

Interim financial report

**as at and for the half year
ended 30th June 2016**

*Translation from the Italian
original which remains the
definitive version*

UBI  **Banca**
UNIONE DI BANCHE ITALIANE

Joint Stock Company
Head Office and General Management: Piazza Vittorio Veneto 8, Bergamo (Italy)
Operating offices: Bergamo, Piazza Vittorio Veneto 8; Brescia, Via Cefalonia 74
Member of the Interbank Deposit Protection Fund and the National Guarantee Fund
Tax Code, VAT No. and Bergamo Company Registration No. 03053920165
ABI (Italian Banking Association) 3111.2 Register of Banks No. 5678 Register of banking groups No. 3111.2
Parent of the Unione di Banche Italiane Banking Group
Share capital as at 30th June 2016: Euro 2,254,371,430 fully paid up

www.ubibanca.it

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UBI Banca: company officers

Honorary Chairman

Giuseppe Vigorelli

Supervisory Board (appointed by a Shareholders' Meeting on 2nd April 2016)

Chairman
Senior Deputy Chairman
Deputy Chairman
Deputy Chairman

Andrea Moltrasio
Mario Cera
Pietro Gussalli Beretta
Armando Santus
Francesca Bazoli
Letizia Bellini Cavalletti
Pierpaolo Camadini
Alessandra Del Boca
Giovanni Fiori
Patrizia Michela Giangualano
Paola Giannotti
Gian Luigi Gola
Lorenzo Renato Guerini
Giuseppe Lucchini
Sergio Pivato

Management Board (appointed by the Supervisory Board on 14th April 2016)

Chairwoman
Deputy Chairman
Chief Executive Officer

Letizia Bricchetto Arnaboldi Moratti
Flavio Pizzini
Victor Massiah(*)
Silvia Fidanza
Osvaldo Ranica
Elvio Sonnino
Elisabetta Stegher

General Management

General Manager
Senior Deputy General Manager
Deputy General Manager
Deputy General Manager

Victor Massiah(*)
Elvio Sonnino
Frederik Geertman(**)
Rossella Leidi

Senior Officer Responsible in accordance with Art. 154 bis of the Consolidated Finance Act

Elisabetta Stegher

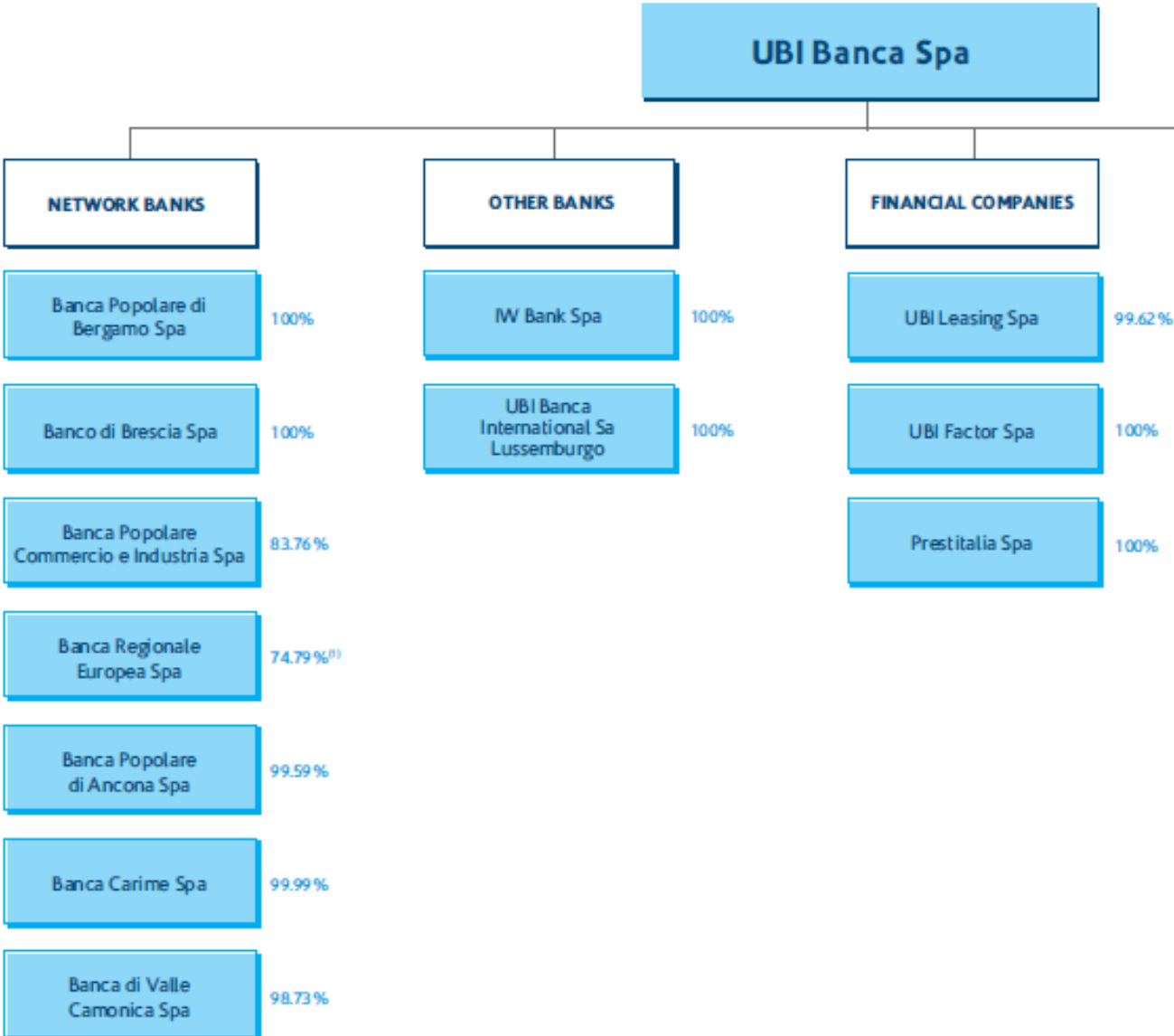
Independent Auditors

DELOITTE & TOUCHE Spa

(*) Appointed Chief Executive Officer and General Manager by the Management Board on 15th April 2016.

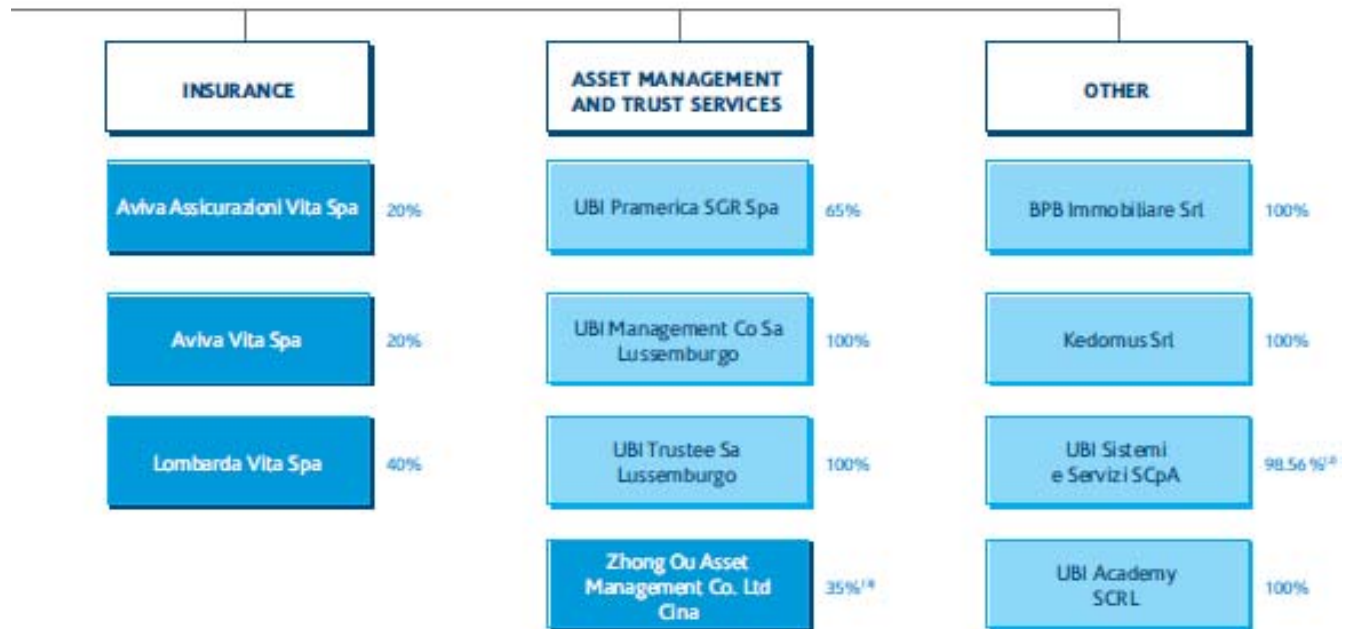
(**) Appointed Deputy General Manager with effect from 1st August 2016.

UBI Banca Group: the main investments as at 30th June 2016

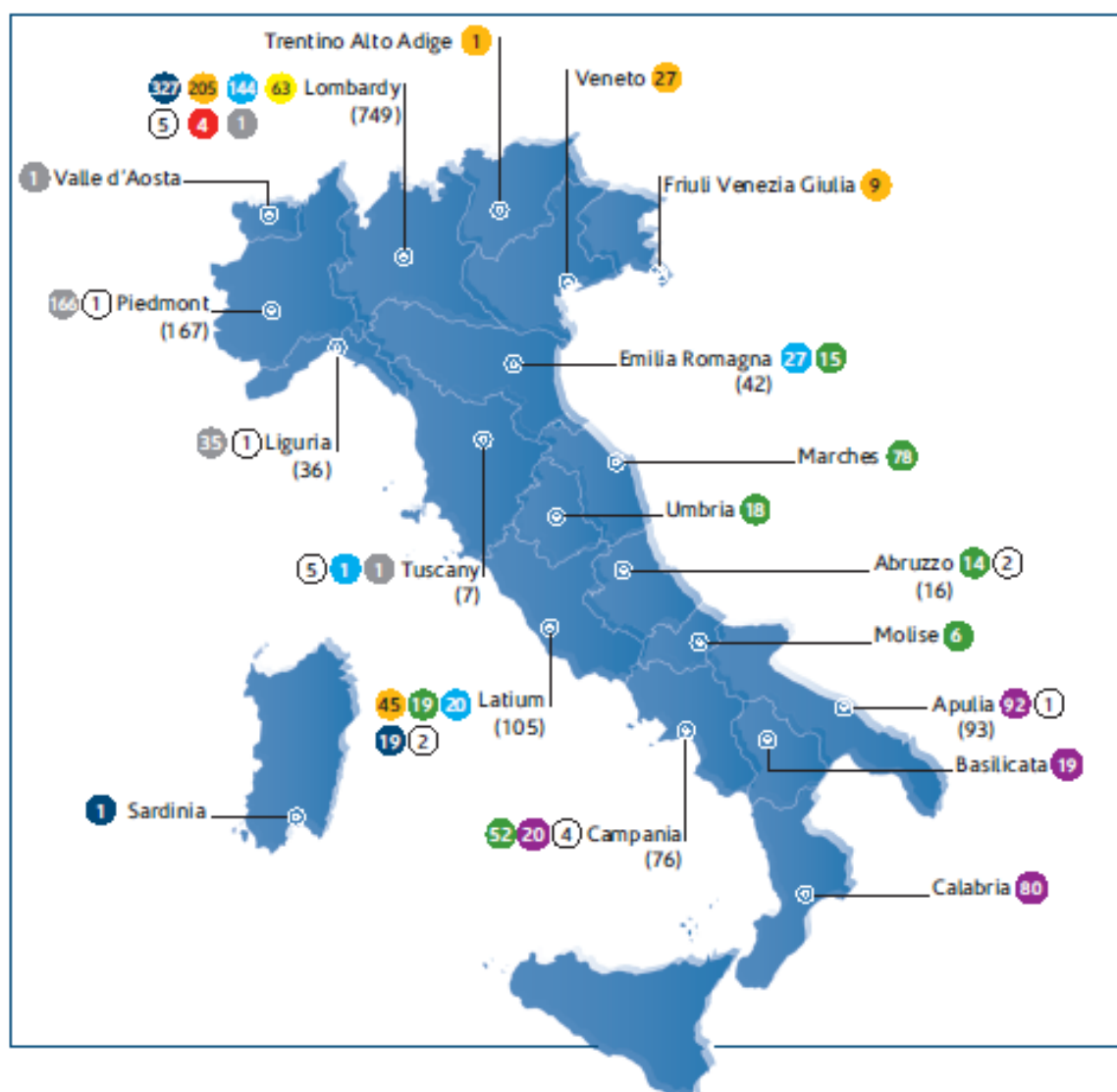


(1) The percentage represents the control of the total share capital held (ordinary, savings and privileged shares).
 (2) The remaining 1.44% is held by Cargas Assicurazioni Spa (the former UBI Assicurazioni Spa).
 (3) In June 2015 one third of the stake held was classified within assets held for disposal in accordance with IFRS 5.

The percentages relate to the total interests held (direct and indirect) by the Group in the entire share capital.



UBI Banca Group: branch network as at 30th June 2016



Branches in Italy	1,531	Branches abroad	6
UBI Banca Spa	4	Banca Regionale Europea Spa Nizza, Mentone, Antibes (France)	
Banca Popolare di Bergamo Spa	347	UBI Banca International Sa (Luxembourg) Luxembourg, Munich (Germany), Madrid (Spain)	
Banco di Brescia Spa	287	International presences	
Banca Popolare Commercio e Industria Spa	192	UBI Factor Spa Krakow (Poland)	
Banca Regionale Europea Spa	204	UBI Management Co. Sa Luxembourg	
Banca Popolare di Ancona Spa	202	Zhong Ou Asset Management Co. Ltd Shanghai (China)	
Banca Carime Spa	211	UBI Trustee Sa Luxembourg	
Banca di Valle Camonica Spa	63	Representative offices São Paulo (Brazil), Moscow, Mumbai, Hong Kong, Shanghai, Dubai, New York, Casablanca.	
IW Bank Spa	21		

UBI Banca Group: key figures and performance indicators¹

	30.6.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
STRUCTURAL INDICATORS									
Net loans and advances to customers/total assets	71.9%	72.2%	70.3%	71.2%	70.1%	76.8%	78.0%	80.1%	79.0%
Direct funding from customers/total liabilities	75.0%	78.1%	76.5%	74.5%	74.6%	79.2%	81.8%	79.5%	80.0%
Net loans and advances to customers/direct funding from customers	95.9%	92.4%	91.9%	95.5%	94.0%	97.0%	95.4%	100.8%	98.7%
Equity (including profit/loss for the period)/total liabilities	7.6%	8.5%	8.1%	8.3%	7.4%	6.9%	8.4%	9.3%	9.1%
Assets under management/indirect funding from individual customers	65.2%	61.1%	57.1%	55.2%	54.3%	51.2%	54.6%	53.2%	53.1%
Leverage ratio (total assets - intangible assets)/(equity inclusive of profit/loss + equity attributable to non-controlling interests - intangible assets)	15.1	13.2	14.0	14.7	17.0	18.5	19.3	17.1	17.3
PROFIT INDICATORS									
ROE (net profit)/(equity inclusive of profit (loss) for the period)	n.s.	1.2%	2.4%	2.4%	0.8%	3.9%	1.6%	2.4%	0.6%
ROTE (net profit/tangible equity (equity inclusive of profit (loss) - intangible assets))	n.s.	1.4%	2.9%	3.4%	1.2%	5.9%	3.1%	4.6%	1.2%
ROA (net profit/total assets)	n.s.	0.10%	0.19%	0.20%	0.06%	0.27%	0.13%	0.22%	0.06%
The cost/income ratio (operating expenses/operating income)	65.4%	64.5%	61.8%	62.3%	64.3%	69.5%	70.6%	64.4%	63.9%
Staff costs/operating income	40.2%	38.4%	38.2%	37.9%	39.0%	41.4%	41.5%	37.5%	38.8%
Net impairment losses on loans/net loans to customers (loan losses)	2.88%	0.95%	1.08%	1.07%	0.91%	0.61%	0.69%	0.88%	0.59%
Net interest income/operating income	48.2%	48.4%	53.3%	50.9%	52.8%	61.7%	61.3%	61.5%	68.7%
Net fee and commission income/operating income	42.0%	38.6%	36.0%	34.5%	33.5%	34.7%	33.9%	31.1%	33.3%
Net result on financial activities/operating income	5.2%	8.6%	5.9%	9.4%	7.3%	0.2%	1.0%	3.2%	-5.9%
RISK INDICATORS									
Net bad loans/net loans to customers	4.59%	5.07%	4.70%	3.89%	3.18%	2.49%	1.91%	1.36%	0.88%
Net impairment losses on bad loans/gross bad loans (coverage for bad loans)	46.66%	38.64%	38.56%	41.60%	42.60%	43.31%	48.69%	51.57%	54.58%
Coverage for bad loans, gross of write-offs of positions subject to bankruptcy proceedings and the relative impairment losses ²	58.25%	52.25%	53.36%	56.05%	57.63%	59.06%	63.62%	66.10%	
Net non-performing loans/net loans and advances to customers	10.14%	11.45%	11.10%	10.53%	8.73%	6.30%	5.17%	4.62%	2.40%
CAPITAL RATIOS Basel 3 from 31 3 2014 ³									
Tier 1 ratio (Tier 1 capital after filters and deductions/risk weighted assets)	11.43%	12.08%	12.33%	13.23%	10.79%	9.09%	7.47%	7.96%	7.73%
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk weighted assets)	11.43%	12.08%	12.33%	12.60%	10.29%	8.56%	6.95%	7.43%	7.09%
Total capital ratio (total own funds/risk weighted assets)	14.47%	13.93%	15.29%	18.91%	16.01%	13.50%	11.17%	11.91%	11.08%
Total own funds (figures in thousands of euro)	8,921,987	8,545,017	9,441,598	11,546,144	12,203,619	12,282,153	10,536,200	10,202,555	9,960,812
of which: Tier 1 capital after filters and deductions	7,046,590	7,408,894	7,615,265	8,075,247	8,263,720	8,276,278	7,047,888	6,816,876	6,944,723
Risk weighted assets	61,665,379	61,344,866	61,762,588	61,045,600	76,589,350	91,010,213	94,360,909	85,677,000	89,891,825
INCOME STATEMENT, BALANCE SHEET FIGURES (in thousands of euro), STRUCTURAL DATA (numbers)									
Profit (loss) for the period/year attributable to the shareholders of the Parent	(786,985)	116,765	(725,767)	250,830	82,708	(1,841,488)	172,121	270,099	69,001
Profit (loss) for the period/year attributable to the shareholders of the Parent before the impact of the Business Plan (and redundancy expenses and impairment)	(537,930)	182,774	233,230	314,550	184,581	349,373	177,293	289,022	88,810
Profit (loss) for the year/period attributable to the shareholders of the Parent normalised	(556,243)	195,132	146,537	100,220	97,324	111,562	105,116	173,380	425,327
Operating income	1,588,406	3,370,864	3,409,630	3,437,292	3,526,311	3,438,339	3,496,061	3,906,247	4,089,739
Operating expenses	(1,038,154)	(2,175,181)	(2,108,222)	(2,141,798)	(2,266,660)	(2,389,626)	(2,468,564)	(2,514,347)	(2,611,348)
Net loans and advances to customers	83,906,862	84,586,200	85,644,223	88,421,467	92,887,969	99,689,770	101,814,829	98,007,252	96,368,452
of which: net bad loans	3,848,817	4,287,929	4,025,079	3,437,125	2,951,939	2,481,417	1,939,916	1,332,576	848,671
net non-performing loans	8,511,983	9,688,549	9,508,105	9,312,273	8,105,174	6,279,884	5,261,129	4,532,234	2,315,913
Direct funding from customers	87,524,908	91,512,399	93,207,269	92,603,936	98,817,560	102,808,654	106,760,045	97,214,405	97,591,237
Indirect funding from customers	78,097,204	79,547,957	75,892,408	71,651,786	70,164,384	72,067,569	78,078,869	78,791,834	74,288,053
of which: assets under management	50,914,753	48,567,539	43,353,237	39,553,848	38,106,037	36,892,042	42,629,553	41,924,931	39,430,745
Total funding from customers	165,622,112	171,060,356	169,099,677	164,255,722	168,981,944	174,876,223	184,838,914	176,006,239	171,879,290
Equity attributable to the shareholders of the Parent (including profit (loss) for the period/year)	8,842,343	9,981,862	9,804,048	10,339,392	9,737,882	8,939,023	10,979,019	11,411,248	11,140,207
Intangible assets	1,685,184	1,757,468	1,776,925	2,918,509	2,964,882	2,987,669	5,475,385	5,523,401	5,531,633
Total assets	116,660,235	117,200,765	121,786,704	124,241,837	132,433,702	129,803,692	130,558,569	122,313,223	121,955,685
Branches in Italy	1,531	1,554	1,668	1,725	1,727	1,875	1,892	1,955	1,944
Total staff at the end of the period (actual employees in service + workers on agency leasing contracts)	17,590	17,716	18,132	18,337	19,090	19,407	19,699	20,285	20,680
Average total staff ⁴ (actual employees in service + workers on agency leasing contracts)	16,492	16,756	17,462	17,625	18,490	18,828	19,384	20,185	20,606
Financial advisors	831	824	713	671	672	713	786	880	924

1 The indicators have been calculated using the reclassified figures contained in the section "Reclassified consolidated financial statements, reclassified income statement net of the most significant non-recurring items and reconciliation schedules" in the Interim Consolidated Management Report.

Account has been taken with regard to the Alternative Performance Measures reported in the Interim Consolidated Management Report of the ESMA guidelines issued on 5th October 2015, which came into force on the 3rd July 2016.

Information on the share is given in the pages that follow.

In consideration of the loss recorded for the period, profit indicators have not been given for the first half of 2016 because they hold little significance.

The profit indicators for 2014 and 2011 were calculated on profit for the year before redundancy expenses and impairment losses.

2 The coverage for bad loans inclusive of write-offs as at 31st December 2015 has been restated because financial accounting data has been used since that date; the percentages shown for previous periods, however, remain of a management accounting nature.

3 The figures as at 31st December 2013 and as at 31st December 2012 were calculated according to AIRB Basel 2 rules and relate to the following ratios respectively: the Tier 1 ratio (Tier 1 capital/risk weighted assets); the core Tier 1 ratio after specific deductions from the Tier 1 capital (Tier 1 capital net of preference shares and savings or privileged shares held by non-controlling interests/risk weighted assets); total capital ratio (regulatory capital + Tier 3 / risk weighted assets).

For previous periods the figures were calculated according to the Basel 2 standard rules.

4 Part time employees have been calculated within total average staff numbers according to convention on a 50% basis.

The rating

The ratings assigned to the UBI Banca Group by the main international agencies are given here.

On 25th January 2016, following the entry into force of decrees to implement the BRRD Directive in Italy – which set 1st January 2019 as the date for the application of “extended depositor preference” – **Moody’s**, having concluded its review commenced in October, announced that it had raised its rating on the long-term deposits of 18 Italian banks. The rating on UBI Banca’s long-term deposits was upgraded to Baa1 from the previous Baa2 (+1 notch), with outlook stable. All the other ratings remained unchanged.

MOODY'S	
Long-term Bank deposits rating (I)	Baa1
Short-term Bank deposits rating (II)	Prime-2
Baseline Credit Assessment (BCA) (III)	ba1
Long-term Issuer Rating (IV)	Baa2
Long-term Counterparty Risk Assessment (V)	Baa1(cr)
Short-term Counterparty Risk Assessment (V)	Prime-2(cr)
Outlook	Stable
RATINGS ON ISSUES	
Senior unsecured rating	Baa2
Subordinate debt	Ba2
Euro Commercial Paper Programme	Prime-2
Covered Bonds (First Programme – residential mortgages)	Aa2

(I) The ability to repay long-term deposits (with original maturity of one year or more) in local currency.
(Aaa: best rating – C: default)

(II) The ability to repay short-term deposits (with original maturity of 13 months or less) in local currency.
(Prime -1: highest quality – Not prime: not classifiable within any of the prime categories)

(III) The BCA is not a rating but an opinion on the intrinsic financial strength of the bank in the absence of external support
(Aaa: best rating – C: default)

(IV) Rating on the ability of the issuer to honour senior debt and bonds
(Aaa: best rating – C: default)

(V) The counterparty risk (CR) assessment is not a rating but an opinion on the likelihood of a default on certain senior operating obligations and other contractual commitments entered into by the bank
[Aaa(cr): best rating – C (cr): default]
[P-1 (cr): best rating – Not prime (cr): not classifiable within any of the prime categories]

On 3rd July 2016, **Standard & Poor's Global Ratings** reviewed its long-term rating for the Group raising it to stable from negative and at the same time it confirmed all the existing ratings: "BBB-" for its long-term rating and "A-3" for its short-term rating, both in line with its sovereign ratings.

According to the rating agency the stabilisation of economic conditions and the slowdown in the deterioration of the UBI Banca’s assets will allow it to gradually continue to strengthen its core capital through internal generation.

STANDARD & POOR'S GLOBAL RATINGS	
Short-term Issuer Credit Rating (i)	A-3
Long-term Issuer Credit Rating (i)	BBB-
Stand Alone Credit Profile (SACP) (ii)	bbb-
Outlook (long-term rating)	Stable
RATINGS ON ISSUES	
Senior unsecured debt	BBB-
Subordinate debt	BB
French Certificats de Dépôt Programme	A-3

(i) The issuer credit rating reflects the agency’s opinion of the intrinsic creditworthiness of the bank combined with an assessment of the potential for future support that the bank might receive in the event of default (from government or from the group to which it belongs).
Short-term: ability to repay short-term debt with a maturity of less than one year (A-1: best rating – D: default)
Long-term: ability to pay interest and principal on debt with a maturity of longer than one year
(AAA: best rating – D: default)

(ii) The SACP is a rating of the intrinsic creditworthiness of the bank in the absence of external support (from government or from the group to which it belongs). It is calculated on the basis of an “anchor SACP”, which summarises economic and industry risk for the Italian banking sector. This is then adjusted to take account of bank-specific factors such as capitalisation, market positioning, exposure to risk and the funding and the liquidity situation, which are also assessed from a comparative viewpoint.

As part of a periodic review, on 24th March 2016 **Fitch Ratings** confirmed its rating for UBI Banca changing the outlook from stable to negative.

Even though UBI Banca has a percentage of gross non-performing loans that is lower than the average for Italian banks, this agency wished to underline its opinion on the Bank's strategy for managing non-performing loans which, similarly to other Italian banks, gives priority to protecting the value of the relative collateral, rather than trying to substantially reduce the outstanding total, which in net terms is now equal in amount to the Group's own funds.

FITCH RATINGS	
Short-term Issuer Default Rating (1)	F3
Long-term Issuer Default Rating (2)	BBB
Viability Rating (3)	bbb
Support Rating (4)	5
Support Rating Floor (5)	NF (No Floor)
Outlook (Long-term Issuer Default Rating)	Negative
RATINGS ON ISSUES	
Senior unsecured debt	BBB
Subordinate debt	BBB-

- (1) The ability to repay debt in the short-term (less than 13 months) (F1+: best rating – D: default)
- (2) The ability to promptly meet financial commitments in the long-term, independently of the maturity of individual obligations. This rating is an indicator of the probability that an issuer will default. (AAA: best rating – D: default)
- (3) An assessment of a bank's intrinsic strength in the event that it cannot rely on forms of external support (aaa: best rating – f: default).
- (4) A rating of the likelihood of possible external support (from the state or large shareholders) if the bank finds itself in difficulty. [1: high probability of external support – 5: no reliance may be placed on any possible support (as is the case for European banks subject to the BRRD resolution regime)]
- (5) This rating gives additional information, closely linked to the Support Rating, in that for each level of the Support Rating it identifies the minimum level which the Issuer Default Rating could reach if negative events were to occur (No Floor for European banks subject to the BRRD resolution regime).

On 2nd February 2016, **DBRS** published its new methodology – Critical Obligations Rating (COR). This assigns a specific rating to address the risk of default of particular obligations/exposures considered critical, but which have a higher probability of being excluded from bail-in (such as those resulting from derivatives, payment services, covered bond issues, etc.).

On the following 4th February, DBRS published the assignment of its new ratings for 33 European banking groups, including UBI Banca. The ratings assigned are “R-1 (low)” and “A” for the short-term and long-term CORs respectively (in the latter case two notches higher than the Intrinsic Assessment).

On 10th March, on conclusion of a review commenced at the beginning of February to address both the introduction of the new CORs and some changes to methodologies for ratings on European covered bonds, this agency confirmed its “AA (low)” rating on the first programme backed by residential mortgages and it raised its rating on the second programme backed mainly by commercial mortgages from “A (low)” to “A”.

DBRS	
Issuer rating (I)	BBB (high)
Senior Long-term Debt and Deposit rating (II)	BBB (high)
Short-term Debt and Deposit rating (III)	R-1 (low)
Intrinsic Assessment (IA) (IV)	BBB (high)
Support Assessment (V)	SA3
Long-Term Critical Obligations rating	A
Short-Term Critical Obligations rating	R-1 (low)
Outlook (all ratings)	Stable
RATINGS ON ISSUES	
Senior unsecured	BBB (high)
Subordinate debt	BBB
Euro Commercial Paper Programme	R-1 (low)
French Certificats de Dépôt Programme	R-1 (low)
Covered Bonds (First Programme – residential mortgages)	AA (low)
Covered Bonds (Second Programme – commercial mortgages)	A

- (I) The issuer rating is not a rating on issues but on the issuer, because it is an assessment of its creditworthiness. The rating is generally assigned on a long-term basis using the long-term rating scale. In the banking sector, the Issuer Rating represents the final rating on the credit worthiness of a bank which incorporates both the Intrinsic Assessment and possible considerations regarding external support.
- (II) The ability to repay long-term debt (maturing in more than one year) (AAA: highest credit quality – C: very highly speculative)
- (III) The ability to repay short-term debt (maturing in less than one year) [R-1 (high): highest credit quality - R-5: very highly speculative]
- (IV) The Intrinsic Assessment (IA) is a rating of the intrinsic financial strength of a bank in the absence of external support. It assesses a bank's intrinsic fundamentals in five areas: commercial network, earnings capacity, liquidity and funding, risk profile and capitalisation.
- (V) External support assessment (Group to which it belongs or government) in case of need [SA1: internal support from the group to which it belongs; SA2: external support (government); SA3: no external support – SA4: potential support to the group to which it belongs]



**INTERIM CONSOLIDATED
MANAGEMENT REPORT
AS AT AND FOR THE PERIOD ENDED
30TH JUNE 2016**

The macroeconomic scenario¹

The unexpected result of the referendum for the United Kingdom to leave the European Union (Brexit) rendered the macroeconomic scenario even more uncertain and difficult, as it was already subject in the preceding months to growing risks of instability. The increased doubts over the slowdown of the Chinese economy – which at the beginning of the year had generated turbulence on financial and commodities markets – as well as the persistent international tensions caused by geopolitical factors and large-scale terrorist incidents maintained volatility on markets at high levels during the first half and helped dampen the weak economic recovery in progress.

The result of the referendum held in the United Kingdom on 23rd June, which saw the majority vote in favour of leaving the European Union, produced a situation without precedent in the process of European integration and for which it is difficult to forecast the possible long-term repercussions. The impact on currency and financial markets was immediate. It was countered by action taken by monetary authorities which helped to partially cushion it in the days that followed. While the intensity of the short and medium-term impacts will depend on the speed and clarity of intent with which political authorities respond to this shock, in the long-term the repercussions on the economies of the United Kingdom² and the euro area will depend on the new trade and finance structure which results from a complex negotiating process with uncertain outcomes³.

The repercussions of the British referendum risk fuelling feelings of dissatisfaction with the European project that are already widespread, especially in countries about to hold elections in coming months⁴, despite the weakening of protest movements in the recent Spanish national elections⁵.

The dangers already present that risk undermining the identity of the union include the negotiations for the revision of the third programme of financial support for Greece agreed in July 2015⁶ and the migrant emergency for which no convincing shared policy for receiving them has been agreed which puts solidarity before the defence of national interests⁷.

In this context there is also the possibility of further delays to the completion of the banking union which could increase the vulnerability of the euro area and make it more difficult to react adequately to shocks and to prevent further effects of contagion from arising.

Fluctuation of the spread between ten-year BTPs and the equivalent German Bunds grew during the course of the first half (only temporarily reduced by an expansion of the

1 Prepared on the basis of data available as at 19th July 2016, except for mutual investment funds.

2 As a direct consequence of the British vote, the agency Standard & Poor's Global Ratings downgraded the United Kingdom from AAA to AA with a negative outlook due to uncertainty over the economic prospects of the country and over the role of sterling as a reserve currency. It was also due to doubts over existing borders following demands for independence from Scotland and Northern Ireland who intend to enforce their desire to remain within the European Union. Fitch also cut its rating from AA+ to AA.

3 Article 50 of the Treaty on the European Union lays down the procedure to follow should a member state decide to withdraw from the EU. This case, which has never occurred before, brings up many uncertainties from an institutional viewpoint. The first step must be taken by the United Kingdom which must notify the European Council of the decision, after which negotiations with the EU will commence to reach an agreement on the leaving procedures. The exit will be concluded when that agreement comes into force, or, in its absence, two years after notification, the time limit which could be extended by the European Council, but only by a unanimous decision. In any event there will be no legal vacuum, because the United Kingdom will remain a member of the EU with all the relative rights and obligations until the exit procedure is completed. One immediate consequence of the referendum result was the annulment of the agreement concluded at a meeting of the European Council held in February 2016 to strengthen the special status of the United Kingdom in the EU. The effect of this agreement was in any case suspended until the country itself notifies the EU of a decision to remain within the union.

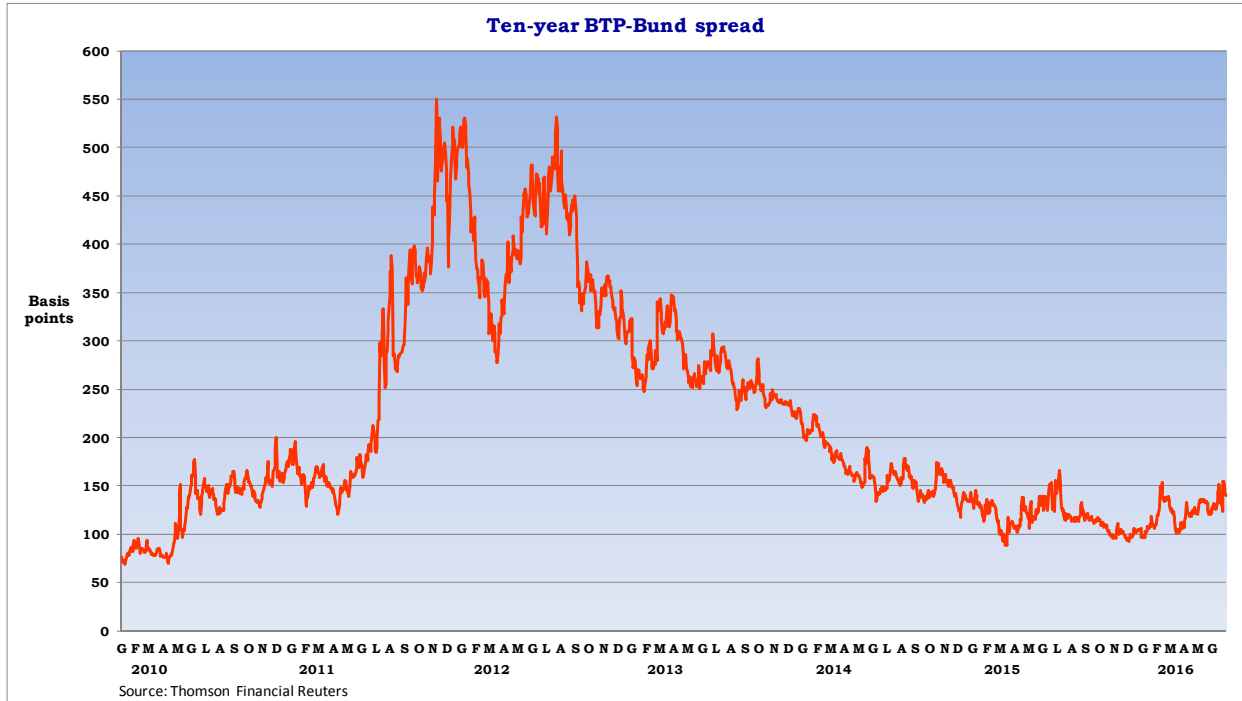
4 Following the annulment of the vote held on 22nd May, presidential elections will be held again in Austria in October 2016 where a far right party, supporting the need for greater controls and restrictions over immigration, could win. Elections will also be held in the spring of next year in Holland, France and Germany.

5 After six months of political paralysis elections were held in Spain on 26th June 2016, which only partly resolved uncertainties over the effective ability of the Spanish political system to re-establish stability and authority.

6 On 24th May 2016 the Eurogroup approved a technical agreement on the first review of the third programme to provide financial support to Greece underlying the payment by the European Stability Mechanism (ESM) of the second tranche of aid amounting to €10.3 billion. The payment of each instalment depends on the concrete implementation by the country of the conditions agreed with the creditors (the main conditions include pension reform and the privatisation of some state owned businesses). The foundations were also laid in the agreement with Brussels to lighten the debt, but only starting in 2018. Following that agreement, after a suspension of almost one and a half years, on 22nd June the Governing Council of the ECB decided to reintroduce an exception regarding negotiable debt instruments issued or fully guaranteed by the Republic of Greece, which suspends the application of the minimum credit quality threshold for the admissibility of those instruments as collateral. That decision once again allowed Greek banks access to normal refinancing procedures with the ECB and it represents the first step towards the normalisation of the country's lending activities. The next step could be to admit Greek debt to purchases by the ECB as part of its quantitative easing programme from which it continues, at present, to be excluded.

7 Last December Hungary and Slovakia appealed to the European Court of Justice against an EU programme approved in September which involved the relocation of refugees on the basis of national quotas. In July the Hungarian government decided to hold a referendum in the autumn to vote on the legitimacy of the power of the EU to lay down compulsory quotas for the transfer of migrants to the country without the approval of the national parliament.

quantitative easing programme decided in March), affected by the continuing difficulties of the banking sector, the lengthy negotiations to unblock aid to Greece and the increasing risk of Brexit. After the sharp rise that followed the results of the British referendum, at the end of June the spread stood at 140 basis points, having benefited from the programme to purchase Eurosystem securities. It reduced further in July falling below 130 basis points.



In view of the fragility of the recovery and the difficult international context, the major central banks are continuing to move ahead with accommodative monetary policies notwithstanding the divergence that took hold at the end of 2015 between the United States and Europe.

As concerns the [European Central Bank](#), the measures decided on 10th March were confirmed in a meeting held in June:

- *the interest rate on principal refinancing operations was held unchanged at the record low level of 0% (0.05% in December), while the interest rate on bank deposits held with the ECB remained at -0.40% after the reductions of 10 basis points each in December and in March⁸;*
- *the monthly interventions under the securities purchase programme (Expanded Asset Purchase Programme, APP), which remained at €80 billion, will continue until the end of March 2017 at least and in any case until inflation in the euro area reaches the goal set by monetary policy (2% approx.). The Governing Council of the ECB has left the limit on purchases of securities issued by international bodies and by multilateral development banks⁹ unchanged at 50% and from 8th June it included investment grade bonds denominated in euro issued by non-banking companies located in the euro area¹⁰;*
- *on 29th June the first of a new series of targeted longer-term refinancing operations (TLTRO II)¹¹ was carried out that was decided in March by the ECB in order to strengthen monetary policy transmission and stimulate a greater propensity to lend. The possibility for banks to transfer funds obtained from previous TLTROs¹² to the new TLTRO IIs was provided for, benefiting from the more attractive conditions of the latter both in terms of the cost and due to the absence of early repayment requirements in the*

⁸ The marginal refinancing rate also remained unchanged at 0.25% after a reduction of five basis points in March.

⁹ The limit relates to individual issuers and to a percentage of an issue.

¹⁰ The monetary authority provided further details of its corporate sector purchase plan (CSPP) in a meeting held in June. It defined the criteria for the admissibility of issuers in line with the decision to purchase debt securities issued by non-banking companies and it stated that issuers to the programme that are publicly owned companies may benefit from both the public sector purchasing programme (PSPP) and the CSPP. As opposed to the other programmes (for government securities, covered bonds and ABSs), the ECB set no target amount for monthly purchases for its programme to purchase corporate securities due to the still small dimensions of the relative market. On 8th July 2016, a total of €895 billion of government securities, €184 billion of covered bonds, €20 billion of ABS and €8.5 billion of corporate bonds had been purchased.

¹¹ Four operations are programmed each lasting four years which will be conducted on a quarterly basis. The counterparties will be able to obtain financing amounting to up to 30% of their qualifying lending existing as at 31st January 2016. Initially, the interest rate will be the same as that on outstanding principal refinancing operations at the time of allotment, but may be reduced on the basis of the loans granted by each counterparty, down to the level for deposits with the central bank which are currently negative.

¹² On 30th March 2016 the seventh and last operation was settled. Funds totalling €425 billion have been allotted in the seven auctions held since September 2014, of which €118 billion to Bank of Italy counterparties.

event of failure to reach the benchmark. Participants in the auction numbered 514 intermediaries in the euro area, who obtained funds amounting to a little less than €400 billion (approximately €32 billion net of voluntary repayments of loans still existing obtained with the first series of TLTROs). Bank of Italy counterparties were allotted a little less than €139 billion (€29 billion net, approx.).

Across the ocean, uncertainties over the result of the British referendum and increased tensions on financial markets led the **Federal Reserve** to leave the reference rate on Fed Funds unchanged (0.25%-0.50%) at the level decided in its last meeting in 2015, when a period of rising rates had been commenced. The arrival of Brexit and uncertainty over the American presidential elections in November could further slow the timing of the rise in interest rates with respect to that which the United States bank had envisaged at the end of 2015.

The **Bank of Japan** is continuing with its programme to purchase 80 thousand billion yen of securities per year¹³ after the rate on excess reserves deposited by financial institutions with the central bank was brought down into negative territory in January for the first time (-0.10%).

In consideration of the deterioration in the economic outlook for the United Kingdom, at the beginning of July the **Bank of England** cut its counter cyclical capital buffer requirement requested of banks. In a meeting held in mid-July, the BoE maintained both its quantitative easing programme (at €375 million sterling) and its interest rates unchanged – held steadily at the record low level of 0.50% for over seven years now – with a view to loosening monetary conditions in August when the possible economic impacts of the choice made by Great Britain will be clearer.

