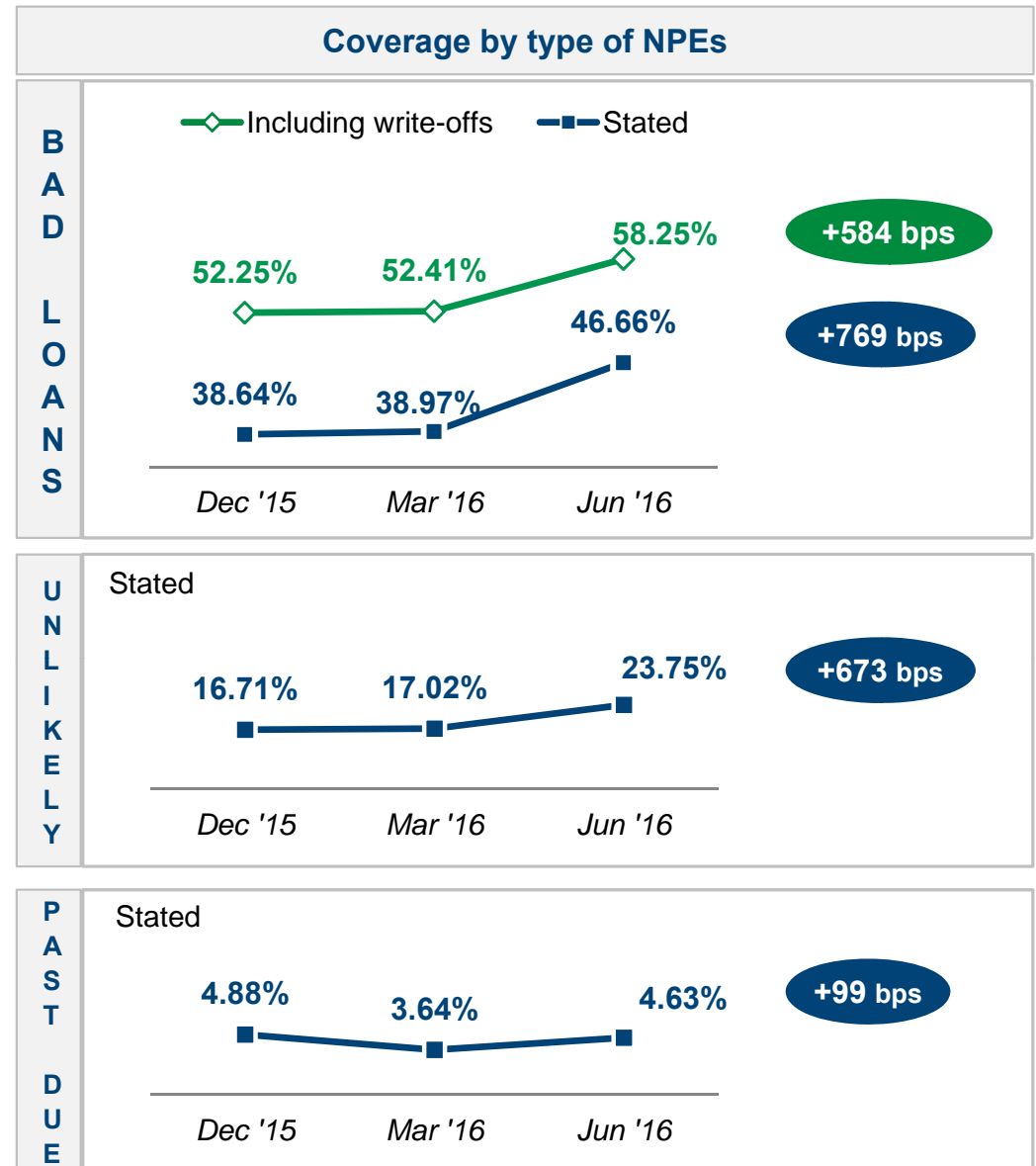
* Net inflows from performing = inflows from performing - outflows to performing

Relevant increase in coverage in 2Q16: +667 bps on NPEs, +584 on bad loans

... Changes vs Mar '16



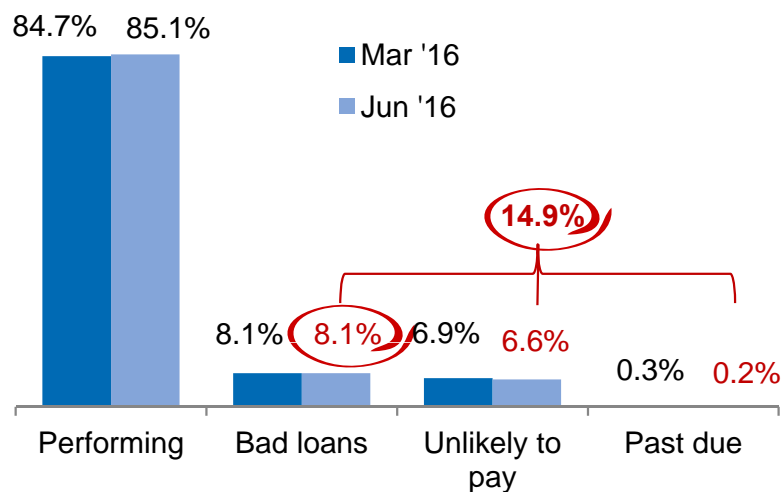
Impairment losses on NPEs (mln/€)	2Q15	2Q16
Quarterly LLPs	199	1,051
o/w shortfall reabsorption	-	851
o/w ordinary LLPs	199	200



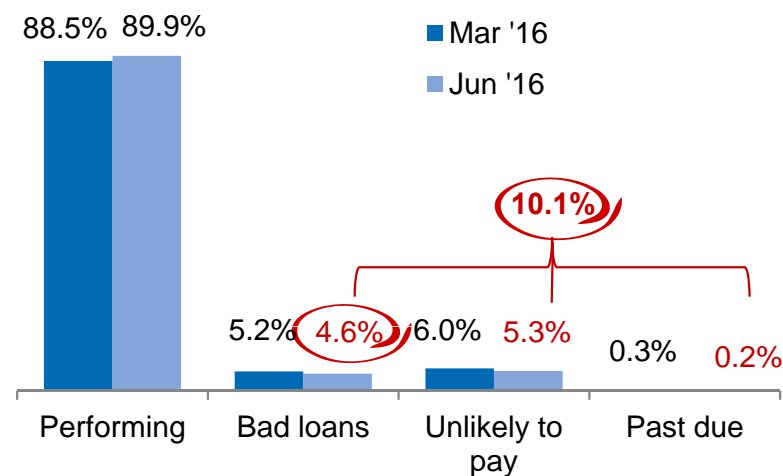
Ratio of NPEs on total loans down to 14.9% in gross terms and to 10.1% net of LLPs

% Incidence on total loans...

...in gross terms



...in net terms



Figures in mln/€

	Gross exposure			Net exposure			Impairment losses		
	Dec '15	Mar '16	Jun '16	Dec '15	Mar '16	Jun '16	Dec '15	Mar '16	Jun '16
Performing loans	75,314	74,814	75,806	74,898	74,401	75,395	417	412	411
Non performing exposures	13,434	13,496	13,280	9,689	9,671	8,512	3,746	3,825	4,768
- Bad loans ("Sofferenze")	6,988	7,122	7,216	4,288	4,347	3,849	2,700	2,775	3,367
- "Unlikely to pay" loans	6,180	6,111	5,862	5,147	5,071	4,470	1,033	1,040	1,392
- Past due loans	267	263	203	254	254	194	13	10	9
Total loan book	88,748	88,310	89,086	84,586	84,073	83,907	4,162	4,237	5,179

Direct funding impacted by Business Plan strategy. Continued inflows into current accounts and deposits and progressive reduction of placement of retail bonds in view of bail-in rules

IAS amounts in bln€	Jun '15	Dec '15	Mar '16	Jun '16
DIRECT FUNDING FROM ORDINARY CUSTOMERS	71.7	72.5	71.1	69.8
Current accounts and deposits	44.7	47.7	48.6	49.1
Term deposits, other payables and repos	1.6	1.5	1.7	1.7
Securities in issue:				
Bonds issued by Network banks + UBI	21.7	20.2	18.6	17.0
Bonds distributed on Extra-captive customers*	3.2	2.8	1.8	1.8
Other (mainly customer CDs)	0.6	0.4	0.3	0.3
DIRECT FUNDING FROM INSTITUTIONAL CUSTOMERS	22.6	19.0	18.5	17.7
Covered Bonds	9.7	9.9	9.2	9.6
EMTN	3.1	2.5	2.5	3.3
CD and ECP	0.7	0.4	0.7	0.2
Repos with CCG	9.1	6.1	6.2	4.7
TOTAL DIRECT FUNDING	94.3	91.5	89.7	87.5

Confirmed inflows of current accounts and deposits both year on year and vs Dec 2015

AUM+Bancassurance:

- + 1.8 bln vs Mar '16 (+3.7%)
- + 2.3 bln/€ vs Dec '15 (+ 4.8%)

Reopening of October 2015 issue for **250 mln/€** in Jun '16

New **750 mln/€** Tier 2 issued on 5th May contributing to higher Total Capital Ratio (14.47% vs 13.87%)

For further detail please see annex 3

* Bonds placed by Centrobanca on third party banks networks, expiring over time.

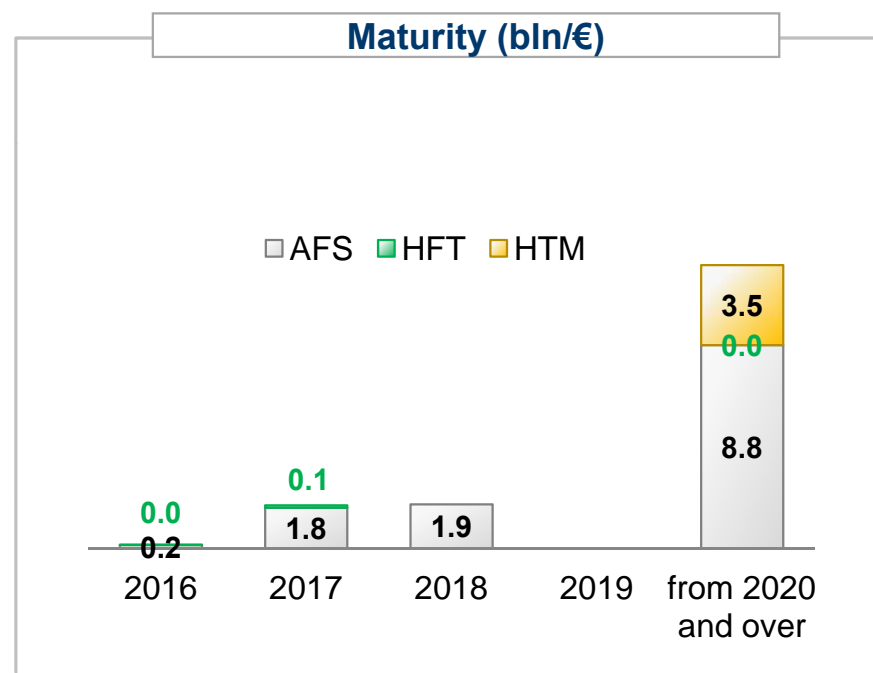
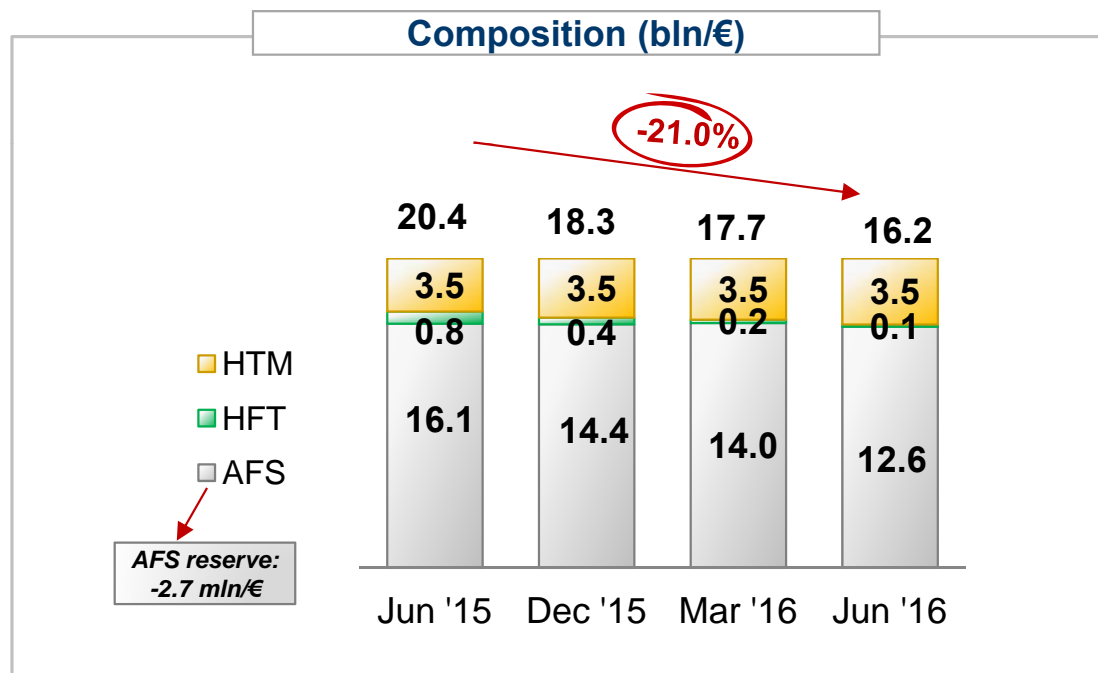
Subordinated bonds: ~3.3 bln/€ as at 30 June '16 (of which 750 mln/€ on institutional investors) corresponding to only 3.7% of total direct funding

Net Financial Assets: going ahead with the downsizing and recomposition of the proprietary portfolio. In 2Q16 sold 1.5 bln/€ of Italian Govies, which now represent 81.9% of Financial Assets

Amounts in bln/€, IAS value	Jun '15	Dec '15	Mar '16	Jun '16
Net Financial Assets	21.2	19.7	19.7	19.1
of which Italian govies*	20.4	18.3	17.7	16.2
Govies / Financial Assets	93.6%	90.6%	87.1%	81.9%