Monetary policies remain mainly accommodative in major emerging countries,¹⁴ with the exception of Brazil.

The unexpected result of the British referendum further heightened the climate of uncertainty

on **foreign exchange rate** markets in the first few months of 2016, causing the appreciation of the yen to accelerate against the principal international currencies and sterling to weaken considerably, falling to its lowest level in the last 30 years against the dollar and losing over 13% against the euro since the beginning of the year.

The main exchange rates and oil (Brent) and commodities prices

	Jun-16 A	Mar-16 B	Dec-15 C	%change A/C	Sep-15 D	Jun-15 E
Euro/Dollar	1.1104	1.1378	1.0860	2.2%	1.1176	1.1135
Euro/Yen	114.65	128.07	130.65	-12.2%	133.93	136.39
Euro/Yuan	7.3796	7.3365	7.0504	4.7%	7.103	6.9037
Euro/Franc CH	1.0836	1.0935	1.0880	-0.4%	1.0871	1.0415
Euro/Sterling	0.8341	0.7921	0.7368	13.2%	0.7386	0.7086
Dollar/Yen	103.25	112.56	120.30	-14.2%	119.84	122.49
Dollar/Yuan	6.6459	6.4480	6.4921	2.4%	6.3556	6.2000
Futures - Brent (in \$)	49.72	40.33	37.28	33.4%	48.37	63.59
CRB Index (commodities)	192.57	170.52	176.14	9.3%	193.76	227.17

Source: Thomson Financial Reuters

The euro-dollar exchange rate, which had appreciated in the first quarter as the prospects of a rise in US interest rates became more remote, tended to fluctuate more in the months that followed and weakened at the end of the first half in the wake of the uncertainty generated by the British referendum result.

The changes that occurred in the **commodities** price index (+9.3% in the first half) primarily reflected a recovery by energy prices. Brent crude prices did in fact stabilise between April and June at around \$50 per barrel, gaining over 70% compared with the lows reached in mid-January (\$29 per barrel), following a fall in the United States supply and a temporary halt to production in some important exporting countries. Non-energy commodities prices also rose compared with the lows recorded last February.

For a commodities scenario which appeared to be reaching a fragile equilibrium, although haltingly, the British referendum could cause prices to weaken in the short-term considering the simultaneous appreciation of the US currency in which trades are settled.

¹³ In its last meeting of 2015 the BoJ decided, starting from 2016, to increase the duration of Japanese government bonds that could be purchased (from 10 to 12 years) and to allocate 300 billion yen to the purchase of ETFs of shares in companies committed to increasing investments and wages.

¹⁴ The **People's Bank of China** has continued to provide additional liquidity to support the supply of credit after reducing the compulsory reserve requirement ratio by 50 basis points to 17% at the end of February. In **India** the central bank reduced the repo rate by 25 basis points in April bringing it down to 6.5%, while in June the **central Russian bank** cut its official rate by 50 basis points to now stand at 10.50%.

The trends described above are keeping **inflation** in industrialised countries at levels appreciably below targets set by central banks, if not in negative territory. On the other hand, with the exception of China, prices in emerging areas are continuing to record much greater changes.

* * *

According to the International Monetary Fund's latest forecasts¹⁵, **world economic** growth in 2016 will remain at the same levels as the year before (+3.1%) and it will also remain uneven across different geographical areas (+4.1% in emerging areas; +1.8% in advanced countries). Although economic performance was better than expected in the first months of the year, the state of uncertainty generated by the result of the United Kingdom vote has caused estimates to be revised downwards, especially for European countries.

The **United States economy** is finding it difficult to pick up steam. In the first quarter GDP increased quarter-on-quarter by 1.1% annualised (+1.4% in the last quarter of 2015) – the third consecutive slowdown – supported by a positive contribution from consumption, although constantly reducing, and by the better than expected results for net exports against a contraction in non-residential investments and in inventories.

Quarter-on-quarter results for the second quarter seem to suggest an acceleration in growth. The labour market continues to furnish encouraging results with the unemployment rate more or less unchanged compared with December, standing at 4.9% in June. The rate of inflation in that same month was 1%, up on 0.7% in December, driven by a recovery in energy prices rather than lively growth in demand. In fact core inflation on the other hand, net of foodstuffs and energy products, stood at 2.3% (2.1% in December).

The balance of trade deficit fell to \$200.4 billion between January and May (-3.5% compared with the same period in 2015), due to the smaller deficits in trade with China, the euro area and Japan, which were only partly offset by a worsening of the balance with the African continent, which became negative, and an increase in the deficit with other emerging Asian economies.

Actual and forecast data: industrialised countries

Percentages	Gross domestic product			Consumer prices			Unemployment			Deficit (+) Surplus (-) Public sector (% of GDP)			Reference interest rates	
	2015	2016 ⁽¹⁾	2017 ⁽¹⁾	2015 ⁽²⁾	Jun-16 ⁽³⁾	2016 ⁽¹⁾⁽²⁾	2015 ⁽²⁾	Jun-16 ⁽³⁾	2016 ⁽¹⁾⁽²⁾	2015	2016 ⁽¹⁾	2017 ⁽¹⁾	Dec-15	Jul-16
United States	2.4	1.9	2.1	0.1	1.0	1.0	5.3	4.9	4.8	4.4	2.3	2.1	0.25-0.50	0.25-0.50
Japan	0.5	0.5	0.5	0.8	-0.4	0.0	3.5	3.2	3.4	6.7	5.2	5.5	0-0.10	-0.10-0
Euro Area	1.7	1.5	1.2	0.0	0.1	0.2	10.9	10.1	10.1	2.1	1.9	1.7	0.05	0.00
Italy	0.8	0.8	0.9	0.1	-0.2	-0.1	11.9	11.5	11.4	2.6	2.4	2.3	-	-
Germany	1.7	1.5	1.3	0.1	0.2	0.3	4.6	4.2	4.2	-0.7	-0.2	-0.1	-	-
France	1.3	1.4	1.2	0.1	0.3	0.3	10.4	9.9	9.9	3.5	3.4	3.2	-	-
Portugal	1.5	1.1	1.2	0.5	0.7	0.6	12.6	11.6	11.6	4.4	2.6	2.4	-	-
Ireland	7.8	5.9	3.3	0.0	0.1	-0.3	9.4	7.8	8.3	2.3	1.0	0.7	-	-
Greece	-0.3	-0.6	-0.1	-1.1	0.2	-0.5	24.9	24.1	25.0	7.2	3.2	2.8	-	-
Spain	3.2	2.7	1.3	-0.6	-0.9	-0.4	22.1	19.8	19.9	5.1	4.2	3.2	-	-
United Kingdom	2.2	0.9	0.4	0.0	0.3	1.2	5.4	5.0	5.1	4.4	4.4	3.8	0.50	0.50

(1) Forecasts

(2) Average annual rate

(3) The latest available information has been used, where data had not been published as at 30th June 2016

Source: Prometeia and official statistics

Year-on-year growth in **Chinese** GDP again slowed further in the first half of 2016, but was stable at 6.7% in both quarters, thereby consolidating the signs of recovery for this economy, which is committed to the difficult transition from a growth model centred on investments to one based on consumption.

The main indicators for domestic demand have continued to hold firm since the beginning of the year, continuing to perform strongly year-on-year, although decreasing gradually compared with previous years: fixed investments +9%; real estate investment +6.1%; retail consumer sales +10.3%; industrial output +6% (manufacturing +6.9%).

With regard to the balance of trade, in the first half short-term figures for exports (-7.7%) and imports (-10.2%) generated a surplus of \$258.3 billion, which helped support currency reserves, which stood at \$3,210 billion at the end of June, approximately one third of which are stably invested in United States government securities.

¹⁵ July 2016 update.

Inflation, which had been stable at 2.3% since February, fell over the last two months to 1.9% in June, driven again by foodstuffs (1.6% in December).

The **Japanese economy** recorded positive signs in the first three months of the year with quarter-on-quarter growth in GDP of 0.5% (-0.4% in the last quarter of 2015), the aggregate result of the reappearance of a positive contribution from retail consumers and a marginal improvement in net exports, while non-residential investments and inventories contracted.

The first available data for the second quarter seemed to confirm the continuing fundamental weakness of the economy: industrial output fell in April by 3.3% month-on-month (+0.5% year-on-year) and the June Tankan survey found a generalised deterioration in confidence levels by businesses.

In May the unemployment rate stood at 3.2% (in line with the figure for December), while inflation returned to negative territory in March, down to -0.4% in May (0.2% at the end of 2015)¹⁶.

The economic recovery in the **euro area** continued although it remains exposed to multiple risk factors. GDP increased by 0.6% quarter-on-quarter between January and March, accelerating compared with the last quarter of 2015 (+0.4%), driven by consumption and investments, against a stable, but positive contribution from inventories and a negative contribution (for the third consecutive quarter) from net exports, although reducing.

The data available indicates a further increase in economic activity in the spring, but at a slower pace than in the previous period. Signs that growth was continuing also came from the €-coin indicator calculated by the Bank of Italy – which provides an estimate of core trends for European GDP – which returned to growth in June for the first time since January.

Apart from the uncertainties over the result of the Brexit referendum, the recovery in the area remains conditioned by weak demand from emerging economies and by the persistent tensions feeding into the international geopolitical scenario. These were added to in recent weeks by concerns over the consequences of the failed coup d'état in Turkey.

The still unstable trend is confirmed by figures for industrial output which continue to fluctuate month-on-month (-1.2% in May; +1.4% in April; -0.8% in March), which summarise the trends for the major economies (-1.3% in Germany; -0.5% in France; -0.6% in Italy). On the other hand, the year-on-year figure stood at +0.5% in May, which confirmed growth since the beginning of the year, although at different rates for individual months (+2.2% in April; +0.2% in March; +3.5% in January).

The slow improvement in the labour market is continuing, with the unemployment rate slightly down since the beginning of the year standing at 10.1% in May (10.4% at the end of 2015), although it still includes particularly critical situations in Greece (24.1% in March) and in Spain 19.8%).

After four months of decreases or no change, inflation stood just in positive territory in June (0.1%; 0.2% in December), while core inflation, net of foodstuffs and energy products, was unchanged compared with 0.9% in December, affected by still large margins of unused production capacity.

Within the area, the **Italian economy** continues to develop more slowly than other countries, underlining the fragility of its recovery. The quarter-on-quarter growth in GDP of 0.3% in the first quarter accelerated slightly compared with the previous quarter (0.2%), driven by positive contributions from consumption and inventories, despite a balance of trade deficit and a nil contribution from gross fixed investments.

On the basis of the latest information available, the trend for Italian GDP in the second quarter is expected to slow, as is the case for the euro area as a whole.

In May the seasonally adjusted industrial production index fell slightly (-0.6% year-on-year), after increases recorded in the four preceding months (+3.6% in January; +1.8% in April). It was the aggregate result of opposing trends in different sectors. The most significant increases came from the sectors for the “fabrication of means of transport” (+5.6%), the “fabrication of electronic and electromechanical products” (+4.3%) and the “production of pharmaceutical products” (+2.5%), while decreases were recorded in sectors for “mineral extraction” (-13.5%), the “fabrication of coke and oil products” (-9.7%) and “textiles” (-6.5%).

¹⁶ Inflation was only positive due to the impacts of the rise in the consumer tax which came into force in April 2014. A new increase in VAT planned for April 2017 has been postponed by the government until October 2019 in order not to impact on the country's growth.

Manufacturing activity could have fallen slightly between April and June, which would confirm that uncertainty over economic and political factors constitutes the most significant brake on production activity.

The unemployment rate, which stood at 11.5% in May, is largely unchanged compared with December (11.7%), the result of an increase in participation in the labour market, but also of a decrease since the beginning of the year in the reduced social security contributions for new appointments which, together with the innovations contained in the Jobs Act, had improved the employment figures in 2015. On the other hand, the rate for the 15 to 24 age group fell to 36.9% (38.6% in December)¹⁷.

Moreover, the overall situation continues to be cushioned by the presence of state income benefits, which between January and June saw a reduction year-on-year in state lay-off and redundancy benefits: 345.2 million hours authorised compared with 369.2 million hours in the same period of 2015 (-6.5%), the aggregate result of an appreciable fall in the ordinary component (-31.1%) and in the exceptional component (-35.1%) compared with increases for extraordinary benefits (+12.6%).

In June inflation, measured by the harmonised consumer price index, was again negative for the fifth consecutive month at -0.2% (+0.1% in December).

The surplus on the balance of trade improved to €18.7 billion in the first five months of the year (a surplus of €15.1 billion in the same period of 2015) due to a substantial increase in the surplus on non-energy products, approximately two thirds of which is stably attributable to plant and equipment, which more than offset the energy deficit (-€10 billion). Moreover, the balance is affected by the weakness of trade with non-EU countries for which total exports remained stable (+0.1%) and imports fell (-2.2%) year-on-year. As concerns expectations for coming months, the intensity of our trade and financial ties with the British economy, which are weaker than those of other countries, could limit the direct impact of Brexit on Italy.

* * *

The result of the United Kingdom referendum caused a sharp increase in volatility on **financial markets** and a large fall in share prices. Although in the second quarter oil prices recovered, the ECB took action to strengthen the expansionary impacts of its monetary policy and the prospects of an imminent rise in interest rates by the Fed faded into the future, major international stock exchanges were still unable to recover from the losses incurred at the beginning of the year when the Chinese stock exchange crashed and crude prices fell.

The principal share indices in local currency

	Jun-16 A	Mar-16 B	Dec-15 C	%change A/C	Sep-15 D	Jun-15 E
Ftse Mib (Milan)	16,198	18,117	21,418	-24.4%	21,295	22,461
Ftse Italia All Share (Milan)	17,775	19,787	23,236	-23.5%	22,845	23,985
Xetra Dax (Frankfurt)	9,680	9,966	10,743	-9.9%	9,660	10,945
Cac 40 (Paris)	4,237	4,385	4,637	-8.6%	4,455	4,790
Ftse 100 (London)	6,504	6,175	6,242	4.2%	6,062	6,521
S&P 500 (New York)	2,099	2,060	2,044	2.7%	1,920	2,063
DJ Industrial (New York)	17,930	17,685	17,425	2.9%	16,285	17,620
Nasdaq Composite (New York)	4,843	4,870	5,007	-3.3%	4,620	4,987
Nikkei 225 (Tokyo)	15,576	16,759	18,451	-15.6%	17,388	20,236
Topix (Tokyo)	1,246	1,347	1,510	-17.5%	1,411	1,630
MSCI emerging markets	822	837	794	3.5%	776	972

Source: Thomson Financial Reuters

As shown in the table, only the American and London stock exchanges recorded increases compared with December. The worst performances were by Italian markets for which even more than for other European markets, fears over growth prospects exacerbated by Brexit increased doubts over the profitability and as consequence over capital conditions in the banking system. This was already weighed down by large stocks of non-performing loans, given, amongst other things, the widespread concerns that the continued weakness of markets would make it difficult to dispose of these exposures or to raise capital.

In consideration of possible vulnerabilities resulting from the publication of EBA stress tests, the Italian government has been in discussions with Brussels aimed at drawing up measures to strengthen the sector for some time.

With regard to assets under management, the positive trend for the **mutual investment funds** sector continued. In June it recorded net inflows of over €11.6 billion, attributable almost

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¹⁷ This figure gives young people unemployed as a percentage of total young people in employment and seeking employment.

entirely to foreign registered funds (+€11 billion), considering the marginal contribution from those registered in Italy (+€0.6 billion).

In terms of the type of fund, the performance was driven by flexible funds (+€9.1 billion) and bond funds (+€1.9 billion), while the contribution from balanced funds (+€1.3 billion) and monetary funds (+€0.5 billion) was lower, against a fall for equity funds (-€1 billion) and almost no change for hedge funds (-€0.1 billion).

Despite the strong volatility on financial markets, at the end of June assets under management totalled €847.5 billion, marginally down compared with the end of 2015 (€850 billion), recording a change in the percentage mix in the period into bond funds (up from 41.1% to 42%), flexible funds (up from 24% to 24.3%), balanced funds (up from 8% to 8.2%) and monetary funds (up from 4.1% to 4.2%), while a reduction was recorded in the percentage of equity products (down from 22.2% to 20.7%), against no change for hedge funds.

* * *

The difficult background environment continues to condition the **banking system**, which again recorded negative trends for funding, partly the result of a weak trend for lending which is struggling to really strengthen, while there is a marginal improvement in credit quality.

The uncertainty that spread through markets following the result of the United Kingdom referendum persuaded the Italian government to notify the European Commission, which approved it, of its intention (by the end of the year and only if the need arose) to issue government guarantees for newly issued bank debt remunerated at market conditions and compliant with European regulations on state aid. Consideration is also being given to the possibility of state intervention in the banking sector with recapitalisations on a temporary basis and for precautionary purposes. This possibility is explicitly provided for by European regulations with reference to the results of stress tests, when it meets the objective of preventing serious economic turbulence and preserving financial stability.

As already reported, important measures had already been launched in the first months of 2016 designed to strengthen the Italian banking system. These included the following:

- *the public guarantee scheme for the securitisation of bad loans, drawn up by the government in agreement with the European Commission, designed to encourage the reduction of bad loans through the development of a market for non-performing exposures that allows investors to make their own choices within a well-defined regulatory framework (Law No. 49/2016);*
- *the establishment of an alternative private sector investment fund entitled “Atlante”, designed to support capital increases by banks and assist with the disposal of non-performing assets currently held on the balance sheets of Italian banks;*
- *the adoption of new measures to reduce credit recovery times, anticipating some of the provisions contained in the draft of an Enabling Law currently under examination by the government for the “organic reform of regulations governing company crises and insolvency” (Law No. 119/2016).*

On the basis of the first estimates published by the Italian Banking Association¹⁸, at the end of June the year-on-year rate of change in *direct funding* (deposits of residents and bonds) was -1.1%, down compared with -0.6% in December.

The abundant and competitive liquidity injected into the banking system by the ECB by means of TLTRO's and short-term lending facilities is affecting the trend for bond funding (-15.1% compared with -13% at the end of 2015¹⁹). The constant fall in the latter – caused also by securities maturing and reinvested by customers in asset management products, contrasts with the increase in other types of funding (+3.4% compared with +3.8% in December²⁰).

As shown by detailed Bank of Italy data for May²¹, the latter item is benefiting both from an increase in current account deposits (+7.5%) and from a recovery in repurchase agreements (+5.7%), occurring mainly in the first five months of 2016. On the other hand term deposits up to two years are continuing to decrease (-20.6%).

Data for May published by the Bank of Italy²² shows that *loans to residents belonging to the private sector* increased year-on-year by 0.8% (-0.4% in December) showing, in terms of

¹⁸ Italian Banking Association, *Monthly Outlook, Economia e mercati Finanziari-Creditizi*, July 2016.

¹⁹ The changes were calculated by excluding the portion included within the investments in the securities portfolio from bond funding.

²⁰ The changes were calculated by excluding amounts relating to disposals of loans and transactions with central counterparties from deposits.

²¹ Supplement to the Statistics Bulletin *Moneta e Banche*, July 2016.

²² Press release: “The main items on banks’ balance sheets”, 12th July 2016. Growth rates for lending are calculated by the Bank of Italy inclusive of loans not recognised in the balance sheets of banks because they are securitised and net of changes in amounts not connected with transactions (e.g. changes due to fluctuations in foreign exchange rates, to impairment or to reclassifications).

recipients, a consolidation of the recovery which began in June of last year for households and a still uncertain recovery for non-financial companies, notwithstanding the increasingly more attractive supply conditions.

The growth in lending to households (+1.5% compared with +0.7% in December) mainly regarded consumer credit and to a marginal extent home purchase mortgages, while for companies, although improving (+0.3% compared with -0.7% at the end of 2015), the trend continues to fluctuate (-0.6% in April) and is conditioned by the course of the business cycle and investments.

According to Italian Banking Association reports, the annual change in loans to private sector residents moved back into negative territory again at -0.4% (+0.4% in May)²³.

From the viewpoint of risk, while signs of improvement exist, they still seem modest. In May *bad loans to the private sector gross of impairment losses*²⁴ fell marginally compared with December to stand at €199.6 billion with year-on-year changes still positive although slowing (+3.2% compared with the +9.4% in December 2015). The total consisted of €54.2 billion of exposures to households (+3.9% year-on-year; +0.3% compared with December) and €142.1 billion of exposures to businesses (+2.9%; -0.7%).

The ratio of *gross non-performing private sector loans to private sector loans* therefore stood at 12.15% (12.21% in December).

Net bad loans, amounting to €85 billion, fell over five months (down 4.5% compared with €89 billion at the end of 2015), but nevertheless continued to increase year-on-year (+1.8% compared with +5.3% in December). The ratio of *net bad loans to total loans* fell as a consequence to 4.72% (4.94% at the end of the year).

Securities issued by residents in Italy held in the portfolios of Italian banks amounted to €732 billion in May, unchanged compared with December, but down by 5.9% over twelve months.

The trend primarily reflects that for “other certificates” (€322.7 billion), which fell compared with the year before (-€40.2 billion), especially for bonds issued by banks (-€29.8 billion), which reduced as a percentage to 63% of the total. On the other hand, while investments in Italian government securities (€409.3 billion) fell year-on-year (-€6.1 billion), attributable entirely to medium to long-term securities, they nevertheless increased over five months (+€19.8 billion; 5.1%) two thirds of which are attributable to securities with longer maturities (CCTs and BTPs; +€13.1 billion).

The *average interest rate on bank funding from customers* in June calculated by the Italian Banking Association²⁵ (which includes the yield on deposits, bonds and repurchase agreements for households and non-financial companies) had fallen to 1.07% (1.19% at the end of 2015). The *average weighted interest rate on lending to households and non-financial companies* reached a record low of 3.02% (3.25% in December).

²³ The change was calculated by the Italian Banking Association with account taken of estimates of loan disposal transactions.

²⁴ Supplement to the Statistics Bulletin *Moneta e Banche*, July 2016.

²⁵ Italian Banking Association, *Monthly Outlook, Economia e mercati Finanziari-Creditizi*, July 2016.

Significant events in the first half of 2016

The renewal of governing bodies

As already reported in the previous quarterly financial report, the shareholders meeting held on 2nd April 2016 appointed a new Supervisory Board to **UBI Banca** for the three-year period 2016-2017-2018, which was composed of 15 board members (compared with 23 previously) elected as follows:

- the three candidates present on the “*SGR e Investitori Istituzionali*” list (Giovanni Fiori, Patrizia Michela Giangualano and Paola Giannotti) who received the majority of the votes cast (51.11%) in the Shareholders’ Meeting and who, when they made their candidatures, had declared their irrevocable wish not to accept the positions of Chairman and Senior Deputy Chairman;
- the first three candidates present on the “*Accordo fra il Sindacato Azionisti UBI Banca Spa, il Patto dei Mille e la Fondazione Cassa di Risparmio di Cuneo*” list (Andrea Moltrasio, Mario Cera and Armando Santus), which received 48.48% of the votes cast in the Shareholders’ Meeting¹;
- the remaining nine board members were appointed on the basis of a proposal formulated by the shareholder, Fondazione Banca del Monte di Lombardia, which proposed the appointment of the nine candidates that formed part of the “*Accordo fra il Sindacato Azionisti UBI Banca S.p.A., il Patto dei Mille e la Fondazione Cassa di Risparmio di Cuneo*” list (Gian Luigi Gola, Pietro Gussalli Beretta, Pierpaolo Camadini, Letizia Bellini Cavalletti, Lorenzo Renato Guerini, Giuseppe Lucchini, Francesca Bazoli, Sergio Pivato and Alessandea Del Boca) and the appointment of Andrea Moltrasio as Chairman and Mario Cera as Senior Deputy Chairman. This proposal was approved by 99.23% of the share capital present in the Shareholders’ Meeting.

In its first meeting on 14th April 2016, in addition to appointing two Deputy Chairmen and members of the various Committees, the new Supervisory Board also appointed a new Management Board. It reduced the number of members from nine to seven and also included four senior managers among them.

In a meeting held on 15th April, the Management Board appointed Victor Massiah as Chief Executive Officer and General Manager of UBI Banca.

Consistent with the commitment to reduce governance costs, the Shareholders’ Meeting set the remuneration for members of the Supervisory Board, as well as an additional total sum for the remuneration for those assigned particular offices, powers or functions, which is allocated in accordance with the Articles of Association. It confirmed the annual remuneration set for each Board Member at €80,000 (for a total of €1,200,000) and set the total amount for the remuneration of members assigned particular offices, powers or functions at €1,650,000. The amounts are inclusive of “attendance tokens”.

This remuneration, which totals €2.85 million, will involve a reduction of 13% in the total fees paid to the Supervisory Board, and is in addition to the reduction of approximately 14% already made to the remuneration of the Supervisory Board for the period 2013-2015 compared with the previous three-year period.

¹ Votes against represented 0.35% of the votes cast, while those abstaining represented 0.06%.

The 2019-2020 Business Plan

On 27th June 2016 the Supervisory Board of UBI Banca approved the Group's Business Plan proposed by the Management Board containing strategic guidelines and operational, cash-flow and capital objectives for the period 2016-2019/2020.

The new Business Plan involves the adoption of a “Single Bank” baseline operating structure, an increase in coverage for non-performing loans with a consequent reabsorption of the provision shortfall and the development of the distribution model consistent with a revision of the commercial range of products and services based on the new post-crisis fundamental needs of individual customers and a greater ability to recognise changes in industrial sectors and in the supply chains in which firms operate.

1. Simplification of the Group's baseline organisational structure

a) A Single Bank.

In order to achieve strategic objectives designed to simplify decision-making and operational processes within the Group and to achieve significant savings on costs, the Supervisory Board of UBI Banca and the boards of directors of the Network Banks passed resolutions for the merger by acquisition of Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare Commercio e Industria, Banca Regionale Europea, Banca Popolare di Ancona, Banca Carime and Banca di Val Camonica into UBI Banca.

In order to make this merger possible, the Parent will take steps, mainly by means of exchanges with UBI Banca shares, to purchase stakes held by minority shareholders in the Network Banks and in particular, by the end of 2016, those minority stakes held by the Fondazione Cassa di Risparmio di Cuneo in Banca Regionale Europea and the Fondazione Banca del Monte di Lombardia in Banca Popolare Commercio e Industria.

The purchase of all the minority stakes, including the marginal stakes, will involve the issue of a maximum of 75.8 million shares with a maximum dilution of 7.8%, against a more than proportional recovery in profitability. The benefit in terms of the fully loaded CET1 ratio is estimated at around 30 basis points.

The Single Bank Project will allow optimisation of the operating structure, enabling the freeing up of approximately 600 staff and the closure of approximately 130 local banking facilities. The gross benefits in terms of operating costs fully phased-in are estimated at approximately €80 million, in addition to the tax benefits on the transfer of intragroup dividends, against one-off project expenses (redundancy fund and other project costs) of approximately €198 million.

Use of corporate brands will no longer be made with recognition of €38 million of net impairment losses (€63 million gross approx.). The brands will be used where appropriate in the distribution network.

The operation is subject to legal authorisation (the relative applications were submitted in July) and is expected to be completed in the first half of 2017.

Procedures, Terms and Timing of the Operation

On 27th June 2016 the Supervisory Board of UBI Banca and the boards of directors of the network banks approved the draft terms of merger (the “Terms”) for the purposes, amongst other things, of submitting an application for authorisation of the operation to the competent supervisory authorities. Following authorisation from the supervisory authority, corporate ownership operation procedures will resume in the last quarter of 2016 with the approval by the competent governing bodies of a report to illustrate the Terms and other documents required by the regulations in force to be submitted, with the relative proposal of a resolution, to a shareholders' meeting. UBI Banca will make prompt disclosures to the market on those activities as well as providing further information required by the legislation and regulations in force.

The Terms submitted to the supervisory authority state that, on completion of the operation, the share capital of UBI Banca will have been increased by a maximum total of €189,444,377.50, by means of the issue of a maximum of 75,777,751 ordinary shares with no nominal value, composed as follows:

- €96,024,597.50 at the service of the merger of Banca Regionale Europea S.p.A., through the issue of 38,409,839 shares to be allotted to the shareholders of BRE with the exception of UBI Banca on the basis of a share exchange ratio of (i) 0.2402 UBI Banca shares for every single BRE ordinary share and (ii) 0.4377 UBI Banca shares for every single BRE savings share;

- €91,078,612.50 at the service of the merger of Banca Popolare Commercio e Industria, through the issue of 36,431,445 shares to be allotted to the shareholders of BPCI with the exception of UBI Banca on the basis of an exchange ratio of 0.2522 UBI Banca shares for every single BPCI share;
- €1,543,650.00 at the service of the merger of Banca Popolare di Ancona, through the issue of 617,460 shares to be allotted to shareholders of BPA with the exception of UBI Banca on the basis of an exchange ratio of 6.0815 UBI Banca shares for every single BPA share;
- €60,042.50 at the service of the merger of Banca Carime, through the issue of 24,017 shares to be allotted to shareholders of Carime with the exception of UBI Banca on the basis of an exchange ratio of 0.1651 UBI Banca shares for every single Carime share;
- €737,475.00 at the service of the merger of Banca di Valle Camonica, through the issue of 294,990 shares to be allotted to shareholders of BVC with the exception of UBI Banca on the basis of an exchange ratio of 7.2848 UBI Banca shares for every single BVC share.

There will be no settlements of balances in cash.

The merger of Banca Popolare di Bergamo and that of Banco di Brescia, on the other hand, will not produce any effect on the share capital and the number of shares of UBI Banca, because the share capital of BPB and BBS is wholly owned by UBI Banca and would therefore be fully cancelled with no share exchange.

Again on 27th June UBI Banca also signed an agreement with the Fondazione Cassa di Risparmio di Cuneo, the holder of 24.904% of the share capital of BRE for the purchase of all the privileged shares not possessed by UBI Banca (50,473,189 BRE privileged shares) and 18,240,680 BRE savings shares owned by Fondazione Cuneo for a total price of €120 million with effect on the date of signing the terms for the merger of BRE into UBI Banca and subject to the signing of those terms.

As a consequence of this, no share exchange ratio regarding the privileged shares will be set for the BRE Merger, while a share exchange ratio will be set in relation to the savings shares.

Under that agreement – with which UBI Banca has also agreed the maintenance with Fondazione Cuneo of certain prerogatives relating to BRE and the local area in which it operates – the Fondazione Cuneo has agreed to vote in favour of the BRE merger both in the Extraordinary Shareholders' Meeting and in the special shareholders' meetings for the privileged and savings shareholders of BRE, subject to the circumstance that the General Council of Fondazione Cuneo votes in favour of that merger.

The share exchange ratios have been approved, on the basis of a proposal by the Management Board, by the Supervisory Board on the basis of criteria and methodology commonly applied in relation to operations of this nature.

The holders of BRE savings shares (except for those subject to the agreement with Fondazione Cuneo mentioned above) who do not vote in favour of the proposal for the merger of BRE into UBI Banca will have the right of withdrawal in accordance with Art. 2437, paragraph 1, letter g) of the Italian Civil Code. The liquidation value of the shares subject to withdrawal will be calculated according to the criteria laid down in Art. 2437-ter of the Italian Civil Code and will be made available to BRE shareholders in accordance with the relative terms and conditions of the law.

The liquidation of the shares which may be subject to withdrawal will take place in accordance with Art. 2437-querter of the Italian Civil Code.

Effect of the Operation

The operation as a whole will take effect, for each of the mergers, from the date indicated in the terms of merger (or in the respective terms of mergers), which may be the same as or later than that on which the last of the documents are filed pursuant to article 2504-bis of the Italian Civil Code. Network bank transactions will be recognised in the financial statements of UBI Banca from the first day of the financial year in progress at the time in which the respective merger operations come into effect, in accordance with Art. 2504-bis of the Italian Civil Code. They will take effect for tax purposes on that same date.

UBI Banca Shareholdings Post Operation

On the basis of the information available, following the operation the holders of shares accounting for more than 3% of the share capital of UBI Banca will be as follows:

- Fondazione Cassa di Risparmio di Cuneo: 5.90% (formerly 2.230%);
- Fondazione Banca del Monte di Lombardia: 5.20%

The percentages reported above have been calculated assuming that: (a) the current ownership structure of UBI Banca and the network banks does not undergo any changes before the completion of the operation; and (b) the share capital increase takes place in terms of the maximum amounts reported above.

Related parties

In accordance with Art. 6 of Consob (Italian securities market authority) Regulation No. 17221 of 12th March 2010, it is also underlined that prudentially and in application of particularly rigorous principles of interpretation given the importance of the operation, UBI Banca has considered Fondazione Cassa di Risparmio di Cuneo and Fondazione Banca del Monte di Lombardia who are shareholders of BRE and BPCI respectively (related parties of UBI Banca), to be the holders of significant interests in the aforementioned network banks involved in the operation. Because those foundations are also related parties of UBI Banca, the provisions governing transactions with related parties of "greater significance" laid down in the "Regulations for transactions with related parties of UBI Banca" adopted in accordance with the aforementioned Consob regulation apply to the operation.

On the basis of those regulations and within the scope of its remit, in view of the unifying nature of the operation, which, amongst other things, is designed to allow the Group to achieve significant synergies as indicated by management, the Related and Connected Parties Committee of UBI Banca has issued an opinion (i) in favour of the Operation and, in particular, with regard to UBI Banca's interest in implementing the merger by acquisition of BRE and BPCI into UBI Banca and to the purchase of the privileged shares and saving shares of Fondazione CRC under the terms and conditions described above and also (ii) on the substantial fairness and advantageous nature of those conditions. UBI Banca will disclose an information document to the public on the transactions of "greater

significance” with related parties pursuant to the aforementioned Consob Regulation, within seven days following the convening of the Shareholders’ Meeting to approve the Terms. That opinion was issued by the Committee also in accordance with supervisory provisions concerning related-party transactions pursuant to Bank of Italy Circular No. 263 of 27th December 2006.

b) Increase in loan provisions.

The high quality of the Group’s loan portfolio is confirmed as an important distinguishing feature in the business plan. This portfolio contains a low risk performing component, one of the smallest non-performing components, high levels of collateralisation and low loan to value ratios and, as borne out by the AQR, it has adequate grant, management and classification processes.

A key additional factor in the 2019/2020 Business Plan is the objective to reduce the ratio of net non-performing loans to tangible equity (the “Texas ratio”), bringing it down to below 100%, in line with European best practices which consider a value lower than that threshold to be an indicator of solidity. In consideration of the marginal impacts of recent regulatory provisions designed to speed up the recovery of non-performing exposures, in order to achieve that result the Group decided to adopt an even more prudent approach in its management of problem loans, by increasing coverage with greater provisions recognised in June 2016, which determined a partial absorption of the provision shortfall (i.e. the shortfall of provisions to expected losses, which forms part of the definition of own funds for regulatory purposes) amounting to €851 million², thereby generating an estimated benefit for the CET1 ratio of approximately an additional 40 basis points³.

Finally, the strong reduction in new inflows of problem loans, which has now been in progress since 2014 and which was confirmed again in the first half of 2016 (-47% year-on-year), represents a strong enabling factor for the reduction in gross outstanding problem loans starting from the current year.

2. The 2019/2020 Business Plan

The business plan projections have been developed on the basis of a prudent economic scenario which involves predominantly negative interest rates over the time horizon considered and modest growth in GDP, affected by both a lower contribution from population trends and by recent political events. Account was also taken of the regulatory context, again more complex and developing, which requires increased rigour in terms of capital, liquidity and investments in staff and IT.

Finally, the economic crisis and strong progress in technology has changed individual and business customer need priorities structurally, and these are still not yet satisfied by the current range of products and services provided by banks.

The background macroeconomic scenario for the Business Plan

	2015	2016	2017	2018	2019	2020
GDP (year-on-year change)	0.6%	0.9%	~1%	~1%	~1%	~1%
3-month Euribor (annual average)	0.0%	-0.3%	-0.3%	-0.3%	-0.1%	0.3%

The Business Plan estimates growth in net profit to approximately €730 million in 2019 and to over €870 million in 2020. The value creation target will bring ROTE up from 2.4% in 2015, net of non-recurring items, to 9.4% in 2019 and to 10.6% in 2020.

In view of that growth, the business plan includes a dividend distribution with a payout greater than 40% of profit each year and a dividend per share that grows during the whole of the period.

The improvement in profits forecast over the course of the plan is enabled by all the main components of the income statement (revenues, expenses and loans) and is based on the following cornerstones.

² Over 60% of the amount was allocated to bad loans and the remaining part to unlikely to pay loans.

³ As a result of the recognition through profit and loss of all the extraordinary items relating to the new organisational baseline of the business plan, the year 2016 will end in a loss. It will therefore not be possible to include the tax benefit resulting from the use of the shortfall in the CET1 in 2016, but this will represent a positive component of the CET1 when profits are earned starting from 2017.

Development of the commercial approach by customer segment

Analysis of segment reporting has identified areas with potential for significant improvement in the “Individuals and Households” segment in particular, where the Group has a particularly large number of customers (2.7 million), in the “Businesses” segment where UBI Banca has approximately 300 thousand clients and in the “Affluent & Private Banking” areas (approximately 500 thousand clients) where consolidation and development will bring substantial growth.

Under the plan, the Product Companies will play the role of excellence centres at the service of customer segment development.

- a) The “**Individuals and Households**” segment: the crisis has brought out new needs which have intensified during the years of the recession, highlighting gaps in the available range of products and services in terms, amongst other things, of pension and health cover.

The Group has therefore divided customers into additional segments with the purpose of serving demands that arise during the various stages of the life-cycle with a targeted, specialist and simplified product range (pension, family planning, digitalised loans, mortgages, personal loans, insurance wrappers, etc.), with a one-stop shop perspective in order to increase funding and indirect funding in particular, and to reinforce the Group’s positioning in terms of loans and customer fidelity.

The Group will leverage on new technologies (big data and advanced analytics) in order to ensure accurate commercial propositions. For example changes in the composition of portfolios have been made in the first five months of 2016 using these technologies (already in use by the Group), with approximately 15,000 customers transferred more accurately out of “Individuals and Households” and into the “Affluent” segment.

Finally, simplification of customer relationships is planned by means of digital processes and increased contact time as a result of integrated multi-channel services (approximately €20 million has already been invested in digital innovation and a further €60 million investment is planned over the course of the plan), which now already allows profitability per customer that is 78% higher than that for “non-multichannel” customers.

- b) The “**Affluent & Private Banking**” segment groups together customers seeking higher returns but with a tendency to seek refuge in more solid banks.

The Group has a high potential for development and growth here enabled by a significant increase in funding in the form of bonds issued by the bank which, in view of the recent bail-in regulations, may be progressively converted into insurance and investment products by leveraging on UBI Pramerica excellence, on a greater range of investment products (inclusive of an evolved advisory service) and on innovative solutions (succession plans, welfare plans, insurance wrappers, etc.).

Opportunities offered by the “flight to quality” phenomenon will also be grasped which have seen substantial inflows of deposits to the Group and the customer service structure will be reinforced with the planned recruitment of new private bankers (who will join the network of approximately 300 specialists already working in the Group) and also through the IW Bank platform (which will benefit from approximately 200 new advisors over the course of the plan in addition to the over 800 already in operation).

- c) The “**Businesses**” segment

The development of relationships with business clients, previously based on the mere negotiation of terms and conditions, requires the Bank to provide staff with a full knowledge of the sectors to which business clients belong and an assessment of individual businesses not only on the basis of the form of company, but also in terms of the supply chain in which it operates (approximately 300 supply chain sectors have been identified with an average of 100 firms in each sector).

Since UBI Banca has a substantial business client base (over 300,000), over 40% of which are low risk and have high potential for an increase in the share of wallet, it aims at the following:

- a strengthening of the relationship with clients in local markets, which already generate positive value for the Bank (around 3,000 businesses have already been identified on which to launch a new commercial proposition);

- leveraging on long-standing relationships in local markets, with specialisation of the corporate division with a sector/supply chain specialist approach. To achieve this:
 - ✓ priority sectors have already been identified on which to focus commercial efforts;
 - ✓ industry specialist training has been commenced;
 - ✓ investments have already been planned for dedicated tools to support virtual supply chains (reverse factoring and IT);
- to provide the necessary support to businesses in their growth abroad and internationalisation, making use of expertise already present in the Group;
- to become the preferred bank on evolved services for medium to small-size businesses, because the Group already has good positioning on medium-size clients (the Group's market share for M&A transactions for medium to large-size companies is 10% and the Group is the fourth largest player in Italy in terms of volumes and number of transactions on the corporate lending and structured finance market).

The Group plans to maintain a prudent risk profile over the course of the plan with performing loans to low risk businesses as a percentage of total performing loans of greater than 75%.

The new distribution model

Implementation of the 2019/2020 Business Plan includes development of the Group's distribution model in the direction of an **integrated multi-channel organisation** (80% of which completed by the end of 2018), which on the one hand will allow customers to access the bank continuously and operate without distinction on all the available channels, and on the other hand it will allow the bank to reach customers with targeted commercial proposals.

Simplification of the branch network in Italy is planned as a consequence, enabled initially by the transition to a Single Bank⁴: around 280 points of sale will be closed over the course of the plan (of which 130 in relation to the Single Bank Project), falling from 1,529 network bank branches at the end of 2015 to 1,250 points of sale at the end of 2019.

Over 40% of the branch network will also be refurbished with a strong drive towards cashless branches (350 of the 500 refurbished) and a consequent freeing up of commercial time; and a new branch concept will also be introduced.

Trends in volumes of business

The Balance Sheet

figures in billions of euro	2015	2019	2020	CAGR 15-19	CAGR 15-20
Net loans to customers	84.6	88.9	92.0	1.3%	1.7%
<i>of which performing loans</i>	74.9	81.7	85.1	2.2%	2.6%
<i>of which non-performing exposures</i>	9.7	7.2	6.9	-7.0%	-6.5%
Direct funding from customers	72.5	65.3	64.1	-2.6%	-2.5%
Indirect funding	79.5	100.4	107.9	6.0%	6.3%
<i>of which assets under custody</i>	31.0	28.1	28.8	-2.4%	-1.5%
<i>of which assets under management and insurance products</i>	48.6	72.3	79.1	10.4%	10.3%
Total funding (direct + indirect)	152.1	165.6	172.0	2.2%	2.5%
Institutional funding (excluding CCG)	12.9	23.2	25.6	15.8%	14.7%
Proprietary securities portfolio	~19	~16	~13		

The new commercial approach will allow the following moderate growth in volumes of business:

- an increase in net loans from €84.6 billion in 2015 to approximately €89 billion in 2019 and approximately €92 billion in 2020 with average annual growth rates close to forecast growth in GDP;
- in terms of growth in financing, this will be supported by the partial replacement of retail bond funding with wholesale funding and recourse to TLTROs, which in 2016 will reach €12.5 billion⁵ and will then fall to €8.5 billion in 2020. Wholesale funding⁶ will rise over the course of the plan from

⁴ At local level simplification of the organisation and of the decision-making chains is planned by revising local management units which will consist of five Macro Geographical Areas and 36 District Management Areas (compared with seven network banks and 45 District Management Areas existing at present).