Target 2020 for Italian Gov. Bonds portfolio: 46% of Financial Assets

Focus on the Italian Govies Portfolio



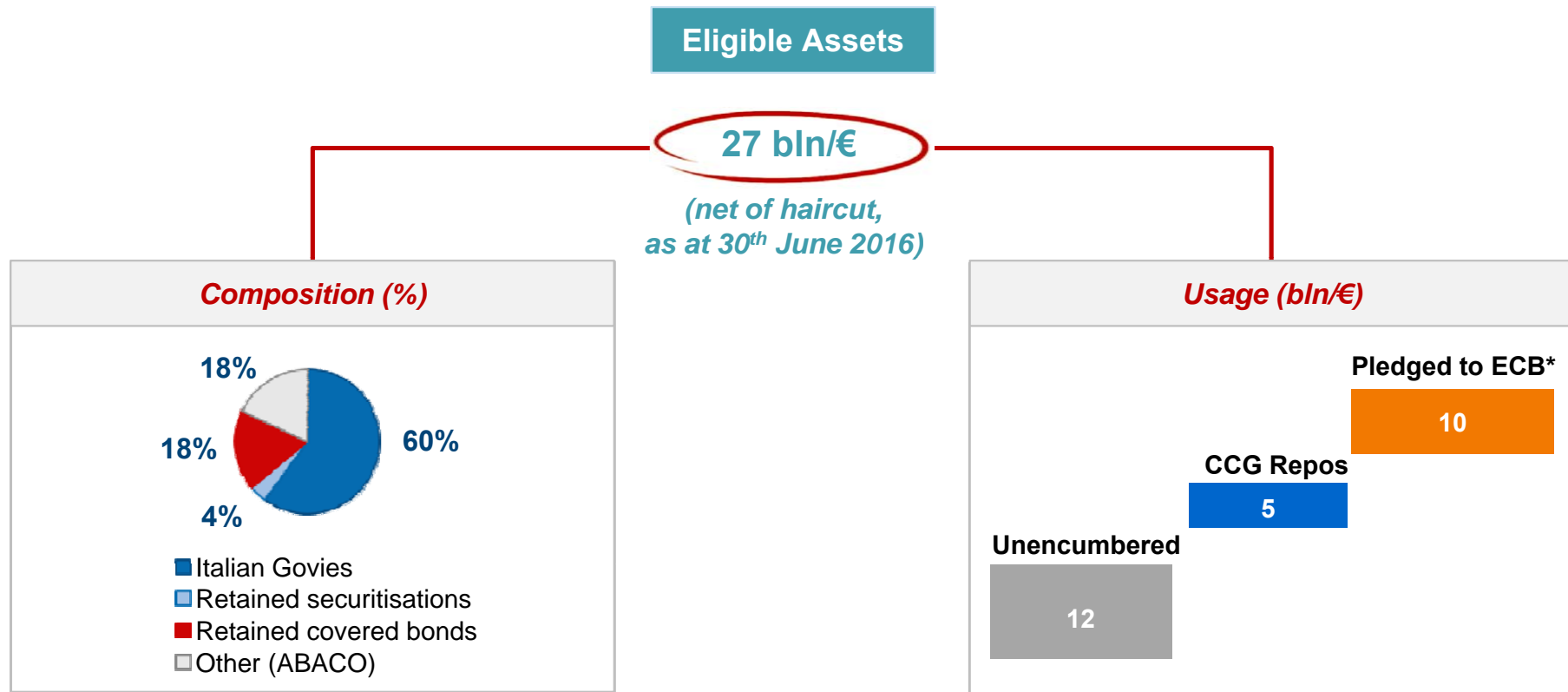
* Nominal value: 18.1 bln/€ as at June '15, 15.8 bln/€ as at Dec '15, ~15 bln/€ as at Mar '16 and 13.6 bln/€ as at June '16

Confirmed sound liquidity position framework, with 12 bln/€ of unencumbered assets

✓ *NSFR and LCR > 1*

✓ *Loan to Deposit ratio = 95.9%*

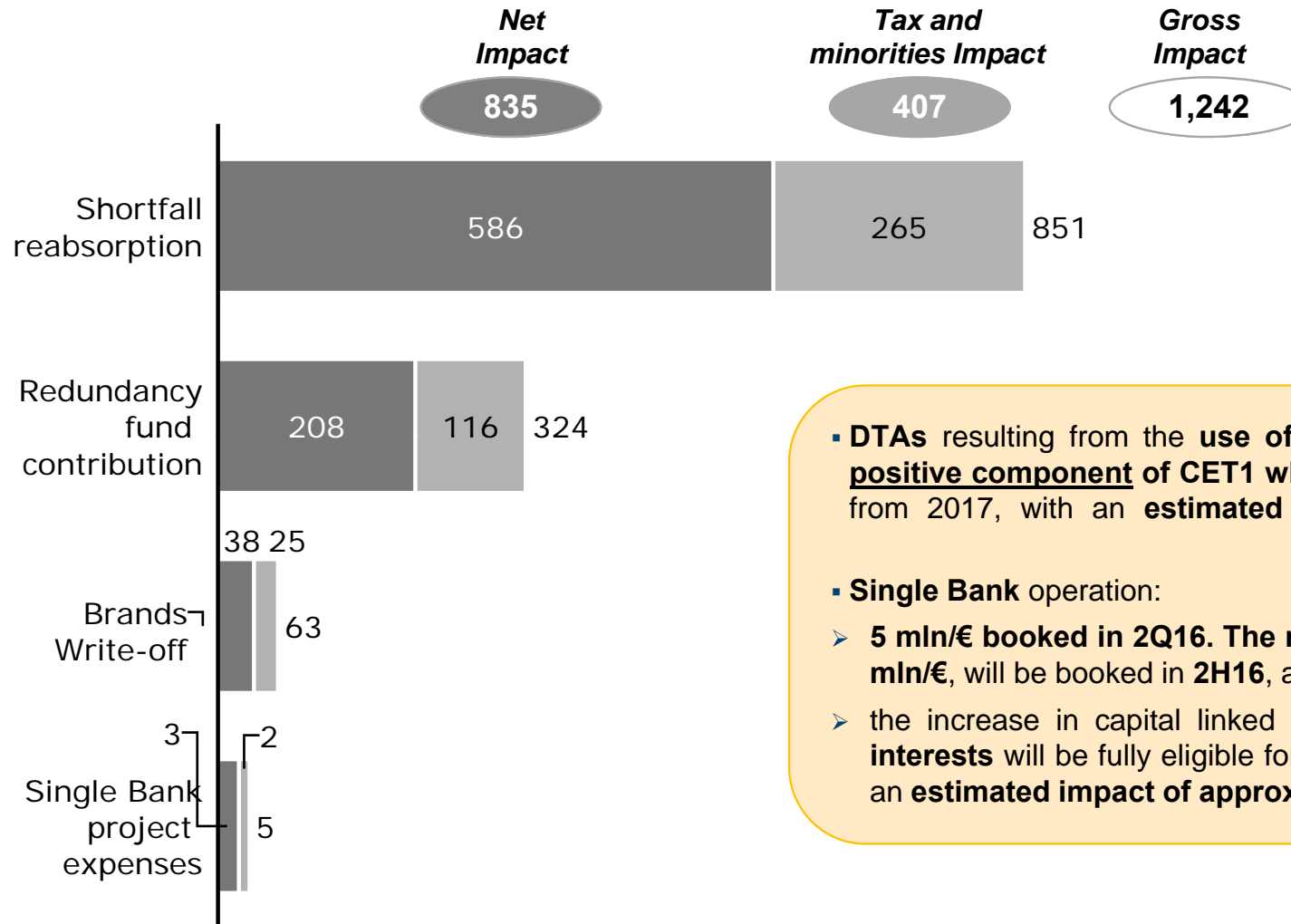
...Total eligible assets at 27 bln/€, ~55% of current accounts and deposits



* TLTRO for 8.1 bln/€ (expiring Sept 2018) reimbursed and replaced with 10 bln/€ TLTRO 2, value date 29 June 2016

Over 95% of one-off costs relating to the simplification in the baseline organisational structure of the Group and to the Business Plan recognised in 2Q16 accounts

2Q16 ONE-OFF INCOME STATEMENT IMPACTS – €M



- **DTAs** resulting from the **use of the shortfall** will represent a **positive component** of CET1 when profits are earned starting from 2017, with an **estimated impact of approx. +40 bps**
- **Single Bank** operation:
 - **5 mln/€** booked in **2Q16**. The remaining amount, **approx. 40 mln/€**, will be booked in **2H16**, according to the accrual criteria
 - the increase in capital linked to the repurchase of **minority interests** will be fully eligible for inclusion in **CET1** capital, with an **estimated impact of approx. +30 bps**