⁵ The Group repaid €8.1 billion of TLTROs with value date 29th June 2016, replacing it with €10 billion of TLTRO2s.

⁶ Excluding the *Cassa di Compensazione e Garanzia* (a central counterparty clearing house).

€12.9 billion at the end of 2015 to approximately €26 billion in 2020, partly with a view to the progressive repayment of TLTROs towards the end of the Business Plan;

- in order to guarantee the availability of additional liquidity over the whole course of the plan, unencumbered eligible assets will always be greater than €11 billion;
- total funding from customers (direct and indirect) is expected to increase from €152.1 billion at the end of 2015 to approximately €166 billion in 2019 and to €172 billion in 2020. Within the item, assets under management and insurance funding are expected to increase significantly from €48.6 billion to approximately €72 billion in 2019 and to approximately €79 billion in 2020, enabled as follows:
 - by the partial transformation of direct funding (bank bonds) into assets under management, partly with a view to protecting customers consistent with the new bail-in rules;
 - by the conversion of assets under custody into managed assets;
 - by an increase in distribution capacity in the “Affluent & Private Banking” segment as a result, amongst other things, of the recruitment of new private bankers in addition to the 300 already in service;
 - by leveraging on the IW Bank distribution network which will be reinforced (+200 financial advisors over the course of the plan);
 - by focusing on the insurance/pension component in the “Individuals and Households” and “Affluent & Private Banking” segments;
 - by the use of new technologies (big data and advanced analytics) to determine a targeted range of products and services.
- finally, the Group’s securities portfolio will be progressively reduced in parallel with growth in lending and it will be further diversified, falling from €19 billion at the end of 2015 to approximately €13 billion at the end of 2020, with the proportion of Italian government securities falling from approximately 95% to around 46% at the end of the Business Plan.

Trends for the income statement

The income statement

Figures in millions of euro	2015	2019	2020	CAGR 15-19	CAGR 15-20
Operating income	3,371	3,633	3,844	1.9%	2.7%
<i>of which net interest income</i>	1,631	1,801	1,886	2.5%	2.9%
<i>of which net fees and commissions</i>	1,300	1,553	1,662	4.5%	5.0%
Operating expenses*	(2,277)	(1,967)	(1,982)	-3.6%	-2.7%
<i>of which staff costs</i>	(1,392)	(1,181)	(1,207)	-4.0%	-2.8%
<i>of which other administrative expenses**</i>	(628)	(559)	(550)	-2.9%	-2.6%
Net operating income	1,094	1,665	1,862	11.1%	11.2%
Net impairment losses to loans	(803)	(484)	(460)	-11.9%	-10.5%
Net profit	117	732	874	58.2%	49.6%
The cost:income ratio	68%	54%	52%		
Loan loss rate	0.95%	~0.54%	~0.50%		

* Inclusive of redundancy expenses, net impairment losses on property, plant and equipment and ordinary and extraordinary contributions to Resolution Fund and Deposit Guarantee Scheme.

** Excluding the ordinary and extraordinary contribution to the Resolution Fund.

The increase in profitability will be achieved through the contribution of three income statement components:

- growth in **operating income** is expected, both as a result of a decrease in the cost of funding (inclusive of the contribution from the TLTRO), which will have a favourable impact on net interest income, but also due to the effect of the contribution from fees and commissions in relation to growth in indirect funding;
- as a result amongst other things of the transition to a Single Bank, **operating expenses** are forecast to further reduce to below €2 billion at the end of the plan, notwithstanding the inclusion of a strong investment programme amounting to approximately €540 million, 72% of which will support the generation of revenues (integrated multi-channel services, new platforms for corporate clients and tools for private bankers, refurbishment of approximately 500 branches, etc.);

In detail:

- a) *staff costs* are expected to fall constantly to a level of approximately €1.2 billion at the end of the plan. Strong generation turnover is planned with approximately 2,750 staff leaving⁷, of which around 600 as part of the Single Bank project, and approximately 1,100 new recruits to ensure an influx of new expertise to support the evolving commercial approach.

⁷ Of which 1,300 with access to the “solidarity fund”.

Staff costs also include important action to enhance and develop human resources including, but not only, a drive on training (almost half a million man/days are planned), an increase in flexible working already successfully experimented in recent years (smartworking and work-life balance measures) and an increase in variable remuneration in relation to the increase in the Group's profitability;

- b) *other administrative expenses*, also expected to fall over the course plan, will benefit from savings connected with the Single Bank Project, quantifiable in terms of a decrease in administrative expenses by around €30 million per year. In addition to this, savings will be made above all from the optimisation of operating processes and the renegotiation of supply contracts, which will offset natural growth in costs over the course of the plan.

The combined effect of growth in revenues and reduced costs is expected to produce an **improvement in the cost:income ratio from around 68% in 2015 to approximately 54% in 2019 and to 52% in 2020.**

- credit quality and loan losses

The Group has high credit quality which will be further enhanced over the course of the plan as a result of:

- a) a focus on the organisational structure, assisted also by the Single Bank Project, with a further improvement in credit recovery capacities:
- with regard to bad loans, centralised management already in place since 2009 with over 130 staff is to continue;
 - with regard to the other problem loans, organisational changes are planned with the introduction of a problem loan account manager reporting directly to the Chief Lending Officer with over 200 staff inclusive of the central department and distribution network resources;
- b) the reinforcement of monitoring tools with the introduction of evolved performance information (e.g. big data);
- c) the recent creation of a Re.O.Co. (Real Estate Owned Company) to support the realisation of the value of real estate collateral.

This action, together with the reduction in new inflows of non-performing loans now in progress since 2014, will lead to an improvement in the already historically high level of credit quality to allow the following to be achieved:

- a reduction in gross non-performing exposures from €13.4 billion at the end of 2015 to approximately €11 billion in 2020;
- a decrease in the ratio of impairment losses on loans to total loans to the customers from 0.95% in 2015 to approximately 0.50% in 2020;
- coverage for non-performing loans is expected to stand at around 49% (inclusive of write-offs) in 2020, up compared with approximately 43% in 2016 (after the reabsorption of the provision shortfall);
- a reduction in the Texas ratio⁸ from 112% in 2015 to approximately 84% in 2020.

The Business Plan presents harmonious growth for the Group. The objectives of the plan will allow sustainable profitability over time and stronger capital ratios attributable primarily to growth in profits, with structural balance and risk indicators well above existing and expected regulatory requirements and the targets set by Group policy.

Profitability indicators and structural balance

	2015	2019	2020
CET1 ratio (fully loaded)	11.6%	12.1%	12.8%*
Total capital ratio (fully loaded)	13.9%	15.7%	16.3%
Leverage ratio (fully loaded)	5.8%	6.0%	6.4%
MREL (Minimum requirements for own funds and eligible liabilities)	>15%	>15%	>15%
Net Stable Funding Ratio	>100	>100	>100
Liquidity Coverage ratio	>100	>100	>100
Texas ratio	112%	~92%	~84%
Return on Tangible Equity	2.4%**	9.4%	10.6%

*The estimated impacts of the new regulations (IFRS9, Default LGD, etc.) and the update of models, as well as other minor impacts, included in the calculation of the capital ratios, are expected to balance out with a neutral effect.

** Normalised data

⁸ Calculated according to the ratio: total net non-performing loans/[book equity (exclusive of profit) + non-controlling interests – total intangible assets].

Impact of the Plan on the income statement to 30th June 2016

Over 95% of the impacts related to the implementation of the Business Plan detailed in the table have already been recognised through profit and loss in the first half of 2016, which therefore ended in a loss. A dividend is nevertheless also planned for 2016, at least in line with that for 2015, given that the CET1 ratio remained well above the SREP requirement.

Figures in millions of euro	Gross impact	Tax + non-controlling interests	Net impact
Portion of impairment losses on loans with consequent absorption of the provision shortfall	851	265	586
Contribution to the “solidarity fund” for voluntary redundancies over the course of the plan ⁹	323	116	207
Impairment of brands	63	25	38
Single Bank Project expenses ¹⁰	5	2	3
Total	1,242	408	834

Implementation of the Business Plan

The level of detail achieved in the preparation of the business plan for each individual customer segment made it possible to produce a “transformation plan” which involves around 40 key projects that define the individual quantitative and qualitative objectives that must be achieved and the relative timing with extreme accuracy.

The Management Board will receive progress reports on the plan in all of its meetings in order to maintain a total focus on its implementation over the whole period involved. Periodic updates will also be provided to the market.

* * *

On 21st July 2016, after a preliminary meeting held on 28th June 2016, UBI Banca – as the Parent and therefore also in the name of and on behalf of Group banks and other companies – provided authorised parties with the information required by the provisions of the law and contracts on the initiatives considered in the Business Plan. Therefore by starting the relative procedures and consequently setting the relative time limits, the Group made itself available to trade union organisations for meetings which the various parties involved may request.

In the first meeting held on 29th July, in consideration of the imminent vacation period, the parties involved agreed a temporary suspension of the procedures for the whole of the month of August.

⁹ See note 7.

¹⁰ Expenses relating to the Single Bank project, totalling €40 million, were recognised through profit and loss in the amount of €5 million in the first half of 2016 and the remaining portion will be recognised in the second half.

Action taken to optimise and rationalise the Group

Already in preparation for that which became part of project activities for the Group Business Plan, with a communication made to trade unions on 25th January, the Group had announced a series of actions to *refine and optimise organisational structure as well as to rationalise the geographical distribution network*.

With regard to the first part, an agreement was signed with trade unions on 10th March which involved UBI Banca, UBI Sistemi e Servizi, the network banks, IW Bank and Prestitalia and which governed all aspects relating to personnel directly attributable to the actions indicated in the communication of 25th January. The first of these, concluded on 18th April 2016 regarded the centralisation at the Parent of activities carried out by the network banks to manage litigation and appeals to the Banking and Financial Arbitrator and to other out-of-court bodies to settle decision-making disputes.

The closure of 23 mini-branches was completed in April as part of the rationalisation of the branch network¹¹.

As concerns initiatives designed to contain staff costs, on 25th February 2016 a trade union agreement was signed which set the number of additional staff who may access the sector's "Income Support Fund" on a voluntary basis at 71, using the same incentives as those for the employees (334) included in the agreement signed on 23rd December 2015.

In view of the surplus applications received, a new understanding was drawn up with trade unions on the following 29th April for the early retirement of an additional 14 staff with employment contracts ending from 31st May onwards.

As part of the process to [RATIONALISE THE CORPORATE OWNERSHIP STRUCTURE](#), on 1st March 2016 the Management Board approved the following integrations into the Parent together with the relative draft terms of merger which will follow the simplified procedure pursuant to Art. 2505 of the Italian Civil Code for the fully controlled companies as follows:

- **UBI Fiduciaria:** on 30th April 2015 the company sold its "static" fiduciary operations carried out under law No. 1966 of 23rd November 1939 to Unione Fiduciaria. Following that disposal, operations focused mainly on activities to facilitate and ensure the proper transfer of the business to the purchaser. Since those activities have now ended and there is no intention to use the company for other purposes, it was decided to merge the company into the Parent which should be concluded by the second half of 2016, as the necessary authorisations were obtained from the supervisory authority on 10th June;
- **Società Bresciana Immobiliare Mobiliare - S.B.I.M. Spa:** reorganisation of real estate business is continuing after the merger of SOLIMM Srl into S.B.I.M. (which took effect on 23rd October 2015) with the intention of now merging Immobiliare S.B.I.M. into the Parent. The company's main purpose is to manage the premises of UBI Banca's central management headquarters in Brescia (and it is also the owner of land, no longer of core operating interest, which is consequently to be sold). This operation will have no impact on the organisational structure of the merging bank which will carry out the duties relating to the property directly since there will no longer be any leasing activities and consequent intragroup relations. The merger, which received the go-ahead from the supervisory authority on 10th June, will be completed before the end of the current year.

On 28th April 2016, UBI Banca announced that it had signed an agreement for the sale of 100% of the share capital of [UBI Banca International Sa](#), located in Luxembourg, to EFG International AG, an international company located in Zurich that specialises in asset management and private banking services.

Details of the closures carried out in April 2016 are as follows:

- [BANCA POPOLARE DI BERGAMO](#): Monvalle (Varese); Vimercate Via Torri Bianche, 3 (Monza Brianza);
- [BANCO DI BRESCIA](#): Ronciglione (Viterbo);
- [BANCA POPOLARE COMMERCIO E INDUSTRIA](#): Milan in Piazzale Nigra,1; Via Olona, 11; Via A. di Rudini, 8 (c/o San Paolo Hospital); Trezzano sul Naviglio (Milan);
- [BANCA REGIONALE EUROPEA](#): Piobesi d'Alba (Cuneo); Tortona Via Emilia, 422 (Alessandria); Genoa Via Molassana 82/r;
- [BANCA POPOLARE DI ANCONA](#): Fabriano Via Corsi,3 (Ancona); Torre San Patrizio (Fermo); Sant'Eusanio del Sangro (Chieti); Grazzanise e Vairano Patenora Via delle Rimembranze, 56 (Caserta); San Leo (Rimini);
- [BANCA CARIME](#): Cosenza Via degli Stadi, 57/d2; Arena, Nicotera e Soriano Calabro (Vibo Valentia); Bitetto (Bari);
- [BANCA DI VALLE CAMONICA](#): Menaggio (Como); Aprica (Sondrio).

The operation forms part of a programme to progressively focus on UBI Banca's core banking business in order to concentrate available resources on the further development of high value-added services for the Group.

The portfolio of loans to corporate clients (approximately €340 million out of almost €430 million existing at the end of 2015, which will be taken over by the Parent, UBI Banca), the bank branches in Madrid and Munich and the investment in UBI Trustee do not form part of the operations sold to EFG International, while approximately €3.6 billion of customer business (direct and indirect funding) are included in the disposal.

The operation is expected to be concluded not before the second quarter of 2017, once the preparatory activities for the disposal are completed.

As concerns the short-term funding programmes (French Certificats de Dépôt and Euro Commercial Paper) currently managed by UBI Banca International on behalf of the Group, funding using these instruments will continue for the time being and the issuances will be for maturities up to and not later than the date of the finalisation of the transaction, so that all the instruments can be redeemed ordinarily before the sale.

The consideration for the sale of UBI International is more or less in line with the equity recognised in the books of the company that remains following the distribution to shareholders of the share capital over and above the effective requirement of the company once the programme to reallocate assets in the UBI Banca Group not included in the transaction and adjusted to include the profit of UBI Banca International up to the closing date is completed.

The sale, which is subject to the issue of authorisations from the competent authorities, will not generate any significant impacts on the UBI Banca Group's consolidated income statement and capital ratios. As concerns relationships with UBI Banca International customers, full continuation of banking, consultancy and custody services currently provided by the company is guaranteed and these will be provided by the existing staff who will remain with UBI Banca International.

Transformation of UBI Banca into an ordinary joint stock company: conclusion of the procedure for the exercise of the right of withdrawal

As already reported in detail in previous periodic financial reports, the transformation of UBI Banca into an ordinary joint stock company which took effect on 12th October 2015 when a resolution of the Extraordinary General Meeting of the Shareholders held on 10th October was filed with the Company Registrar of Bergamo meant that those UBI Banca shareholders who did not approve the resolution and other holders of UBI Banca shares were able to exercise their right of withdrawal within the time limits and according to the procedures laid down by article 2437 *bis* of the Italian Civil Code and therefore before and not later than 27th October 2015.

As already reported, the main steps in the procedure for the exercise of the right to withdraw were as follows:

- at the end of the period set, the right of withdrawal was found to have been validly exercised on 35,409,477 shares, representing 3.927% of the paid-up and subscribed share capital of UBI Banca (for a total amount, calculated on the basis of the liquidation value of €7.2880 per share, of €258,064,268.38);
- in accordance with article 2437-*quater* of the Italian Civil Code, on 11th November, an option offer for UBI Banca shareholders on the shares subject to withdrawal (with a ratio of one share for every 24.4259 rights held) was filed with the Bergamo Company Registrar with pre-emption rights on the shares not taken up under the offer. An option offer commenced the following day and was concluded on 12th January 2016;
- on 26th January 2016 UBI Banca reported that, at the end of the option offer and pre-emption period, requests had been made to purchase 58,322 UBI Banca shares at the price indicated above of €7.2880 per share;
- the 35,351,155 shares subject to withdrawal on which options had not been taken up were offered on the *Mercato Telematico Azionario* (MTA - electronic stock exchange) on the sole

day of 28th January through Banca Akros Spa. Since no shares were purchased, on 3rd February the settlement of the sale and purchase of the 58,322 UBI Banca shares subject to the exercise of option and pre-emption rights took place with the allocation of those shares among the withdrawing shareholders in proportion to the number of shares subject to withdrawal. The payment of the amount for the shares purchased as well as the assignment of the shares in favour of those holding those rights took place through Monte Titoli and the respective intermediaries;

- at its meeting of 10th February 2016, the Management Board verified, on the basis of the criterion specified in the Illustrative Report to the Shareholders published on 9th September 2015, that the new fully loaded CET1 threshold to be observed when redeeming the shares subject to withdrawal stood at 11.62%¹², compared with a fully loaded CET1 ratio calculated as at 31st December 2015 of 11.64%. Therefore a proposal was submitted by the Management Board to the Supervisory Board, which voted in favour of it on 18th February 2016 after prior consultation with the Internal Control committee, to redeem 1,807,217 shares (rounded up to 1,807,220 shares in order to ensure equal treatment of the withdrawing shareholders with the same number of withdrawn shares) for a total consideration of €13,171,019.36 (calculated on the basis of the liquidation price of €7.2880 per share);
- in accordance with articles 77 and 78 of Regulation (EU) No. 575/2013 on 31st March 2016 the European Central Bank issued an authorisation to proceed to the redemption of the 1,807,220 UBI Banca shares subject to the right of withdrawal;
- the redemption was settled on 8th April 2016 with the same value date through Monte Titoli Spa and the respective intermediaries and at the same time shares that were not redeemed were freed from the unavailability restriction existing on them.

The redeemed shares became part of UBI Banca's treasury share portfolio (for consideration of €13.17 million) and the relative purchase was carried out by drawing on available reserves.

When the redemption settlement took place, the 1,807,220 shares were recognised at the official market price of €3.0215, which led to the recognition of a negative reserve of €7.7 million in equity.

The EBA Stress Test

The UBI Banca Group forms part of the 51 credit institutions, five of which are Italian, which have at least €30 billion of assets that were involved in the 2016 EU-wide stress tests.

This exercise, started by the European Banking Authority (EBA) in the first quarter of 2016, is designed to assess the resilience of banks against a baseline and an adverse macroeconomic scenario. The time horizon is three years and it is based on year-end 2015 figures.

The official methodology was published by the EBA on 24th February and it covers credit, securitisation, market, sovereign, funding and operational risks, with a special focus on conduct risk.

In the context of those activities, on 17th March the UBI Banca Group delivered a set of historical information ("Advanced Data Collection") on relevant data as the basis of a comparison for the stress test.

In the months that followed, the Group was involved in a process of intense interaction with the supervisory authority designed to check the quality of the data and the proper application of the methodology defined by the EBA.

The results of the stress test were published by the EBA on 29th July 2016. For the UBI Banca Group, the fully loaded Common Equity Tier 1 Ratio in 2018 was 13.01% in the baseline scenario and 8.85% in the adverse scenario: +139 bps and -277 bps respectively compared with the fully loaded CET1 ratio in December 2015 of 11.62%.

¹² Following the SREP decision communicated on 27th November 2015, which reduced the CET1 ratio requested of UBI Banca by the ECB to 9.25% (which at the time of the definition of the criterion had been 11.74%), it was recalculated as follows: $[(9.25\% + 1.50\%) + 12.48\%] / 2 = 11.62\%$.

CET1% 2015 Transitional	12.08%
<i>Transitional Adjustments</i>	<i>-0.46%</i>
CET1% 2015 Fully Loaded	11.62%
<i>Delta Stress Baseline</i>	<i>1.39%</i>
CET1% 2018 Stress Baseline	13.01%
<i>Delta Stress Adverse</i>	<i>-2.77%</i>
CET1% 2018 Stress Adverse	8.85%
<i>Delta Adverse vs. Transitional</i>	<i>-3.23%</i>

With regard to results of the adverse scenario, we report that approximately 50% of that impact is attributable to the particularly severe hypotheses concerning the write-down of government securities in terms of the AFS reserve, a question which, moreover, has already been addressed in the recent 2019/2020 Business Plan, which involves a reduction and a change in the mix of the proprietary securities portfolio. The remaining part of the impact on the CET1 ratio was mainly due to more restrictive hypotheses concerning DTAs compared with the previous stress test, to a higher cost of funding and to impairment losses on loans. The stress hypotheses for conduct and operational risks, newly introduced in the 2016 methodology, had completely negligible impacts.

Minimum capital thresholds will be set to be complied with this year, but the results will be used by the supervisory authority as part of the 2016 SREP assessment, which will then be used to set the capital levels with which the UBI Banca Group must comply starting from next year.

Participation in the Atlante Fund

In a meeting held on 18th April 2016, the Management Board of UBI Banca approved the Bank's participation, with an amount of up to €200 million, in an alternative investment fund, managed by Quaestio Capital Management SGR. The amount paid as at 30th June 2016, recognised within units in UCITS in the AFS portfolio, amounted to €119.2 million.

The Atlante Fund is an Italian registered closed-end alternative securities fund, subject to capital calls, reserved to institutional investors. The prospectus for its formation was presented on 11th April 2016 and, after obtaining authorisation from the Consob (Italian securities market authority) to market the fund, on 21st April it announced that it had already raised the minimum capital threshold of €4 billion and was commencing operations.

The fund closed on 29th April, while in the days immediately before that an extension was signed to the sub-underwriting agreement with Unicredit in the event of the failure of the listing of Banca Popolare di Vicenza (BPVi) and authorisation was obtained from the authorities to purchase a substantial stake in BPVi.

At the time of the above closing date, the fund had capital of €4.24 billion and investors in it consisted of 67 Italian and foreign institutions composed of banks (inclusive of UBI Banca), insurance companies, banking foundations and the *Cassa Depositi e Prestiti* (CDP – state controlled fund and deposit institution). Each single investee may hold a stake no greater than 20% of the size of the whole fund.

The fund may invest **up to 70%** in banks with capital ratios less than the minimum levels set as part of the SREP and which therefore, on request of the supervisory authority, take steps to strengthen capital through share issues, while **at least 30%** of the fund will be invested in the non-performing loans (NPLs) of a number of Italian banks including those backed by collateral.

Initially, Atlante acts as a back-stop facility to eliminate the surplus of the supply over the demand for shares in the capital increases of banks experiencing capital difficulties. Not all capital increases qualify for potential investment by the fund, but only those that the market alone (with or without underwriting syndicates) is unable to meet and which potentially might involve a bail-in risk and/or therefore cause system risks.

A second area of action is the disposal of NPLs, which is too slow compared with the rest of Europe. The purpose of the fund is to promote the creation and development of an efficient market for non-performing loans by means of the following:

- investments (or co-investments) in securitisations currently under construction and which satisfy the return requirements, in order to reduce their impact on the balance sheets of banks and to accelerate the disposal of NPLs;

- the promotion and organisation of securitisations by bringing together the best proposals of banks, funds and service providers in which to finance or co-finance the equity tranche;
- the fund does not interfere in cases where a bank finds a market solution independently, but its presence nevertheless helps to keep the levels of the returns down.

As at 30th June 2016 the capital management company had subscribed an investment of €1.5 billion in Banca Popolare di Vicenza Spa (a 99.33% stake in the share capital) and of €988.6 million in Veneto Banca Spa (a 97.64% stake in the share capital), in the name of, on behalf of and in the interest of the Atlante Fund.

The UBI Banca Group has a representative on the Investors' Committee of the Fund.

The formation of a Real Estate Owned Company (Re.O.Co.)

As part of possible strategies to realise the value of collateral backing bad loan positions, on 24th May 2016 the Management Board, on the basis of a favourable assessment by the Supervisory Board given on 13th May 2016, approved the formation of a Re.O.Co. named "Kedomus Srl" with headquarters in Brescia and share capital of €300 thousand fully owned by UBI Banca.

This property company will be specialised in activities to repossess property collateral with a mission to preserve the value of properties mortgaged to back the bad loan positions of Group banks by taking part directly in judicial auctions in order to support the price, stimulating the interest of third parties and consequently accelerating the credit recovery process.

Kedomus Srl was formed on 15th June 2016, and subsequently registered with the Company Registrar on 21st June 2016.

Its Board of Directors is composed of three members who will remain in office for 18 months. Although the appointment of a supervisory body is not compulsory, because the necessary conditions pursuant to paragraph 3 of Art. 2477 of the Italian Civil Code do not apply, in order to comply with independence requirements set by specific internal regulations entitled "Regulations governing transactions with connected parties of the UBI Banca Group", a single statutory auditor was appointed.

Deloitte & Touche Spa was engaged as the external statutory auditor for the period 2016-2018.

The selection of properties to be submitted to the Board of Directors of Kedomus for subsequent intervention in auctions, will be carried out by the Investment Committee of UBI Banca, a newly formed consultative committee, the members of which include the Chief Financial Officer, the Chief Lending Officer, the Chief Operating Officer and the Chief Executive Officer of the Company. The Investments Committee will carefully monitor the auctions in which the Company takes part and final figures for expenses and income in relation to the business plans drawn up.

Following along the lines of the model adopted at Group level, the Company will receive specific services delivered by the Parent on the basis of a general agreement.

As at 30th June 2016 the company had two employees actually in service (see the section "Human Resources" of this report for further details).

The following documents were drawn up to govern the main aspects of the Company's operations:

- guidelines for the selection of properties and participation in judicial auctions to regulate property selection procedures and strategies by the aforementioned Investments Committee and participation in auctions by the Company;
- guidelines for the resale of properties by the Company;
- "Spending Regulations", which lay down the powers to sign for incurring expenses, in line with those of the Parent;

- a “Management, organisation and control model pursuant to Legislative Decree No. 231 of 8th June 2001”, in compliance with the guidelines laid down by the current reference model for the UBI Banca Group and compliant with the specific operations of the new legal entity.

Developments in the regulatory framework

Again in the first half in question the general regulatory framework in which Italian banks operate was in a state of change, placing the burden of a wide variety of monitoring and compliance activities on those banks.

Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation

Directive (EU) 2016/1034 of the European Parliament and Council of 23rd June 2016 postponed the application of Directive 2014/65/EU on Markets in Financial Instruments (known as MiFID II) by one year and as a consequence it also postponed the entry into force of regulation (EU) No. 600/2014 (MiFIR). Therefore the regulations contained in the MiFID II Directive and in the MiFIR Regulation will be applied from 3rd January 2018 in order to taken into consideration “the exceptional difficulties in the application of the rules which both regulators and market participants must address”. The European Commission also underlined that the extension of the deadline was “strictly limited to the time needed to allow technical implementation work to be finalised”.

MiFID II does in fact make substantial changes to European financial markets, introducing intervention to bring operations into line with new trading technologies, increased transparency on bond and commodities markets on the basis of experience acquired during the financial crises. Also more stringent obligations are put in place on the overall provision of the various investment services in order to further reinforce and broaden the areas of application of the principles of customer protection (in part already incorporated and implemented by the Consob – Italian securities market authority – such as for example in recording customers’ risk appetites and on the subject of complex products) and of controls for the proper conduct in operations.

Market Abuse Regulation

On 3rd July 2016 Regulation (EU) No. 596/2014 (“MAR”) came into force which replaces the current regulatory framework introduced by Directive 2003/6/EC (“MAD1”) on the question of market abuse, and creates a common regulatory framework on the abuse of inside information, the disclosure of inside information and market manipulation. The introduction of these regulations in national law also involves making amendments to the “231 Model” (administrative liability) adopted by the UBI Banca Group.

The intention of the European Government with the adoption of the MAR was to update and strengthen the current framework by extending the scope of application to include new markets and new trading strategies and by introducing new requirements designed to prevent market abuse, with the aim of guaranteeing the integrity of the financial markets of the Union and strengthening investor protection and confidence in the market. It is underlined that the entry into force of some provisions of the MAR and those concerning notifications and the list of financial instruments connected with MiFID II/MiFIR in particular, are covered by the same extension of the time limit.

European Market Infrastructure Regulation

With regard to the technical standards relating to Regulation No. 648/2012/EU on over-the-counter derivative instruments (EMIR), we report that the date of 21st December 2016 was set for large banking groups as the deadline for the entry into force of the clearing and guarantee obligation for all OTC derivative contracts which possess determined characteristics in terms of standardisation, volume, liquidity and the availability of reliable prices, by resort to a European or foreign central counterparty that is specially authorised or recognised. Authorisation to carry out clearing activities is subject to compliance with a series of prudential, organisational and governance requirements. Alternative measures to mitigate risk are laid down for OTC contracts not subject to clearing.

Legislative Decree No 30 of 15th February 2016 “Implementation of the Directive 2014/49/EU of the European Parliament and Council of 16th April 2014, concerning deposit guarantee schemes”

On 8th March Decree Law No. 30 of 15th February 2016 was published (O.J. No. 56) designed to implement Directive 2014/49/EU (the “Deposit Guarantee Schemes Directive - DGSD), which puts a harmonised regulatory framework in place at European Union level for deposit guarantee schemes, by implementing the delegation contained in Art. 7 of Law No. 114 of 9th July 2015 (the “2014 European delegation law”).

This legislation regulates the financial resources available to guarantee schemes which must be proportionate to the liabilities and must reach a minimum limit (generally speaking 0.8% of the deposits protected by the banks adhering to the scheme). Procedures for acquiring the funds available to

guarantee schemes are defined, with procedures for ex ante contribution (in place of the previous procedures which were either ex post, or were triggered as the need arose). Extraordinary contributions are provided for alongside ordinary forms of contribution in the event of insufficient funds being available. Scopes and procedures for the action of guarantee schemes are defined, which are permitted to intervene even at the bank resolution stage, and also – where provided for by the Articles of Association – in order to resolve a state of insolvency. The limit of €100,000 for protected deposits was confirmed with exception made for excesses resulting from specific cases of transactions for natural persons (e.g. receipt of post-employment benefits, etc.) and a progressive reduction was provided for in the timing of the return of the deposits passing from the current 20 to 7 working days, once the regulatory framework is fully in place (from 1st January 2024).

As concerns transparency, Art. 3 carefully regulates the disclosure of information to deposit holders in order to identify the guarantee scheme relevant to them and to provide information on exclusions from the relative protection. Information must be made available by means of a standard form, free of charge and in good time before a contract is signed or before a deposit holder is bound by an offer. Deposit holders are provided with an up-to-date version of the aforementioned form at least once per year.

A wide variety of changes are also made to the Interbank Deposit Protection Fund, to which banks in the UBI Banca Group adhere, in relation to their role as representatives of the national deposit guarantee scheme. In addition to the changeover from an ex-ante financing framework in place of the current ex post contribution procedures with the connected issue of the investment of available financial resources, these also include: the reduction in the time in which deposit holders are reimbursed, with an impact on the current procedure and on the disclosure obligations of banks with regard to the Fund; the calculation of contributions from banks based also on their level of risk; the use of the resources of the Fund for a wide variety of interventions as alternatives to direct reimbursement.

In addition to the ordinary contribution which took place from the second half of 2015, the Group started a process of compliance with the new provisions with the definition of a series of interventions, partly already completed in compliance with the timing set by the regulations, consisting primarily of transparency and customer disclosure obligations and upgrading of reporting procedures and the contribution to the Interbank Protection Deposit Fund.

Implementation of European Community Directive 2014/17/EU (MCD) on credit agreements relating to immovable properties (Mortgage Credit Directive)

The EU Directive 2014/17/EU (MCD) on credit agreements for consumers relating to residential immovable property was implemented in Italy with Legislative Decree No. 72 of 21st April 2016. This legislation must be completed with the issue of the secondary legislation by the Bank of Italy.

The Directive lays down a common framework for member states for credit agreements for consumers secured by a mortgage or otherwise relating to immovable residential properties. The aim is to guarantee a minimum level of protection and transparency for consumers, which is standardised by setting common rules on a pan-European basis for credit agreements and for financing contracts and for various types of credit agreement concerning immovable properties, thereby also ensuring uniform valuation of the properties that constitute the security.

The main features of the consumer protection introduced by the new provisions are given below.

- *Transparency of the pre-contractual information and the right to a period of reflection*
The protection of a potential mortgage holder is guaranteed primarily by the obligation of banks to inform customers of the conditions and binding obligations to which the contract itself is subject by making the adoption of a “European Standardised Information Sheet (ESIS) compulsory for this purpose. It is obligatory in this sheet (already in force in Italy) to also show the APRC, a summary indicator of the overall cost of the loan, because it is needed to compare different product alternatives. Another innovative feature is the requirement to grant consumers a “period of reflection” lasting seven days prior to the conclusion of a contract, in order to be able to compare alternatives available on the market and to estimate how attractive they are and also to be able to assess the real sustainability of the financial commitment.
- *Credit processes and “understanding” with regard to the foreclosure of mortgage holders in arrears*
The new measures emphasise the importance of the creditworthiness assessment stage and in this regard they introduce both specific areas of attention and implementation rules and also provisions to provide greater protection to mortgage holders who may be in difficulty with their loan repayments. Article 28 of the MCD Directive does in fact require banks to exercise reasonable forbearance before foreclosure proceedings are initiated. Limits may be set in agreements on the charges that may be made on a mortgage holder in arrears and where a debt remains after foreclosure procedures are completed clauses may be introduced for the discharge of the debt or to facilitate repayment.
- *EU passport*
A “European passport” is introduced which allows credit intermediaries to be able to operate in EU countries on the basis of the authorisation granted by the competent authority in their home member state.

The UBI Banca Group has taken measures to implement and apply the regulations in force from time to time.

Expansion of the Interbank Deposit Protection Fund voluntary scheme

As already reported, with amendments to its Articles of Association approved by a General Meeting held on 26th November 2015, the Interbank Deposit Protection Guarantee Fund (which acts as the representative of the National Deposit Guarantee Scheme in accordance with Directive 2014/49/EU) provided for, amongst other things, the creation within it of a voluntary scheme – with its own regulations governance and resources – designed to intervene in support of banks in crisis adhering to the scheme.

That scheme was created with the adherence of almost all the banks in the consortium, with a maximum financial commitment by the banking system of €300 million.

An Extraordinary Shareholders' Meeting of the Voluntary Intervention Scheme held on 17th June 2016 approved amendments to the Articles of Association designed to broaden the necessary conditions and procedures for intervention, to simplify the decision-making processes and increase the available funds.

The main changes regarded the following:

- **the Aims** (Art. 35): this specifies that the Voluntary Intervention Scheme, created within the Fund has the aim of carrying out intervention in favour of the banks adhering to it with regard to which early intervention measures have been adopted in accordance with Title IV, Chapter I, Section 01-I of the Consolidated Banking Act, inclusive of the measures contained in articles 53-*bis* and 67-*ter*, or where the failure or risk of failure has been declared by the Bank of Italy and it lists the interventions in favour of the banks adhering to the Fund, which may consist of: (i) the grant of loans, (ii) the issue of guarantees, (iii) the acquisition of equity interests, (iv) the acquisition of assets, liabilities, companies, company operations, tangible assets and legal relationships identifiable in groups and (v) other means;
- **the “Participating banks”** (Art. 36): this sets the date of 31st December 2017 for the possible automatic dissolution of the Voluntary Intervention Scheme if the required condition is not met (“banks representing at least 95% of the total of protected deposits recorded by the Fund at the date of the last available report must adhere to the Scheme. If that condition is not met and if after a time limit of two months it has still not been met, the Scheme is automatically dissolved”);
- **the “Resources for interventions and the independence of the capital available”** (Art. 37): the maximum amount of the financial resources that banks adhering to the Scheme commit to providing for interventions and the relative expenses is increased from €300 million to €700 million. The financial resources needed to cover the costs and expenses connected with the functioning of the Scheme are provided by the banks adhering to it in addition to those provided for by the previous clause;
- **the “General Meeting of the adhering banks”** (Art. 39): the General Meeting of the adhering banks resolves in ordinary session on (i) approval of the estimate of the running costs and (ii) fees paid to directors and statutory auditors.
The time limit within which a General Meeting of the adhering banks can be convened is reduced from 15 to 8 days.
The right of withdrawal from the Scheme is provided for banks adhering to the Fund who disagree with resolutions approved by a General Meeting even in cases of increases in the funds available to the Scheme;
- **the “Management Board”** (Art. 40): members of the MB, elected by a General Meeting may be chosen from among “those who have acquired substantial experience in the management of banks”. They must possess the requirements set by Art. 26 of the Consolidated Banking Act, with the exception of paragraph 3, letters c) and e), and by the implementation provisions issued by the Bank of Italy.

UBI Banca participated in the Shareholders' Meeting held on 17th June 2016 and voted in favour of the amendments to the Articles of Association proposed, on the basis of recommendations formulated by the Management Board on 15th June 2016.

An overview of the expenses incurred and the commitments made by the UBI Banca Group to the Voluntary Scheme is given in the Explanatory notes to the Condensed consolidated interim financial statements (Accounting policies, Other aspects).

The distribution network, positioning, digital innovation and payment cards

The branch network of the Group

The branch network of the UBI Banca Group as at 30th June 2016 consisted of 1,537 branches, of which 1,531 operating in Italy, a decrease of 23 compared with the end of 2015.

The branch network of the UBI Banca Group in Italy and abroad

number of branches	30.6.2016	31.12.2015	Change
UBI Banca Spa	4	4	-
Banca Popolare di Bergamo Spa	347	349	-2
Banco di Brescia Spa	287	288	-1
Banca Popolare Commercio e Industria Spa (1)	192	196	-4
Banca Regionale Europea Spa (2)	207	210	-3
Banca Popolare di Ancona Spa	202	208	-6
Banca Carime Spa	211	216	-5
Banca di Valle Camonica Spa	63	65	-2
IW Bank Spa	21	21	-
UBI Banca International Sa - Luxembourg	3	3	-
TOTAL	1,537	1,560	-23
Total Branches in Italy	1,531	1,554	-23
Financial advisors (3)	831	824	7
ATMs	2,326	2,326	-
POS terminals	72,913	68,082	4,831

- (1) The figures do not include nine units dedicated exclusively to pawn credit.
 (2) The figures include three foreign branches.
 (3) The figures also include financial advisors belonging to the Wealth Management Area of IW Bank Spa.

The reduction is attributable to a further rationalisation of the branch network carried out in April which led to the closure of 23 mini-branches¹.

At the date of this report, the number of branches had risen to 1,538, of which 1,532 in Italy, following the transformation of a Banca Valle Camonica treasury facility located at Rodengo Saiano (at the Franciacorta retail “outlet”) into a mini-branch in July.

The Italian distribution network is supplemented by the UBI Banca “Private & Corporate Unity” (PCU – private and corporate banking) units, which at the end of the first half, and also at the date of this report, operated in Italy with 125 centres (48 PCUs and 77 “corners”), unchanged compared with December 2015.

Geographical market coverage also continues to be provided by a network of 831 financial advisors belonging to IW Bank Spa (824 at the end of 2015).

Private & Corporate Banking Units

	30.6.2016	31.12.2015
Private & Corporate Banking Units	125	125
Private & Corporate Banking "Unity" Units (PCU) (*)	48	48
Banca Popolare di Bergamo	12	12
Banco di Brescia	9	9
Banca Popolare Commercio e Industria	7	7
Banca Regionale Europea	6	6
Banca Carime	5	5
Banca Popolare di Ancona	7	7
Banca di Valle Camonica	2	2
"Corners"	77	77
Banca Popolare di Bergamo	24	24
Banco di Brescia	12	12
Banca Popolare Commercio e Industria	8	8
Banca Regionale Europea	4	4
Banca Carime	6	6
Banca Popolare di Ancona	21	21
Banca di Valle Camonica	2	2

(*) The figures does not include three UBI Banca units operational since 6th May 2013 and dedicated to corporate customers only.

¹ Details of the closures carried out in April 2016 are given in footnote No. 11 of the section “Significant events in the first half of 2016” of this report, in the sub-section “Action taken to optimise and rationalise the Group”.

The international presence

At the date of this report, the international presence of the UBI Banca Group was structured as follows:

- one foreign bank, UBI Banca International Sa (with headquarters in Luxembourg and branches in Munich and Madrid), for which an agreement was signed in April for its disposal which will be completed in 2017;
- three foreign branches of Banca Regionale Europea in France (at Nice, Menton and Antibes);
- representative offices in San Paolo of Brazil, Mumbai, Shanghai Hong Kong, Moscow and Dubai and, since the first months of 2016, also in New York (20th January) and Casablanca (11th February);
- equity investments (mainly controlling interests) in three foreign companies: UBI Trustee Sa (Luxembourg), UBI Management Co. Sa (Luxembourg) and Zhong Ou Asset Management Co. Ltd (China);
- one branch of UBI Factor Spa in Krakow in Poland;
- 34 commercial co-operation agreements, unchanged compared with December, with foreign banks (covering over 50 countries) – in addition to three “trade facilitation” agreements with the European Bank for Reconstruction and Development (EBRD), the International Financial Corporation (IFC) and the Asian Development Bank (ADB) – and also a “product partnership” in the Middle East and in Asia to guarantee effective assistance on all the principal markets in those areas for our corporate clients.

UBI Banca Group: market shares^(*)

	31.3.2016	31.12.2015
	Branches	Branches
North Italy	6.0%	6.0%
Lombardy	12.7%	12.6%
Prov. of Bergamo	22.7%	22.6%
Prov. of Brescia	21.7%	21.6%
Prov. of Como	5.9%	5.8%
Prov. of Lecco	5.7%	5.7%
Prov. of Mantua	4.6%	4.5%
Prov. of Milan	9.0%	8.9%
Prov. of Monza Brianza	8.7%	8.7%
Prov. of Pavia	12.7%	12.6%
Prov. of Sondrio	6.3%	6.3%
Prov. of Varese	23.9%	23.5%
Piedmont	6.9%	6.9%
Prov. of Turin	2.8%	2.8%
Prov. of Alessandria	10.8%	10.9%
Prov. of Cuneo	20.2%	20.2%
Prov. of Novara	2.7%	2.6%
Liguria	4.4%	4.4%
Prov. of Genoa	4.0%	4.0%
Prov. of Imperia	4.9%	4.8%
Prov. of La Spezia	6.4%	6.4%
Prov. of Savona	3.8%	3.8%
Central Italy	3.3%	3.3%
Marches	7.6%	7.5%
Prov. of Ancona	10.1%	10.0%
Prov. of Fermo	10.8%	10.7%
Prov. of Macerata	7.8%	7.7%
Prov. of Pesaro and Urbino	5.1%	5.1%
Latium	4.2%	4.2%
Prov. of Rome	4.1%	4.1%
Prov. of Viterbo	13.6%	13.6%
South Italy	7.1%	7.1%
Campania	5.4%	5.3%
Prov. of Naples	4.9%	4.9%
Prov. of Caserta	8.7%	8.7%
Prov. of Salerno	6.0%	6.0%
Calabria	18.5%	18.3%
Prov. of Catanzaro	10.6%	10.6%
Prov. of Cosenza	22.2%	22.1%
Prov. of Crotona	14.3%	13.9%
Prov. of Reggio Calabria	20.0%	19.8%
Prov. of Vibo Valentia	19.4%	19.4%
Basilicata	8.4%	8.4%
Prov. of Potenza	8.4%	8.3%
Prov. of Matera	8.5%	8.5%
Apulia	7.4%	7.3%
Prov. of Bari	9.4%	9.3%
Prov. of Brindisi	9.7%	9.6%
Prov. of Barletta Andria Trani	5.4%	5.4%
Prov. of Taranto	8.5%	8.5%
Total Italy	5.2%	5.1%

(*) Source Bank of Italy: Statistics Database.

The positioning of the Group

The table summarises the market positioning of the UBI Group in terms of branches at both national and regional level and in provinces where Group banks have a more significant presence.

The figures are based on the latest available data from the Bank of Italy relating to 31st March 2016.

The update shows a largely unchanged situation compared with the end of 2015, with marginal increases in some provinces.

National market share therefore rose slightly to 5.2%, but did not yet incorporate the impacts of the rationalisation action taken with effect from 30th April 2016.

At the end of the first half percentages of greater than 10% were again recorded in 14 Italian provinces, together with a substantial presence in Milan (over 9%) and Rome (over 4%).

Digital innovation

During the first half, the UBI Banca Group followed through with its Digital Innovation project, commenced in 2014, updating and releasing highly innovative services, including:

- the introduction of a new prepaid card named Enjoy One reserved exclusively for minors (aged between 13 and 18), which incorporates ease-of-use and security in a single instrument, and thanks to its linkup with the Qui UBI I WANT TUBi app, it can also be used with mobile devices;
- the creation of the app Qui UBI I WANT TUBi, with new functionalities such as the ability to reload prepaid and telephone cards;
- the evolution of the app UBI PAY² with experimentation of “Person to Business”³ services and the pilot initiative “EasyCity”⁴;
- the development of the CBILL payment service by activating online payments of bills from public administrations linked to the service entitled “Pago PA”;
- a more evolved version of UBI Money, enhanced with new services designed for easier management of family budgets with a view to savings and investments. UBI Money is composed of three functions: UBI Money Base and Plan&Save for the management of family budgets, while Ready to Invest is for investment management;
- the continuous enhancement of internet banking functions for individuals and “small economic operators” (POEs) for the introduction of digital fingerprints for access to iOS apps, new “Analyse your expenses” and the “Value of time” simulators, created with the collaboration of UBI Pramerica in order to interact with customers on investment and savings matters, and the launch of the “digital code”⁵;
- the release of the first version of the Corporate Digital Banking Service⁶ – accompanied by the Qui UBI Affari Service specially designed for the SME and corporate customer segments;
- improvement of the remote sales process for UBI products with current account transfers and the introduction of Online Signatures⁷ for all processes.

One of the projects developed and which became operational in 2016 regarded marketing automation, which is used for the management of multi-channel marketing campaigns. The 2016 Marketing Plan was drawn up right from the first quarter with this new software application which made it possible to automate processes for loading target lists and for monitoring the results of the campaign.

Various releases and updates continued in 2016 for the www.ubibanca.com website aimed at enhancing and improving the usability of the site and optimising the search engines. The updates are designed to make making online advertising of products and services of the UBI Banca Group more effective, to be achieved partly through improved monitoring of the results achieved which will allow the tools and channels used to be optimised over time.

In order to promote the growth and popularity of the prepaid Enjoy card, two important partnerships were signed with the National Basket Association (NBA) and Pastorale Giovanile Italy. The first partnership involves the offer of customised cards with the NBA brand and the exclusive layout of thirty championship teams, while the second involves the issue of customised cards (Enjoy and EnjoyOne), specially designed for all young people who took part in the 2016 World Youth Day. Commercial initiatives were also identified for UBI Banca Group customers and employees designed to increase the distribution of the Enjoy product.

² UBI PAY consists of a simple app, available for the three major mobile operating systems (Android, iOS and Windows Phone) and it allows users to: send funds to anyone on their telephone contacts over the Jiffy network, with an extremely simple user interface, comparable to sending an SMS; make online purchases with eCommerce Merchants using MasterPass, rendering the check-out process both simple and quick (one-click pay); make payments directly from NFC smartphones, simply by placing the phone next to the merchant's contactless POS terminal. In order to use UBI PAY, customers must be first registered for the services either at their local branch or online, have a Qui UBI internet banking account on which at least one of the three services is activated and have either a pre-paid Enjoy card or be a current account holder with one of the UBI Banca Group's banks.

³ “Person to Business” is the new way of making payments directly using a smartphone between individuals and shopkeepers belonging to the Jiffy payment system. The pilot project, lasting two months, involves shopkeepers and bank staff in the central district of Bergamo.

⁴ “EasyCity” is a service designed to increase the business of shopkeepers belonging to it. They can in fact use it to publish their own virtual shop window together with special offers (discounts/coupons). The pilot project was launched on a sample of selected users and merchants in the Bergamo area.

⁵ The “Digital Code” is a new security tool of the mobile token type, that can be activated and managed totally online and thanks to an app it automatically generates the security codes needed to authorise transactions.

⁶ Corporate Digital Banking is a new service specially designed for corporate clients who have greater demands for the management of their company business, while Qui UBI Affari remains mainly for use by POEs. The new service provides access to standard functions provided for by “Customer to Business Interaction” regulations, including multi-bank and multi-company mode use, and it also allows use of “value added” services dedicated exclusively to relations held with UBI Banca Group banks (e.g. “my accounts”). This allows UBI Banca to be present on the market with a structured and differentiated range of products and services.

⁷ The “Online Signature” is an evolved electronic signature of the UBI Banca Group which replaces the “Remote Digital Signature”.

Important digital advertising initiatives have been implemented to support the main activities carried out by the Group. More specifically, investments were made above all to support the remote selling of products and with the use of a remote consultant (for mortgages, current accounts, Enjoy cards and the UBI PAY app), supported by campaigns on search engines and third-party websites with media space purchasing approaches based mainly on performance.

A series of promotions were launched for the “young people” target to increase brand knowledge and to generate useful new contacts, following on from experimentation commenced in 2015 on languages and channels used by this specific customer segment (e.g. video strategies, branded content, use of influencers on the main social platforms – YouTube, Facebook, LinkedIn, Instagram).

Finally the role of UBI Banca social media was consolidated to give broad emphasis to all advertising and institutional initiatives, including those of the network banks, by trying out new campaigns to stimulate online sales of products on specific targets.

Further new important developments are planned for the second half of 2016 including: the introduction of new functions for UBI PAY to allow subscription to the service directly using the app even for those who are not customers of the UBI Banca Group; the launch of the new EasyCity Service with functions that will allow shopkeepers to send specific offers on products and services to customers on the basis of their age, gender and behaviour; continuation of experimentation of the pilot project “Person to Business” with the introduction of new payment solutions (transport, parking, mass retail) to simplify the user experience; the release of the prepaid card EnjoyOne and the credit card Hybrid (for adults) with customised graphics thanks to the aforementioned partnership with the NBA; the promotion of the competition with prizes “Your winning cards”⁸ designed to enhance and incentivise use of the Libra Personal and Libra Business Individual credit cards.

Again in the second half, new simulators will be activated and additional products made available online (including personal loans and auto/home insurance policies), new apps will be launched together with continuously evolved internet banking solution releases for individuals, companies and on the Corporate Digital Banking service and pilot projects will be launched to assess “advanced analytics” on “big data” (the first tests focus on the identification of target lists for campaigns aimed at identifying “high potential” and retention customers), consistent with the provisions of the 2019/2020 Business Plan.

The continuous development and technological improvement of direct channels is not only a strategic tool for the acquisition of new customers and the management of relationships with the existing customer base, but at the same time it also reduces operating costs. Furthermore, proper management of product and process innovation is particularly appreciated also by customers, as is confirmed by the results achieved in the first six months of the year:

- multi-channel customers of the UBI Banca Group grew overall by 4.5% to approximately 1.58 million (1.51 million in December 2015). This performance continues to be driven by the positive trend for Qui UBI internet banking (+4.8% with 1,307,000 customers signed up compared with 1,247,000 before) and Qui UBI Affari, for which users at the end of June reached over 192 thousand, up on over 179 thousand in December 2015 (+7.1%);
- credit transfers, payments and reloads increased by 17%⁹ year-on-year;
- the percentage of securities trades on regulated markets performed via internet was +31%¹⁰ (37% at the end of 2015).

⁸ The competition is open to all adult natural persons resident in Italy (excluding employees, associates, directors and statutory auditors of the UBI Banca Group and its agents) who: 1) between 20th June and 16th October 2016 made purchases for any amount with Libra Personal and Libra Business Individual cards on physical POS terminals in shops or virtual terminals on Italian websites; 2) enter personal data and other data on the payment made with the card on the special game web page accessible from the banner published on the website www.ubibanca.com. The data requested can be found on the payment receipt and more specifically on the payment slip issued for payments using physical POS terminals or on the transaction result page for payments made online.

After entering their data customers immediately discover whether they have won: an Amazon.it gift voucher worth €500 can be won each week (for all 17 weeks of the competition). There is also a final draw from all purchases made in the period for an Amazon.it gift voucher worth €5 thousand.

⁹ The figures relate to the network bank perimeter only. IW Bank is therefore excluded.

¹⁰ The figures relate to the network bank perimeter only. IW Bank is therefore excluded.

Payment cards¹¹

Despite the difficult economic environment, the UBI Banca Group continues to be very active in the payment card business, on the one hand seeking the most innovative and up-to-date technological solutions and, on the other, through effective advertising initiatives to support the products and services offered.

The range of cards and payment tools currently offered by the Group satisfies the requirements of all types of user, both individual and business. Similarly, the range of devices that allow card payments to be accepted (POS terminals) is complete and meets the highest technological standards. In detail:

- individual customers can choose between debit cards, flexible credit cards (i.e. with the choice between either repayment of the balance or in instalments) and revolving and prepaid cards (which also come with an IBAN);
- business customers, on the other hand, are offered business and corporate cards which vary according to the credit limit and the services as well as a complete range of technologically advanced payment acceptance systems (which include both physical and virtual POS terminals).

At the end of June a total of approximately €730 thousand credit cards existed issued by UBI Banca (Libra and Kalia cards) and CartaSi, more or less unchanged compared with December (+0.5%). In terms of use, the data available for the first five months of 2016 shows an overall increase of 4.7% compared with the same period in the previous year, and an increase of 7.2% in uses of the Libra card.

On the other hand, the success of growth in prepaid cards continued with total numbers issued exceeding 540 thousand, up by 7% in the first half, driven by both the products currently issued: the Enjoy Card, the prepaid card with an associated IBAN (+3.8% to approximately 324 thousand cards) – and above all the Like Card, the prepaid card marketed since October 2013 with numerous additional and innovative services, designed for those who do not require the additional functionality of a card with an IBAN (+21.4% to more than 210 thousand cards).

The success of prepaid cards is reflected in their use, up in the first five months of the year by 21% compared with the same period in 2015.

Debit cards issued by the Group numbered approximately €1.8 million, an increase of 3% compared with December. The overall trend for card use was also positive with a year-on-year increase over the first five months of 1.4%, but a decrease of 0.2% for POS terminal payments.

At the end of June 2016 the number of POS terminals installed by the UBI Banca Group was almost 73 thousand, up by 7.1% compared with December, partly due to the recent introduction of regulations that require the acceptance of payment cards for transactions for amounts greater than or equal to €30 and also because of European Regulation 2015/751¹² which set a limit on interbank commissions on debit and credit card payments and put new transparency rules in place.

The volumes transacted between January and May recorded an increase of 8% compared with the same period the year before.

Subscriptions to the UBI PAY service had reached almost €200 thousand at the end of the first half (up 50% compared with December).

¹¹ The figures for total card numbers as at 30th June 2016 and as at 31st December 2015 relate to the network banks + the new IW Bank aggregate, while figures on use for the periods January-May 2016 and 2015 do not include IW Bank Spa.

¹² On 8th June 2015, Regulation EU 2015/751 of the European Parliament and Council on interbank commissions on card-based payments came into force. It was published in the Official Journal of the European Union on 19th May 2015. The Regulation aims at increasing the level of competition and integration in the European payment card market. To achieve this, a limit of 0.3% of the single transactions for credit cards and of 0.2% for debit and prepaid cards has been set on the application of interbank commissions with effect from 9th December 2015. Furthermore, options are available at national level for debit and prepaid cards which allow compliance with the aforementioned limit of 0.2% at the level of each payment card network instead of for each single transaction.

Human resources

The composition of Group staff and changes in the first half

Group staff

Number	Employees actually in service				Employees on the payroll		
	30.6.2016	31.12.2015	Changes	30.6.2015	30.6.2016	31.12.2015	Changes
	A	B	A-B	C	D	E	D-E
Banca Popolare di Bergamo Spa	3,562	3,588	-26	3,625	3,648	3,648	-
Banco di Brescia Spa	2,319	2,368	-49	2,383	2,345	2,379	-34
UBI Banca Spa	1,791	1,730	61	1,682	2,478	2,486	-8
Banca Carime Spa	1,738	1,827	-89	1,836	1,906	1,975	-69
Banca Regionale Europea Spa	1,612	1,653	-41	1,653	1,758	1,794	-36
Banca Popolare Commercio e Industria Spa	1,556	1,559	-3	1,568	1,720	1,734	-14
Banca Popolare di Ancona Spa	1,515	1,545	-30	1,554	1,608	1,628	-20
Banca di Valle Camonica Spa	346	348	-2	349	331	329	2
IW Bank Spa	304	298	6	313	297	297	-
UBI Banca International Sa	90	87	3	96	86	83	3
TOTAL FOR BANKS	14,833	15,003	-170	15,059	16,177	16,353	-176
UBI Sistemi e Servizi SCpA	2,005	2,002	3	1,979	835	834	1
UBI Leasing Spa	206	212	-6	218	206	208	-2
Prestitalia Spa	169	177	-8	170	82	82	-
UBI Pramerica SGR Spa	150	151	-1	149	117	117	-
UBI Factor Spa	143	137	6	135	125	124	1
BPB Immobiliare Srl*	53	4	49	47	53	4	49
UBI Academy SCRL	15	15	-	15	-	-	-
UBI Trustee Sa	5	6	-1	5	4	5	-1
UBI Fiduciaria Spa	4	4	-	7	2	2	-
UBI Management Company Sa	5	4	1	4	4	3	1
Kedomus Srl**	2	-	2	-	-	-	-
S.B.I.M. Spa***	-	1	-1	1	-	-	-
Centrobanca Sviluppo Impresa SGR Sp****	-	-	-	-	-	-	-
TOTAL	17,590	17,716	-126	17,789	17,605	17,732	-127
Workers on staff leasing contracts	-	-	-	-	-	-	-
TOTAL STAFF	17,590	17,716	-126	17,789			
TOTAL FTE STAFF	17,048.4	17,175.9	-127.5	17,260.9			
On secondment outside the Group							
- out	22	23	-1	22			
- in					7	7	-
TOTAL WORKFORCE	17,612	17,739	-127	17,811	17,612	17,739	-127

* At the end of the first half, BPB Immobiliare staff also included personnel appointed on seasonal contracts that were not banking industry contracts: 49 as at 30th June 2016 and 43 as at 30th June 2015.

** Kedomus Srl is a Real Estate Owned Company (Re.O.Co.) of the UBI Banca Spa Group formed on 15th June 2016: it has two Group employees on secondment.

*** Following the start of procedures to merge the company into UBI Banca Spa, the company had no employees in service or on the payroll as at 30th June 2016.

**** As at 30th June 2016, as also in the comparative periods, two persons were working at the company, who were on partial secondment from other Group companies and were therefore not counted among employees actually in service.

The table above gives details for each company of the actual distribution of ordinary employees (workers on permanent and temporary contracts and on apprenticeship contracts) as at 30th June 2016, adjusted to take account of secondments to and from other entities within or external to the Group (column A) compared with the position at the end of 2015 (column B) and the position as at 30th June 2015 (column C), both restated on a consistent basis. Column D, on the other hand, gives details for each company of the number of employees on the payroll as at 30th June 2016 compared with the end of 2015, also restated on a consistent basis (column E).

Compared with the information published in the Annual Report, the following changes have been made to the figures as at 31st December 2015:

- staff numbers at Banca di Valle Camonica were reduced by one in relation to a dismissal for just cause with effect from December 2015;
- staff numbers at UBI Banca International were reduced by one to take account of an employment relationship which ended in the third quarter of 2015.

At the end of the first half of 2016 the total staff of the UBI Banca Group numbered 17,590 compared with 17,716 at the end of 2015 (restated on a consistent basis), with an overall decrease during the period of 126 staff.

In terms of full time equivalents (FTEs), on the other hand, and that is with account taken of the part-time worker effect, the reduction in Group staff numbers was 127.5 (down from 17,175.9 to 17,048.4).

The changes occurring in the period reflect voluntary redundancies carried out under the agreements of 23rd December 2015 and 25th February and 29th April 2016, which involved 409 staff, and that is approximately 98% of the redundancies planned (334 under the December memorandum of intent, 71 agreed in February and 14 decided with the agreement of 29th April 2016).

New appointments made with a view to generation turnover and support for youth employment, in line with commitments undertaken by the Group in recent years partially offset these redundancies.

The workforce decreased in all the main companies of the Group, with the following exceptions:

- UBI Banca, which recorded an increase of 61 staff mainly due to the expansion of the “Retail Commercial Co-ordination and Support Unit”, the creation of a “Litigation Management” service, staffed by means of intragroup mobility from the network banks, and the centralisation of UBI Sistemi e Servizi’s specialist activities in the “Multichannel Banking” area and in the “Compliance” units;
- BPB Immobiliare, due to the appointment of 49 seasonal staff;
- IW Bank (+6 staff), due primarily to intragroup mobility from the Banca Popolare di Bergamo Customer Service to the “Customer Care” unit;
- UBI Factor (+6 staff), following a programme to expand its commercial network;
- UBI Sistemi e Servizi (+3 staff), affected by the centralisation of loan administration support activities from the network banks in the “Guarantees and Loans” department, by the activation of a “Competence Centre” – a centre at Bari staffed by intragroup mobility mainly from Banca Carime - and by the closure of a “Contact Centre” at Brescia with the expansion at the same time of the centre at Genoa, by means of intragroup staff transfers from Banca Regionale Europea;
- finally UBI Banca International and UBI Management Company (a total of +4 staff), due to the filling of vacant positions attributable to staff leaving voluntarily (natural attrition).

As shown in the table giving figures for type of contract relating to staff with employee contracts, in the first six months of the year staff on permanent contracts leaving were partially offset by the increase in staff on temporary contracts (which was in fact also related to seasonal recruitment at BPB Immobiliare).

Employees on the payroll

Number	30.6.2016	31.12.2015	Change
Total employees	17,605	17,732	-127
of which: permanent	17,367	17,645	-278
on temporary contracts	237	84	153
apprentices	1	3	-2

More specifically, the overall decrease of 127 staff that occurred in the period is a result of 497 staff leaving (484 on permanent contracts and 13 on temporary contracts) and of 370 new recruits (186 on permanent contracts and 184 on temporary contracts).

In addition to the net recruitments on temporary contracts, the events summarised in the table also incorporated 20 “stabilisations” (i.e. conversions of temporary contracts to permanent contracts).

Composition of staff in Group Banks by rank

Number	30.06.2016	%	31.12.2015	%
Senior managers	294	1.8%	295	1.8%
Middle managers 3rd and 4th level	2,816	17.5%	2,924	17.9%
Middle managers 1st and 2nd level	4,017	24.8%	4,042	24.7%
3rd Professional Area (office staff)	8,881	54.9%	8,921	54.6%
1st and 2nd Professional Area (other staff)	169	1.0%	171	1.0%
TOTAL FOR BANKS	16,177	100.0%	16,353	100.0%

Finally, with regard to the composition of bank staff by rank, redundancies relating to the agreements already mentioned affected all ranks, which left the relative percentage composition unaltered with respect to the comparative periods.

* * *

Group staff numbers increased in the period April-June 2016 by 79, the aggregate result of 201 new recruits compared with 123 staff leaving (in addition to the return of one employee on secondment).

More specifically, those companies which recorded increases in staff numbers in the quarter were as follows:

- BPB Immobiliare, due to the appointment of 49 seasonal workers;
- UBI Banca due to the centralisations mentioned above which involved “Litigation Management” and the “Compliance” unit as well as the continuation of expansion activities already undertaken in the first quarter (reported above);
- UBI Sistemi e Servizi (+52 staff), following the centralisations and the activation of specialist centres which took place in the second quarter.

Trade union relations

At **company** level – in addition to negotiations connected with operations to rationalise Group structure for which the section “Significant events in the first half of 2016” may be consulted – we report that, with the Agreement of 9th June 2016 general guidelines were defined for Group banks/companies to govern the 2015 Company Bonus, with responsibility for verifying the indicators chosen for the increase in productivity/quality/efficiency and for determining the amount of the bonus delegated to individual companies. Meetings with trade union organisations therefore commenced at the end of June in Group companies and banks in order to sign agreements for the payment of company bonuses for the financial year 2015. Again this year, it was agreed, partly in view of the regulatory changes recently introduced by the “*Legge di stabilità*” (“stability law” – annual finance law), that it would be best to employ a variety of instruments with, in addition to a cash payment, also both a “welfare plan option”, with the possibility of a broader choice than in previous years and a “broad shareholder base” option.

At present regulations have been concluded with five of the Group network banks and also at UBI Banca and UBI.S., with the definition of the respective Company Bonuses and they will continue in the near future with the remaining Group companies.

Training

Training conducted in the first six months of 2016 mainly addressed the continuous improvement of the productivity of individuals in harmony with that of the quality of customer relationships. The focus was on the following main areas:

- *increasing knowledge and specialisation for each individual role* by means of the following:
 - extension of the “Role knowledge survey” to include all Private and Corporate Banking “Unity” roles, with the objective of providing “tailor-made” training courses;
 - the start of specialist training in the finance field for Affluent Managers, again following a “tailor-made” approach which is “across-the-board” with regard to “core” knowledge;
 - consolidation of specialist knowledge on the subject of the “Quality of credit management” with particular reference to updating the credit monitoring process designed for distribution network and central units roles;
- the *continuation of activities to support the development of abilities and behaviours*, by means of training courses designed to foster a Group managerial culture;
- the *start* of the pilot stage for “*Fondo Banche Assicurazioni*” (FBA – fund for banking and insurance training) *certification for professional credit profiles* by identifying possible candidates among staff;
- the continuous spread of a culture of quality and of “UBI style” for new recruits and the design and construction of dedicated training courses to be provided within a maximum of 12 months of appointment and also through commercial updates for distribution network account managers;

- *improvement of skills in the financial area* through the participation of PCU managers on DEFS (Diploma European Financial Services) certified training courses in order to respond to the continuously changing financial needs of customers;
- *continuous support for active learning of regulations and developments in them* through interaction between teacher and pupil, which allows concrete application to the working context, in the following areas in particular: anti money-laundering, “231 model” administrative liability, transparency, ESMA/MiFID Directives, whistleblowing;
- *education of the distribution network* on the subjects of cyber security and business continuity as well as training sessions specially for board members and “critical roles” as required by the “Business Continuity Plan”;
- *support with change*, regarding life-work balance for staff involved in the experimental stage of the smart working project.

Finally, following the introduction of the “School Work Automation Project” as an integral part of educational courses in senior high schools (Law No. 107 of 13th July 2015), the first edition has been launched in co-operation with local schools, designed to allow school children to acquire greater knowledge and awareness of financial and economic subjects.

Training by subject area in the first half of 2016

Subject area	Classroom	Remote training	Internship	Total		FY 2015	
				person/days of training	%	Total person/days of training	%
Insurance	3,327	5,849	1,336	10,512	27.0%	28,003	32.2%
Commercial and Finance	3,205	295	7,057	10,557	27.1%	18,848	21.7%
Credit	5,144	113	130	5,387	13.8%	8,886	10.2%
Managerial-Behavioural	1,383	643	688	2,714	7.0%	13,581	15.6%
Regulatory	1,670	2,931	14	4,615	11.9%	12,582	14.5%
Operational and other subjects	395	3,626	1,102	5,123	13.2%	5,085	5.8%
TOTAL	15,124	13,457	10,327	38,908	100.0%	86,985	100.0%

From a quantitative viewpoint, approximately 39 thousand training days (approximately 35 thousand at the end of June 2015) were delivered in the first half, compared with a target of approximately 80 thousand person days set for the whole of 2016.

In addition to the continuation of the projects mentioned above, new initiatives in the following areas are planned for the second half of the year:

- *small business account managers*, continuation of the design and delivery of specialist training courses, following the “Role knowledge survey”, organised on the basis of knowledge in the credit field;
- *professional credit profiles*, conclusion of the pilot stage of the FBA certification with which it is hypothesised that approximately 15-20% of the staff suitable for each role obtain certification;
- *management training*, in line with the results of the “work-related stress” survey, focused on: leadership, effective communication and organisational collaboration;
- *the start of role qualification programmes* for all distribution network roles (currently provided for branch managers only).

* * *

In order to provide support with change resulting from role changes occurring under the 2019/2020 Business Plan, training courses are being designed in order to facilitate perception of the “new” as an opportunity for personal and professional growth and to increase reactive and proactive abilities in the new working context.

Internal communication

During the first half of 2016, by leveraging on the ever-increasing digitalisation of communication processes, internal communication activity (carried out by the [Company Multichannel Experience](#) unit) worked with a view to encouraging involvement in new developments and corporate strategies and the usefulness of IT processes in order, amongst other things, to strengthen a sense of Group identity and to motivate personnel.

Most communications were made through the [UBILife Corporate Portal](#) channel with which it is possible to allow all staff to participate and to give maximum visibility to corporate strategies and developments in internal processes.

There have been very numerous publications of news and videos (institutional and commercial) on the homepage, most of which produced internally: institutional communications regarded the financial results and the presentation of the Business Plan, while commercial communications concerned various initiatives to support the launch of services and products.

Work was also carried out to constantly update individual sections of the portal and in particular to improve the part dedicated to the online magazine, [YOUBI Magazine](#), with daily updates on the main activities and events occurring in the individual network banks thanks also to the presence of a blog.

In February seven online newsletters were published, signed by the individual General Managers of the banks, on the subject of the 2015 financial results.

Again this year the corporate voluntary initiative “Donate one day” was carried out, with a proposal for many solidarity projects launched with nonprofit organisations present throughout the country: a total of 1,245 employees took part in the 2016 edition (70 nonprofit organisations involved with 152 projects in 14 regions). This initiative, which started experimentally in 2014, limited to the Milan area, has already involved 2,645 staff in the three-year period who donated almost 20,000 hours of voluntary work on the projects proposed.

The traditional [annual convention](#) of the retired staff associations of BPB-CV and BPCI were held in March, during which they were provided with an update of Group strategies and of the results achieved in the financial year just ended.

On the [publications](#) front, the hardcopy magazine “YOUBI Almanac” was finalised (and which also comes in an online version on the Corporate Portal UBILife), a preview version of which was distributed to shareholders who attended the UBI Banca Shareholders’ Meeting held on 2nd April.

The week following the Shareholders’ Meeting, a “Special Shareholders’ Meeting E-Book” was published on UBILife, with news and material on the main subjects addressed and with interviews with the Chief Executive Officer and the Chairs of the Supervisory Board and the Management Board.

A “UBIPod” was produced in May – a corporate radio type transmission, that can be listened to on the UBILife portal - with an interview of the Group Human Sources Manager on the subject: “Organisational Well-being in the UBI Banca Group”.

Internal communication events of particular importance were as follows:

- the meeting “Reflections on the development of the Group” in which members of the Supervisory Board and the Management Board together with senior managers of the Parent took part was held at San Patrignano on 22nd and 23rd May;
- the workshop “YOUBIS”, which involved all managers of UBI Sistemi e Servizi, was held on 9th June at Villa Suardi (Trescore Balneario);
- the meeting for the presentation of the “Business Plan” to Directors and Statutory Auditors of the network banks and Group companies and to the senior management of the Parent, network banks and companies took place on 27th June in Milan.

Reclassified consolidated financial statements, reclassified income statement net of the most significant non-recurring items and reconciliation schedules

Reclassified consolidated balance sheet

Figures in thousands of euro		30.6.2016	31.12.2015	Changes	% changes	30.6.2015	Changes	% changes
		A	B	A-B	A/B	C	A-C	A/C
ASSETS								
10.	Cash and cash equivalents	476,840	530,098	-53,258	-10.0%	484,055	-7,215	-1.5%
20.	Financial assets held for trading	681,543	994,478	-312,935	-31.5%	1,338,170	-656,627	-49.1%
30.	Financial assets designated at fair value	188,641	196,034	-7,393	-3.8%	197,223	-8,582	-4.4%
40.	Available-for-sale financial assets	15,417,870	15,554,282	-136,412	-0.9%	16,799,280	-1,381,410	-8.2%
50.	Held-to-maturity investments	3,452,886	3,494,547	-41,661	-1.2%	3,535,692	-82,806	-2.3%
60.	Loans and advances to banks	3,930,021	3,429,937	500,084	14.6%	3,191,584	738,437	23.1%
70.	Loans and advances to customers	83,906,862	84,586,200	-679,338	-0.8%	85,340,026	-1,433,164	-1.7%
80.	Hedging derivatives	791,268	594,685	196,583	33.1%	545,576	245,692	45.0%
90.	Fair value change in hedged financial assets (+/-)	63,857	59,994	3,863	6.4%	59,108	4,749	8.0%
100.	Equity investments	253,719	260,812	-7,093	-2.7%	247,779	5,940	2.4%
120.	Property, plant and equipment	1,659,827	1,744,463	-84,636	-4.9%	1,755,974	-96,147	-5.5%
130.	Intangible assets	1,685,184	1,757,468	-72,284	-4.1%	1,760,006	-74,822	-4.3%
	<i>of which: goodwill</i>	<i>1,465,260</i>	<i>1,465,260</i>	<i>-</i>	<i>-</i>	<i>1,465,260</i>	<i>-</i>	<i>-</i>
140.	Tax assets	3,006,517	2,814,933	191,584	6.8%	2,753,059	253,458	9.2%
150.	Non-current assets and disposal groups held for sale	63,883	11,148	52,735	473.0%	11,286	52,597	466.0%
160.	Other assets	1,081,317	1,171,686	-90,369	-7.7%	1,434,917	-353,600	-24.6%
	Total assets	116,660,235	117,200,765	-540,530	-0.5%	119,453,735	-2,793,500	-2.3%
LIABILITIES AND EQUITY								
10.	Due to banks	13,691,017	10,454,303	3,236,714	31.0%	9,049,928	4,641,089	51.3%
20.	Due to customers	55,460,078	55,264,471	195,607	0.4%	55,331,195	128,883	0.2%
30.	Debt securities issued	32,064,830	36,247,928	-4,183,098	-11.5%	38,996,157	-6,931,327	-17.8%
40.	Financial liabilities held for trading	612,314	531,812	80,502	15.1%	647,508	-35,194	-5.4%
60.	Hedging derivatives	1,110,942	749,725	361,217	48.2%	788,565	322,377	40.9%
80.	Tax liabilities	241,596	472,564	-230,968	-48.9%	440,745	-199,149	-45.2%
100.	Other liabilities	3,230,328	2,354,617	875,711	37.2%	3,132,513	97,815	3.1%
110.	Post-employment benefits	339,679	340,954	-1,275	-0.4%	339,894	-215	-0.1%
120.	Provisions for risks and charges:	591,468	266,628	324,840	121.8%	291,748	299,720	102.7%
	a) pension and similar obligations	73,527	70,237	3,290	4.7%	71,515	2,012	2.8%
	b) other provisions	517,941	196,391	321,550	163.7%	220,233	297,708	135.2%
140.+ 170.+180.+ 190.+200.	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,629,328	9,865,097	-235,769	-2.4%	9,762,383	-133,055	-1.4%
210.	Non-controlling interests	475,640	535,901	-60,261	-11.2%	548,656	-73,016	-13.3%
220.	Profit (loss) for the period/year	-786,985	116,765	n.s.	n.s.	124,443	-911,428	-732.4%
	Total liabilities and equity	116,660,235	117,200,765	-540,530	-0.5%	119,453,735	-2,793,500	-2.3%

Reclassified consolidated quarterly balance sheets

	30.6.2016	31.3.2016	31.12.2015	30.9.2015	30.6.2015	31.3.2015	
Figures in thousands of euro							
ASSETS							
10.	Cash and cash equivalents	476,840	506,194	530,098	506,505	484,055	466,288
20.	Financial assets held for trading	681,543	966,772	994,478	653,418	1,338,170	1,527,401
30.	Financial assets designated at fair value	188,641	194,738	196,034	195,490	197,223	198,365
40.	Available-for-sale financial assets	15,417,870	15,699,461	15,554,282	15,259,697	16,799,280	17,904,652
50.	Held-to-maturity investments	3,452,886	3,445,469	3,494,547	3,486,873	3,535,692	3,528,010
60.	Loans and advances to banks	3,930,021	3,591,309	3,429,937	3,632,477	3,191,584	3,331,195
70.	Loans and advances to customers	83,906,862	84,072,553	84,586,200	83,834,141	85,340,026	84,634,175
80.	Hedging derivatives	791,268	714,946	594,685	613,696	545,576	689,227
90.	Fair value change in hedged financial assets (+/-)	63,857	61,469	59,994	61,305	59,108	66,716
100.	Equity investments	253,719	259,545	260,812	250,902	247,779	254,129
120.	Property, plant and equipment	1,659,827	1,673,882	1,744,463	1,743,948	1,755,974	1,711,351
130.	Intangible assets	1,685,184	1,747,089	1,757,468	1,751,943	1,760,006	1,767,675
	<i>of which: goodwill</i>	<i>1,465,260</i>	<i>1,465,260</i>	<i>1,465,260</i>	<i>1,465,260</i>	<i>1,465,260</i>	<i>1,465,260</i>
140.	Tax assets	3,006,517	2,790,272	2,814,933	2,727,227	2,753,059	2,927,911
150.	Non-current assets and disposal groups held for sale	63,883	70,283	11,148	11,163	11,286	68,798
160.	Other assets	1,081,317	895,255	1,171,686	960,349	1,434,917	847,697
	Total assets	116,660,235	116,689,237	117,200,765	115,689,134	119,453,735	119,923,590
LIABILITIES AND EQUITY							
10.	Due to banks	13,691,017	11,495,105	10,454,303	10,871,905	9,049,928	12,360,302
20.	Due to customers	55,460,078	56,527,759	55,264,471	50,759,665	55,331,195	50,817,925
30.	Debt securities issued	32,064,830	33,124,613	36,247,928	38,262,102	38,996,157	40,324,315
40.	Financial liabilities held for trading	612,314	610,468	531,812	526,212	647,508	740,247
60.	Hedging derivatives	1,110,942	1,000,034	749,725	871,163	788,565	1,217,816
80.	Tax liabilities	241,596	427,460	472,564	510,707	440,745	735,132
100.	Other liabilities	3,230,328	2,476,949	2,354,617	2,649,872	3,132,513	2,435,841
110.	Post-employment benefits	339,679	337,289	340,954	336,309	339,894	368,186
120.	Provisions for risks and charges:	591,468	255,392	266,628	296,309	291,748	289,799
	a) pension and similar obligations	73,527	68,981	70,237	70,230	71,515	79,457
	b) other provisions	517,941	186,411	196,391	226,079	220,233	210,342
140.+ 170.+180.+ 190.+ 200.	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,629,328	9,877,656	9,865,097	9,911,021	9,762,383	10,018,158
210.	Non-controlling interests	475,640	514,451	535,901	531,876	548,656	539,941
220.	Profit (loss) for the period	-786,985	42,061	116,765	161,993	124,443	75,928
	Total liabilities and equity	116,660,235	116,689,237	117,200,765	115,689,134	119,453,735	119,923,590

Reclassified consolidated income statement

		1H 2016	1H 2015	Changes	% changes	2nd Quarter	2nd Quarter	Changes	% changes	FY 2015
		A	B	A-B	A/B	C	D	C-D	C/D	C
Figures in thousands of euro										
10.-20.	Net interest income <i>of which: effects of the purchase price allocation</i> <i>Net interest income excluding the effects of the PPA</i>	765,572 (10,475) 776,047	847,148 (13,618) 860,766	(81,576) (3,143) (84,719)	(9.6%) (23.1%) (9.8%)	377,972 (4,859) 382,831	416,543 (7,115) 423,658	(38,571) (2,256) (40,827)	(9.3%) (31.7%) (9.6%)	1,631,055 (27,149) 1,658,204
70.	Dividends and similar income	8,599	5,319	3,280	61.7%	8,076	4,786	3,290	68.7%	10,349
	Profits of equity-accounted investees	11,950	19,573	(7,623)	(38.9%)	6,698	13,405	(6,707)	(50.0%)	35,260
40.-50.	Net fee and commission income <i>of which performance fees</i>	667,453 5,394	669,078 11,808	(1,625) (6,414)	(0.2%) (54.3%)	330,307 3,083	327,886 4,934	2,421 (1,851)	0.7% (37.5%)	1,300,119 35,182
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	82,589	111,098	(28,509)	(25.7%)	66,875	53,074	13,801	26.0%	290,633
220.	Other net operating income/expense	52,243	56,675	(4,432)	(7.8%)	25,538	27,186	(1,648)	(6.1%)	103,448
	Operating income	1,588,406	1,708,891	(120,485)	(7.1%)	815,466	842,880	(27,414)	(3.3%)	3,370,864
	Operating income excluding the effects of the PPA	1,598,881	1,722,509	(123,628)	(7.2%)	820,325	849,995	(29,670)	(3.5%)	3,398,013
180.a	Staff costs	(639,098)	(654,773)	(15,675)	(2.4%)	(319,311)	(319,843)	(532)	(0.2%)	(1,295,090)
180.b	Other administrative expenses	(327,326)	(312,953)	14,373	4.6%	(155,526)	(165,021)	(9,495)	(5.8%)	(727,067)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets <i>of which: effects of the purchase price allocation</i> <i>Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets excluding the effects of the PPA</i>	(71,730) (6,672) (65,058)	(77,778) (6,590) (71,188)	(6,048) 82 (6,130)	(7.8%) 1.2% (8.6%)	(35,688) (3,383) (32,305)	(39,280) (3,316) (35,964)	(3,592) 67 (3,659)	(9.1%) 2.0% (10.2%)	(153,024) (13,158) (139,866)
	Operating expenses	(1,038,154)	(1,045,504)	(7,350)	(0.7%)	(510,525)	(524,144)	(13,619)	(2.6%)	(2,175,181)
	Operating expenses excluding the effects of the PPA	(1,031,482)	(1,038,914)	(7,432)	(0.7%)	(507,142)	(520,828)	(13,686)	(2.6%)	(2,162,023)
	Net operating income	550,252	663,387	(113,135)	(17.1%)	304,941	318,736	(13,795)	(4.3%)	1,195,683
	Net operating income excluding the effects of the PPA	567,399	683,595	(116,196)	(17.0%)	313,183	329,167	(15,984)	(4.9%)	1,235,990
130.a	Net impairment losses on loans	(1,206,373)	(389,099)	817,274	210.0%	(1,051,034)	(198,907)	852,127	428.4%	(802,646)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(50,467)	(3,348)	(47,119)	n.s.	(50,719)	(2,382)	48,337	n.s.	(16,866)
190.	Net provisions for risks and charges	(26,657)	(29,135)	(2,478)	(8.5%)	(20,289)	(24,816)	(4,527)	(18.2%)	(2,975)
240.+270.	Profits (losses) from the disposal of equity investments	1,603	83	1,520	n.s.	1,201	392	809	206.4%	464
	Pre-tax profit (loss) from continuing operations	(731,642)	241,888	(973,530)	n.s.	(815,900)	93,023	(908,923)	n.s.	373,660
	Pre-tax profit (loss) from continuing operations excluding the effects of the PPA	(714,495)	262,096	(976,591)	n.s.	(807,658)	103,454	(911,112)	n.s.	413,967
290.	Taxes on income for the period/year from continuing operations <i>of which: effects of the purchase price allocation</i>	176,440 5,684	(99,147) 6,699	275,587 (1,015)	n.s. (15.2%)	210,792 2,732	(37,149) 3,458	247,941 (726)	n.s. (21.0%)	(161,121) 13,362
330.	(Profit) loss for the period/year attributable to non-controlling interests <i>of which: effects of the purchase price allocation</i>	17,272 1,030	(17,108) 1,163	34,380 (133)	n.s. (11.4%)	24,672 509	(7,359) 604	(32,031) (95)	n.s. (15.7%)	(29,765) 2,115
	<i>Profit (loss) for the period/year attributable to the shareholders of the Parent before the Business Plan impact excluding the effects of the PPA</i>	(527,497)	137,979	(665,476)	n.s.	(575,435)	54,884	(630,319)	n.s.	207,604
	Profit (loss) for the period/year attributable to the shareholders of the Parent before the Business Plan impact	(537,930)	125,633	(663,563)	n.s.	(580,436)	48,515	(628,951)	n.s.	182,774
180.a	Redundancy expenses net of taxes and non-controlling interests	(207,679)	(1,190)	206,489	n.s.	(207,234)	-	(207,234)	-	(62,705)
210.	Impairment losses on brands net of taxes and non-controlling interests	(37,936)	-	(37,936)	-	(37,936)	-	(37,936)	-	-
180.b	Single bank project expenses net of taxes and non-controlling interests	(3,440)	-	(3,440)	-	(3,440)	-	(3,440)	-	-
200.	Impairment losses on property, plant and equipment net of taxes and non-controlling interests	-	-	-	-	-	-	-	-	(3,304)
340.	Profit (loss) for the period/year attributable to the shareholders of the Parent	(786,985)	124,443	(911,428)	n.s.	(829,046)	48,515	(877,561)	n.s.	116,765
	<i>Total impact of the purchase price allocation on the income statement</i>	<i>(10,433)</i>	<i>(12,346)</i>	<i>(1,913)</i>	<i>(15.5%)</i>	<i>(5,001)</i>	<i>(6,369)</i>	<i>(1,368)</i>	<i>(21.5%)</i>	<i>(24,830)</i>