P&L isolating Business Plan impacts

Figures in € mln	1H15	1H16	% change 1H16 vs 1H15
Net interest income	847	766	(9.6%)
Net commission income	669	667	(0.2%)
Net result from finance	111	83	(25.7%)
Profits of equity-accounted investees	20	12	(38.9%)
Other income items	62	61	(1.9%)
Operating income	1,709	1,588	(7.1%)
Staff costs	(655)	(639)	(2.4%)
Other administrative expenses	(313)	(327)	4.6%
Net impairment losses on property, equipment and investment property and intangible assets	(78)	(72)	(7.8%)
Operating expenses	(1,046)	(1,038)	(0.7%)
Net operating income	663	550	(17.1%)
Net impairment losses on loans	(389)	(355)	(8.6%)
Net impairment losses on other financial assets and liabilities	(3)	(50)	n.s.
Net provisions for risks and charges	(29)	(27)	(8.5%)
Profits (losses) from disposal of equity investments	0	2	n.s.
Pre-tax profit from continuing operations	242	119	(50.7%)
Taxes on income for the period from continuing operations	(99)	(58)	n.s.
Profits/losses for the period attributable to non-controlling interests	(17)	(14)	n.s.
Profit for the period before Business Plan impacts	126	48	(61.7%)
Net impairment losses on loans with shortfall	-	(586)	n.s.
Charges for exit incentives	(1)	(208)	n.s.
Brands impairment	-	(38)	n.s.
Charges for Single Bank project	-	(3)	n.s.
Profit (loss) for the period	124	(787)	n.s.

Change in profit 1H16 vs 1H15 mainly due to decrease in net interest income but also to “one-off” net impairment losses on financial instruments* (-43.4 mln/€ net) and to lower trading gains (approx. -20 mln/€ net)

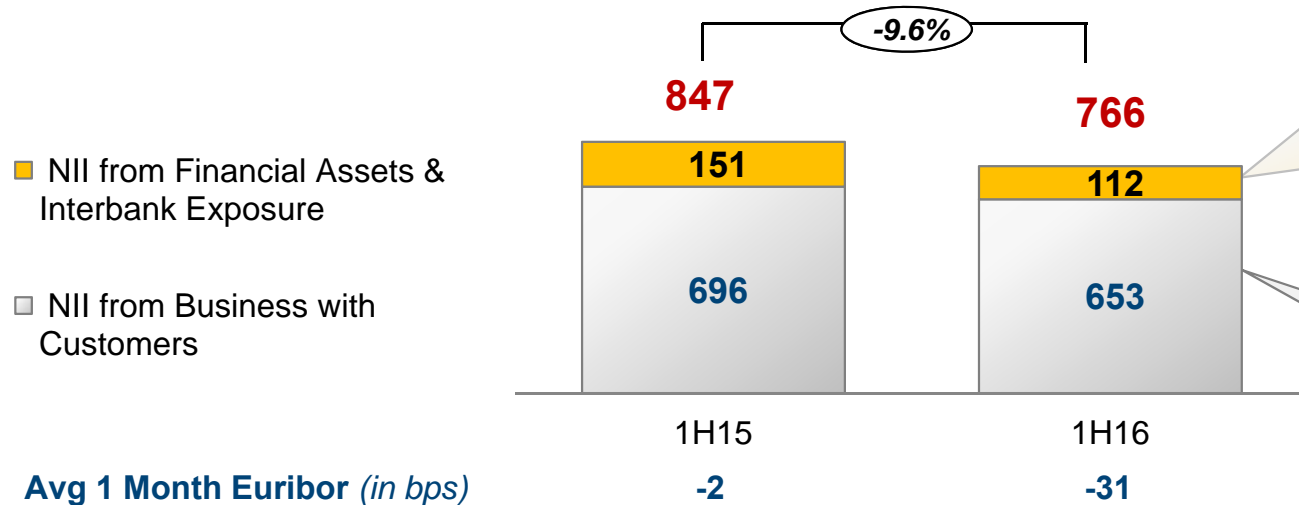
2Q15	1Q16	2Q16	% change 2Q16 vs 2Q15	% change 2Q16 vs 1Q16
417	388	378	(9.3%)	(2.5%)
328	337	330	0.7%	(2.0%)
53	16	67	26.0%	n.s.
13	5	7	(50.0%)	27.5%
32	27	34	5.1%	23.5%
843	773	815	(3.3%)	5.5%
(320)	(320)	(319)	(0.2%)	(0.1%)
(165)	(172)	(156)	(5.8%)	(9.5%)
(39)	(36)	(36)	(9.1%)	(1.0%)
(524)	(528)	(511)	(2.6%)	(3.2%)
319	245	305	(4.3%)	24.3%
(199)	(155)	(200)	0.6%	28.8%
(2)	0	(51)	n.s.	n.s.
(25)	(6)	(20)	(18.2%)	n.s.
0	0	1	n.s.	n.s.
93	84	35	(62.4%)	(58.4%)
(37)	(34)	(23)	(37.5%)	(32.4%)
(7)	(7)	(6)	(15.0%)	(15.5%)
49	43	6	(88.5%)	(86.9%)
-	-	(586)	n.s.	n.s.
-	(0)	(207)	n.s.	n.s.
-	-	(38)	n.s.	n.s.
-	-	(3)	n.s.	n.s.
49	42	(829)	n.s.	n.s.

2019/2020 Business Plan impacts

*virtual elimination of residual credit risk connected with financial instruments resulting from non-performing loan positions

1H2016 vs 1H2015: 50% of NII drop due to the reduction in the Italian Govies portfolio

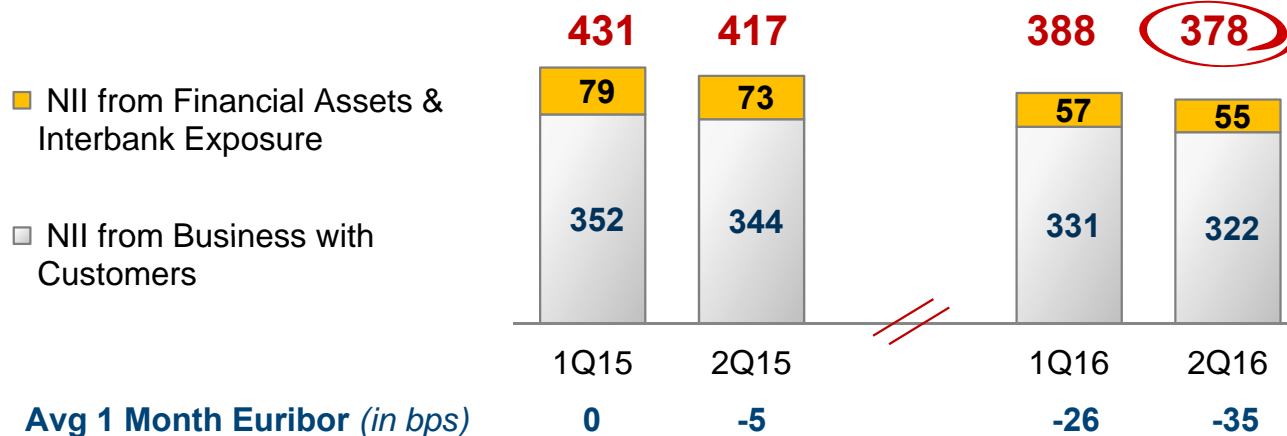
Net Interest Income half yearly trend (€ mln)



Securities portfolio contribution down by approx 40 mln/€ in 1H16 vs 1H15 following the progressive downsizing of the Italian Govies portfolio (-4.4 bln/€ yoy), in accordance with the reduction and recomposition strategy confirmed in the 2019/2020 Business Plan

Contribution of business with customers down by approx. 40 mln/€ **Customer spread** compression (-15 bps in 1H2016 and -6 bps in 2Q16), mainly due to lower mark up on short term lending and notwithstanding a decrease in more costly medium to long term funding