Reclassified consolidated quarterly income statements

Figures in thousands of euro	2016		2015				
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	
10.-20.	Net interest income	377,972	387,600	385,240	398,667	416,543	430,605
	<i>of which: effects of the purchase price allocation</i>	(4,859)	(5,616)	(6,901)	(6,630)	(7,115)	(6,503)
	Net interest income excluding the effects of the PPA	382,831	393,216	392,141	405,297	423,658	437,108
70.	Dividends and similar income	8,076	523	1,578	3,452	4,786	533
	Profits of equity-accounted investees	6,698	5,252	12,104	3,583	13,405	6,168
40.-50.	Net fee and commission income	330,307	337,146	330,574	300,467	327,886	341,192
	<i>of which performance fees</i>	3,083	2,311	22,496	878	4,934	6,874
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	66,875	15,714	151,705	27,830	53,074	58,024
220.	Other net operating income/expense	25,538	26,705	22,611	24,162	27,186	29,489
	Operating income	815,466	772,940	903,812	758,161	842,880	866,011
	Operating income excluding the effects of the PPA	820,325	778,556	910,713	764,791	849,995	872,514
180.a	Staff costs	(319,311)	(319,787)	(322,360)	(317,957)	(319,843)	(334,930)
180.b	Other administrative expenses	(155,526)	(171,800)	(272,472)	(141,642)	(165,021)	(147,932)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(35,688)	(36,042)	(38,294)	(36,952)	(39,280)	(38,498)
	<i>of which: effects of the purchase price allocation</i>	(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	(32,305)	(32,753)	(35,011)	(33,667)	(35,964)	(35,224)
	Operating expenses	(510,525)	(527,629)	(633,126)	(496,551)	(524,144)	(521,360)
	Operating expenses excluding the effects of the PPA	(507,142)	(524,340)	(629,843)	(493,266)	(520,828)	(518,086)
	Net operating income	304,941	245,311	270,686	261,610	318,736	344,651
	Net operating income excluding the effects of the PPA	313,183	254,216	280,870	271,525	329,167	354,428
130.a	Net impairment losses on loans	(1,051,034)	(155,339)	(245,013)	(168,534)	(198,907)	(190,192)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(50,719)	252	(10,464)	(3,054)	(2,382)	(966)
190.	Net provisions for risks and charges	(20,289)	(6,368)	44,794	(18,634)	(24,816)	(4,319)
240.+270.	Profits (losses) from the disposal of equity investments	1,201	402	81	300	392	(309)
	Pre-tax profit (loss) from continuing operations	(815,900)	84,258	60,084	71,688	93,023	148,865
	Pre-tax profit (loss) from continuing operations excluding the effects of the PPA	(807,658)	93,163	70,268	81,603	103,454	158,642
290.	Taxes on income for the period from continuing operations	210,792	(34,352)	(33,342)	(28,632)	(37,149)	(61,998)
	<i>of which: effects of the purchase price allocation</i>	2,732	2,952	3,376	3,287	3,458	3,241
330.	(Profit) loss for the period attributable to non-controlling interests	24,672	(7,400)	(7,151)	(5,506)	(7,359)	(9,749)
	<i>of which: effects of the purchase price allocation</i>	509	521	529	423	604	559
	Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan impact excluding the effects of the PPA	(575,435)	47,938	25,870	43,755	54,884	83,095
	Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan impact	(580,436)	42,506	19,591	37,550	48,515	77,118
180.a	Redundancy expenses net of taxes and non-controlling interests	(207,234)	(445)	(61,515)	-	-	(1,190)
210.	Impairment losses on brands net of taxes and non-controlling interests	(37,936)	-	-	-	-	-
180.b	Single bank project expenses net of taxes and non-controlling interests	(3,440)	-	-	-	-	-
200.	Impairment losses on property, plant and equipment net of taxes and non-controlling interests	-	-	(3,304)	-	-	-
	Profit (loss) for the period attributable to the shareholders of the Parent	(829,046)	42,061	(45,228)	37,550	48,515	75,928
	<i>Total impact of the purchase price allocation on the income statement</i>	<i>(5,001)</i>	<i>(5,432)</i>	<i>(6,279)</i>	<i>(6,205)</i>	<i>(6,369)</i>	<i>(5,977)</i>

Reclassified consolidated income statement net of the most significant non-recurring items

	1H 2016 <i>net of non-recurring items</i>	1H 2015 <i>net of non-recurring items</i>	Changes	% changes
Figures in thousands of euro				
Net interest income (including the effects of the PPA)	765,572	847,148	(81,576)	(9.6%)
Dividends and similar income	8,599	5,319	3,280	61.7%
Profits of equity-accounted investees	11,950	19,573	(7,623)	(38.9%)
Net fee and commission income	667,453	669,078	(1,625)	(0.2%)
<i>of which performance fees</i>	5,394	11,808	(6,414)	(54.3%)
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	58,245	111,098	(52,853)	(47.6%)
Other net operating income/expense	52,243	56,675	(4,432)	(7.8%)
Operating income (including the effects of the PPA)	1,564,062	1,708,891	(144,829)	(8.5%)
Staff costs	(639,098)	(654,773)	(15,675)	(2.4%)
Other administrative expenses	(327,326)	(305,649)	21,677	7.1%
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(71,730)	(77,778)	(6,048)	(7.8%)
Operating expenses (including the effects of the PPA)	(1,038,154)	(1,038,200)	(46)	(0.0%)
Net operating income (including the effects of the PPA)	525,908	670,691	(144,783)	(21.6%)
Net impairment losses on loans	(1,206,373)	(389,099)	817,274	210.0%
Net impairment losses on other financial assets and liabilities	(50,271)	3,676	(53,947)	n.s.
Net provisions for risks and charges	(26,657)	(29,135)	(2,478)	(8.5%)
Profits from the disposal of equity investments	1,603	546	1,057	193.6%
Pre-tax profit (loss) from continuing operations (including the effects of the PPA)	(755,790)	256,679	(1,012,469)	n.s.
Taxes on income for the period from continuing operations	182,450	(103,433)	285,883	n.s.
(Profit) loss for the period attributable to non-controlling interests	17,097	(17,272)	34,369	n.s.
Profit (loss) for the period attributable to the shareholders of the Parent	(556,243)	135,974	(692,217)	n.s.

Reclassified consolidated income statement net of the most significant non-recurring items: details

	2019/2020 Business Plan				Other non-recurring items			1H 2016 net of non-recurring items	non-recurring items					1H 2015 net of non-recurring items
	1H 2016	Redundancy expenses	Brand impairment	Single Bank Project expenses	Profit on AFS equity investments	Impairment losses on equity instruments, bonds and units of UCITS (AFS)	Interbank Deposit Protection Fund action to assist Banca Tercas		1H 2015	Disposal of equity investments	Impairment losses and reversals on shares, bonds and units in UCITS (AFS)	IW Bank and UBI Banca Private Investment integration costs	Redundancy expenses (pursuant to 4th February 2015 Agreement)	
Net interest income (including the effects of the PPA)	765,572						765,572	847,148					847,148	
Dividends and similar income	8,599						8,599	5,319					5,319	
Profits of equity-accounted investees	11,950						11,950	19,573					19,573	
Net fee and commission income	667,453						667,453	669,078					669,078	
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	82,589				(24,344)		58,245	111,098					111,098	
Other net operating income/expense	52,243						52,243	56,675					56,675	
Operating income (including the effects of the PPA)	1,588,406	-	-	-	(24,344)	-	1,564,062	1,708,891	-	-	-	-	1,708,891	
Staff costs	(639,098)						(639,098)	(654,773)					(654,773)	
Other administrative expenses	(327,326)						(327,326)	(312,953)			7,304		(305,649)	
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (including the effects of PPA)	(71,730)						(71,730)	(77,778)					(77,778)	
Operating expenses (including the effects of the PPA)	(1,038,154)	-	-	-	-	-	(1,038,154)	(1,045,504)	-	-	7,304	-	(1,038,200)	
Net operating income (including the effects of the PPA)	550,252	-	-	-	(24,344)	-	525,908	663,387	-	-	7,304	-	670,691	
Net impairment losses on loans	(1,206,373)						(1,206,373)	(389,099)					(389,099)	
Net impairment losses on other financial assets and liabilities	(50,467)					2,067	(50,271)	(3,348)		7,024			3,676	
Net provisions for risks and charges	(26,657)						(26,657)	(29,135)					(29,135)	
Profits from the disposal of equity investments	1,603						1,603	83	463				546	
Pre-tax profit (loss) from continuing operations (including the effects of the PPA)	(731,642)	-	-	-	(24,344)	2,067	(755,790)	241,888	463	7,024	7,304	-	256,679	
Taxes on income for the period from continuing operations	176,440				5,974	(479)	182,450	(99,147)	5	(1,875)	(2,416)		(103,433)	
(Profit) loss for the period attributable to non-controlling interests	17,272					(240)	17,097	(17,108)		(1)	(163)		(17,272)	
Profit (loss) for the period attributable to the shareholders of the Parent before the Business Plan impact	(537,930)	-	-	-	(18,370)	1,348	(556,243)	125,633	468	5,148	4,725	-	135,974	
Redundancy expenses net of taxes and non-controlling interests	(207,679)	207,679					-	(1,190)				1,190	-	
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	(3,440)			3,440			-	-					-	
Profit (loss) for the period attributable to the shareholders of the Parent	(786,985)	207,679	37,936	3,440	(18,370)	1,348	(556,243)	124,443	468	5,148	4,725	1,190	135,974	
ROE (Profit / (Equity + Profit for the period))	n.s.						n.s.	2.5%					2.8%	
Cost:income ratio (including the effects of PPA)	65.4%						66.4%	61.2%					60.8%	
Cost:income ratio (excluding the effects of PPA)	64.5%						65.5%	60.3%					59.9%	

In consideration of the loss recorded in the first half of 2016, ROE for the period is not reported because it holds little significance.

Reconciliation schedule for the period ended 30th June 2016

RECLASSIFIED INCOME STATEMENT		1H 2016	Reclassifications						1H 2016
Items		Mandatory consolidated financial statements	Tax recoveries	Profit of equity-accounted investees	Depreciation for improvements to leased assets	Redundancy expenses (2019/2020 Business Plan and adjustments pursuant to 23 12 2015 Agreement)	Brand impairment (2019/2020 Business Plan)	Single Bank Project expenses (2019/2020 Business Plan)	Reclassified consolidated financial statements
Figures in thousands of euro									
10.-20.	Net interest income	765,572							765,572
70.	Dividends and similar income	8,599							8,599
	Profits of equity-accounted investees			11,950					11,950
40.-50.	Net fee and commission income	667,453							667,453
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	82,589							82,589
220.	Other net operating income/expense	161,568	(111,432)		2,107				52,243
	Operating income	1,685,781	(111,432)	11,950	2,107	-	-	-	1,588,406
180.a	Staff costs	(963,115)				324,017			(639,098)
180.b	Other administrative expenses	(444,003)	111,432					5,245	(327,326)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(132,477)			(2,107)		62,854		(71,730)
	Operating expenses	(1,539,595)	111,432	-	(2,107)	324,017	62,854	5,245	(1,038,154)
	Net operating income	146,186	-	11,950	-	324,017	62,854	5,245	550,252
130.a	Net impairment losses on loans	(1,206,373)							(1,206,373)
130.									
b+c+d	Net impairment losses on other financial assets and liabilities	(50,467)							(50,467)
190.	Net provisions for risks and charges	(26,657)							(26,657)
240.+270.	Profits from the disposal of equity investments	13,553	(11,950)						1,603
	Pre-tax profit (loss) from continuing operations	(1,123,758)	-	-	-	324,017	62,854	5,245	(731,642)
290.	Taxes on income for the period from continuing operations	306,134				(107,153)	(20,836)	(1,705)	176,440
330.	Loss for the period attributable to non-controlling interests	30,639				(9,185)	(4,082)	(100)	17,272
	Loss for the period attributable to the shareholders of the Parent before the Business Plan impact	(786,985)	-	-	-	207,679	37,936	3,440	(537,930)
180.a	Redundancy expenses net of taxes and non-controlling interests	-				(207,679)			(207,679)
210.	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	-						(3,440)	(3,440)
200.	Loss for the period attributable to the shareholders of the Parent	(786,985)	-	-	-	-	-	-	(786,985)
340.									

Reconciliation schedule for the period ended 30th June 2015

RECLASSIFIED INCOME STATEMENT		1H 2015	Reclassifications				1H 2015
Items		Mandatory consolidated financial statements	Tax recoveries	Profit of equity-accounted investees	Depreciation for improvements to leased assets	Redundancy expenses (pursuant to 4th February 2015 Agreement)	Reclassified consolidated financial statements
Figures in thousands of euro							
10.-20.	Net interest income	847,148					847,148
70.	Dividends and similar income	5,319					5,319
	Profits of equity-accounted investees			19,573			19,573
40.-50.	Net fee and commission income	669,078					669,078
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	111,098					111,098
220.	Other net operating income/expense	168,420	(113,475)		1,730		56,675
	Operating income	1,801,063	(113,475)	19,573	1,730	-	1,708,891
180.a	Staff costs	(656,415)				1,642	(654,773)
180.b	Other administrative expenses	(426,428)	113,475				(312,953)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(76,048)			(1,730)		(77,778)
	Operating expenses	(1,158,891)	113,475	-	(1,730)	1,642	(1,045,504)
	Net operating income	642,172	-	19,573	-	1,642	663,387
130.a	Net impairment losses on loans	(389,099)					(389,099)
130.							
b+c+d	Net impairment losses on other financial assets and liabilities	(3,348)					(3,348)
190.	Net provisions for risks and charges	(29,135)					(29,135)
240.+270.	Profits from the disposal of equity investments	19,656	(19,573)				83
	Pre-tax profit from continuing operations	240,246	-	-	-	1,642	241,888
290.	Taxes on income for the period from continuing operations	(98,695)				(452)	(99,147)
330.	Profit for the period attributable to non-controlling interests	(17,108)					(17,108)
	Profit for the period attributable to the shareholders of the Parent before expenses for leaving incentives	124,443	-	-	-	1,190	125,633
180.a	Redundancy expenses net of taxes and non-controlling interests	-				(1,190)	(1,190)
340.	Profit for the period attributable to the shareholders of the Parent	124,443	-	-	-	-	124,443

Reconciliation schedule for the year ended 31st December 2015

RECLASSIFIED INCOME STATEMENT		FY 2015	Reclassifications					FY 2015
Items	Mandatory consolidated financial statements		Tax recoveries	Profit of equity-accounted investees	Depreciation for improvements to leased assets	Redundancy expenses (pursuant to 4 2 2015 Agreement and to 23 12 2015 Agreement)	Impairment losses on property, plant and equipment	Reclassified consolidated financial statements
Figures in thousands of euro								
10.-20.	Net interest income	1,631,055						1,631,055
70.	Dividends and similar income	10,349						10,349
	Profits of equity-accounted investees			35,260				35,260
40.-50.	Net fee and commission income	1,300,119						1,300,119
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	290,633						290,633
220.	Other net operating income/expense	321,441	(221,448)		3,455			103,448
	Operating income	3,553,597	(221,448)	35,260	3,455	-	-	3,370,864
180.a	Staff costs	(1,391,732)				96,642		(1,295,090)
180.b	Other administrative expenses	(948,515)	221,448					(727,067)
200.+210.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(154,619)			(3,455)		5,050	(153,024)
	Operating expenses	(2,494,866)	221,448	-	(3,455)	96,642	5,050	(2,175,181)
	Net operating income	1,058,731	-	35,260	-	96,642	5,050	1,195,683
130.a	Net impairment losses on loans	(802,646)						(802,646)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(16,866)						(16,866)
190.	Net provisions for risks and charges	(2,975)						(2,975)
240.+270.	Profits from the disposal of equity investments	35,724		(35,260)				464
	Pre-tax profit from continuing operations	271,968	-	-	-	96,642	5,050	373,660
290.	Taxes on income for the year from continuing operations	(127,502)				(31,960)	(1,659)	(161,121)
330.	Profit for the year attributable to non-controlling interests	(27,701)				(1,977)	(87)	(29,765)
	Profit for the year attributable to the shareholders of the Parent before redundancy expenses and impairment	116,765	-	-	-	62,705	3,304	182,774
180.a	Redundancy expenses net of taxes and non-controlling interests	-				(62,705)		(62,705)
200.	Impairment losses on property, plant and equipment net of taxes and non-controlling interests	-					(3,304)	(3,304)
	Profit for the year attributable to the shareholders of the Parent	116,765	-	-	-	-	-	116,765

Notes to the reclassified consolidated financial statements

The **mandatory financial statements** have been prepared on the basis of Bank of Italy Circular No. 262 of 22nd December 2005 and subsequent updates. Therefore, as with the 2015 Annual Report, for the purposes of the preparation of these financial statements, the provisions of the fourth update of that document issued on 15th December 2015 have been observed.

The following rules are applied to the **reclassified financial statements** to allow a vision that is more consistent with a management accounting style:

- the item profits (losses) of equity-accounted investees includes the profits (losses) of equity-accounted investees included within item 240 in the mandatory financial statements;
- the item other net operating income/expense includes item 220, net of the reclassifications mentioned under other points;
- the tax recoveries recognised within item 220 of the mandatory financial statements (other net operating income/expenses) were reclassified as a reduction in indirect taxes included within other administrative expenses;
- the item net impairment losses on property plant and equipment and intangible assets includes items 200 and 210 in the mandatory financial statements and also the instalments relating to the depreciation of leasehold improvements classified within item 220;
- the item profits (losses) from the disposal of equity investments includes the item 240, net of profits (losses) of equity-accounted investees and also item 270 in the mandatory financial statements;

- expenses resulting from the approval of the new 2019/2020 Business Plan have been separated and stated on individual lines (net of taxes and non-controlling interests) at the foot of the statements as follows:
 - redundancy expenses include part of item 180a in the mandatory financial statements;
 - impairment of brands includes part of item 210;
 - expenses incurred for the Single Bank Project contain part of item 180b in the mandatory financial statements;
- net impairment losses on property, plant and equipment (net of tax and non-controlling interests), present in the fourth quarter of 2015, partially include item 200 in the mandatory financial statements;
- redundancy expenses (net of taxation and non-controlling interests), present in the first and fourth quarters of 2015, partially include item 180a in the mandatory financial statements.

The reconciliation of the items in the reclassified financial statements with the figures in the mandatory financial statements has been facilitated, on the one hand, with the insertion in the margin against each item of the corresponding number of the item in the mandatory financial statements with which it is reconciled and, on the other hand, with the preparation of special **reconciliation schedules**.

The comments on the performance of the main balance sheet and income statement items are made on the basis of the reclassified financial statements and of the reclassified financial statements for the comparative periods, and the tables providing details included in the subsequent sections of this financial report have also been prepared on that same basis.

In order to facilitate analysis of the Group's operating performance and in compliance with Consob Communication No. DEM/6064293 of 28th July 2006¹, 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** – since the relative effects on capital and cash flow, being closely linked, are not significant – which are summarised as follows:

- First half 2016:**
- expenses connected with the approval of the new 2019/2020 Business Plan (redundancy expenses, impairment losses on network bank brands inclusive of the PPA, IT expenses and legal and corporate affairs expenses connected with the Single Bank Project);
 - profit on the disposal/redemption of AFS equity instruments;
 - impairment losses on equity instruments, bonds and units of UCITS in the AFS portfolio;
 - proceeds accrued in relation to the Interbank Deposit Protection Fund action to assist Banca Tercas.
- First half 2015:**
- disposal of the investment in UBI Gestioni Fiduciarie Sim;
 - impairment losses and recoveries in value on shares, bonds and units in UCITS in the AFS portfolio
 - integration expenses for the merger of IW Bank into UBI Banca Private Investment;
 - redundancy expenses charged to the income statement in relation to the Agreement of 4th February 2015.

¹ Following the entry into force (on 3rd July 2016) of ESMA guidelines 2015/1415 which the Consob (Italian securities market authority) incorporated in its issuer and supervisory and monitoring practices, the UBI Banca Group policy on the identification of non-recurring items (reported in the normalised statements) is currently undergoing revision.

The consolidated income statement

The income statement figures commented on are based on the reclassified consolidated financial statements (the income statement, the quarterly income statements and the income statement net of the more significant principal non-recurring items – in brief and detailed versions) contained in another section of this report and the tables furnishing details presented below are also based on those statements. The notes that follow those reclassified financial statements may be consulted as may the reconciliation schedules for a description of the reclassification. Furthermore, the commentary examines changes that occurred in both the first half of 2016 compared with the same period in 2015, and also those occurring in the second quarter of 2016 compared with the preceding three months (in the latter case the comments are highlighted with a slightly different background colour).

The first half of the year ended with a **net loss** of €787 million (compared with a profit of €124.4 million in the first half of 2015), as a result of the recognition in the income statement of a series of items designed to achieve the objectives set in the presentation of the 2019/2020 Business Plan: redundancy expenses, impairment losses on network bank brands in view of the creation of a Single Bank, the optimisation of the IT system and an increase in provisions for non-performing exposures.

These totalled €834 million (net of taxes and non-controlling interests) – including in that figure, only those impairment losses (€851 million) which caused a corresponding absorption of the shortfall – net of which the result for the period was a profit of €48.1 million¹.

Quarterly performance consisted of a loss of €829 million in the **second quarter** (due to the reasons reported above) compared with a profit of €48.5 million recognised in the same period of 2015 and a profit of €42.1 million in the first three months of the year.

Notwithstanding the partial recovery that occurred in the period April-June, ordinary operations gave rise to **operating income** of €1,588.4 million, less than the €1,708.9 million generated in the first half of 2015, affected by the weakness of net interest income following a further loosening of monetary policy, more or less unchanged fee and commission income and a decrease in the contribution from financial activities even though substantial profits were realised on disposals in the second quarter.

Net interest income, inclusive of the effects of the PPA, which came to -€10.5 million (-€13.6 million in the comparative six months) fell to €765.6 million compared with €847.1 million in the comparative period, mainly incorporating the change in the structure of interest rates in the two periods², but also the effects of volumes of general banking business and investments. In detail³:

- **business with customers** generated net interest income of €653.1 million (€695.7 million in 2015). The fall was due to a reduction of volumes of lending (a year-on-year fall of 0.5% in average loans), but above all to the interest rate effect on the short-term lending portfolio, which was only partially offset by the decrease in medium to long-term funding. In this context the customer spread reduced by approximately 15 basis points compared with the first half of 2015, affected by a greater reduction in interest rates on lending compared with those on funding. The balance also includes the increase in differentials received mainly on hedges on bonds (€93.7 million compared with €79.3 million before);
- the **securities portfolio** generated net interest income of €117.8 million (€158.2 million in 2015), in the presence of investments in debt securities which were down over twelve

¹ Net of non-recurring items (considered net of taxes and non-controlling interests), the **normalised net result** for the period was a loss of €556.2 million compared with a profit of approximately €136 million in 2015. Those items consisted of expenses of €230.7 million in 2016 and expenses of €11.5 million in the first half of 2015 (mainly impairment losses on AFS financial instruments, integration costs for the merger of IW bank into UBI Banca Private investment and redundancy expenses). Both first halves included costs resulting from the purchase price allocation amounting to €10.4 million in 2016 and €12.3 million in 2015.

² The average one-month Euribor rate has become progressively negative since the second quarter of 2015 standing at -0.305% in the first six months of the current year compared with -0.024% in the comparative six months.

³ The calculation of net balances was performed by allocating interest income and expense on hedging derivatives and interest expense on financial liabilities held for trading within the different areas of business (with customers, financial, with banks).

months by €2.2 billion. While income from the trading portfolio (which is now negligible) and the held-to-maturity portfolios remained basically stable, the contribution from bonds recognised as AFS reduced (down €39 million compared with the first half of 2015), due, amongst other things, to profit-taking carried out during that time. This business also incorporated the costs of uncovered short positions (-€2.5 million) and of partial hedges on fixed-rate debt securities (the differentials paid on derivatives were €64.4 million, almost unchanged in the two periods);

- **business on the interbank market** generated a negative balance of €5.8 million, compared with -€6.8 million before. The improvement is due to an increase in lending (+€0.7 billion over twelve months), notwithstanding an increase in debt at the same time (+€4.6 billion over twelve months), but nevertheless in a context of a further fall in the structure of interbank interest rates, driven by ECB monetary policy decisions which, with effect from 16th March 2016, reduced the interest rate on principal refinancing operations to zero (down from 0.05% applied since 10th September 2014).

Interest and similar income: composition

Figures in thousands of euro	Debt instruments	Financing	Other transactions	1H 2016	1H 2015
1. Financial assets held for trading	2,800	-	-	2,800	1,944
2. Financial assets designated at fair value	-	-	-	-	-
3. Available-for-sale financial assets	159,442	-	-	159,442	198,305
3. Held-to-maturity investments	22,445	-	-	22,445	22,847
5. Loans and advances to banks	-	4,119	-	4,119	3,112
6. Loans and advances to customers	16	898,932	314	899,262	1,066,584
7. Hedging derivatives	X	X	29,329	29,329	15,870
8. Other assets	X	X	449	449	19
Total	184,703	903,051	30,092	1,117,846	1,308,681

Interest and similar expense: composition

Figures in thousands of euro	Borrowings	Securities	Other transactions	1H 2016	1H 2015
1. Due to central banks	(3,652)	X	-	(3,652)	(3,660)
2. Due to banks	(6,233)	X	-	(6,233)	(6,263)
3. Due to customers	(26,945)	X	(24)	(26,969)	(47,927)
4. Debt securities issued	X	(312,864)	-	(312,864)	(402,257)
5. Financial liabilities held for trading	(2,532)	-	-	(2,532)	(1,425)
6. Financial liabilities designated at fair value	-	-	-	-	-
7. Other liabilities and provisions	X	X	(24)	(24)	(1)
8. Hedging derivatives	X	X	-	-	-
Total	(39,362)	(312,864)	(48)	(352,274)	(461,533)
Net interest income				765,572	847,148

Dividends of €8.6 million were received in the first half (+€3.3 million), of which €2.9 million relating to AFS securities and €4.3 million primarily to the FVO portfolio; €2.5 million of the latter were in relation to an extraordinary distribution of reserves by a private equity company, which explains most of the increase in the item as a whole. In addition to the portfolios held by UBI Banca, the amount also included €1.4 million relating to BRE and Banca Carime, as the return on stakes held in the Bank of Italy.

*Profits of equity-accounted investees*⁴ totalled €12 million (€19.6 million in the comparative period), the largest amounts of which were earned by the following: Lombarda Vita (€4.8 million compared with €9.2 million), Zhong Ou (€4.3 million compared with €8.5 million before), Aviva Vita (up to €2.8 million from €1.3 million) and Aviva Assicurazioni Vita (€0.3 million compared with €0.4 million).

Net fee and commission income came to €667.5 million (-€1.6 million compared with 2015), affected by the continuing weakness of general banking services and also by a decrease in

⁴ The item consists of the profits of the companies recognised on the basis of the percentage interest held by the Group.

performance fees by UBI Pramerica SGR, down €6.4 million (net of which the total figure for fees and commissions increased). In detail:

- **management, trading and advisory services** contributed to the item with €378 million⁵ (+€9.2 million), due to the placement of funds and Sicav's (+€6 million), to the distribution of insurance products (+€6.8 million) and to the reduction of fee and commission expense for the distribution of financial instruments and products and services through indirect networks (-€9.5 million, primarily as a result of lower volumes of business in the financial area). Affected by volatility on equity markets and lower volumes of trades, reductions were recorded both for trading (-€2.4 million) and for the receipt and transmission of orders (-€4.8 million), while portfolio management was penalised by the impact of market prices on the relative assets (-€3.7 million);
- **ordinary banking business**⁶ – which continued to be affected by the slowness of the recovery in lending – saw its contribution fall to €289.5 million (-€10.8 million). In detail decreases were recorded for collection and payment services (-€5.2 million, due to fewer transactions performed), factoring (-€1.2 million), guarantees issued and received (-€2 million), current account administration (-€3.8 million, mainly caused by lower average per unit profitability, both on conventional and bundled current accounts), partially offset by an increase in other services (+€1.6 million, as a result of management/acceptance of payment card activities and shopkeeper POS terminal acquiring transactions; commitment fees, recognised within the item, amounting to €67.9 million, fell by €3.2 million in relation, amongst other things, to a reduction in average volumes of short-term lending).

Fee and commission income: composition

Figures in thousands of euro	1H 2016	1H 2015
a) guarantees granted	23,725	25,872
c) management, trading and advisory services	422,379	425,577
1. trading in financial instruments	9,342	11,951
2. foreign exchange trading	3,480	3,616
3. portfolio management	157,834	162,663
3.1. individual	36,597	36,599
3.2. collective	121,237	126,064
4. custody and administration of securities	4,003	4,143
5. depository banking	-	-
6. placement of securities	129,344	124,377
7. receipt and transmission of orders	19,364	24,169
8. advisory activities	3,297	3,204
8.1 on investments	3,297	3,204
9. distribution of third party services	95,715	91,454
9.1. portfolio management	11	15
9.1.1. individual	11	15
9.2. insurance products	84,987	78,164
9.3. other products	10,717	13,275
d) collection and payment services	71,884	78,680
f) services for factoring transactions	7,110	8,326
i) current account administration	90,318	94,128
j) other services	136,451	135,602
Total	751,867	768,185

Fee and commission expense: composition

Figures in thousands of euro	1H 2016	1H 2015
a) guarantees received	(796)	(909)
c) management and trading services:	(40,938)	(53,154)
1. trading in financial instruments	(5,364)	(5,614)
2. foreign exchange trading	(34)	(1)
3. portfolio management	(4,434)	(5,528)
3.1. own	-	-
3.2. on behalf of third parties	(4,434)	(5,528)
4. custody and administration of securities	(2,593)	(3,019)
5. placement of financial instruments	(2,471)	(3,500)
services distributed through indirect networks	(26,042)	(35,492)
d) collection and payment services	(21,515)	(23,108)
e) other services	(21,165)	(21,936)
Total	(84,414)	(99,107)
Net fee and commission income	667,453	669,078

The second quarter was also characterised by progressive growth in uncertainty connected with the United Kingdom referendum, which then ended with a sharp increase in volatility on foreign exchange and equity markets right at the end of June and this penalised *financial activities* which reduced to €82.6 million from €111.1 million before. In detail:

- **trading** made a contribution of +€5.6 million (compared with €45.4 million in the first half of 2015) composed as follows: +€5.1 million from debt instruments (profits on trading in Italian and foreign government securities and the closure of uncovered short positions), €4.2 million from equity instruments and the relative derivatives (almost all listed on regulated markets and with equity indices as the underlying), +€14.9 million from business

⁵ The amount consists of management, trading and advisory services net of the corresponding expense items and is calculated excluding currency trading.

⁶ All the changes were calculated by subtracting commission expense from the respective commission income.

in foreign currency⁷ in relation to business with corporate clients and -€10 million due to derivatives on debt instruments and interest rates (profits/losses, gains/losses and accruals). The latter reflect both the unwinding of trading derivatives and hedges on AFS debt instruments and fair value movements in the derivatives themselves, which were affected by a sharp fall in medium to long-term swap rates (against a reduction, but not so sharp, in interest rate swaps on shorter maturities) and by the relative differentials accrued;

Net trading income

Figures in thousands of euro	Gains (A)	Profits from trading (B)	Losses (C)	Losses from trading (D)	Net income 1H 2016 [(A+B)-(C+D)]	1H 2015
1. Financial assets held for trading	227	25,934	(8,116)	(6,673)	11,372	3,736
1.1 Debt instruments	159	5,405	(48)	(1,553)	3,963	5,545
1.2 Equity instruments	2	50	(971)	(26)	(945)	579
1.3 Units in UCITS	1	7	(578)	(2)	(572)	(10)
1.4 Financing	-	-	-	-	-	-
1.5 Other	65	20,472	(6,519)	(5,092)	8,926	(2,378)
2. Financial liabilities held for trading	0	3,016	-	(1,836)	1,180	845
2.1 Debt instruments	-	3,016	-	(1,836)	1,180	845
2.2 Payables	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	X	X	X	X	(2,976)	401
4. Derivative instruments	228,487	215,681	(286,167)	(170,922)	(4,001)	40,401
4.1 Financial derivatives	228,487	215,681	(286,167)	(170,922)	(4,001)	40,401
- on debt instruments and interest rates	220,869	187,348	(278,957)	(139,258)	(9,998)	15,088
- on equity instruments and share indices	263	3,189	(20)	(6,654)	(3,222)	2,858
- on currencies and gold	X	X	X	X	8,920	23,247
- other	7,355	25,144	(7,190)	(25,010)	299	(792)
4.2 Credit derivatives	-	-	-	-	-	-
Total	228,714	244,631	(294,283)	(179,431)	5,575	45,383

Net hedging income (loss)

Figures in thousands of euro	1H 2016	1H 2015
Net hedging income (loss)	(1,250)	6,730

Profit (loss) from disposal or repurchase

Figures in thousands of euro	Profits	Losses	Net profit 1H 2016	1H 2015
Financial assets				
1. Loans and advances to banks	-	-	-	-
2. Loans and advances to customers	568	(2,161)	(1,593)	(4,311)
3. Available-for-sale financial assets	101,262	(48)	101,214	65,810
3.1 Debt instruments	76,508	(39)	76,469	58,889
3.2 Equity instruments	15,472	(9)	15,463	36
3.3 Units in UCITS	9,282	-	9,282	6,885
3.4 Financing	-	-	-	-
4. Held-to-maturity investments	-	-	-	-
Total assets	101,830	(2,209)	99,621	61,499
Financial liabilities				
1. Due to banks	-	-	-	-
2. Due to customers	-	-	-	-
3. Debt securities issued	249	(13,368)	(13,119)	(8,058)
Total liabilities	249	(13,368)	(13,119)	(8,058)
Total	102,079	(15,577)	86,502	53,441

Net profit (loss) on financial assets and liabilities designated at fair value

Figures in thousands of euro	1H 2016	1H 2015
Net profit (loss) on financial assets and liabilities designated at fair value	(8,238)	5,544

Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value

	82,589	111,098
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⁷ The Group does not enter into speculative positions and the results relate to business with customers and on own behalf generally balanced on the market. As a consequence, the items in question (line items 1.5, 4.1 and 3) must be considered together as a whole. On the whole the items relate to the results of spot and forward currency trading by customers (transactions closed and/or existing), transactions on behalf of customers balanced operationally by UBI Banca on the market and domestic currency swaps, opened on the two components, always balanced, and certificates of deposit (item 1.5) and the related derivative (item 4.1). Following the large fluctuations in currencies that occurred in 2015, which had driven the increase in customer business, the first half of the year confirmed the arrival of a new period of high volatility (partly due to the Brexit effect).

- **hedging**, amounting to -€1.3 million, resulted mainly from fair value movements in derivatives on assets (AFS securities and mortgages and loans) and was only partly offset by the positive effects of derivatives to hedge bonds (+€6.7 million in 2015, mainly in relation to AFS derivatives at the time when the long-term swap curve rose);
 - the **disposal/repurchase of financial assets/liabilities** (mainly by UBI Banca as part of the overall management of financial instrument portfolios) contributed profits of €86.5 million, of which:
 - ♦ +€75.8 million from the sale of Italian government securities;
 - ♦ +€0.7 million from the total/partial disposal of corporate bonds and bonds issued by banks;
 - ♦ +€9.2 million (normalised) from Visa Europe Ltd shares (held in the Parent and IW Bank portfolios);
 - ♦ +€6 million (normalised) from the adjustment to the sales price of ICBPI (sold in the December 2015). The adjustment is the result of the disposal of Visa Europe shares held in portfolio by ICBPI, consideration for which was paid by contract to the seller UBI Banca;
 - ♦ +€9.2 million (normalised) from the redemption of units in UCITS in relation to the Sviluppo Impresa Fund (currently in liquidation) managed by Centrobanca Sviluppo Impresa SGR;
 - ♦ -€1.6 million from the disposal of bad loans mainly relating to the former Centrobanca and to a lesser extent to the network banks;
 - ♦ -€13.1 million from the repurchase of debt securities issued as part of normal direct business with customers in a context of interest rates that are again falling.
- The result achieved in the first six months of 2015 was €53.4 million, of which +€56 million from the sale of Italian government securities, +€2.9 million from bonds (issued mainly by banks), +€6.9 million from the disposal of units in UCITS (ETFs), -€4.3 million from the disposal of bad loans and -€8.1 million from the repurchase of debt securities issued;
- **fair value movements** in investments in Tages Funds and in a residual position in hedge funds (completely written down) and the foreign exchange translation effect accruing on it, generated a loss of €8.2 million only partly offset by good performance by private equity stakes (a profit of €5.5 million on the FVO portfolio in 2015, supported mainly by Tages Funds and private equity investments).

Other net operating income/expense came to €52.2 million, (down €4.4 million compared with 2015) as a result of the performance of operating expenses (+€4.8 million) and of prior year expenses in particular (the increase in finance lease contract expenses is offset by the related items of income).

Operating income on the other hand recorded no substantial changes (+€0.4 million), the aggregate result of expense recoveries on current accounts (-€1 million), insurance premiums (-€0.5 million, in connection with lower volumes of business) and finance lease contracts (+€1.3 million). Other income (+€0.6 million) also included recognition of “fast credit processing” charges, down by approximately €6 million, the result of both monitoring action and the still downward trend for lending to customers.

Other net operating income

Figures in thousands of euro	1H 2016	1H 2015
Other operating income	78,862	78,478
Recovery of expenses and other income on current accounts	9,731	10,723
Recovery of insurance premiums	10,412	10,928
Recoveries of taxes	111,432	113,475
Rents and other income for property management	2,299	2,314
Recovery of expenses on finance lease contracts	8,050	6,744
Other income and prior year income	48,370	47,769
Reclassification of "tax recoveries"	(111,432)	(113,475)
Other operating expenses	(26,619)	(21,803)
Depreciation of leasehold improvements	(2,107)	(1,730)
Costs relating to finance lease contracts	(5,144)	(4,378)
Expenses for public authority treasury contracts	(1,792)	(2,073)
Other expenses and prior year expense	(19,683)	(15,352)
Reclassification of depreciation of leasehold improvements	2,107	1,730
Total	52,243	56,675

From a quarterly viewpoint **operating income** – €815.5 million compared with €842.9 million in the same quarter of 2015 – recorded a recovery compared with €772.9 million achieved in the first quarter of the year, the result above all of the disposal of financial instruments and the receipt of dividends in the presence of still weak performance by the Group's core income. The increase in the item as a whole (+€42.5 million) recorded the following performances:

Quarterly net interest income

Figures in thousands of euro	2016		2015			
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Banking business with customers	322,298	330,823	324,587	330,838	343,794	351,910
Financial activities	58,494	59,298	64,147	69,571	75,623	82,614
Interbank business	(3,187)	(2,579)	(3,690)	(1,748)	(2,924)	(3,887)
Other items	367	58	196	6	50	(32)
Net interest income	377,972	387,600	385,240	398,667	416,543	430,605

- €9.6 million for *net interest income*, which came to €378 million. The change is attributable primarily to business with customers (-€8.5 million), which in the presence of stable average volumes of assets (against a trend for medium to long-term funding which continues to benefit the profit margin) was affected by the effect of negative interest rates on both the income and expense components with a further narrowing of the spread (6 basis points approx.). The trend between the two quarters was also affected by the issue of a subordinated Lower Tier 2 bond reserved for institutional investors, which took place in May. The overall trend for business with customers was not offset by either yields on the debt securities portfolio (-€0.8 million), for which both a reduction and change in the mix of the total investments is currently in progress, or by business on the interbank market, for which the negative contribution increased by €0.6 million (the result of the performance of funding with non-central bank counterparties);
- +€7.5 million for *dividends*, which rose to €8.1 million, composed of €2.4 million from the AFS portfolio, €4.2 million from FVO classified securities (of which €2.5 million from the extraordinary distribution of reserves from a private equity company), €1.4 million from equity stakes held in the Bank of Italy and the remaining part from securities held for trading;
- +€1.4 million for *profits of equity-accounted investees*, which grew to €6.7 million, due to the recognition of results by Zhong Ou (€2 million), Lombarda Vita (€4.3 million), Aviva Vita (€0.9 million) and Aviva Assicurazioni Vita (-€0.5 million);

Quarterly net fee and commission income

Figures in thousands of euro	2016		2015			
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Management, trading and advisory services (net of the corresponding expense items):	186,382	191,613	180,538	149,496	177,202	191,606
trading in financial instruments	2,200	1,778	1,856	1,058	2,845	3,492
portfolio management	78,236	75,164	98,494	74,992	79,849	77,286
custody and administration of securities	695	715	881	1,004	934	190
placement of securities	60,347	66,526	32,520	34,834	53,370	67,507
receipt and transmission of orders	9,324	10,040	9,491	9,424	10,673	13,496
advisory activities	1,851	1,446	900	1,350	1,753	1,451
distribution of third party services	46,790	48,925	49,070	38,954	45,483	45,971
distributed through indirect networks	(13,061)	(12,981)	(12,674)	(12,120)	(17,705)	(17,787)
Banking services (net of the corresponding expense items):	143,925	145,533	150,036	150,971	150,684	149,586
guarantees	10,349	12,580	10,055	10,257	11,074	13,889
foreign exchange trading	1,749	1,697	1,784	1,579	1,814	1,801
collection and payment services	25,952	24,417	29,148	26,651	28,660	26,912
services for factoring transactions	3,404	3,706	3,679	3,744	4,063	4,263
current account administration	46,427	43,891	51,296	49,358	47,972	46,156
other services	56,044	59,242	54,074	59,382	57,101	56,565
Net fee and commission income	330,307	337,146	330,574	300,467	327,886	341,192

- €6.8 million for *net fee and commission income*, down to €330.3 million, in the presence of a modest increase in performance fees relating entirely to UBI Pramerica SGR (up to €3.1 million from €2.3 million in the first three months)⁸.