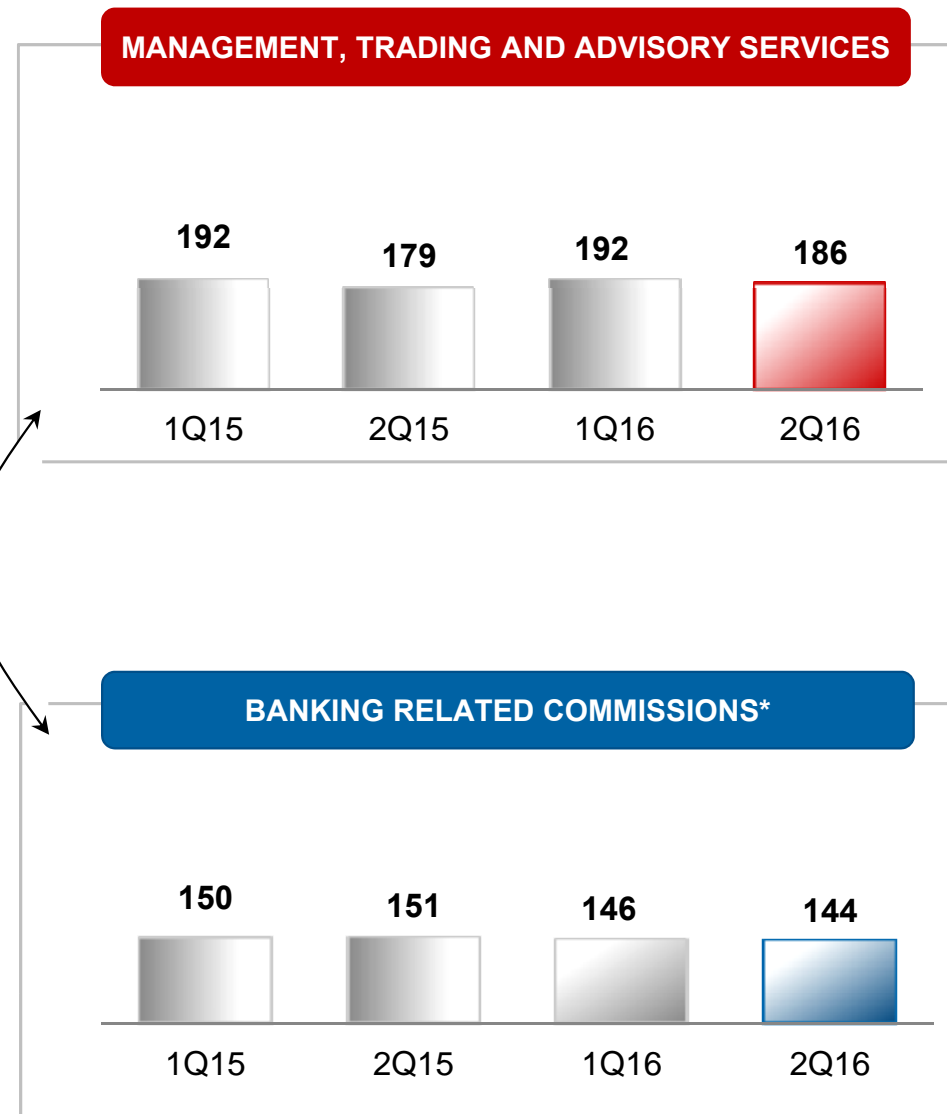
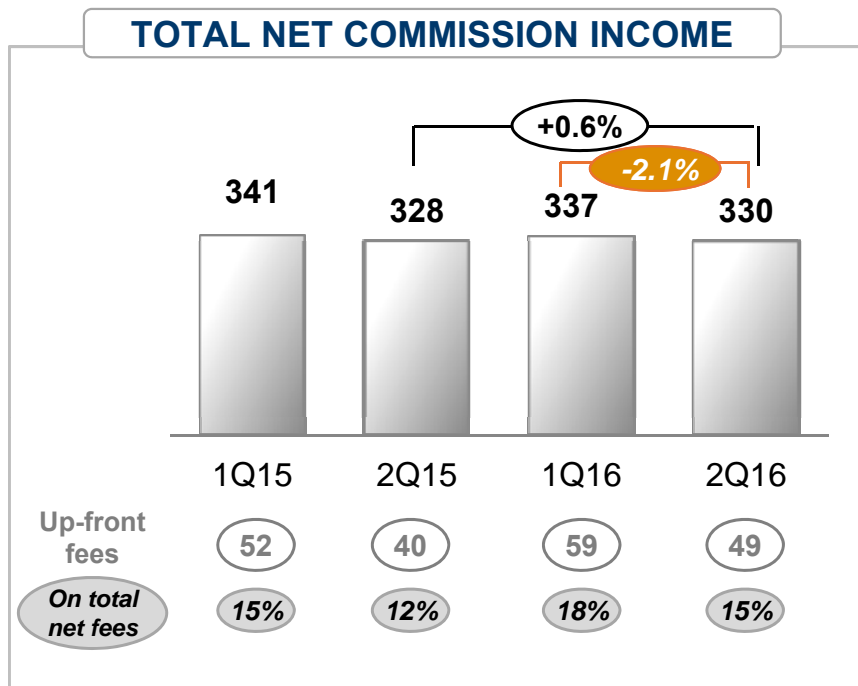
Net Interest Income quarterly trend (€ mln)



As from 2H16, placement of retail bonds will decrease in relation to new bail-in rules, replaced by a term deposit offer, allowing for a significant improvement of funding costs

Net Commission Income stable thanks to the good progress of asset management: 57% of net commission income related to Mgmt, trading and advisory services

(€ mln)



* Includes FX negotiations

For further detail please see annex 5

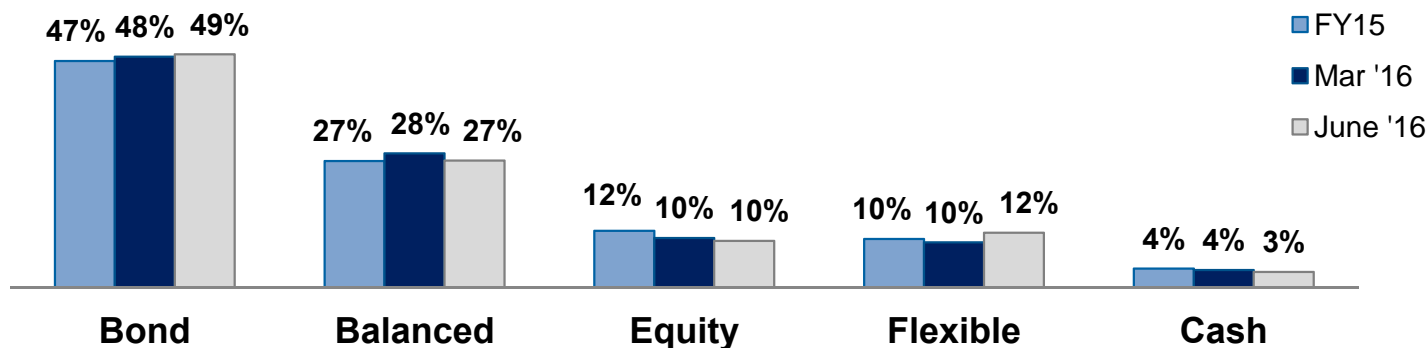
AuM and Bancassurance products up by 3.5% and 4.3% respectively vs March '16

INDIRECT FUNDING EVOLUTION

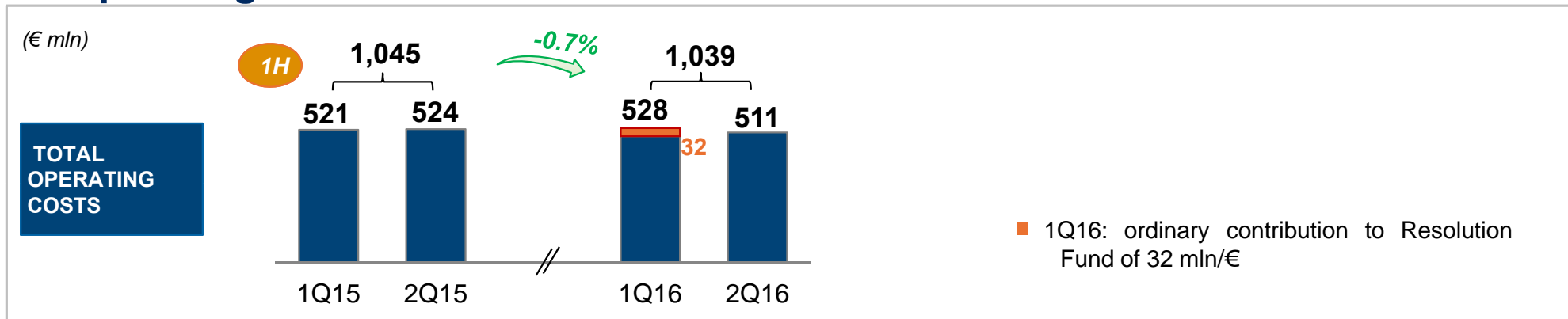
<i>bln/€</i>	Dec '15	Mar '16	June '16	% change vs Mar '16	% change vs Dec '15
AuM	34.1	34.1	35.3	3.5%	3.3%
Bancassurance	14.4	15.0	15.7	4.3%	8.4%
AuC	31.0	28.5	27.2	-4.6%	-12.3%
Total Indirect Funding	79.5	77.6	78.1	0.7%	-1.8%

Performance effect -3bln/€ in the period Dec'15 - Jun'16

UBI PRAMERICA SGR AuM composition

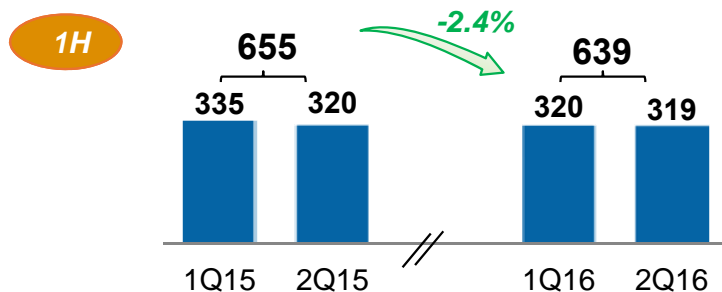


Operating costs confirm downward trend

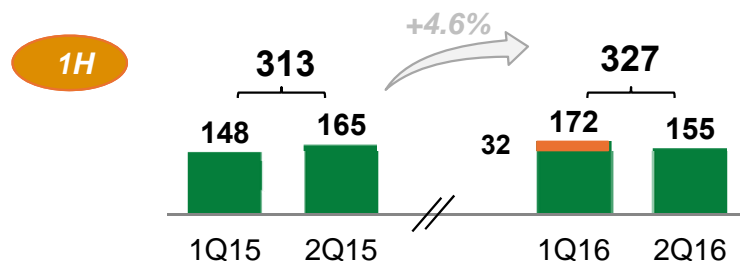


OF WHICH:

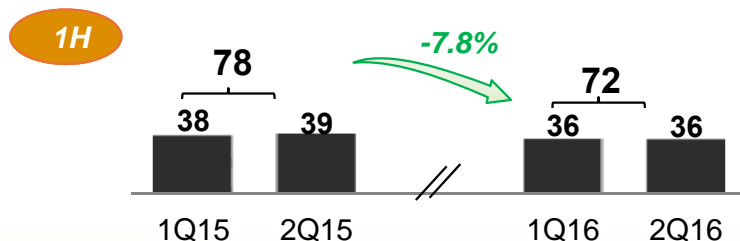
STAFF COSTS



OTHER ADM. EXPENSES



D&A



- Continuous drop in staff costs thanks to lower staff numbers (in average terms, -319 resources compared to 1H15) and to lower labour costs (staff turnover after voluntary exits, part time, etc...)
- Further reduction of staff costs expected in the course of the recently launched Business Plan (redundancy costs for approx 1,300 voluntary exits already booked in a separate line in 2Q2016 accounts)
- Change in Administrative expenses influenced by the inclusion in 2016 of the ordinary contribution to the Resolution Fund (32 mln/€)*. Net of this contribution, Other Administrative expenses drop by 5.6% yoy thanks to the decrease in almost all expense items
- Decrease in D&A due to lower amortization of IT and Real Estate

* In 2Q2015, the estimated contribution to the Resolution Fund, 22.8 mln/€ (13.2 net of tax and non controlling interest) was booked in the item "provisions for risks and charges"

For further detail please see annex 6

Outlook for ordinary operations (net of non recurring items)

- In consideration of the level of current market interest rates, expected to remain stable in coming months, **net interest income will benefit in the second half of 2016 from a progressive action to change the mix of retail direct funding towards the less costly short-term component, and it could improve if the recent recovery in volumes of lending continues**
- **Net fee and commission income** is forecast to continue to benefit in 2016 from the process to **change the mix of total funding in favour of assets under management and**, to a lesser extent, also from the gradual recovery in lending to customers
- The context on financial markets will still be one of **persistent volatility** and could limit opportunities for profit-taking on positive fair value reserves relating to the securities portfolio, compared with that achieved in the first half
- The continuous optimisation of other administrative expenses and the trade union agreement signed at the end of last year should make it possible to **contain operating expenses, net of non-recurring items, in line with 2015**, notwithstanding the increase in costs relating to the contribution to the Single Resolution Fund and the Deposit Guarantee Scheme
- The particularly low risk attaching to the performing portfolio and the **continuation of the reduction in inflows of new non-performing exposures, should confirm an expected further reduction in loan losses in the second half of 2016 compared with the same period in 2015, in accordance with the 2019-2020 Business Plan**

Main Reclassified Balance Sheet Items

MAIN ASSETS ITEMS <i>Figures in millions of euro</i>	30.06.2015	31.12.2015	31.03.2016	30.06.2016	% annual change	% quarterly change
Financial assets (AFS, HFT, FV, HTM)	21,870	20,239	20,306	19,741	-9.7%	-2.8%
Loans to customers	85,340	84,586	84,073	83,907	-1.7%	-0.2%
Property, equipment and investment property	1,756	1,744	1,674	1,660	-5.5%	-0.8%
Intangible assets	1,760	1,757	1,747	1,685	-4.3%	-3.5%
<i>of which: goodwill</i>	1,465	1,465	1,465	1,465	0.0%	0.0%
Tax assets	2,753	2,815	2,790	3,007	9.2%	7.7%
Other assets	1,435	1,172	895	1,081	-24.6%	20.8%
Total assets	119,454	117,201	116,689	116,660	-2.3%	0.0%
MAIN LIABILITIES AND EQUITY ITEMS <i>Figures in millions of euro</i>	30.06.2015	31.12.2015	31.03.2016	30.06.2016	% annual change	% quarterly change
Net interbank position*	5,858	6,960	7,904	9,761	66.6%	23.5%
Due to customers	55,331	55,264	56,528	55,460	0.2%	-1.9%
Securities issued	38,996	36,248	33,125	32,065	-17.8%	-3.2%
Tax liabilities	441	473	427	242	-45.2%	-43.5%
Net worth attributable to the Parent	9,762	9,865	9,878	9,629	-1.4%	-2.5%
Non-controlling interests	549	536	514	476	-13.3%	-7.5%
Profit for the period	124	117	42	(787)	ns	ns
Total liabilities and equity	119,454	117,201	116,689	116,660	-2.3%	0.0%