⁸ Performance fees accounted for 0.8% of net fee and commission income in the three months, compared with 0.7% in the first quarter of 2016 and 1.5% in the second quarter of 2015.

In detail, management, trading and advisory services (€186.4 million, -€5.2 million) reflected performance by the placement of securities (-€6.2 million attributable to the different distribution in the two periods of subscriptions of Group assets under management, funds and Sicav products).

Similarly, banking services, affected by the trend for loans, which continued to show a certain weakness (down €1.6 million to €143.9 million), attributable to guarantees (-€2.2 million) and other services (-€3.2 million, largely the result of loans and unsecured guarantees relating to the former Centrobanca perimeter; commitment fees, on the other hand, remained stable across the two periods). These performances were offset by growth in collection and payment services (+€1.5 million due to the greater number of payment orders presented) and firm performance by current accounts (+€2.5 million due to the seasonal effect of transactions subject to a single payment);

Quarterly performance by financial activities

Figures in thousands of euro	2016		2015			
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Net trading income	4,071	1,504	6,663	11,873	17,952	27,431
Net hedging income (loss)	(264)	(986)	3,695	543	9,746	(3,016)
Total assets	76,373	23,248	146,097	20,128	28,682	32,817
Total liabilities	(6,363)	(6,756)	(5,295)	(2,981)	(3,608)	(4,450)
Profit from disposal or repurchase	70,010	16,492	140,802	17,147	25,074	28,367
Net income (loss) on financial assets and liabilities designated at fair value	(6,942)	(1,296)	545	(1,733)	302	5,242
Net income	66,875	15,714	151,705	27,830	53,074	58,024

- +€51.2 million for the *financial activities* result, up to €66.9 million, as a result of the disposal of Italian government securities (€51.2 million) and to the already mentioned non-recurring items totalling €24.3 million (the Centrobanca Sviluppo Impresa SGR redemptions, the disposal of Visa Europe and the ICBPI earn-out). As a result of the growing uncertainty that spread in relation to the British referendum, the other items that contributed to the total net result performed as follows: +€4 million for trading (driven by customer business in foreign exchange and currencies); -€0.3 million for hedging (in relation to fair value movements in derivatives on AFS securities and to a lesser extent on mortgages and loans); -€6.9 million for FVO assets (primarily due to the full write-down, amounting to €5 million, of the residual position in hedge funds classified within fair value level three); and -€6.4 million for the repurchase of own issue financial liabilities (in a context of prices above par);
- -€1.2 million for *other net operating income/expense*, which reached only €25.5 million, affected by an increase in operating expenses and in prior year expenses in particular (+€2.6 million, partly due to the closure of a legal case). Income, on the other hand, despite benefiting from recoveries on current accounts (+€1.6 million mainly in relation to the seasonal nature of charges), only partially offset set the overall fall in the item. Fast credit processing fees, recognised within prior year income, were unchanged across the two quarters.

It must always be considered that because the underlying items of prior year income and expense items are of a varied and non-structural nature, they often fluctuate greatly from one period to another.

Operating expenses totalled €1,038.2 million in the first half (-€7.4 million compared with the first half of 2015), incorporating differing performances by the different components as follows:

- *staff costs* (which do not include redundancy expenses) fell to €639.1 million (-€15.7 million).

As shown in the table, the savings were concentrated on expenses for employee staff and came mainly from a reduction in average staff numbers (-319 over twelve months), from a reduction in individual leaving incentives and from lower payments for labour services (provided in the various forms set out in the trade union agreements signed from time to time), from staff turnover in relation to extraordinary leaving incentives and from the impact of new part-time positions;

- *other administrative expenses* (which do not include normalised items) on the other hand rose to €327.3 million, up €14.4 million (of which +€1 million for indirect taxation). The substantial change in current expenditure in reality includes an ordinary contribution of €32 million to the Resolution Fund for 2016⁹ (recognised under membership fees). Net of that entry, in addition to the non-recurring item present in the first half of 2015 (€7.3 million of expenses for the merger of IW bank into UBI Banca Private Investment, concluded in May 2015), current expenses fell by €11.4 million.

As shown in the table, the savings regarded almost all items: rent payable and the tenancy and maintenance of premises (-€4.7 million due to large-scale branch closures carried out in the first months of 2015, the closure of mini branches in April 2016, the further renegotiations of contracts and savings on energy costs); credit recovery expenses (-€3.9 million); outsourced services (-€2.2 million, following the migration of IW Bank onto the target IT system); insurance premiums (-€2 million, in relation to volumes of business transacted, the recoveries of which were recognised within operating income); and telephone and data transmission expenses (-€1.9 million as a result of the renegotiation of data transmission and landline and mobile telephone contracts).

Increases were recorded only for professional and advisory services (connected with digital innovation and the Digital lending project, legal advisory services, supervisory regulations and the IT area) and advertising expenses (which include expenses relating to the campaign to advertise the IW Bank brand and to the periodic institutional "Quality in the bank" campaign);

- *depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets* decreased to €71.7 million (-€6 million), due to lower depreciation on both real estate assets (-€3 million in relation to branch closures) and on IT components (as part of the natural life cycle of software and hardware peripherals,

Staff costs: composition

Figures in thousands of euro	1H 2016	1H 2015
1) Employees	(631,674)	(647,042)
a) Wages and salaries	(448,137)	(453,459)
b) Social security charges	(120,708)	(124,011)
c) Post-employment benefits	(24,237)	(24,261)
d) Pension expense	-	-
e) Provision for post-employment benefits	(1,068)	(2,508)
f) Pensions and similar obligations:	(569)	(429)
- defined contribution	-	-
- defined benefit	(569)	(429)
funds:	(19,308)	(20,079)
- defined contribution	(19,233)	(19,860)
- defined benefit	(75)	(219)
payments	-	-
i) Other employee benefits	(17,647)	(22,295)
2) Other staff in service	(763)	(828)
- Expenses for agency staff on staff leasing contracts	(44)	(35)
- Other expenses	(719)	(793)
3) Directors and statutory auditors	(6,661)	(6,903)
4) Expenses for retired staff	-	-
Total	(639,098)	(654,773)

Other administrative expenses: composition

Figures in thousands of euro	1H 2016	1H 2015
A. Other administrative expenses	(301,235)	(287,899)
Rent payable	(24,796)	(26,778)
Professional and advisory services	(42,950)	(44,002)
Rentals hardware, software and other assets	(16,394)	(17,212)
Maintenance of hardware, software and other assets	(21,725)	(22,328)
Tenancy of premises	(21,643)	(22,969)
Property maintenance	(9,011)	(10,353)
Counting, transport and management of valuables	(5,756)	(6,064)
Membership fees	(37,958)	(5,638)
Information services and land registry searches	(4,563)	(5,329)
Books and periodicals	(592)	(644)
Postal	(6,690)	(7,334)
Insurance premiums	(16,175)	(18,232)
Advertising	(11,509)	(10,177)
Entertainment expenses	(729)	(896)
Telephone and data transmission expenses	(21,059)	(22,930)
Services in outsourcing	(22,155)	(24,315)
Travel expenses	(7,510)	(7,824)
Credit recovery expenses	(17,863)	(21,757)
Forms, stationery and consumables	(3,590)	(3,407)
Transport and removals	(2,992)	(3,071)
Security	(3,361)	(3,793)
Other expenses	(2,214)	(2,846)
B. Indirect taxes	(26,091)	(25,054)
Indirect taxes and duties	(12,447)	(10,901)
Stamp duty	(103,359)	(106,002)
Municipal property tax (former ICI)	(10,395)	(9,911)
Other taxes	(11,322)	(11,715)
Reclassification of "tax recoveries"	111,432	113,475
Total	(327,326)	(312,953)

⁹ In the first quarter of the year an estimate of the ordinary quota due for the current year amounting to €31.9 million was recognised within other administrative expenses; the final contribution now recognised, on the other hand, amounted to €32 million. The estimate of the annual quota due for 2015 (€22.8 million) was recognised in the second quarter of 2015 within provisions for risks and charges. In the following November, after the final quantification by the competent authorities, an amount of €22 million was recognised as a single sum within other administrative expenses.

-€1.4 million). The item also benefited from the suspension of depreciation on a real estate property held for sale.

As a result of the recognition in the first quarter of a contribution of €31.9 million to the Resolution Fund for 2016, the quarter-on-quarter figures show a reduction of €17.1 million in **operating expenses**, which fell to €510.5 million (€524.1 million in the same quarter of 2015) compared with €527.6 million in the first three months of the year. Compared with the preceding quarter:

- *staff costs* were more or less unchanged at €319.3 million (-€0.5 million), the aggregate result on the one hand of savings resulting from changes in staff numbers and labour services provided and on the other hand of variable components of remuneration (inclusive of one-off payments recognised in the second quarter);
- *other administrative expenses* fell to €155.5 million (-€16.3 million), primarily because an estimate of the above mentioned contributions had been recognised within this item in the first quarter. Net of that item, the total recorded an increase of €15.6 million attributable mainly to greater project expenses incurred (for new asset securitisation operations and in the commercial area), to credit recovery and to advertising (for the launch of a periodic institutional campaign to promote the UBI Banca brand) as well as to expenses incurred for the ordinary Shareholders' Meeting. On the other hand, savings were made on IT and telephone networks (due to the renegotiation of rates), on outsourced services (due to the conclusion of commercial services for the payment of "Formula UBI" prizes and for the end of the score collections) and on printing, stationery and consumables (following large-scale printouts of extraordinary communications carried out in the first months of the current year);
- *impairment losses on property, plant and equipment and intangible assets* amounted to €35.7 million (-€0.3 million), due to lower depreciation of real estate properties and of IT assets, partially offset by write-offs following the closure of mini-branches in April.

As a summary of overall performance, **net operating income** came to €550.3 million, compared to €663.4 million in the first half of 2015.

On a quarterly basis, **net operating income** stood at €304.9 million (€318.7 million in the same quarter of 2015), a marked improvement compared with €245.3 million in the first three months of 2016.

Net impairment losses on loans of €1,206.4 million were recognised in the period January-June 2016, which led to an increase in coverage for non-performing loans (for bad loans and unlikely to pay loans in particular) and the partial absorption of the provision shortfall and that is the shortfall of provisions to expected losses, which forms part of the definition of own funds for regulatory purposes.

More specifically, the item experienced an increase of €817.3 million of which €710 million relating to the network banks and €105.1 million to the product companies (inclusive of UBI Banca), while the remaining part related primarily to UBI Banca International (which in the first quarter had recognised specific net impairment losses of €3.4 million, attributable almost totally to a German Group, banking with the Munich branch).

The item incorporated specific net write-downs of non-performing loans amounting to €1,195.8 million, of which €983.8 million relating to the network banks and €208.7 million to product companies, and impairment losses on the performing portfolio of €10.5 million, of which €11.2 million relating to the subsidiary banks, while the Group's product companies recorded reversals of €0.1 million.

In reality the trend for loans to customers over the twelve month period continued to be rather uneven not only among the specialist companies (amongst which only UBI Factor recorded significant growth¹⁰), but also among the network banks (where only BPCI recorded positive performance).

¹⁰ UBI Factor in particular recorded €12.3 million of net reversals of impairment losses on loans consisting of specific reversals amounting to €8.8 million (of which €8.3 million from a S. Raffaele position following an agreement to redefine the position which transferred the relative risk to the Local Health Authority debtors), portfolio reversals amounting to €2 million and specific reversals of interest (present value discounts) amounting to €2.6 million, against case by case impairment losses of €1.1 million.

Specific write-downs in the first half benefited from reversals (net of present value discounts) of €151.4 million (€158.2 million in 2015).

As a result of the above, the loan loss rate (calculated as total net impairment losses as a percentage of the portfolio of net loans to customers) rose to 2.88% from 0.91% recorded in the first half of 2015 (annualised data), against 0.95% recorded for the full year 2015.

Net impairment losses on loans: composition

Figures in thousands of euro	Impairment losses/reversals of impairment losses, net		1H 2016	Impairment losses/reversals of impairment losses, net		2nd Quarter 2016
	Specific	Portfolio		Specific	Portfolio	
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	(1,195,824)	(10,549)	(1,206,373)	(1,045,673)	(5,361)	(1,051,034)
Total	(1,195,824)	(10,549)	(1,206,373)	(1,045,673)	(5,361)	(1,051,034)

Figures in thousands of euro	Impairment losses/reversals of impairment losses, net		1H 2015	Impairment losses/reversals of impairment losses, net		2nd Quarter 2015
	Specific	Portfolio		Specific	Portfolio	
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	(406,870)	17,771	(389,099)	(207,544)	8,637	(198,907)
Total	(406,870)	17,771	(389,099)	(207,544)	8,637	(198,907)

In quarterly terms, following the amounts recognised described above, *net impairment losses* stood at €1,051 million compared with €155.3 million in the first quarter of 2016 and €198.9 million in the second quarter of 2015. In consideration of the extraordinary nature of the amounts recognised during the period, a comparison with the previous figures is not particularly significant.

In any event, the quarter-on-quarter change in total impairment losses (+€895.7 million) is attributable to the following: greater specific impairment losses of €895.5 million and to greater collective impairment losses of €0.2 million (in relation to the overall trend for volumes of loans), which nevertheless incorporated substantial reversals recognised by UBI Factor. The loan loss rate for the quarter therefore rose to 5.01% from 0.74% in the first three months of the year (annualised figures).

Net impairment losses/reversals of impairment losses on loans: quarterly performance

Figures in thousands of euro	Specific	Portfolio	1st Quarter	Specific	Portfolio	2nd Quarter	Specific	Portfolio	3rd Quarter	Specific	Portfolio	4th Quarter
2015	(199,326)	9,134	(190,192)	(207,544)	8,637	(198,907)	(184,540)	16,006	(168,534)	(231,544)	(13,469)	(245,013)
2014	(212,210)	13,584	(198,626)	(237,289)	6,814	(230,475)	(210,219)	13,169	(197,050)	(242,443)	(60,023)	(302,466)
2013	(155,657)	(2,085)	(157,742)	(212,689)	(13,461)	(226,150)	(192,435)	(314)	(192,749)	(347,302)	(19,035)	(366,337)
2012	(122,221)	(8,949)	(131,170)	(225,562)	22,381	(203,181)	(161,535)	1,207	(160,328)	(373,308)	20,773	(352,535)
2011	(96,010)	(9,364)	(105,374)	(142,877)	(15,271)	(158,148)	(110,779)	(24,364)	(135,143)	(195,114)	(13,299)	(208,413)
2010	(105,366)	(26,493)	(131,859)	(184,080)	(5,765)	(189,845)	(124,200)	(9,811)	(134,011)	(217,327)	(33,890)	(251,217)
2009	(122,845)	(36,728)	(159,573)	(176,919)	(58,703)	(235,622)	(178,354)	(18,995)	(197,349)	(281,668)	9,001	(272,667)
2008	(64,552)	4,895	(59,657)	(85,136)	(8,163)	(93,299)	(77,484)	(25,384)	(102,868)	(219,512)	(90,887)	(310,399)

The following was also recognised in the income statement:

- €50.5 million of *net impairment losses on other financial assets/liabilities*¹¹ composed as follows:

¹¹ Net impairment losses of €3.3 million were recognised in the first half of 2015, composed as follows: -€8.5 million for the item 130b (of which €7 million non-recurring and relating to write-downs of instruments held almost entirely in UBI Banca's AFS portfolio) and +€5.1 million for the item 130d and relating to reversals of unsecured guarantees.

- €49.9 million recognised within item 130 b), of which €2.1 million, normalised, relating to impairment losses on UBI Banca and BRE financial instruments, and €47.4 million following the substantial reduction to zero of the residual credit risk attaching to financial instruments resulting from non-performing exposure positions of UBI Banca, Banco di Brescia and BPB;
- €0.6 million recognised within item 130 d), relating to impairment losses on unsecured guarantees and sundry commitments and also +€1.9 million, normalised, consisting of the proceeds resulting from the difference between the final quantified costs and the expense previously recognised for the Interbank Deposit Protection Fund intervention to assist Banca Tercas (see the following explanatory notes for details);
- €26.7 million of *net provisions for risks and charges*¹², down by €2.5 million compared with 2015. The item incorporates increases for “revocatory” (clawback) expenses (+€3.8 million) and for litigation (+€1.3 million), together with lower provisions for other probable risks (down €7.6 million to €18.1 million). The latter category includes provisions to meet claims received and also risks identified by a specific statistical software procedure installed at the end of last year, as well as €9.4 million relating to UBI Factor to meet the risk of recourse legal action connected with factoring business;
- €1.6 million of *profit on the disposal of investments*¹³ achieved primarily from the disposal of real estate assets during the period, of which €1.3 million relating to Banca Carime.

Net provisions for risks and charges

Figures in thousands of euro	1H 2016	1H 2015
Net provisions for revocation clawback risks	(5,142)	(1,365)
Net provisions for staff costs	-	-
Net provision for bonds in default	(1)	6
Net provisions for litigation	(3,416)	(2,107)
Other net provisions for risks and charges	(18,098)	(25,669)
Total	(26,657)	(29,135)

The following amounts were recognised in the second quarter of the year:

- €50.7 million of *net impairment losses on other financial assets/liabilities* consisting of €5.5 million from impairment losses on unsecured guarantees and sundry commitments and €43.4 million of the impairment losses described above, as well as €1.8 million of impairment losses on financial instruments;
- €20.3 million of *net provisions for risks and charges* attributable to risks for revocation (clawback) action and for claims (as reported above);
- €1.2 million of *profits on the disposal of investments*, consisting primarily of gains realised on the disposal of Banca Carime real estate properties.

As a result of the performance and items reported above, **continuing operations before tax** generated a loss of €731.6 million, compared with a profit of €241.9 million earned in the same period of 2015.

On a quarterly basis, the second quarter recorded a **loss on continuing operations** of €815.9 million (a profit of €93 million was earned in the same period of 2015) compared with a profit of €84.3 million achieved in the first three months of 2016.

At the same time, *tax receivables* (IRES – corporate income tax) *on income for the period from continuing operations* of €176.4 million were recorded to give a *tax rate* of 24.12%, compared with tax of €99 million levied in 2015 which gave rise to a tax rate of 40.99%.

The percentage rate for IRAP (regional production tax) on the other hand was nil due to the result for the period and the full deductibility of costs for personnel employed on permanent contracts, introduced with effect from 2015 by Art. 1, paragraph 20-25 of law No. 190 – 2014 (*2015 Legge di stabilità* “stability law” – annual finance law).

Compared with the theoretical IRES rate (27.5%), the effective tax rate (calculated on the loss for the period) was mainly conditioned by the combined effect of the following:

¹² In the comparative period, €29.1 million of net provisions for risks and charges were recognised, which included a provision of €22.8 million consisting of an estimate of the annual quota due by the Group to the Resolution Fund. The item also included the additional risk on a position held by a network bank subject to revocation (clawback) action and also a number of provisions made to cover legal proceedings of varying nature with different types of counterparty.

¹³ In 2015 profits of €83 thousand were recognised, including a loss of €0.5 million (normalised) relating to the disposal of an equity stake concluded at the beginning of 2015, while the remaining part related to gains on the disposal of real estate properties.

- the partial non-deductibility of interest expense (4%), introduced by Law No. 133 of 6th August 2008 (0.6 percentage points);
- non-deductible impairment losses on equity instruments recognised in the AFS portfolio, (1.3 percentage points);
- non tax-deductible expenses, costs and provisions (3.2 percentage points);

These impacts were cushioned by the valuation of equity investments according to equity method, not significant for tax purposes (0.5 percentage points), and the *Aiuto alla crescita economica* (ACE – “aid to economic growth”) concessions (1.2 percentage points).

As a result of the performance reported and also of the results for Group banks and companies, the *result for the period attributable to non-controlling interests* (inclusive of the effects of consolidation entries) was a loss of €17.3 million. A profit of €17.1 million was recorded for non-controlling interests in 2015.

The loss for the period attributable to non-controlling interests in the second quarter was €24.7 million (non-controlling interests recorded a profit of €7.4 million in the same quarter of 2015) compared to a profit of €7.4 million in the first three months of 2016.

Finally, the impacts on the half-year income statement of factors designed to enable the achievement of the goals set in the 2019/2020 Business Plan are stated under separate items net of taxes and non-controlling interests. In detail:

- *redundancy expenses* (€207.2 million net of taxes of €106.9 million and non-controlling interests of €9.1 million) in relation to strong generation turnover with approximately 2,750 redundancies over the course of the plan.

These amounts are in addition to expenses recognised in the first quarter (€0.4 million net of taxes of €0.3 million and non-controlling interests of €0.1 million) related to adjustments to provisions set aside previously, made necessary on the basis of the actual applications for redundancy received. The expenses were recognised in the fourth quarter of 2015 on the basis of a trade union agreement signed on 23rd December 2015;

- *net impairment losses on intangible assets* – the purchase price allocation (€37.9 million net of tax of €20.8 million and of non-controlling interests of €4.1 million) relating to the network bank brands, which will no longer be employed for corporate use in view of the creation of a Single Bank (they may nevertheless be used where appropriate by the distribution network);
- *other administrative expenses* (€3.4 million net of taxes of €1.7 million and of non-controlling interests of €100 thousand) for project expenses connected with the development and implementation of the Single bank Project. That amount represents a portion of the estimated cost of other administrative expenses (€30 million approx.), while the remaining part will be recognised in the second half of 2016.

Expenses of €1.2 million were recognised in the first quarter of 2015 (net of taxes of €0.4 million) in relation to the signing of a trade union agreement of 4th February 2015, relating to the merger of IW Bank into UBI Banca Private Investment.

The comments that follow are based on items in the consolidated balance sheet contained in the reclassified consolidated financial statements on which the relative tables furnishing details are also based. The section "Consolidated companies: the principal figures" may be consulted for information on individual banks and Group member companies.

General banking business with customers: funding

Total funding

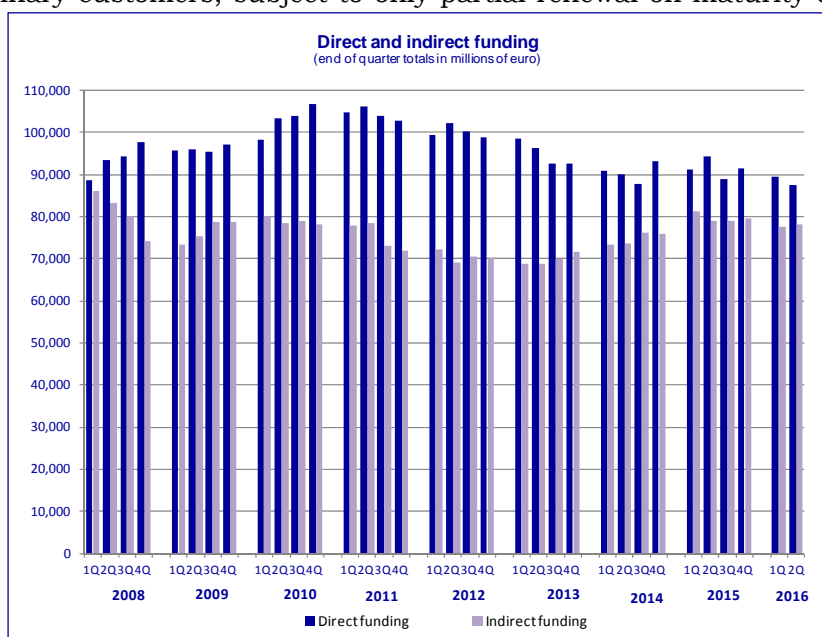
Total Group funding consisting of total amounts administered on behalf of customers amounted to €165.6 billion as at 30th September 2016 down compared with all comparative periods (-€7.8 billion year-on-year, -€5.4 billion over six months, -€1.6 billion in the second quarter).

Net of the institutional components, total Group core funding stood at €147.9 billion, down from €152.1 billion in December 2015 and from €150.8 billion in the previous June, which confirmed the negative trend which, however, is not so sharp.

Total funding from customers

Figures in thousands of euro	30.6.2016 A	%	31.3.2016 B	%	Changes A/B amount %	31.12.2015 C	%	Changes A/C amount %	30.6.2015 D	%	Changes A/D amount %
Direct funding	87,524,908	52.8%	89,652,372	53.6%	-2,127,464 -2.4%	91,512,399	53.5%	-3,987,491 -4.4%	94,327,352	54.4%	-6,802,444 -7.2%
Indirect funding	78,097,204	47.2%	77,573,440	46.4%	523,764 0.7%	79,547,957	46.5%	-1,450,753 -1.8%	79,070,259	45.6%	-973,055 -1.2%
of which: assets under management	50,914,753	30.7%	49,085,233	29.4%	1,829,520 3.7%	48,567,539	28.4%	2,347,214 4.8%	47,773,645	27.6%	3,141,108 6.6%
Total funding from customers	165,622,112	100%	167,225,812	100.0%	-1,603,700 -1.0%	171,060,356	100.0%	-5,438,244 -3.2%	173,397,611	100.0%	-7,775,499 -4.5%
Total funding net of CCG and institutional funding	147,923,030		148,685,408		-762,378 -0.5%	152,077,747		-4,154,717 -2.7%	150,802,126		-2,879,096 -1.9%

Direct funding recorded a downward trend, the aggregate result of opposing performances between the sight component, which benefited from an increased appetite for liquidity, and securities subscribed by ordinary customers, subject to only partial renewal on maturity due to both demand factors connected with very low market yields and to a different range of products consistent with the strategic guidelines of the 2019/2020 Business Plan. Indirect funding on the other hand (which returned close to 2009 and 2010 levels), although affected by very high volatility on financial markets, recorded good performance for assets under management which grew continuously over the year until they exceeded €50.9 billion at the end of the first half.



Direct funding

Direct funding of the UBI Banca Group as at 30th June 2016 amounted to €87.5 billion, down compared with all the comparative periods (–€2.1 billion over three months, –€4 billion over six months and –€6.8 billion over twelve months). The short-term component fell in the period April-June because, as opposed to the other quarters, the reduction in the repo exposure to the *Cassa di Compensazione e Garanzia* (“CCG” - a central counterparty clearing house) was not offset by an increase in current accounts. The long-term component, on the other hand, continued to progressively fall, primarily due to securities held by ordinary customers which in a context of yields now close to zero, is moving increasingly towards other forms of investment, while small increases were seen for institutional securities as new issuances were offset by maturities falling due.

In detail, **amounts due to customers** stood at €55.5 billion, (€56.5 billion in March 2016, €55.3 billion at the end of 2015 and €53.3 billion in the previous June) composed mainly as follows:

- *current accounts and deposits*, amounting to €49.1 billion, grew continuously quarter-on-quarter benefiting from both an increased appetite for liquidity by customers in a changing regulatory context (bail-in) characterised by low negative interest rates and also by temporary deposits in relation to the placement of upfront Group Sicav's (with the subscription period opening and closing across the quarters): subscriptions of €0.7 billion had been received as at 30th June with the settlement date on 18th July. We also report the presence of corporate positions of an extraordinary nature held with UBI Banca International amounting to approximately €500 million.

Direct funding from customers

Figures in thousands of euro	30.6.2016 A	%	31.3.2016	%	31.12.2015 B	%	Changes A/B amount %	30.6.2015 C	%	Changes A/C amount %
Current accounts and deposits	49,076,128	56.1%	48,639,666	54.3%	47,702,548	52.2%	1,373,580 2.9%	44,684,388	47.4%	4,391,740 9.8%
Term deposits	298,291	0.3%	385,165	0.4%	183,042	0.2%	115,249 63.0%	196,241	0.2%	102,050 52.0%
Financing	5,359,544	6.1%	6,785,670	7.6%	6,712,891	7.3%	-1,353,347 -20.2%	9,674,063	10.3%	-4,314,519 -44.6%
- repurchase agreements	4,952,927	5.6%	6,327,867	7.1%	6,172,495	6.7%	-1,219,568 -19.8%	9,189,862	9.7%	-4,236,935 -46.1%
- of which: repos with the CCG	4,660,289	5.3%	6,162,636	6.9%	6,107,667	6.7%	-1,447,378 -23.7%	9,095,672	9.6%	-4,435,383 -48.8%
- other	406,617	0.5%	457,803	0.5%	540,396	0.6%	-133,779 -24.8%	484,201	0.6%	-77,584 -16.0%
Other payables	726,115	0.9%	717,258	0.8%	665,990	0.7%	60,125 9.0%	776,503	0.8%	-50,388 -6.5%
Total amounts due to customers (item 20 liabilities)	55,460,078	63.4%	56,527,759	63.1%	55,264,471	60.4%	195,607 0.4%	55,331,195	58.7%	128,883 0.2%
Bonds	31,727,544	36.2%	32,228,180	35.9%	35,557,943	38.8%	-3,830,399 -10.8%	37,921,483	40.2%	-6,193,939 -16.3%
Certificates of deposit (a)+(c)	337,286	0.4%	766,436	0.9%	609,989	0.7%	-272,703 -44.7%	1,054,679	1.1%	-717,393 -68.0%
Other certificates (b)	-	-	129,997	0.1%	79,996	0.1%	-79,996 -100.0%	19,995	-	-19,995 -100.0%
Total debt securities issued (*) (item 30 Liabilities)	32,064,830	36.6%	33,124,613	36.9%	36,247,928	39.6%	-4,183,098 -11.5%	38,996,157	41.3%	-6,931,327 -17.8%
of which:										
securities subscribed by institutional customers:	13,038,793	14.9%	12,377,768	13.8%	12,874,942	14.1%	163,851 1.3%	13,499,813	14.3%	-461,020 -3.4%
- The EMTN programme (**)	3,337,270	3.8%	2,485,083	2.8%	2,539,326	2.8%	797,944 31.4%	3,105,637	3.3%	231,633 7.5%
- French certificates of deposit programme (a)	150,012	0.2%	553,492	0.6%	349,978	0.4%	-199,966 -57.1%	649,944	0.7%	-499,932 -76.9%
- The euro commercial paper programme (b)	-	-	129,996	0.1%	79,996	0.1%	-79,996 -100.0%	19,995	-	-19,995 -100.0%
- The covered bond programme	9,551,511	10.9%	9,209,197	10.3%	9,905,642	10.8%	-354,131 -3.6%	9,724,237	10.3%	-172,726 -1.8%
securities subscribed by ordinary customers:	18,925,318	21.6%	20,636,356	23.0%	23,254,511	25.4%	-4,329,193 -18.6%	25,355,945	26.9%	-6,430,627 -25.4%
of the Group:										
- Certificates of deposit (c)	187,274	0.2%	212,944	0.2%	260,011	0.3%	-72,737 -28.0%	404,735	0.4%	-217,461 -53.7%
- Bonds:	16,967,603	19.4%	18,642,146	20.8%	20,223,298	22.1%	-3,255,695 -16.1%	21,723,818	23.1%	-4,756,215 -21.9%
- issued by UBI Banca	15,629,571	17.9%	17,012,816	19.0%	18,080,279	19.8%	-2,450,708 -13.6%	18,362,564	19.5%	-2,732,993 -14.9%
- issued by the network banks	1,338,032	1.5%	1,629,330	1.8%	2,143,019	2.3%	-804,987 -37.6%	3,361,254	3.6%	-2,023,222 -60.2%
external distribution networks:										
- Bonds issued by the former Centrobanca	1,770,441	2.0%	1,781,266	2.0%	2,771,202	3.0%	-1,000,761 -36.1%	3,227,392	3.4%	-1,456,951 -45.1%
Total direct funding	87,524,908	100.0%	89,652,372	100%	91,512,399	100.0%	-3,987,491 -4.4%	94,327,352	100.0%	-6,802,444 -7.2%
Due to customers net of the CCG	50,799,789		50,365,123		49,156,804		1,642,985 3.3%	46,235,523		4,564,266 9.9%
Total direct funding net of the CCG and institutional funding	69,825,826		71,111,968		72,529,790		-2,703,964 -3.7%	71,731,867		-1,906,041 -2.7%

(*) Within the total, subordinated securities, consisting of Lower Tier 2, issues, amounted to €3,282 million (of which €759 million consisting of an EMTN) as at 30th June 2016, €2,852 million as at 31st December 2015 and €3,253 million as at 30th June 2015.

(**) The corresponding nominal amounts were €3,274 million as at 30th June 2016, €2,464 million as at 31st December 2015 and €3,044 million as at 30th June 2015.

Direct funding from customers

Figures in thousands of euro	30.6.2016		31.3.2016		Changes A/D	
	A	%	D	%	amount	%
Current accounts and deposits	49,076,128	56.1%	48,639,666	54.3%	436,462	0.9%
Term deposits	298,291	0.3%	385,165	0.4%	-86,874	-22.6%
Financing	5,359,544	6.1%	6,785,670	7.6%	-1,426,126	-21.0%
- repurchase agreements	4,952,927	5.6%	6,327,867	7.1%	-1,374,940	-21.7%
of which: repos with the CCG	4,660,289	5.3%	6,162,636	6.9%	-1,502,347	-24.4%
- other	406,617	0.5%	457,803	0.5%	-51,186	-11.2%
Other payables	726,115	0.9%	717,258	0.8%	8,857	1.2%
Total amounts due to customers (item 20 liabilities)	55,460,078	63.4%	56,527,759	63.1%	-1,067,681	-1.9%
Bonds	31,727,544	36.2%	32,228,180	35.9%	-500,636	-1.6%
Certificates of deposit (a)+(c)	337,286	0.4%	766,436	0.9%	-429,150	-56.0%
Other certificates (b)	-	-	129,997	0.1%	-129,997	-100.0%
Total debt securities issued (*) (item 30 Liabilities)	32,064,830	36.6%	33,124,613	36.9%	-1,059,783	-3.2%
of which:						
securities subscribed by institutional customers:						
The EMTN programme (**)	3,337,270	3.8%	2,485,083	2.8%	852,187	34.3%
French certificates of deposit programme (a)	150,012	0.2%	553,492	0.6%	-403,480	-72.9%
The euro commercial paper programme (b)	-	-	129,996	0.1%	-129,996	-100.0%
The covered bond programme	9,551,511	10.9%	9,209,197	10.3%	342,314	3.7%
securities subscribed by ordinary customers:	18,925,318	21.6%	20,636,356	23.0%	-1,711,038	-8.3%
of the Group:						
- Certificates of deposit (c)	187,274	0.2%	212,944	0.2%	-25,670	-12.1%
- Bonds:						
issued by UBI Banca	15,629,571	17.9%	17,012,816	19.0%	-1,383,245	-8.1%
issued by the network banks	1,338,032	1.5%	1,629,330	1.8%	-291,298	-17.9%
external distribution networks:						
- Bonds issued by the former Centrobanca	1,770,441	2.0%	1,781,266	2.0%	-10,825	-0.6%
Total direct funding	87,524,908	100.0%	89,652,372	100.0%	-2,127,464	-2.4%
Due to customers net of the CCG	50,799,789		50,365,123		434,666	0.9%
Total direct funding net of the CCG and institutional funding	69,825,826		71,111,968		-1,286,142	-1.8%

(*) Within the total, subordinated securities, consisting of Lower Tier 2, issues, amounted to €3,282 million (of which €759 million consisting of an EMTN) as at 30th June 2016 and €2,735 million as at 31st March 2016.

(**) The corresponding nominal amounts were €3,274 million as at 30th June 2016 and €2,423 million as at 31st March 2016.

- *repurchase agreements with the Cassa di Compensazione e Garanzia* (CCG – a central counterparty clearing house) amounted to €4.7 billion (€6.2 billion in March, €6.1 billion in December 2015 and €9.1 billion in June 2015), characterised by normal volatility in relation to the use of this type of funding to finance the securities portfolio, partly also in view of the existing exposure to the ECB. In this respect, as already reported, the balance with the central bank for TLTRO 2 operations rose to €10 billion at the end of June and the securities portfolio reduced year-on-year.

Other forms of funding of a marginal amount remained stable: *financing – other* (€406 million) which includes funds made available by the *Cassa Deposito e Prestiti* (CDP – a state controlled fund and deposit institution), as part of anti-crisis initiatives to support small to medium-sized businesses and *other payables* (€726 million). *Term deposits*, on the other hand, reduced in the second quarter, down to €298 million from €385 million in March, which included a reclassification out of current accounts made by the Parent on customer relationships of a temporary nature.

Debt securities issued fell to €32.1 billion (-€1.1 billion since March, -€4.2 billion since December and -€6.9 billion since June 2015).

Within the item, *bonds*, which accounted for 99% of the total, were affected by significant reductions in the total bonds subscribed by ordinary customers.

The remaining part of the total, consisting of *certificates of deposit* amounted to €337 million, of which €187 million came from certificates subscribed by ordinary customers and €150 million from securities issued as part of the French CD institutional programme.

Other certificates, on the other hand, consisting of the euro commercial paper programme only, had reduced to the zero.

In terms of type of customer, **FUNDING IN SECURITIES FROM INSTITUTIONAL CUSTOMERS** was composed as follows:

- **EMTN securities (Euro Medium Term Notes)** amounting to €3.3 billion, listed in Dublin and issued as part of a programme for a maximum issuance of €15 billion. Issuances in the form of “private placements” were made over the twelve months totalling €784 million nominal (€388 million nominal in the fourth quarter of 2015, €290 million issued at the end of March 2016 and €106 million in June” and a subordinated public issuance was made in May 2016 for €750 million against maturities of €1,065 million nominal (of which €100 million in 2016) and total repurchases of €238 million nominal (of which €230 million of puttable issues repurchased in the last quarter of 2015, while the remaining €8.1 million regarded a security issued in 2011);
- **covered bonds** amounting to €9.6 billion: over twelve months an issue for €750 million nominal was made in October 2015, with the issue reopened for €250 million in June 2016, offset by maturities in the same period amounting to €1.25 billion (€1.2 billion relating to two securities which reached maturity and €50.5 million nominal relating to amortisation on two securities of the “amortising” type. The total outstanding also incorporates the effects of accounting adjustments on the securities.

At the date of this report, UBI Banca currently has ten covered bonds in issue under the first “multioriginator” programme backed by residential mortgages with a €15 billion ceiling for a nominal amount of €8.8 billion (net of amortisation totalling €210.9 million)¹. The securities are traded in Dublin.

As at 30th June 2016 the residential mortgage asset pool formed at UBI Finance to back the issuances totalled €14.9 billion, of which 24% originated by Banca Popolare di Bergamo, 19% by Banco di Brescia, 15.2% by Banca Popolare Commercio e Industria, 11.9% by UBI Banca, 11.6% by Banca Regionale Europea, 9.2% by Banca Popolare di Ancona, 6.1% by Banca Carime, 1.6% by Banca di Valle Camonica and 1.4% by IW Bank (the former UBI Banca Private Investment).

The portfolio continued to show a high degree of fragmentation, including over €190 thousand mortgages with average remaining debt of €77.9 thousand, distributed with 67% in North Italy and in Lombardy especially (46.9% of the total).

With effect from 1st May, a transfer of residential mortgages to the programme was made of remaining debt amounting to approximately €1.4 billion by: Banca Popolare di Bergamo, Banca Popolare Commercio e Industria, Banco di Brescia, Banca Regionale Europea and Banca Popolare di Ancona.

A second programme, again “multioriginator”, is also operational with a ceiling of €5 billion, backed by commercial mortgages and by residential mortgages not used in the first programme. So far this programme, listed on the Dublin stock exchange, has only been used for self-retained issuances².

As at 30th June, the commercial and residential mortgage asset pool formed at UBI Finance CB 2 to back the issuances totalled €3.3 billion, originated as follows: 25.2% by Banca Popolare di Bergamo, 20.1% by Banco di Brescia, 16.6% by Banca Regionale Europea, 16% by Banca Popolare di Ancona, 9.1% by Banca Popolare Commercio e Industria, 8.4% by Banca Carime, 3.5 % by Banca di Valle Camonica and the remaining part (1.1%) by UBI Banca and IW Bank.

The portfolio included over €28 thousand mortgages with average remaining debt of €117.4 thousand, distributed, as for the first programme, with a high concentration in North Italy (69.1%) and in Lombardy especially (47.1% of the total).

With effect from 1st June, a transfer of residential mortgages to the programme was made of remaining debt amounting to approximately €350 million by: Banca Popolare di Bergamo, Banca Popolare Commercio e Industria, Banco di Brescia, Banca Regionale Europea and Banca Popolare di Ancona.

- **French certificates of deposit** amounted to over €150 million and euro commercial paper reduced to zero as at 30th June. They were issued by UBI Banca International as part of programmes for €5 billion and €6 billion respectively, both listed in Luxembourg.

For these short-term forms of funding, which often have maturities of shorter than 90 days and which can impair the meaning of end-of-period figures, the average balances in the first half of 2016 came to €973 million and €178 million respectively.

Funding IN SECURITIES FROM ORDINARY CUSTOMERS – now consisting almost entirely of bonds – fell to €18.9 billion (down €1.7 billion over three months, €4.3 billion over six months and €6.4

¹ Four self-retained issuances for €2.95 billion nominal also exist under that same programme, one for €0.7 billion nominal made in March 2014, a second for €0.5 billion made in December 2015, a third for €1 billion concluded at the end of March 2016 and a fourth for €750 million concluded in June 2016. Because these were repurchased by UBI Banca, these liabilities have not been recognised, in accordance with IFRS.

² Two issuances in 2012 for a total of €1.22 billion nominal (net of the amortisation instalments falling due in the meantime), a €200 million issuance in March 2014, a fourth for €650 million completed in July 2015 and a fifth for €300 million concluded in June 2016. Because these were repurchased by UBI Banca, these liabilities have not been recognised, in accordance with IFRS.

billion year-on-year). In detail:

- the **total outstanding issued by UBI Banca** contracted to €15.6 billion (-€1.4 billion in the quarter, -€2.5 billion in the first half and -€2.7 billion year-on-year): this funding was affected over twelve months by total issuances amounting to €4.2 billion nominal (of which €2.1 billion in 2016 composed of 43 issuances) and was fully offset by maturities amounting to €6.1 billion nominal (of which approximately €4 billion took place in 2016) and by repurchases amounting to €898.7 million nominal (€568.1 million in 2016);
- **securities issued by the network banks** fell similarly to €1.3 billion following very small issuances over twelve months amounting to €50 million nominal (relating to social bond activities), against maturities of €1.9 billion nominal and repurchases of €125 million nominal;
- the remaining funding from non-captive customers continues to relate exclusively to the former Centrobanca: the relative totals fell to €1.8 billion having incorporated maturities since June 2015 totalling €1.4 billion nominal (€992 million in the first half of 2016) and marginal repurchases for €2.4 million nominal.

The table below summarises maturities for Group bonds in issue at the end of June 2016.