* Including €8.1 bln TLTRO1 replaced with € 10 bln TLTRO 2 taken in June '16

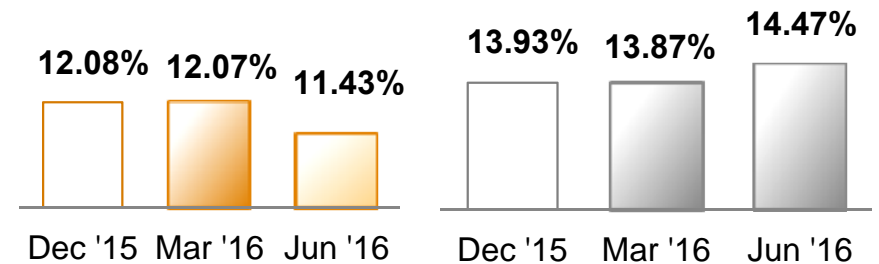
Capital Ratios (Phased in, Basel 3) as at Jun '16: Common Equity Tier 1 Ratio at 11.43%, Total Capital Ratio at 14.47%

<i>mIn€</i>	Dec '15	Mar '16	Jun '16
Common Equity Tier 1 Capital (before filters and transitional provisions)	8,182.0	8,127.4	6,892.5
Transitional provisions (minority interest)	176.6	115.8	117.8
Transitional provisions (AFS Reserves)	-59.1	-42.5	-40.9
Transitional provisions (loss of the period)			18.3
Transitional provisions (DTA)			91.1
Common Equity Tier 1 Capital filters	-3.1	-5.1	-4.6
Italian Govies filters	-191.0	-105.4	29.5
Common Equity Tier 1 (after filters)	8,105.4	8,090.1	7,103.9
<i>Common Equity Tier 1 regulatory adjustments: negative elements for deduction excess of expected losses over impairment losses</i>	-696.5	-754.4	-57.3
Common Equity Tier 1 Capital (CET1)	7,408.9	7,335.8	7,046.6
Additional Tier 1 before deductions	38.9	38.9	37.4
<i>Additional Tier 1 regulatory adjustments: negative elements for deduction excess of expected losses over impairment losses</i>	-38.9	-38.9	-19.1
Additional Tier 1	-	-	-
Tier 1 Capital	7,408.9	7,335.8	7,046.6
Tier 2 Capital before transitional provisions	1,443.5	1,287.2	1,889.3
<i>Tier 2 instruments grandfathering</i>	-	-	-
Tier 2 Capital after transitional provisions	1,443.5	1,287.2	1,889.3
Tier 2 capital regulatory adjustments	-307.3	-191.9	-13.9
<i>of which: negative elements for deduction excess of expected losses over impairment losses</i>	-315.2	-198.3	-19.1
Tier 2 Capital	1,136.1	1,095.3	1,875.4
TOTAL OWN FUNDS	8,545.0	8,431.0	8,922.0

<i>mIn€</i>	Dec '15	Mar '16	Jun '16
Risk weighted assets	61,344.9	60,780.6	61,665.4
Total prudential requirements			
<i>Credit risk</i>	4,536.7	4,523.1	4,577.5
<i>CVA (Credit Value Adjustment) risk</i>	15.5	18.2	17.7
<i>Market risk</i>	78.8	44.5	60.0
<i>Operational risk</i>	276.7	276.7	278.1

CET 1 PHASED IN

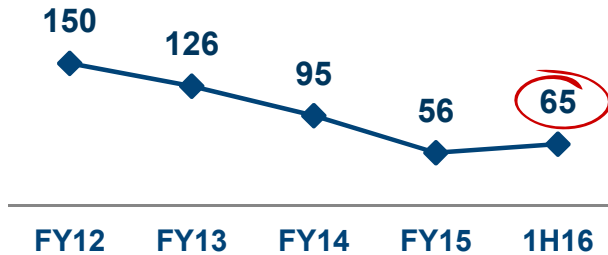
TOTAL CAPITAL PHASED IN



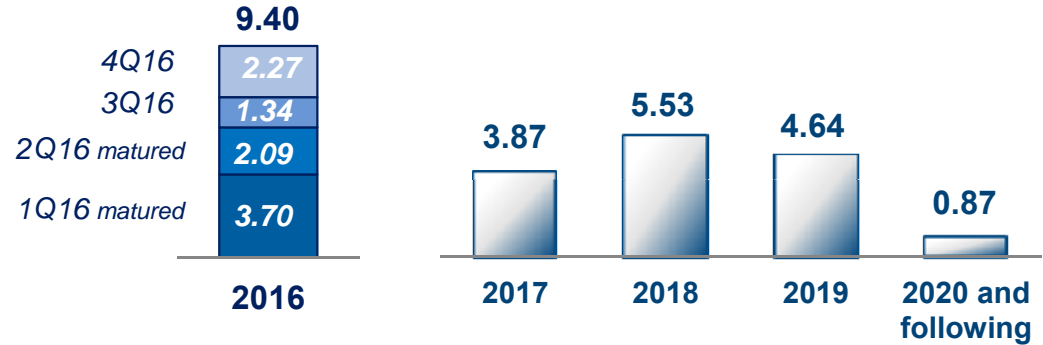
Bond maturities well planned and distributed over time

RETAIL BONDS

New issuances
Decreasing spreads vs. 6M Euribor (bps)



Maturities profile
(Nominal amounts in € bln, net of bond repurchases)

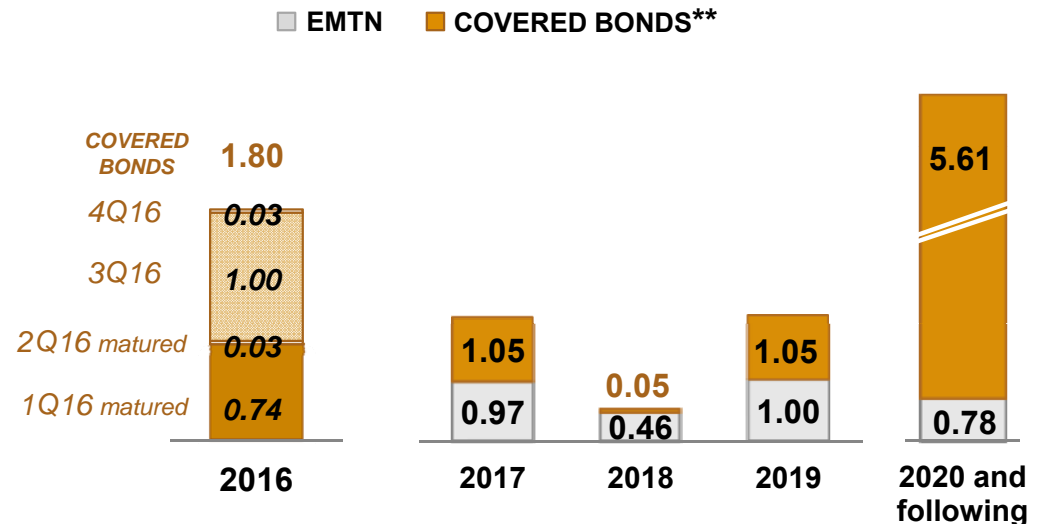


INSTITUTIONAL BONDS

In 1H16, 0.1 bln/€ EMTN expired*, whilst at the end of April 2016, a subordinated Tier 2 issue was launched and highly successfully placed

- amount: **750 mln/€**
- maturity: **10 years**
(callable after 5 years)
- coupon: **4.25%**
(spread of 4.182% over the swap rate)

Maturities profile
(Nominal amounts in € bln)



* In 2016, a further 0.07 bln/€ expected to mature in 4Q

** Inclusive of original 0.5 bln/€ of private placement with BEI expiring within 2022. Retained issues not included

Net Interest Income – Consolidated Customer Spread Details

CUSTOMER SPREADS						
<i>in bps on avg. STOCK*</i>	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
1M Euribor	0	-5	-9	-15	-26	-35
Mark up vs 1M Euribor	275	269	259	256	260	258
<i>Short term</i>	323	308	293	283	280	275
<i>Medium-long term</i>	262	259	251	250	255	254
Mark down vs 1M Euribor	-89	-86	-85	-84	-87	-91
<i>Sight deposits</i>	-16	-18	-19	-24	-35	-43
<i>Term deposits</i>	-112	-89	-94	-81	-87	-87
<i>Retail bonds</i>	-136	-129	-124	-125	-130	-130
<i>Institutional bonds</i>	-186	-187	-187	-174	-165	-162
UBI Group - Customer spread	186	183	174	172	173	167
<i>of which</i>						
UBI Network Banks cust. spread	201	196	190	185	181	176

* Average period data referred to the whole consolidated Group (Network banks+ Product companies + UBI)

Detail of Net Commission Income at 330 mln/€

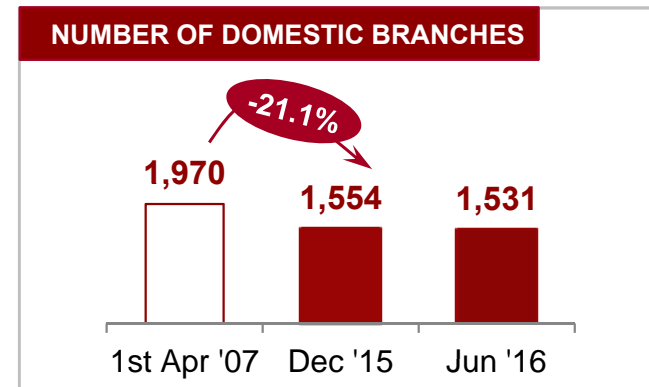
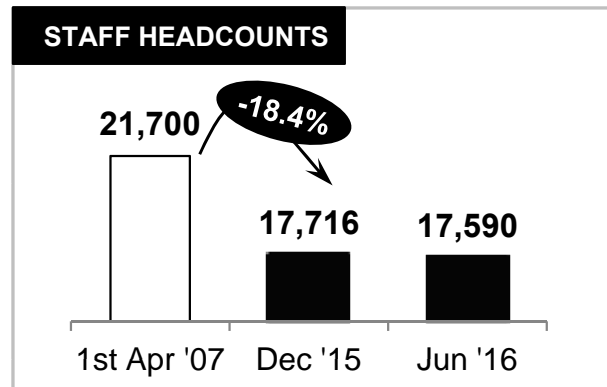
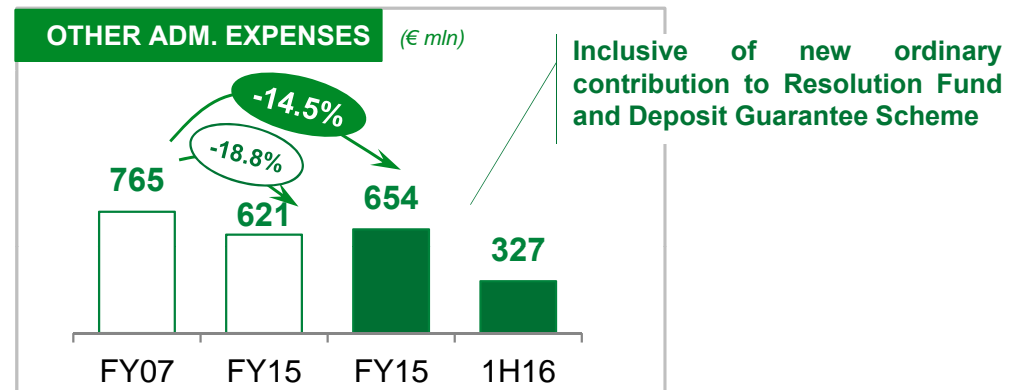
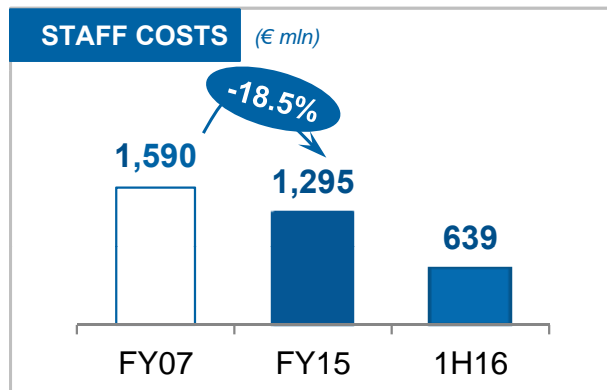
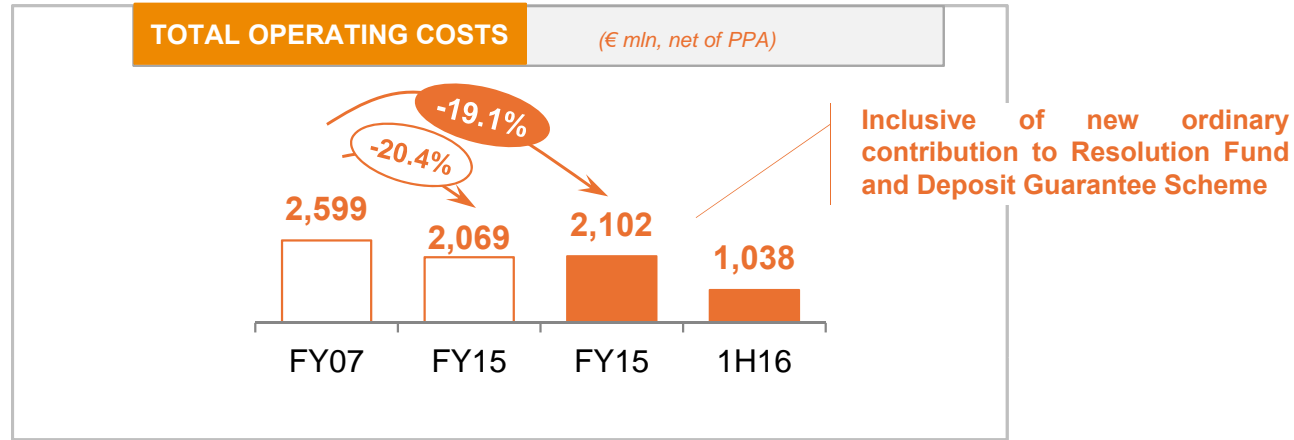
Net Commission Income (€ mln)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
MANAGEMENT, TRADING & ADVISORY SERVICES	192	177	149	181	192	186
<i>of which:</i>						
<i>Portfolio management</i>	77	80	75	98	75	78
<i>Placement of securities</i>	68	53	35	33	67	60
<i>Third party services distribution</i>	46	45	39	49	49	47
BANKING RELATED COMMISSIONS*	150	151	151	150	146	144
<i>of which:</i>						
<i>Guarantees (banking activity)</i>	14	11	10	10	13	10
<i>Collection and payment services</i>	27	29	27	29	24	26
<i>Services for factoring transactions</i>	4	4	4	4	4	3
<i>Current accounts management</i>	46	48	49	51	44	46
<i>Other services</i>	57	57	59	54	59	56
TOTAL NET COMMISSION INCOME	341	328	300	331	337	330
<i>of which</i>						
<i>UP-FRONT FEES**</i>	52	40	27	28	59	49
<i>as a % on total net commission income</i>	15%	12%	9%	8%	18%	15%

* Includes FX negotiations.

** Funds&sicav, insurance products, other third party products

Strong track record in cost management from 2007 to 2015, confirmed in 2016

(Amounts net of non-recurring items)



Note: staff headcounts at the end of the period