Maturities for bonds outstanding as at 30th June 2016

Nominal amounts in millions of euro	3rd Quarter 2016	4th Quarter 2016	2017	2018	2019	Subsequent years	Total
UBI BANCA	2,167	2,129	5,378	5,715	6,642	7,242	29,273
Bonds ordinary customers	1,167	2,034	3,359	5,203	4,591	855	17,209
Bonds institutional customers	1,000	95	2,019	512	2,051	6,387	12,064
of which: EMTNs	-	70	968	461	1,000	775	3,274
Covered bonds	1,000	25	1,051	51	1,051	5,612	8,790
Network banks	176	237	509	328	51	18	1,319
Other banks in the Group	-	-	-	2	-	-	2
Total	2,343	2,366	5,887	6,045	6,693	7,260	30,594

* * *

The Group has continued with activity to issue “UBI Comunità Social Bonds” which, notwithstanding the fall in interest rates at sector level, continue to enjoy success with investors and have a their very distinctive nature. These are bond instruments where, in addition to providing remuneration at a market interest rate, the investment made by subscribers allows the issuing bank to allocate part of the funding acquired (e.g. 0.50%) to support projects of high social value undertaken by nonprofit organisations, or to pay it into a pool for the disbursement of finance to third sector initiatives.

In the first half of 2016 UBI Banca placed five new bonds of which two by the Parent for a total of €60 million, which made it possible to make donations of €240 thousand. Between 2012 (the launch year) and the end of June 2016, the Group has placed 77 issuances and acquired funding of over €806 million, allowing donations of over €3.9 million to be made and loan pools to be created for over €20.5 million. Since the beginning of 2015 the range of social bonds has been made even more distinctive with the introduction of an SROI (social return on investment) factor to the structure of social bonds issued by the Parent as an instrument for measuring the social impact of projects supported by UBI Banca. This factor, which constitutes innovation at sector level, is of great value in terms of accountability to the customers who subscribe them and to the Group’s stakeholders in general. At the same time it allows intervention to be directed towards initiatives that have a greater impact on change.

* * *

Listed securities

Bonds listed on the MOT (electronic bond market)		Nominal amount of issue	Book value as at	
ISIN number			30.6.2016	31.12.2015
IT0001197083	Centrobanca zero coupon 1998-2018	L. 800 billion	€ 166,896,010	€ 166,203,078
IT0001267381	Centrobanca 1998/2018 reverse floater capped	L. 320 billion	€ 127,103,262	€ 125,316,647
IT0001300992	Centrobanca 1999/2019 step down indicizzato al tasso sw ap euro 10 anni	€ 170,000,000	€ 110,851,099	€ 111,845,679
IT0001312708	Centrobanca 1999/2019 step down euro stability bond	€ 60,000,000	€ 69,033,369	€ 67,684,774
IT0004457070	UBI subordinato low er tier 2 fix to float con rimborso anticipato 13.3.2009-2019	€ 370,000,000	€ 369,170,575	€ 368,888,723
IT0004497050	UBI subordinato low er tier 2 fix to float con rimborso anticipato 30.6.2009-2019	€ 365,000,000	€ 362,040,760	€ 361,575,612
IT0004572860	UBI subordinato low er tier 2 a tasso variabile con ammortamento 23.2.2010-2017	€ 152,587,000	€ 30,451,304	€ 60,939,415
IT0004572878	UBI subordinato low er tier 2 a tasso fisso 3,10% con ammortamento 23.2.2010-2017	€ 300,000,000	€ 61,319,493	€ 122,640,023
IT0004645963	UBI subordinato low er tier 2 a tasso fisso 4,30% con ammortamento 5.11.2010-2017	€ 400,000,000	€ 162,041,887	€ 162,639,114
IT0004718489	UBI subordinato low er tier 2 tasso fisso 5,50% con ammortamento 16.6.2011-2018 Welcome Edition	€ 400,000,000	€ 164,348,325	€ 246,505,425
IT0004723489	UBI subordinato low er tier 2 tasso fisso 5,40% con ammortamento 30.6.2011-2018	€ 400,000,000	€ 164,257,727	€ 246,369,698
IT0004767742	UBI subordinato low er tier 2 tasso misto 18.11.2011-2018 Welcome Edition	€ 222,339,000	€ 220,423,583	€ 220,039,976
IT0004841778	UBI subordinato low er tier 2 tasso misto 8.10.2012-8.10.2019 Welcome Edition	€ 200,000,000	€ 201,094,639	€ 201,053,156
IT0004842370	UBI subordinato low er tier 2 tasso fisso 6% con ammortamento 8.10.2012-8.10.2019	€ 970,457,000	€ 787,317,896	€ 787,519,220
IT0004851710	Unione di Banche Italiane Scpa tasso variabile 23.11.2012-23.11.2016 Welcome Edition "UBI Comunità per l'imprenditoria sociale del sistema CGM"	€ 17,552,000	€ 17,599,482	€ 17,602,437
IT0004851728	Unione di Banche Italiane Scpa tasso fisso step up 4,00% 19.10.2012-19.10.2016 Welcome Edition "UBI Comunità per la Comunità di Sant'Egidio"	€ 20,000,000	€ 20,285,125	€ 20,401,166
IT0004874985	Unione di Banche Italiane Scpa tasso fisso step up 3,00% 31.1.2013-31.1.2017	€ 157,532,000	€ 161,874,521	€ 162,892,536

Covered bonds listed on the Dublin stock exchange		Nominal amount of issue	Book value as at	
ISIN number			30.6.2016	31.12.2015
IT0004533896	UBI Covered Bonds due 23 September 2016 3,625% guaranteed by UBI Finance Srl	€ 1,000,000,000	€ 1,033,320,311	€ 1,027,075,109
IT0004558794	UBI Covered Bonds due 16 December 2019 4% guaranteed by UBI Finance Srl	€ 1,000,000,000	€ 1,133,177,863	€ 1,112,515,954
IT0004599491	UBI Covered Bonds due 30 April 2022 floating rate amortising guaranteed by UBI Finance Srl	€ 250,000,000	€ 135,991,682	€ 147,645,650
IT0004619109	UBI Covered Bonds due 15 September 2017 3,375% guaranteed by UBI Finance Srl	€ 1,000,000,000	€ 1,044,712,300	€ 1,035,222,178
IT0004682305	UBI Covered Bonds due 28 January 2021 5,25% guaranteed by UBI Finance Srl	€ 1,000,000,000	€ 1,170,551,539	€ 1,185,813,635
IT0004777444	UBI Covered Bonds due 18 November 2021 floating rate amortising guaranteed by UBI Finance Srl	€ 250,000,000	€ 152,718,067	€ 166,605,907
IT0004966195	UBI Covered Bonds due 14 October 2020 3,125% guaranteed by UBI Finance Srl	€ 1,500,000,000	€ 1,651,512,286	€ 1,605,549,654
IT0004992878	UBI Covered Bonds due 5 February 2024 3,125% guaranteed by UBI Finance Srl	€ 1,000,000,000	€ 1,149,228,019	€ 1,116,741,839
IT0005067076	UBI Covered Bonds due 7 February 2025 1,25% guaranteed by UBI Finance Srl	€ 1,000,000,000	€ 1,042,160,536	€ 987,741,523
IT0005140030	UBI Covered Bonds due 27 January 2023 1,00% guaranteed by UBI Finance Srl	€ 1,000,000,000	€ 773,559,787	€ 739,351,902

The list does not include the EMTN issues listed in Dublin, securities generated by securitisations performed for internal purposes by Banco di Brescia, Banca Popolare Commercio e Industria, Banca Popolare di Ancona and the former Banca 24-7 all listed on the Dublin stock exchange, nor the issues of French certificates of deposit and of commercial paper, listed in Luxembourg.

* * *

Geographical distribution of direct funding from customers by region of location of the branch (excluding repurchase agreements and bonds)^(*)

Percentage of total	30.06.2016	31.12.2015	30.6.2015
Lombardy	60.59%	60.39%	60.38%
Piedmont	8.30%	7.94%	7.96%
Latium	6.44%	7.99%	7.59%
Apulia	4.69%	4.50%	4.67%
Calabria	4.42%	4.37%	4.48%
Campania	4.00%	3.95%	3.98%
Marches	3.99%	3.90%	3.82%
Liguria	2.14%	1.97%	2.13%
Emilia Romagna	1.47%	1.38%	1.39%
Veneto	1.20%	1.00%	1.06%
Basilicata	0.97%	0.95%	0.94%
Umbria	0.52%	0.49%	0.50%
Abruzzo	0.48%	0.47%	0.46%
Friuli Venezia Giulia	0.30%	0.27%	0.24%
Tuscany	0.26%	0.20%	0.20%
Molise	0.18%	0.18%	0.17%
Trentino Alto Adige	0.02%	0.02%	0.02%
Valle d'Aosta	0.03%	0.03%	0.01%
Total	100.00%	100.00%	100.00%
North	74.1%	73.0%	73.2%
- North West	71.1%	70.3%	70.5%
- North East	3.0%	2.7%	2.7%
Central	11.2%	12.6%	12.1%
South	14.7%	14.4%	14.7%

(*) The aggregates relate to banks only.

Finally the table shows the *geographical distribution* of conventional funding in Italy (consisting of current accounts, savings deposits and certificates of deposit).

Growth in the percentage of funding from Northern regions was recorded at the expense a reduction in Central Italy. This change in the mix appears to be conditioned by seasonal factors in particular, connected with business in the Latium Region with companies controlled by government authorities. The percentage for regions in Southern Italy, on the other hand, appears to be stable.

Indirect funding and assets under management

Indirect funding from ordinary customers

Figures in thousands of euro	30.6.2016 A	%	31.12.2015 B	%	Changes A/B amount	%	30.6.2015 C	%	Changes A/C amount	%
Assets under custody	27,182,451	34.8%	30,980,418	38.9%	-3,797,967	-12.3%	31,296,614	39.6%	-4,114,163	-13.1%
Assets under management	50,914,753	65.2%	48,567,539	61.1%	2,347,214	4.8%	47,773,645	60.4%	3,141,108	6.6%
Customer portfolio management	6,940,732	8.9%	7,009,081	8.8%	-68,349	-1.0%	7,080,108	8.9%	-139,376	-2.0%
of which: fund based instruments	1,795,968	2.3%	1,851,916	2.3%	-55,948	-3.0%	1,877,230	2.4%	-81,262	-4.3%
Mutual investment funds and Sicav's	28,318,573	36.3%	27,117,979	34.1%	1,200,594	4.4%	26,934,023	34.1%	1,384,550	5.1%
Insurance policies and pension funds	15,655,448	20.0%	14,440,479	18.2%	1,214,969	8.4%	13,759,514	17.4%	1,895,934	13.8%
of which: Insurance policies	15,391,401	19.7%	14,175,719	17.8%	1,215,682	8.6%	13,486,040	17.1%	1,905,361	14.1%
Total	78,097,204	100.0%	79,547,957	100.0%	-1,450,753	-1.8%	79,070,259	100.0%	-973,055	-1.2%

Indirect funding from ordinary customers

Figures in thousands of euro	30.6.2016 A	%	31.3.2016 D	%	Changes A/D amount	%
Assets under custody	27,182,451	34.8%	28,488,207	36.7%	-1,305,756	-4.6%
Assets under management	50,914,753	65.2%	49,085,233	63.3%	1,829,520	3.7%
Customer portfolio management	6,940,732	8.9%	6,941,731	8.9%	-999	0.0%
of which: fund based instruments	1,795,968	2.3%	1,804,407	2.3%	-8,439	-0.5%
Mutual investment funds and Sicav's	28,318,573	36.3%	27,127,324	35.0%	1,191,249	4.4%
Insurance policies and pension funds	15,655,448	20.0%	15,016,178	19.4%	639,270	4.3%
of which: Insurance policies	15,391,401	19.7%	14,752,413	19.0%	638,988	4.3%
Total indirect funding from ordinary customers	78,097,204	100.0%	77,573,440	100.0%	523,764	0.7%

At the end of June **indirect funding** of the UBI Banca Group stood at €78.1 billion, down both in the first half (-€1.5 billion) and year-on-year (-€1 billion), but recovering in the second quarter (+€0.5 billion).

As shown in the chart, the high volatility on financial markets since the beginning year – heightened further firstly by British referendum expectations in June and then by the unexpected result – conditioned the performance of this item in the first half of 2016. It mainly affected assets under custody, but it did not halt the change in the mix of financial portfolios into managed components, partly due to the extraordinary low levels reached by interest rates and by yields to maturity on government securities, which are expected to remain stable in coming months.

Total *assets under management* amounting to €50.9 billion – accounting for 65.2% of the total – grew by more than €3.1 billion over twelve months, of which €1.8 billion relating to the second quarter of 2016 (+€2.3 billion in the first half).

The table shows that the trend for the item in the period April-June was driven primarily by mutual investment funds and Sicav's, which rose to €28.3 billion (+€1.2 billion over three and also over six months; +€1.4 billion year-on-year) due to the results of placements of “upfront” UBI Pramerica products and UBI Sicav's (a total of €2.7 billion of Sicav's between January and May 2016 and a total of approximately €0.5 billion of mutual investment funds³ and €3.7 billion of Sicav's⁴ since June 2015).

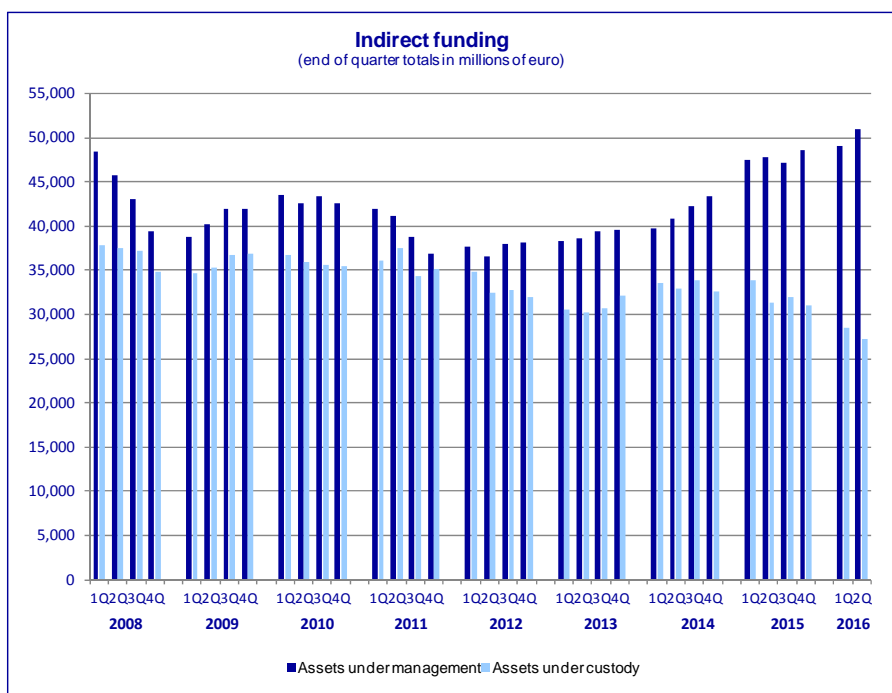
³ UBI Pramerica Go@l – Growth Oriented Allocation.

⁴ UBI Sicav Income Opportunities, UBI Sicav Global Stars (Class A and Class B), UBI Sicav Social 4 Future, UBI Sicav Euro Corporate Bond High Potential and UBI Sicav Global Multiasset 15.

Furthermore, two new funds have been placed since 7th June 2016 (UBI Pramerica Obiettivo Stabilità and UBI Pramerica Obiettivo Controllo) for a total amount of approximately €1 billion which is not shown in the end of June totals because they were settled with value date 18th July 2016.

Insurance policies and pension funds also made a constant contribution to the total, reaching €15.7 billion, up by €0.6 billion in the quarter following the positive outcome of the “upfront” placement of Aviva Vita and Lombarda Vita⁵ policies (+€1.2 billion over six months; +€1.9 billion year-on-year).

While customer portfolio management, amounting to €6.9 billion, incorporated the effects of market fair value movements, it fell only marginally with respect to all the comparative periods.



Assets under custody, which fell for the third consecutive quarter to €27.2 billion (-€4.1 billion year-on-year; -€3.8 billion since December; -€1.3 billion since March), continued to be affected primarily by the effect of prices but also by changes in the mix of customer portfolios into assets under management.

* * *

At the end of the first half, Assogestioni (national association of asset management companies) data⁶ relating to the UBI Banca Group asset management companies for **MUTUAL FUNDS AND SICAV'S**, was as follows for assets under management originated⁷:

- positive net inflows over the six month period of €2.1 billion, amounting to 8.7% of assets under management originated at the end of 2015 (net inflows for the sector nationally on the other hand were positive at €11.6 billion, amounting to 1.4% of assets managed at the end of the previous year);

⁵ Strategy UBI Edition – 2016 policies placed from 2nd May to 17th June 2016 for a total of €178 million.

⁶ “Monthly map of assets under management”, June 2016. For companies not included in the “Quarterly map of assets under management”, March 2016.

⁷ As part of the periodic surveys performed by Assogestioni, since June 2012 the figure for assets under management for the UBI Banca Group also includes, in consideration of their nature, the management mandates granted to Pramerica Financial – the brand name used by Prudential Financial Inc. (USA) – a UBI Banca partner through UBI Pramerica SGR (mutual funds and Sicav’s as at 30th June 2016 amounting to €5.7 billion, of which €1.5 billion in equities and €4.2 billion in bonds). This presentation provides a more consistent account of the actual assets under management of the UBI Banca Group.

- an increase in assets in the first half (+€1.8 billion), moving against the trend for the banking sample (-€2.5 billion). Also on a yearly basis, faster growth than for the sector (+1.7%) was confirmed for assets under management originated by the UBI Banca Group (+7%);
- assets managed of €25.8 billion, which positions the Group in eighth place with a market share of 3.05%, up compared with both December (2.82%) and June 2015 (2.90%).

It must nevertheless be considered that Assogestioni's sample also includes non-banking operators. Consequently, market shares for the UBI Banca Group in the asset management sector (mutual investment fund business) are naturally smaller than those for direct funding, lending and number of branches. If the analysis is restricted to banks only, the Group's market share in June 2016 was 5.77% compared with 5.42% in December, placing UBI Banca in fourth position since March among Italian operators in the sector (5.59% in June 2015).

The summary figures given in the table confirm the prudential approach of Group customers:

- a percentage of lower risk funds (monetary funds and bonds) that is again higher than the figure for the sector, but which has decreased over twelve months (down from 54.2% to 52.1%) compared with more or less no change for the Assogestioni sample (up from 46.1% to 46.2%);
- at the same time a greater percentage of balanced funds, up year-on-year from 26.2% to 26.6% (compared with an average figure for the sector nationally, which rose marginally from 8% to 8.2%) also to be seen in relation to the new products (Sicav's) placed in the first half of 2016;
- a percentage of equity funds down slightly and constantly lower than the benchmark sample (9.8% compared with 20.7%);
- an increase, in relation to the placements made, in the proportion of flexible funds to 11.5%, which nevertheless compare with a much higher percentage for the sector (24.3%);
- no investment in hedge funds (0.6% of the Assogestioni sample).

Fund assets (including assets managed for the UBI Banca Group under a mandate)

UBI Banca Group	30.6.2016	%	31.12.2015	%	Changes A/B	30.6.2015	%	Changes A/C
Figures in millions of euro	A		B		amount	C		amount
Equities	2,519	9.8%	2,845	11.9%	-326	2,983	12.4%	-464
Balanced	6,875	26.6%	6,353	26.5%	522	6,329	26.2%	546
Bond	12,607	48.8%	11,371	47.4%	1,236	12,017	49.8%	590
Monetary funds	847	3.3%	969	4.0%	-122	1,076	4.4%	-229
Flexible	2,970	11.5%	2,438	10.2%	532	1,730	7.2%	1,240
TOTAL (a)	25,818	100.0%	23,976	100.0%	1,842	24,135	100.0%	1,683
Sector	30.6.2016	%	31.12.2015	%	Changes A/B	30.6.2015	%	Changes A/C
Figures in millions of euro	A		B		amount	C		amount
Equities	175,739	20.7%	188,338	22.2%	-12,599	189,869	22.8%	-14,130
Balanced	69,081	8.2%	68,085	8.0%	996	66,276	8.0%	2,805
Bond	356,348	42.0%	349,257	41.1%	7,091	355,089	42.6%	1,259
Monetary funds	35,206	4.2%	35,089	4.1%	117	29,674	3.5%	5,532
Flexible	205,916	24.3%	203,883	24.0%	2,033	186,154	22.3%	19,762
Hedge funds	4,972	0.6%	5,323	0.6%	-351	5,595	0.7%	-623
Unclassified	256	0.0%	-	-	256	982	0.1%	-726
TOTAL (b)	847,518	100.0%	849,975	100.0%	-2,457	833,639	100.0%	13,879
Market share of the UBI Banca Group (a)/(b)	3.05%		2.82%			2.90%		
Market share of the UBI Banca Group limited to banking companies only	5.77%		5.42%			5.59%		

* * *

As concerns assets under management net of Group funds (which includes COLLECTIVE INSTRUMENTS AND CUSTOMER PORTFOLIO MANAGEMENT), at the end of June the UBI Banca Group was positioned in eighth place in the sector (in sixth place among Italian banking groups) with total assets for both ordinary and institutional customers amounting to €45.3 billion and a market share of 2.69%, increasing progressively compared with 2.39% in June 2015 (2.50% in December).

If the analysis is limited to banks only, the Group's market share in June 2016 was 6.12%, an improvement compared with 5.86% at the end of 2015, placing the UBI Banca stably in fourth position among operators in the sector (5.60% in June 2015).

UBI Pramerica SGR Spa again received important recognition in the first months of 2016:

- *in February, on the occasion of the 2016 Diaman Awards, the GPM Private Portfolio – Aggressivo product line⁸ was awarded fifth prize in the “GPF/GPM Balanced” category and the UBI Pramerica Europe Multifund⁹ was ranked first in the “FoF Balanced” category;*
- *in April the UBI Pramerica Multiasset Italy Fund¹⁰ was ranked among the “20 best funds” by CFS Rating;*
- *finally again in April the UBI Pramerica Azioni Globali, Portafoglio Dinamico and the Portafoglio Aggressivo funds and the UBI SICAV sub-funds Global Equity and Focus Italia were included by CSF Rating in the “300 best funds”¹¹.*

⁸ GPM Private Portfolio – Aggressivo, a portfolio management line of products for private banking customers who invest predominantly in securities. It was launched on 1st January 2008.

⁹ UBI Pramerica Europe Multifund is a balanced fund in the Assogestioni category. The first subscription was dated 10th February 2014.

¹⁰ UBI Pramerica Multiasset Italia is a balanced bond fund in the Assogestioni category. The first subscription was dated 9th April 2014.

¹¹ The following were rated among the “300 best funds” by CSF Rating: UBI Pramerica Azioni Globali - Assogestioni international equity category - launched on 27th March 2002; UBI Pramerica Portafoglio Dinamico - Assogestioni balanced category - launched on 12th April 2002; UBI Pramerica Portafoglio Aggressivo - Assogestioni balanced equity category – also launched on 12th April 2002; UBI SICAV Global Equity – Assogestioni international equity category - launched on 16th January 2009; UBI SICAV Focus Italia – Assogestioni Italian bond category – launched on 17th July 2012.

General banking business with customers: lending

Performance of the loan portfolio

Composition of loans to customers

Figures in thousands of euro	30.6.2016			31.12.2015			Changes A/B		30.6.2015			Changes A/C	
	A	%	of which non-performing	B	%	of which non-performing	amount	%	C	%	of which non-performing	amount	%
Current account overdrafts	8,870,769	10.6%	1,171,270	9,052,335	10.7%	1,476,281	-181,566	-2.0%	10,047,597	11.8%	1,560,801	-1,176,828	-11.7%
Reverse repurchase agreements	238,783	0.3%	-	770,503	0.9%	-	-531,720	-69.0%	171,851	0.2%	-	66,932	38.9%
Mortgage loans and other medium to long-term financing	52,984,317	63.1%	4,820,931	52,455,850	62.0%	5,360,803	528,467	1.0%	52,453,070	61.5%	5,223,084	531,247	1.0%
Credit cards, personal loans and salary-backed loans	2,855,970	3.4%	211,144	3,015,405	3.6%	284,904	-159,435	-5.3%	3,267,640	3.8%	325,465	-411,670	-12.6%
Finance leases	6,129,981	7.3%	1,172,798	6,304,587	7.4%	1,239,777	-174,606	-2.8%	6,448,331	7.5%	1,209,508	-318,350	-4.9%
Factoring	2,346,075	2.8%	280,556	2,260,470	2.7%	300,867	85,605	3.8%	2,143,660	2.5%	273,600	202,415	9.4%
Other transactions	10,473,601	12.5%	855,284	10,719,690	12.7%	1,025,917	-246,089	-2.3%	10,800,175	12.7%	1,058,921	-326,574	-3.0%
Debt instruments:	7,366	0.0%	-	7,360	0.0%	-	6	0.1%	7,702	0.0%	-	-336	-4.4%
- structured instruments	6	0.0%	-	3	0.0%	-	3	100.0%	6	0.0%	-	-	-
- other debt instruments	7,360	0.0%	-	7,357	0.0%	-	3	0.0%	7,696	0.0%	-	-336	-4.4%
Total	83,906,862	100.0%	8,511,983	84,586,200	100.0%	9,688,549	-679,338	-0.8%	85,340,026	100.0%	9,651,379	-1,433,164	-1.7%

Composition of loans to customers

Figures in thousands of euro	30.6.2016			31.3.2016			Changes A/D	
	A	%	of which non-performing	D	%	of which non-performing	amount	%
Current account overdrafts	8,870,769	10.6%	1,171,270	9,202,906	11.0%	1,464,721	-332,137	-3.6%
Reverse repurchase agreements	238,783	0.3%	-	13,016	0.0%	-	225,767	n.s.
Mortgage loans and other medium to long-term financing	52,984,317	63.1%	4,820,931	53,090,008	63.2%	5,334,418	-105,691	-0.2%
Credit cards, personal loans and salary-backed loans	2,855,970	3.4%	211,144	2,888,119	3.4%	240,813	-32,149	-1.1%
Finance leases	6,129,981	7.3%	1,172,798	6,222,425	7.4%	1,235,356	-92,444	-1.5%
Factoring	2,346,075	2.8%	280,556	2,199,607	2.6%	368,064	146,468	6.7%
Other transactions	10,473,601	12.5%	855,284	10,449,113	12.4%	1,028,096	24,488	0.2%
Debt instruments:	7,366	0.0%	-	7,359	0.0%	-	7	0.1%
- structured instruments	6	0.0%	-	5	0.0%	-	1	20.0%
- other debt instruments	7,360	0.0%	-	7,354	0.0%	-	6	0.1%
Total	83,906,862	100.0%	8,511,983	84,072,553	100.0%	9,671,468	-165,691	-0.2%

In a still fragile, although slowly improving, macroeconomic environment, in the second quarter of 2016 the Group recorded an important sign of recovery in its activities to finance the economy: **net performing loans** rose to €75.4 billion, an increase of approximately €1 billion (+€0.8 billion net of Parent business with the *Cassa di Compensazione e Garanzia* (CCG - a central counterparty clearing house).

This positive trend in the period April-June was composed as follows: +€0.4 billion for mortgages and other forms of medium to long-term financing – supported by grants from TLTRO funds amounting to €1 billion; +€0.2 billion for factoring; +€0.2 billion for other short-term transactions; and +€0.2 billion for repurchase agreement business with the CCG.

Despite this, as shown in the tables, the trend for the total loan portfolio (performing+non-performing) was downward compared with all the comparative periods, affected primarily by a reduction in total net non-performing exposures, following, amongst other things, significant impairment losses recognised in the second quarter, in line with the provisions of the 2019/2020 Business Plan.

The performance of lending also continued to be affected by the negative trend for financing to non-captive customers by the product companies (-€0.3 billion over three months, -€0.8 billion over six months, -€1.1 billion over twelve months), most of which connected with the previous business of discontinued indirect networks which will not be replaced, but also with business with the CCG, consisting mainly of reverse repurchase agreements and margin deposits (+€0.2 billion since March, -€0.5 billion since December, -€0.3 billion since June 2015).

As at 30th June 2016 the UBI Banca Group's loan portfolio totalled €83.9 billion, of which €62 billion, accounting for 73.9% of total, was composed of medium to long-term loans (-€0.2 billion in the quarter, of which +€0.4 billion performing; +€0.2 billion in the first half, of which +€0.9 billion performing; -€0.2 billion year-on-year, of which +€0.4 billion performing). Short-term loans came to €21.9 billion accounting for 26.1% of the total. Despite the positive trend for factoring, this performance continued to be affected by weak demand for working capital from businesses, which in many cases preferred to replace short-term lending with TLTRO financing.

As concerns *customer market segmentation*, at the end of June 48.2% of the consolidated portfolio consisted of loans to the retail market (48.3% in December and 49.1% in June 2015), 35.2% to the corporate market (33.6%; 32.6%), and 1.1% to the private banking market (1.1%; 0.9%), while the remaining 15.5% consisted of types of lending not included in the commercial banking portfolios such as leasing, factoring and UBI Banca lending other than that of the merged former product companies (17%; 17.4%)¹.

The figures reported above show progressive growth in the portion that represents the corporate market which also involves specialist business relating to UBI Banca's former Centrobanca line of business.

From the viewpoint of *type of lending*:

- mortgage loans and other medium to long-term loans were again the main form of lending, accounting for 63.1% of the total. The changes that occurred with respect to all the comparative periods (which are shown in the table) were conditioned by a decrease in net non-performing exposures (-€0.5 billion over six months, concentrated in the second quarter; -€0.4 billion year-on-year), net of which this type of lending amounting to €48.2 billion, grew by €1.1 billion in the first half (+€0.9 billion year-on-year) partly due to good performance for new grants. It must also be underlined that the figures for the item as a whole (performing+non-performing) continue to incorporate the natural reduction in the remaining outstanding loans of the former Banca 24-7, currently managed by the Parent (-€0.4 billion over twelve months and -€0.2 billion compared with the beginning of the year).
On the basis of management accounting figures, of the €53 billion existing in June, residential mortgages totalled €24 billion, of which €22 billion to consumer households and €2 billion to businesses, largely down on both March and December;
- reverse repurchase agreements, which reflect the performance of UBI Banca's specific business with the CCG (temporary investment of liquidity, with Italian government securities as the underlying), recovered in the second quarter to €0.2 billion after reaching practically zero between January and March (-€0.5 billion since December +€0.1 billion year-on-year);
- finance lease receivables, relating almost entirely to UBI Leasing, fell to €6.1 billion, with a decrease of €174.6 million over six months and of €318.4 million compared with June 2015. The performance continues to be affected by the impacts of the discontinuation of distribution through indirect networks and the consequent action taken to refocus business on the captive market carried forward over recent years (-€240 million over twelve months for non-captive business; -€138 million since December);
- factoring loans, granted mainly by UBI Factor, rose to €2.3 billion, recording growth both in the first half (+€0.1 billion) – due to a recovery in the second quarter – and year-on-year (+€0.2 billion);
- the different forms of consumer credit, which stood at €2.9 billion, are being affected more than other items by the discontinuation of distribution networks and the rationalisation of non-captive business. They fell €0.4 billion over twelve months (-€0.2 billion in the first half) due to decreases both in the salary-backed lending business transferred to Prestitalia and in the

¹ Any marginal differences there may be compared with the percentages published previously are the result of partial changes in the composition of customer portfolios made in the last quarter.

remaining business of the former B@nca 24-7 contributed to UBI Banca (personal loans, special purpose loans, credit cards, current account overdrafts and all other types of lending). This compares with a positive trend for network bank business;

- other forms of short-term lending, which totalled €19.3 billion, contracted by approximately €0.3 billion compared with March (€0.4 billion in the first half) and by €1.5 billion over twelve months, affected mainly by a reduction in net non-performing exposures (-€0.5 billion over three months and also over six months; -€0.6 billion since June 2015). The performing component, which totalled €17.3 billion actually increased by €0.2 billion in the quarter, due to an increase in “other transactions” (loans for advances, portfolio, import/export transactions, very short term lending, etc.), while current account overdrafts were essentially unchanged. On the other hand, the item fell over twelve months by €0.9 billion, the aggregate result of a reduction in current account overdrafts (€-0.8 billion) and a fall in “other transactions”² (-€0.1 billion).

In consideration of the trend for the relative two aggregates, the *loan to deposit ratio* stood at 95.9%, compared with 92.4% in December and 90.5% in March 2015.

Distribution of loans by economic sector and NACE code (Bank of Italy classification)

	30.6.2016			31.12.2015		
	Total	of which non-performing	of which Bad loans	Total	of which non-performing	of which Bad loans
Manufacturing and service companies (non-financial companies and producer households)	56.8%	11.8%	7.0%	56.6%	12.0%	6.9%
<i>of which: manufacturing activities:</i>	15.2%	2.4%	1.7%	15.0%	2.5%	1.7%
- Metallurgy, fabrication of metal products and processing of non-metallic minerals	4.2%	0.7%	0.5%	4.3%	0.8%	0.5%
- Foodstuff, beverage and tobacco industries	1.9%	0.2%	0.1%	1.9%	0.2%	0.2%
- Fabrication of machinery	1.9%	0.2%	0.1%	1.8%	0.2%	0.1%
- Textile industries, tailoring of articles in leather and fur, fabrication of articles in leather and similar	1.5%	0.4%	0.3%	1.5%	0.4%	0.3%
- Fabrication of oil refinery, chemical and pharmaceutical products	1.1%	0.1%	0.0%	1.2%	0.1%	0.0%
- Fabrication of electronic products, electrical and non-electrical	1.1%	0.2%	0.1%	1.0%	0.2%	0.1%
- Fabrication of articles in rubber and plastic	1.0%	0.1%	0.1%	0.9%	0.1%	0.1%
- Timber industry and fabrication of furniture	0.8%	0.2%	0.2%	0.8%	0.2%	0.2%
- Fabrication of paper and paper products, printing and reproduction of recorded media	0.6%	0.1%	0.1%	0.6%	0.1%	0.1%
- Fabrication of motor vehicles, trailers, semitrailers and other means of transport	0.6%	0.1%	0.1%	0.5%	0.1%	0.1%
- Other manufacturing industries	0.5%	0.1%	0.1%	0.5%	0.1%	0.0%
<i>Real estate activities</i>	10.2%	2.5%	1.0%	9.4%	2.2%	1.0%
<i>Wholesale and retail commerce, repair of motor vehicles and motorcycles</i>	8.9%	1.4%	1.1%	8.8%	1.4%	1.1%
<i>Constructions</i>	7.7%	3.3%	2.0%	8.6%	3.5%	2.0%
<i>Professional, scientific and technical activities</i>	3.1%	0.3%	0.2%	2.6%	0.4%	0.1%
<i>Supply of electricity, gas, steam and air conditioning</i>	2.4%	0.2%	0.0%	2.5%	0.2%	0.0%
<i>Transport and warehousing</i>	1.9%	0.5%	0.2%	1.9%	0.4%	0.2%
<i>Accommodation and catering services</i>	1.8%	0.4%	0.3%	1.9%	0.4%	0.2%
<i>Agriculture, forestry and fishing</i>	1.8%	0.3%	0.2%	1.9%	0.3%	0.2%
<i>Information and communication services</i>	1.1%	0.1%	0.1%	1.2%	0.1%	0.1%
<i>Hire, travel agency, business support services</i>	0.9%	0.2%	0.1%	0.9%	0.3%	0.2%
<i>Water supply; sewerage, waste management and cleanup activities</i>	0.5%	0.0%	0.0%	0.5%	0.0%	0.0%
<i>Financial and insurance activities</i>	0.2%	0.0%	0.0%	0.3%	0.0%	0.0%
<i>Extraction of minerals from quarries and mines</i>	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%
<i>Residual activities</i>	1.0%	0.2%	0.1%	1.0%	0.2%	0.1%
Consumer households	35.0%	3.4%	1.9%	35.4%	3.6%	1.9%
Financial companies	3.4%	0.2%	0.1%	4.0%	0.2%	0.1%
Public administrations	1.1%	0.2%	0.0%	1.1%	0.1%	0.0%
Other (not-for-profit institutions and the rest of the world)	3.7%	0.4%	0.2%	2.9%	0.4%	0.2%
Total	100.0%			100.0%		

Source: management accounting database (ICAAP).

Total gross lending inclusive of partial write-offs of bad loans (€89.7 billion as at 30th June 2016; €89.4 billion as at 31st December 2015)

In the second quarter of 2016 the UBI Banca Group commenced a substantial revision of the economic classification of counterparties registered in its customer database with support from a major external database, which led to the reclassification of some counterparties among the various sectors of economic activity.

The table gives, in management accounting figures, the *distribution of lending by economic sector and NACE code* (economic sector - Bank of Italy classification) of consolidated loans considered gross of impairment losses.

As is shown, as at 30th June 2016 91.8% of outstanding loans were destined to manufacturing and service companies and to consumer households taken together, which reflects the traditional attention paid by the Group to its local communities. The data presented also shows a recovery in lending to the manufacturing and service sector and to manufacturing companies in particular.

² As already reported, the item “other transactions” includes the loan granted at the end of November to the Resolution Fund.

As concerns “*large exposures*”, the June 2016 supervisory report prepared on the basis of the provisions of the Basel 3 rules, in force since 1st January 2014³, shows three positions for an amount equal to or greater than 10% of the qualifying capital, for a total of €27.1 billion⁴. In detail:

- €20.6 billion relates to the Ministry of the Economy and Finance for investments in government securities by the Parent and the remaining amount relates to current and deferred tax assets (€21.8 billion in March; €22.45 billion in December)⁵;
- €5.5 billion to the *Cassa di Compensazione e Garanzia* (CCG – a central counterparty clearing house), in relation to business by the Parent (€6.8 billion; €7.43 billion);
- €1 billion relates to new investments in United States treasuries.

In consideration, amongst other things, of the application of a zero weighting factor for transactions with the government, no positions of actual risk for the Group exist after weightings.

The percentage of the qualifying capital is well below the limit of 25% set for banking groups for each of the exposures reported.

Concentration of risk

(largest customers or groups as a percentage of total loans and guarantees)

Customers or Groups	30.6.2016	31.3.2016	31.12.2015	30.9.2015	30.6.2015
Largest 10	3.8%	3.6%	3.2%	2.9%	2.8%
Largest 20	6.1%	5.9%	5.3%	4.8%	4.7%
Largest 30	7.8%	7.5%	7.0%	6.1%	6.1%
Largest 40	9.1%	8.6%	8.1%	7.2%	7.2%
Largest 50	10.1%	9.6%	9.0%	8.1%	8.0%

A summary of the *geographical distribution* of lending in Italy is given in the table “geographical distribution of loans to customers by region of location of the branch”.

At the end of the first half, the total share of loans to northern regions amounted to 81.2% of the total, (of which 76.3% to the North-West), up on the comparative periods, while that granted to central regions was slightly down accounting for 10.6%. The remaining 8.2% was to southern regions.

The table shows a modest change in the mix of lending business out of Central Italy into North Eastern regions (to Emilia Romagna in particular), which with respect to the Latium region, was nevertheless affected by seasonal factors connected with business in the Latium Region with companies controlled by government authorities.

Large exposures

Figures in thousands of euro	30.6.2016	31.3.2016	31.12.2015
Number of positions	3	4	4
Exposure	27,096,939	29,478,784	30,890,038
Positions at risk	-	786,042	399,350

In terms of *concentration*, the end of June figures show a marginal increase compared with all the comparative periods although still at very low levels, which confirms the constant attention that the Group pays to this aspect.

Geographical distribution of loans to customers by region of location of the branch ^(*)

Percentage of total	30.6.2016	31.12.2015	30.6.2015
Lombardy	67.39%	67.32%	67.34%
Piedmont	6.23%	6.17%	6.35%
Latium	5.55%	5.70%	5.57%
Marches	4.08%	4.14%	4.17%
Emilia Romagna	2.72%	2.59%	2.42%
Campania	2.70%	2.69%	2.65%
Liguria	2.65%	2.73%	2.78%
Apulia	2.33%	2.34%	2.31%
Calabria	1.82%	1.80%	1.91%
Veneto	1.82%	1.78%	1.77%
Umbria	0.71%	0.71%	0.73%
Abruzzo	0.69%	0.70%	0.70%
Basilicata	0.41%	0.42%	0.43%
Friuli Venezia Giulia	0.34%	0.34%	0.32%
Molise	0.27%	0.27%	0.26%
Tuscany	0.23%	0.24%	0.24%
Valle d'Aosta	0.05%	0.05%	0.04%
Trentino Alto Adige	0.01%	0.01%	0.01%
Total	100.00%	100.00%	100.00%
North	81.2%	81.0%	81.0%
- North West	76.3%	76.3%	76.5%
- North East	4.9%	4.7%	4.5%
Central	10.6%	10.8%	10.7%
South	8.2%	8.2%	8.3%

(*) The aggregates relate to banks only.

³ Bank of Italy Circulars No. 285 and No. 286 of 17th December 2013 and subsequent updates.

⁴ Two exposures were reported in March and December for €0.9 billion and €1.01 billion respectively relating to two different major groups of companies.

⁵ Until March these exposures were reported separately.

Financing with funds provided by the European Central Bank (TLTRO)

With regard to targeted longer-term refinancing operations (TLTROs), on 10th March 2016 the ECB approved a new programme entitled “New series of targeted longer-term refinancing operations (TLTRO II)”, designed to stimulate the grant of loans to non-financial companies and households (excluding residential mortgages) in the eurozone, by means of four quarterly operations (from June 2016 to March 2017) each with a life of four years⁶.

Under that programme, financial institutions may request a maximum amount equal to 30% of their eligible loans, net of that which they have already requested in the first two auctions of the previous series of TLTROs. It follows that the UBI Banca Group could ask for additional funds totalling €11.3 billion⁷.

The Governing Council of the ECB also made it possible to make an early repayment in June 2016 of the total amount requested with the previous TLTROs and to transfer the funds to the new TLTRO IIs in order to be able to benefit from the more attractive conditions attached to the latter.

On 29th June the UBI Banca Group took part in the first of the four TLTRO II auctions held by the ECB. It fully repaid the funds obtained in the previous operations totalling €8.1 billion⁸ and was allotted new funds amounting to €10 billion with the due date on 24th June 2020.

Financing granted to customers drawn from those funds as at 31st July 2016 amounted to approximately €7.2 billion, of which €5.8 billion relating to private and corporate banking customers and €1.4 billion to retail customers⁹.

Business with guarantee associations and bodies

As concerns business backed by guarantee funds and bodies, as a result of new grants and loans in the first half – amounting €703 million (-4.1% compared with the same period in 2015) relating to 7,784 transactions (-10.9%) – total loans backed by guarantee bodies and guarantee funds, such as the Guarantee Fund for SMEs (pursuant to Law No. 662/1996) and the funds managed by ISMEA (Institute providing services for the agricultural and food market) for agricultural concerns, amounted to approximately €3.5 billion at the end of June.

Again in 2016 work continued on the revision of existing arrangements with guarantee bodies, following regulatory changes in progress and developments relating to competition and the ownership structure of guarantee bodies, affected by ownership reorganisations and mergers.

Initiatives in co-operation with the European Investment Bank (EIB)

Again in the first half of 2016, the UBI Banca Group continued to offer medium to long-term loans to corporate clients under attractive terms and conditions with a life of up to a maximum of 12 years, thanks to positive collaboration commenced some time ago with the European Investment Bank.

More specifically, approximately 500 loans were granted for a total of €330 million, drawn from the following loan pools:

- a loan pool of €50 million, to finance investments by “SMEs” and “Mid Cap” companies that support youth employment (“Jobs for Youth”), signed on 30th January 2014;
- a loan pool of €150 million to finance investments by “Mid Cap” companies (“Mid Cap II”), signed on 27th June 2014;
- a loan pool of €50 million to finance “SMEs” and “Mid Cap” companies operating in the agricultural, food and related sectors including forestry, fisheries and the production of food products (known as the “Loan for Agriculture”), signed on 28th May 2015;
- a loan pool of €250 million, to finance investments by “SMEs” (“Loan for SMEs IV”), signed on 18th December 2015.

In consideration of the progressive depletion of the loan pool agreements signed previously, on 23rd March 2016 a new loan pool agreement was signed for €150 million to finance investments by “Mid Cap” companies (known as “mid Cap III”), while on 26th April 2016 a new loan pool agreement was signed for €400 million to finance investments by “SMEs” (“Loan for SMEs V”).

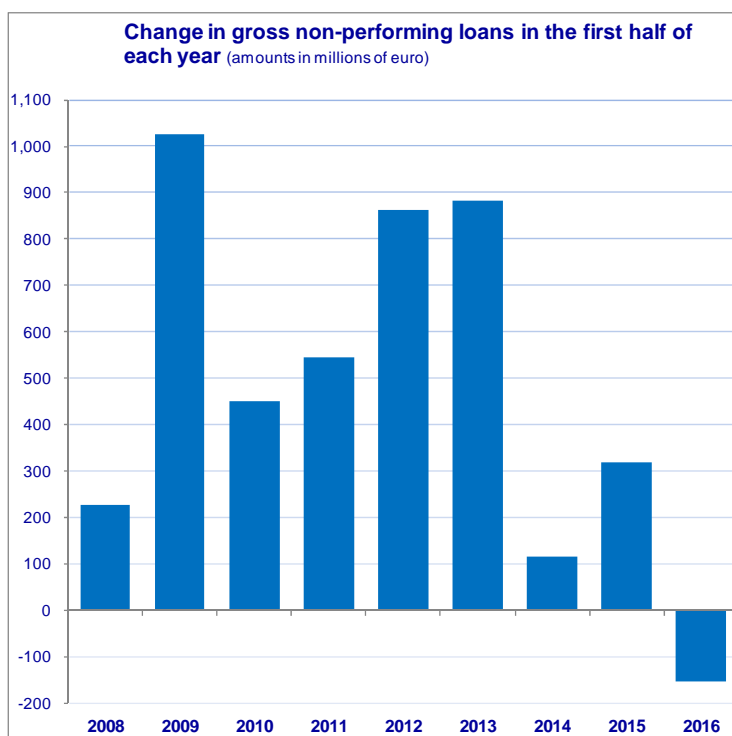
⁶ See in this respect the information given in the section “The macroeconomic scenario” of this report.

⁷ This amount is equal to 30% of the eligible financing of €14.5 billion, less €3.2 billion already requested in the second auction of the first TLTRO programme.

⁸ The total amount was allotted to the UBI Banca Group with its participation in three of the seven auctions held by the ECB.

⁹ Financing granted to customers drawn from those funds as at 30th June 2016 amounted to approximately €6.9 billion, of which €5.6 billion relating to private and corporate banking customers and €1.3 billion to retail customers.

Risk



At the end of June the total **gross non-performing loans** of the Group amounted to €13.3 billion, down by €154.1 million compared with December, of which -€216.2 million concentrated in the second quarter, with the percentage down to 14.91% from 15.14% at the end of 2015.

As shown in the chart, the change compared with the first six months of previous years is the first in negative territory, the result of normal procedures for non-performing positions since no large disposals of loans were carried out in the period.

This trend was reinforced in particular by a significant fall in new inflows from performing status, down to the lowest levels in recent years: -47.4% in the first half of 2016 compared with same period the year before and -27.6% in the second quarter of 2016 compared with the first quarter.

Gross non-performing exposures: quarterly changes

Figures in thousands of euro	2016		2015			
	2Q	1Q	4Q	3Q	2Q	1Q
Bad loans	93,509	134,280	67,703	90,922	101,554	175,956
Unlikely to pay loans	-249,520	-68,819	-144,085	174,421	107,800	98,263
Exposures past due and/or in arrears	-60,142	-3,437	-140,624	18,098	-68,867	-95,716
Gross non-performing loans	-216,153	62,024	-217,006	283,441	140,487	178,503
transfers from performing exposures	281,768	389,236	532,763	627,823	625,082	649,925
transfers into performing exposures	-182,921	-86,351	-98,398	-44,578	-147,623	-212,358

As shown in the table, net inflows from performing status (transfers into-transfers from) also improved, falling in the second quarter below €100 million for the first time,

with a reduction of 67% compared with the period January-March 2016 (-56% in the first half compared with the same period in 2015).

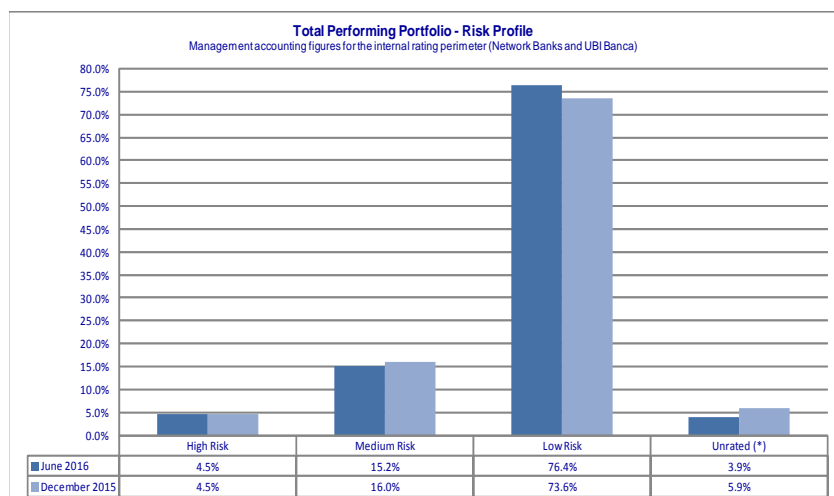
Further confirmation of the positive signals being received also comes from transfers to bad loans from other non-performing categories which were unchanged in the quarter and fell over six months (-18.7% compared with the first half of 2015; -25.2% compared with the second half of 2015).

The improvements appearing on the risk front are also result of the following:

- on the one hand, a favourable risk profile in the performing portfolio, which sees the highest risk profiles remain stably below the 5% limit;
- on the other hand, the numerous initiatives taken by the Group in recent years in terms of internal reorganisation and operating processes to improve credit risk management. These include a project launched in April 2016 to optimise the management of network bank problem loans for small amounts.

The performance of non-performing loans compared with December is the aggregate result of a decrease in unlikely to pay loans (-€318.3 million) and in exposures past due and/or in arrears (-€63.6 million), nevertheless in the presence of an increase in bad loans (+€227.8 million), which continue to be driven mainly by transfers from other non-performing loan categories.

A similar trend was recorded year-on-year. The decrease, amounting to €87.7 million (-0.7%), regarded “unlikely to pay” loans (-€288 million) and exposures past due and/or in arrears, which almost halved in the period (-€186.1 million), against an increase in bad loans (+€386.4 million).



(*) Exposures to Group employees are on longer classified as unrated since March 2016, but have been reclassified within the relative rating classes

Net non-performing loans decreased for the third consecutive quarter, down to €8.5 billion, a fall of €1.2 billion compared with March (-€1.1 billion over twelve months). This reduction is the result above all of impairment losses recognised in the second quarter, in line with the 2019/2020 Business Plan, which led to the partial absorption, amounting to €851 million (approximately 60% of which was allocated to bad loans and the remainder to

unlikely to pay loans), of the shortfall of provisions to expected losses (the “shortfall” deducted from regulatory capital).

As concerns the objective of progressively reducing the ratio of net non-performing loans to tangible equity (the “Texas Ratio”), set out in the Business Plan, as at 30th June 2016 this indicator (calculated with full recognition of the loss for the first half) stood at 111.5%, an improvement compared with 112.1% at the end of 2015.

In terms of types of loan, the table “Composition of loans to customers”, shows that net non-performing loans are mainly concentrated in the item “mortgage loans and other medium to long-term loans”, backed moreover by collateral, which results automatically in a lower level of coverage.

The *coverage* for non-performing exposures improved as a consequence to 35.9% from 28.34% in March (27.88% in December; 27.80% in June 2015), a reflection of an appreciable increase for the bad loan and unlikely to pay categories, notwithstanding the high percentage of positions backed by collateral, written down to a lesser extent, due amongst other things to the prudential loan to value (LTV) ratio for loans granted by the Group.

If positions written-off are considered (in relation to creditor legal actions in progress), coverage increased to 44.31% (37.64% in March; 37.20% in December; 37.55% in June 2015)¹⁰.

At the end of June coverage for *performing loans*, which returned to growth in the second quarter of 2016, was 0.54%, largely unchanged compared with December but slightly down year-on-year (0.58% in June 2015). This trend was affected by the improved risk profile for the performing portfolio, as described above.

Forborne exposures gross of impairment losses came to €5.7 billion at the end of June, recording a slowdown in their growth (+€119.1 million since March (+2.1%); €332.3 million in the first half (+6.2%); +€882.1 million year-on-year (+18.3%)).

As already reported, the performance of the item and its composition are also affected by the introduction of forbearance¹¹ regulations in September 2014.

Non-performing positions must pass a minimum period of one year (cure period), after which the return of the customer’s credit quality is assessed before it can be reclassified among performing positions. On the other hand forborne positions

¹⁰ The figures for the comparison periods differ marginally from those published previously because they relate to financial accounting data and not to management accounting data.

¹¹ This term is used to indicate a situation in which a debtor is not considered able to meet due dates and comply with contractual terms and conditions as a result of financial difficulties. Because of those difficulties the creditor decides to modify the due date and the terms and conditions of the contract in order to allow the debtor to honour the debt or to refinance it, either fully or partially.

classified as performing must pass a minimum period of two years ("probation period") before a position can be released from its forborne status and therefore be eliminated from the category in supervisory reports.

On the other hand, *net forborne exposures*, amounting to €4.9 billion at the end of the first half, decreased by €98.3 million in the second quarter (+€76.9 million since December; +€523.8 million over twelve months), mainly due to the fall in non-performing exposures (-€150.9 million), determined by the significant impairment losses recognised in the period.

Loans and advances to customers as at 30th June 2016

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(14.91%)	13,280,158	4,768,175	(10.14%)	8,511,983	35.90%
- Bad loans	(8.10%)	7,215,552	3,366,735	(4.59%)	3,848,817	46.66%
- "Unlikely to pay" loans	(6.58%)	5,861,660	1,392,037	(5.33%)	4,469,623	23.75%
- Past due loans	(0.23%)	202,946	9,403	(0.22%)	193,543	4.63%
Performing loans	(85.09%)	75,805,925	411,046	(89.86%)	75,394,879	0.54%
Total		89,086,083	5,179,221		83,906,862	5.81%

The item as a percentage of the total is given in brackets.

Loans and advances to customers as at 31st March 2016

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(15.28%)	13,496,311	3,824,843	(11.50%)	9,671,468	28.34%
- Bad loans	(8.06%)	7,122,043	2,775,182	(5.17%)	4,346,861	38.97%
- "Unlikely to pay" loans	(6.92%)	6,111,180	1,040,092	(6.03%)	5,071,088	17.02%
- Past due loans	(0.30%)	263,088	9,569	(0.30%)	253,519	3.64%
Performing loans	(84.72%)	74,813,550	412,465	(88.50%)	74,401,085	0.55%
Total		88,309,861	4,237,308		84,072,553	4.80%

The item as a percentage of the total is given in brackets.

Loans and advances to customers as at 31st December 2015

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(15.14%)	13,434,287	3,745,738	(11.45%)	9,688,549	27.88%
- Bad loans	(7.87%)	6,987,763	2,699,834	(5.07%)	4,287,929	38.64%
- "Unlikely to pay" loans	(6.96%)	6,179,999	1,032,900	(6.09%)	5,147,099	16.71%
- Past due loans	(0.31%)	266,525	13,004	(0.29%)	253,521	4.88%
Performing loans	(84.86%)	75,314,190	416,539	(88.55%)	74,897,651	0.55%
Total		88,748,477	4,162,277		84,586,200	4.69%

The item as a percentage of the total is given in brackets.

Loans and advances to customers as at 30th June 2015

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(14.94%)	13,367,852	3,716,473	(11.31%)	9,651,379	27.80%
- Bad loans	(7.63%)	6,829,138	2,641,811	(4.91%)	4,187,327	38.68%
- "Unlikely to pay" loans	(6.88%)	6,149,663	1,053,687	(5.97%)	5,095,976	17.13%
- Past due loans	(0.43%)	389,051	20,975	(0.43%)	368,076	5.39%
Performing loans	(85.06%)	76,127,031	438,384	(88.69%)	75,688,647	0.58%
Total		89,494,883	4,154,857		85,340,026	4.64%

The item as a percentage of the total is given in brackets.

(*) The coverage is calculated as the ratio of impairment losses to gross exposure. For bad loans only, impairment losses and gross exposures are given net of write-offs of positions subject to bankruptcy proceedings.

BAD LOANS

Gross bad loans rose over six months from €7 billion to €7.2 billion, up €227.8 million (+3.3%), of which only €93.5 million relating to the second quarter. The increase over twelve months on the other hand was €386.4 million (+5.7%).

As shown in the table reporting quarterly changes, a low was reached in the last quarter of 2015 at the time of the conclusion of disposals for a substantial amount (€166.3 million), which, on the other hand, was not repeated in 2016.

Overall, disposals of mainly unsecured bad loans were carried out over twelve months with a gross book value of €219.8 million (of which €196.8 million in the second half of 2015), written-down well above the average for the Group and relating to UBI Banca, to the network banks and to UBI Leasing.

Both the year-on-year and the half year change in the gross total were determined mainly by the network banks and by UBI Leasing, while marginal reductions were recorded for UBI Banca in the second half 2015.

Forborne exposures as at 30th June 2016

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(56.63%)	3,232,172	731,359	(50.68%)	2,500,813	22.63%
- Bad loans	(7.90%)	451,079	163,683	(5.82%)	287,396	36.29%
- "Unlikely to pay" loans	(48.22%)	2,752,193	565,960	(44.30%)	2,186,233	20.56%
- Past due loans	(0.51%)	28,900	1,716	(0.56%)	27,184	5.94%
Performing loans	(43.37%)	2,474,920	40,803	(49.32%)	2,434,117	1.65%
Total		5,707,092	772,162		4,934,930	13.53%

The item as a percentage of the total is given in brackets.

Forborne exposures as at 31st March 2016

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(56.68%)	3,167,138	515,442	(52.68%)	2,651,696	16.27%
- Bad loans	(7.01%)	391,450	108,901	(5.61%)	282,549	27.82%
- "Unlikely to pay" loans	(49.11%)	2,744,596	404,741	(46.49%)	2,339,855	14.75%
- Past due loans	(0.56%)	31,092	1,800	(0.58%)	29,292	5.79%
Performing loans	(43.32%)	2,420,834	39,332	(47.32%)	2,381,502	1.62%
Total		5,587,972	554,774		5,033,198	9.93%

The item as a percentage of the total is given in brackets.

Forborne exposures as at 31st December 2015

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(56.21%)	3,021,055	478,244	(52.34%)	2,542,811	15.83%
- Bad loans	(6.12%)	328,787	91,078	(4.89%)	237,709	27.70%
- "Unlikely to pay" loans	(49.26%)	2,647,466	384,691	(46.58%)	2,262,775	14.53%
- Past due loans	(0.83%)	44,802	2,475	(0.87%)	42,327	5.52%
Performing loans	(43.79%)	2,353,732	38,485	(47.66%)	2,315,247	1.64%
Total		5,374,787	516,729		4,858,058	9.61%

The item as a percentage of the total is given in brackets.

Forborne exposures as at 30th June 2015

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(51.46%)	2,482,813	378,584	(47.70%)	2,104,229	15.25%
Performing loans	(48.54%)	2,342,201	35,264	(52.30%)	2,306,937	1.51%
Total		4,825,014	413,848		4,411,166	8.58%

The item as a percentage of the total is given in brackets.

(*) Coverage is calculated as the ratio of impairment losses to gross exposure.

Net bad loans on the other hand, fell to €3.8 billion, down over six months by €439.1 million (-10.2%), primarily in relation to substantial impairment losses recognised in the second quarter, in line with the provisions of the Business Plan.

The reduction compared with June 2015 was €338.5 million (-8.1%).

In line with the overall aggregate, *net bad loans backed by collateral* also fell to €2.8 billion (-€253.2 million since March; -€195.6 million since December; -€76.1 million over twelve months), while as a percentage they rose to 72.1% (69.7% in March; 69.3% in December; 68.1% in June 2015).

At the end of June net non-performing loans as a percentage of the total with no coverage in terms of either collateral or personal guarantee stood at 11.73% (11.46% in March; 11.63% in December; 11.37% in June 2015).

An analysis of *movements* in the first six months compared with the same period in 2015 shows the following:

- a reduction in total new inflows (-19.6%), which involved both new inflows from performing status – which continued to remain low – and also transfers to other categories of non-performing exposures and to unlikely to pay exposures above all;
- a fall by approximately one quarter for write-offs;
- a marginal reduction in receipts, compared with a larger reduction in profits on disposals (which involved transactions for modest amounts in the first half of 2016).

The *ratio of bad loans to loans* grew marginally in gross terms to 8.10%, while in net terms it stood at 4.59%, down appreciably compared with 5.17% in March 2016 (5.07% in December; 4.91% in June 2015).

Coverage, which incorporates the effects of greater provisions, rose to 46.66%, an improvement over all the comparative periods (38.64% in December; 38.68% in June 2015).

If cases written-off to the income statement relating to creditor legal actions still in progress are also considered, coverage would in reality have been 58.25% (52.41% in March; 52.25% in December; 53.03% in June 2015)¹². On the other hand, at the end of the first half coverage for bad loans not backed by collateral considered gross of those write-offs was 73.88% (68.21%; 67.84%; 68.26%).

“UNLIKELY TO PAY” LOANS

Gross “unlikely to pay” loans (which until 31st December 2014 included positions previously classified as impaired and restructured loans) contracted for the third consecutive quarter to stand at €5.9 billion, down both in the first half (-€318.3 million) and year-on-year (-€288 million). The decreases between January and June, which were common to all Group entities, were particularly significant for the network bank perimeter (although uneven across individual banks) and for UBI Factor, for which the changes over twelve months were more modest on the other hand, compared with the more significant decreases for UBI Leasing, Prestitalia and UBI Banca (former Centrobanca and former ex B@nca 24-7 portfolios).

An analysis of *movements* in the first six months compared with the same period in 2015 shows the following:

- an appreciable reduction in total new inflows (-44.8%) both for inflows from performing status and transfers from exposures past due and/or in arrears;
- an increase of more than 50% for transfers to performing status;
- a contraction in write-offs compared with an increase in payments received (over 65%);
- a decrease in transfers to other non-performing categories and mainly to bad loans.

-*Net “unlikely to pay” loans*, which came to €4.5 billion, were down both compared with December (-€677.5 million; -13.2%) and in the comparison with June 2015 (-€626.4 million; -12.3%), as a result of the significant impairment losses recognised in the second quarter.

-*Unlikely to pay loans backed by collateral* fell to €3.2 billion, down €343.3 million compared with December. Benefiting from a reduction in total unlikely to pay loans, these fell as a percentage to 71.8% (69% in December).

Coverage improved to 23.75% from 17.02% in March as a result of impairment losses recognised in the period (16.71% in December; 17.13% in June 2015).

¹² See note 11.

Loans to customers: changes in gross non-performing exposures in the first half of 2016 ^(*)

Figures in thousands of euro	Bad loans	Unlikely to pay loans	Past-due exposures	Total
Initial gross exposure as at 1st January 2016	6,987,763	6,179,999	266,525	13,434,287
Increases	597,018	896,723	278,285	1,772,026
transfers from performing exposures	45,133	356,628	269,243	671,004
transfers from other classes of non-performing exposures	523,508	237,199	123	760,830
other increases	28,377	302,896	8,919	340,192
Decreases	-369,229	-1,215,062	-341,864	-1,926,155
transfers into performing exposures	-1,377	-211,512	-56,383	-269,272
write-offs	-184,710	-12,188	-6	-196,904
payments received	-165,845	-440,385	-27,659	-633,889
disposals	-6,083	-	-	-6,083
transfers to other classes of non-performing exposure	-8,383	-505,529	-246,918	-760,830
other decreases	-2,831	-45,448	-10,898	-59,177
Final gross exposure as at 30th June 2016	7,215,552	5,861,660	202,946	13,280,158

Loans to customers: changes in gross non-performing exposures in the first quarter of 2016 ^(*)

Figures in thousands of euro	Bad loans	Unlikely to pay loans	Past-due exposures	Total
Initial gross exposure as at 1st January 2016	6,987,763	6,179,999	266,525	13,434,287
Increases	298,886	477,092	176,995	952,973
transfers from performing exposures	24,271	191,643	173,322	389,236
transfers from other classes of non-performing exposures	259,787	141,512	118	401,417
other increases	14,828	143,937	3,555	162,320
Decreases	-164,606	-545,911	-180,432	-890,949
transfers into performing exposures	-852	-70,384	-15,115	-86,351
write-offs	-78,455	-6,621	-6	-85,082
payments received	-77,425	-192,641	-14,185	-284,251
disposals	-4,252	-	-	-4,252
transfers to other classes of non-performing exposure	-877	-249,746	-150,794	-401,417
other decreases	-2,745	-26,519	-332	-29,596
Final gross exposure as at 31st March 2016	7,122,043	6,111,180	263,088	13,496,311

Loans to customers: changes in gross non-performing exposures in the first half of 2015 ^(*)

Figures in thousands of euro	Bad loans	Unlikely to pay loans	Past-due exposures	Total
Initial gross exposure as at 1st January 2015	6,551,628	5,943,600	553,634	13,048,862
Increases	741,940	1,232,918	542,718	2,517,576
transfers from performing exposures	63,846	677,063	534,098	1,275,007
transfers from other classes of non-performing exposures	643,810	399,006	756	1,043,572
other increases	34,284	156,849	7,864	198,997
Decreases	-464,430	-1,026,855	-707,301	-2,198,586
transfers into performing exposures	-1,088	-137,841	-221,052	-359,981
write-offs	-244,784	-21,351	-15	-266,150
payments received	-172,129	-264,095	-36,449	-472,673
disposals	-36,785	-	-	-36,785
transfers to other classes of non-performing exposure	-7,261	-595,933	-440,378	-1,043,572
other decreases	-2,383	-7,635	-9,407	-19,425
Final gross exposure as at 30th June 2015	6,829,138	6,149,663	389,051	13,367,852

() The movements for 2016 (first half and first quarter) have been restated by customer relationships. Therefore the table for the first half of 2015, reported for comparison, is different from that published in the interim financial report for the period ended 31st March 2016 which had been stated by counterparties. The movements for the first half of 2015 reported for comparison, published in the interim financial report for the period ended 30th June 2015 have been restated by counterparties. Therefore the figures are not fully consistent with those reported in the tables for the first half and first quarter of 2016.*

EXPOSURES PAST DUE AND/OR IN ARREARS

Gross exposures past due and/or in arrears reduced by 47.8% over twelve months from €389.1 million to €202.9 million, down €186.1 million, over 75% of which in the last quarter of 2015 (-€140.6 million). The fall over the first half was by €63.6 million (-23.9%), mainly concentrated in the period April-June.

This trend – common to all banks and companies in the Group with only a few exceptions – nevertheless includes the inflow of a series of positions in the first quarter of 2016, some of substantial amount, relating to UBI Factor.

An analysis of movements in the first six months compared with the same period in 2015 shows the following:

- a fall of approximately €264.9 million (-49.6%) in new inflows from performing loan status, which confirms the underlying trend in progress since the beginning of 2013;
- a natural reduction at the same time in transfers to other categories of non-performing loans, mainly to unlikely to pay the loans (-€193.5 million; -49.3%);
- a decrease in outflows to performing status, in relation to the progressive reduction in the volumes of the inflows.

- *Coverage*, which stood at 4.63%, increased compared with 3.64% in March, but fell compared with 4.88% in December and 5.39% in June 2015, primarily as a result of the reclassification of substantial UBI Factor counterparties into/out of performing status, characterised by low levels of coverage, given the nature of the credit relationships.

The interbank market and the liquidity position

The net interbank position of the UBI Banca Group as at 30th June 2016 was net debt of €9.8 billion, up both over the first six months (-€7 billion at the end of December) and in second quarter (-€7.9 million at the end of March 2016).

The negative balance, which was present again in all the previous interim periods, although for different amounts, was a direct consequence of debt with the central bank for refinancing operations (a total of €10 billion of TLTRO IIs).

Net of relationships with central banks, the net interbank position was almost a break-even position of -€0.2 billion, compared with +€0.7 billion at the end of 2015, partly in relation to trends for funding with other banking counterparties.

Net interbank position

Figures in thousands of euro	30.6.2016	31.3.2016	31.12.2015	30.9.2015	30.6.2015
Loans and advances to banks	3,930,021	3,591,309	3,429,937	3,632,477	3,191,584
of which: loans to central banks	421,839	297,898	395,449	580,810	295,626
Due to banks	13,691,017	11,495,105	10,454,303	10,871,905	9,049,928
of which: due to central banks	9,999,873	8,108,273	8,106,441	8,104,588	6,103,196
Net interbank position	-9,760,996	-7,903,796	-7,024,366	-7,239,428	-5,858,344
Loans and advances excluding central banks	3,508,182	3,293,411	3,034,488	3,051,667	2,895,958
Due to banks excluding central banks	3,691,144	3,386,832	2,347,862	2,767,317	2,946,732
Net interbank position net of central banks	-182,962	-93,421	686,626	284,350	-50,774

The Group also continues to maintain a more than positive position in terms of liquidity buffers, demonstrated, amongst other things, by specific short-term (liquidity coverage ratio) and structural (net stable funding ratio) Basel 3 indicators, both greater than 100%¹.

It must also be stated that these indicators would be greater than one even in the presence of an ordinary funding structure not based on TLTRO II support.

Business on the interbank market recorded the following trends in the first half.

Loans to banks: composition

Figures in thousands of euro	30.6.2016		31.3.2016		Changes A/B		31.12.2015		Changes A/C		30.6.2015	
	A	%	B	%	amount	%	C	%	amount	%	D	%
Loans to central banks	421,839	10.7%	297,898	8.3%	123,941	41.6%	395,449	11.5%	26,390	6.7%	295,626	9.3%
Compulsory reserve requirements	421,839	10.7%	296,675	8.3%	125,164	42.2%	394,226	11.5%	27,613	7.0%	293,469	9.2%
Other	-	-	1,223	0.0%	-1,223	-100.0%	1,223	0.0%	-1,223	-100.0%	2,157	0.1%
Loans and advances to banks	3,508,182	89.3%	3,293,411	91.7%	214,771	6.5%	3,034,488	88.5%	473,694	15.6%	2,895,958	90.7%
Current accounts and deposits	1,848,376	47.1%	1,945,959	54.2%	-97,583	-5.0%	1,733,046	50.5%	115,330	6.7%	1,641,782	51.4%
Term deposits	17,522	0.4%	21,372	0.6%	-3,850	-18.0%	32,368	0.9%	-14,846	-45.9%	21,062	0.7%
Other financing:	1,642,284	41.8%	1,326,080	36.9%	316,204	23.8%	1,269,074	37.1%	373,210	29.4%	1,233,114	38.6%
- reverse repurchase agreements	23,232	0.6%	-	-	23,232	-	-	-	23,232	-	-	-
- other	1,619,052	41.2%	1,326,080	36.9%	292,972	22.1%	1,269,074	37.1%	349,978	27.6%	1,233,114	38.6%
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
Total	3,930,021	100.0%	3,591,309	100.0%	338,712	9.4%	3,429,937	100.0%	500,084	14.6%	3,191,584	100.0%

¹ The agreement reached by the Basel Committee on 6th January 2013 established the introduction of the LCR indicator from 2015 with a minimum level set initially at 60%; 70% from 1st January 2016.

Loans and advances to banks amounting to €3.9 billion, increased by €500 million, the aggregate result of the following:

- +€26 million as a result of liquidity held with central banks regarding the centralised account for the compulsory reserve.
In reality, the changes in end of period figures are operational and depend on balance management strategies, with account taken of average deposit requirements to be complied with in the reporting period. The Group normally maintains average deposits in line with the requirement;
- +€474 million due to loans to other banks, which rose to €3.5 billion. Within the item current accounts and term deposits increased (+€100 million as part of ordinary business) as did other financing, but more substantially (+€373 million). The latter mainly reflects lending activity by the network banks with customers (e.g. granting loans to banking counterparties that are part of industrial and/or financial groups). This totalled €1.6 billion at the end of the first half.

Due to banks: composition

Figures in thousands of euro	30.6.2016		31.3.2016		Changes A/B		31.12.2015		Changes A/C		30.6.2015	
	A	%	B	%	amount	%	C	%	amount	%	D	%
Due to central banks	9,999,873	73.0%	8,108,273	70.5%	1,891,600	23.3%	8,106,441	77.5%	1,893,432	23.4%	6,103,196	67.4%
Due to banks	3,691,144	27.0%	3,386,832	29.5%	304,312	9.0%	2,347,862	22.5%	1,343,282	57.2%	2,946,732	32.6%
Current accounts and deposits	1,454,192	10.6%	876,403	7.6%	577,789	65.9%	720,487	6.9%	733,705	101.8%	1,199,566	13.3%
Term deposits	22,073	0.2%	77,611	0.7%	-55,538	-71.6%	60,844	0.6%	-38,771	-63.7%	184,580	2.0%
Financing:	2,171,771	15.9%	2,371,054	20.6%	-199,283	-8.4%	1,530,870	14.7%	640,901	41.9%	1,500,726	16.6%
- repurchase agreements	650,705	4.8%	782,739	6.8%	-132,034	-16.9%	186,635	1.8%	464,070	248.7%	131,203	1.4%
- other	1,521,066	11.1%	1,588,315	13.8%	-67,249	-4.2%	1,344,235	12.9%	176,831	13.2%	1,369,523	15.2%
Other payables	43,108	0.3%	61,764	0.6%	-18,656	-30.2%	35,661	0.3%	7,447	20.9%	61,860	0.7%
Total	13,691,017	100.0%	11,495,105	100.0%	2,195,912	19.1%	10,454,303	100.0%	3,236,714	31.0%	9,049,928	100.0%

At the end of June, interbank funding amounted to €13.7 billion, up €3.2 billion compared with December 2015.

Funding consisted of €10 billion² from unconventional refinancing operations with the ECB TLTRO IIs (following on from the first operations offered on the market, these were targeted refinancing operations designed to expand lending to businesses and households).

More specifically, the amounts acquired in the TLTRO auctions held on 17th December 2014 (€3.2 billion), 25th March 2015 (€2.9 billion) and 24th September 2015 (€2 billion) – for a total amount of €8.1 billion – were repaid in advance with value date 29th June.

On that same date UBI Banca was allotted €10 billion nominal in the first TLTRO II auction, with due date 24th June 2020 and an interest rate of 0% (the change in the rate was introduced with effect from 16th March 2016, following a change in the ECB monetary policy which cut interest rates on principal refinancing operations for fixed-rate auctions by five eurocents).

Net of that funding, which accounts for €1.9 billion of the overall growth in the aggregate, amounts due to banks came to €3.7 billion, up €1.3 billion in the first half, due to the following changes:

- +€734 million for current accounts, attributable both to the presence of an overnight deposit by an institutional counterparty and to a greater deposit at the end of the period with the credit transfer clearing house;
- +€464 million for repurchase agreements, mainly in relation to financing for investments in US Treasuries and to government securities of emerging countries with market counterparties;
- +€177 million for “financing – other”, within which loans to the EIB and the relative repayments are recognised. These are medium to long-term funding transactions with the European Investment Bank to support SMEs, which as at 30th June totalled approximately €1.5 billion. This funding may be drawn on directly not only by the Parent, for a total of €497 million, but also by the network banks.

² The carrying amount includes interest expense accruing.

Finally, the item “other payables” includes funds relating to credit card settlement arrangements with Istituto Centrale Banche Popolari (these totalled €22 million, unchanged in the first half).

* * *

Available liquidity reserve

Management accounting figures in millions of euro - net of haircuts	30.6.2016 A	%	31.3.2016 B	%	Changes A/B amount %	31.12.2015 C	%	Changes A/C amount %	30.6.2015 D	%
ECB pool	16,530	61.4%	14,148	53.6%	2,382 16.8%	13,209	50.0%	3,321 25.1%	10,937	40.8%
of which Italian government securities (A)	5,863	21.8%	5,163	19.5%	700 13.6%	4,185	15.8%	1,678 40.1%	3,294	12.3%
Liquid securities non included in the ECB pool	5,450	20.2%	5,648	21.4%	-198 -3.5%	8,011	30.3%	-2,561 -32.0%	7,203	26.8%
of which government securities (B)	5,056	18.8%	5,648	21.4%	-592 -10.5%	8,011	30.3%	-2,955 -36.9%	7,203	26.8%
Liquidity reserve	21,980	81.6%	19,796	75.0%	2,184 11.0%	21,220	80.3%	760 3.6%	18,140	67.6%
Government securities refinanced (C)	4,945	18.4%	6,615	25.0%	-1,670 -25.2%	5,218	19.7%	-273 -5.2%	8,689	32.4%
Total liquidity reserve	26,925		26,411		514 1.9%	26,438		487 1.8%	26,829	
of which government securities (A+B+C)	15,864	58.9%	17,426	65.9%	-1,562 -9.0%	17,414	65.8%	-1,550 -8.9%	19,186	71.5%
ECB auctions (portion pledged)	-10,000	-37.1%	-8,108	-30.7%	1,892 23.3%	-8,106	-30.7%	1,894 23.4%	-6,103	-22.7%
Government securities refinanced	-4,945	-18.4%	-6,615	-25.0%	-1,670 -25.2%	-5,218	-19.7%	-273 -5.2%	-8,689	-32.4%
Available liquidity reserve	11,980	44.5%	11,688	44.3%	292 2.5%	13,114	49.6%	-1,134 -8.6%	12,037	44.9%
of which unencumbered securities for the purposes of the LCR indicator	11,313	42.0%	10,863	41.1%	450 4.1%	12,196	46.1%	-883 -7.2%	10,497	39.1%

Until 31st December 2015 the refinancing related exclusively to Italian government securities through the CCG (a central counterparty clearing house), considered net of reverse repos: repos - reverse repos.

“Available reserves eligible for the purposes of the LCR indicator” are liquid assets that satisfy the general and operational requirements set respectively by articles 7 and 8 of Commission Delegated Regulation (EU) No. 2015/61 of 10th October 2014 (which added to Regulation (EU) No. 575/2013 of the Parliament) and the eligibility criteria set in Chapter 2 of that same regulation.

As at 30th June 2016 the Group’s total liquidity buffer³ amounted to €26.9 billion (net of haircuts) of which:

- €16.5 billion of assets deposited with the ECB collateral pool to back both access to the TLTRO II programme already mentioned and intraday credit;
- €10.4 billion of readily marketable spot and forward assets (mainly Italian government securities, not lodged with the collateral pool available to the Parent treasury for short-term liquidity management).

The liquidity buffer amounts to approximately 55% of on demand direct funding consisting of current accounts and sight deposits as at 30th June 2016.

The total liquidity buffer was up €0.5 billion at the end of December attributable mainly to the following:

- +€1.6 billion for self retained covered bonds following issuances on 31st March for €1 billion nominal (eligible from 11th April) and on 23rd June, for €750 million nominal (eligible from 30th June) both made under the first programme, and on 24th June for €300 million nominal (eligible from 30th June) under the second programme;
- +€0.65 billion for the ABACO loan portfolio;
- -€0.65 billion for self-retained securitisations, as a result of normal amortisation, and also due to the early closure in the second quarter of the UBI Lease Finance 5 securitisation;
- -€1.1 billion for own securities that are eligible or readily marketable, consistent with trends for the AFS and HFT portfolios. In the first half, the action taken to progressively reduce and diversify investments resulted in a reduction in Italian government securities by €2.2 billion, which was only partially offset by purchases of US Treasuries (€0.6 billion) and corporate securities.

The Group pursues a policy to gradually lighten and diversify the portfolios (by geographical area and by sovereign and corporate issuer), designed nevertheless to maintain sufficiently large investments in

³ An asset is considered liquid if the credit institution is able to convert it into cash rapidly without encountering practical or legal difficulties.

domestic government securities to ensure optimum management of liquidity by means of the eligibility of these.

As at 30th June 2016, in view of the portion amounting to €10 billion and the portion to back repurchase agreements with market counterparties amounting to approximately €5 billion, the margin of liquidity still available stood at approximately €12 billion, of which €11.3 billion consisting of unencumbered assets for the purposes of the LCR indicator (mainly Italian government securities).

The margin available amounts to approximately 24% of on demand direct funding consisting of current accounts and sight deposits as at 30th June 2016.

Liquid assets

Figures in billions of euro	30.6.2016		31.3.2016		31.12.2015		30.9.2015		30.6.2015	
	nominal amount	amount (net of haircuts)	nominal amount	amount (net of haircuts)	nominal amount	amount eligible (net of haircuts)	nominal amount	amount eligible (net of haircuts)	nominal amount	amount eligible (net of haircuts)
Securities owned (AFS, HTM and L&R) (*)	10.62	11.97	10.08	11.28	11.40	12.81	11.34	12.74	10.05	10.81
Covered bonds ("self-retained" issues)	5.32	4.69	3.45	3.05	3.45	3.08	3.83	3.10	3.18	2.63
Securitisation of residential mortgages of the former Banca 24-7	0.86	0.71	0.90	0.73	0.93	0.76	0.97	0.78	1.01	0.82
UBI Leasing assets securitisation	-	-	0.39	0.33	0.47	0.40	0.55	0.47	0.64	0.55
Banco di Brescia securitisation of performing loans to SMEs	0.16	0.14	0.19	0.16	0.24	0.20	0.28	0.23	0.31	0.27
Banca Popolare di Bergamo securitisation of performing loans to SMEs	-	-	-	-	-	-	0.20	0.17	0.27	0.23
Banca Popolare Commercio e Industria securitisation of performing loans to SMEs	0.09	0.08	0.12	0.10	0.16	0.13	0.19	0.16	0.22	0.19
Banca Popolare di Ancona securitisation of performing loans to SMEs	0.24	0.20	0.28	0.23	0.34	0.29	0.39	0.33	0.44	0.37
Loans eligible resulting from participation in ABACO (**)	7.15	4.19	6.88	3.92	6.40	3.54	5.73	3.08	4.56	2.27
Total	24.44	21.98	22.29	19.80	23.39	21.21	23.48	21.06	20.68	18.14

(*) These include government securities not pledged to the ECB which potentially can be refinanced with the *Cassa di Compensazione e Garanzia* for the following amounts:

- 30th June 2016: €11.3 billion (net of haircuts), of which €5.9 billion contributed to the pool and €5.4 billion available, non-pool;
- 31st March 2016: €10.8 billion (net of haircuts), of which €5.2 billion contributed to the pool and €5.6 billion available, non-pool;
- 31st December 2015: €12.2 billion (net of haircuts), of which €4.2 billion contributed to the pool and €8 billion available, non-pool;
- 30th September 2015: €12.4 billion (net of haircuts), of which €4.5 billion contributed to the pool and €7.9 billion available, non-pool;
- 30th June 2015: €10.5 billion (net of haircuts), of which €3.3 billion contributed to the pool and €7.2 billion available, non-pool;

(**) ABACO (bank assets eligible as collateral) is the name given to procedures drawn up by the Bank of Italy for the management of loans eligible for refinancing. In order to qualify as eligible, an asset must meet specific requirements contained in Bank of Italy regulations concerning the following: type of debtor (public sector, non-financial company, international and supranational institutions), credit rating (set by external ratings, rating tools of approved providers and internal ratings [for banks authorised by the Bank of Italy to use internal rating models]), minimum amount (€0.03 million for domestic loans) and type of asset.

Financial activities

Net financial assets of the Group as at 30th June 2016 totalled €19.1 billion, down €2.1 billion over twelve months and €0.6 billion in the first half.

This period, and the second quarter in particular, saw substantial sales of Italian government securities (which fell as a percentage of the total to 81.9% compared with 90.6% in December and 93.6% a year before). This was partially offset by purchases of US Treasuries, corporate securities and government securities of emerging countries. These transactions form part of action already announced to change the mix of the portfolio and to diversify it, commenced in the fourth quarter of 2015 and reaffirmed in the 2019/2020 business Plan.

Financial assets/liabilities

Figures in thousands of euro	30.6.2016		31.3.2016		Changes (A) / (B)		31.12.2015		Changes (A) / (C)		30.6.2015		Changes (A) / (D)	
	Carrying amount (A)	%	Carrying amount (B)	%	amount	%	Carrying amount (C)	%	amount	%	Carrying amount (D)	%	amount	%
Financial assets held for trading	681,543	3.4%	966,772	4.8%	-285,229	-29.5%	994,478	4.8%	-312,935	-31.5%	1,338,170	6.1%	-656,627	-49.1%
of which: financial derivatives contracts	554,248	2.8%	556,265	2.8%	-2,017	-0.4%	522,429	2.6%	31,819	6.1%	512,176	2.4%	42,072	8.2%
Financial assets designated at fair value	188,641	1.0%	194,738	1.0%	-6,097	-3.1%	196,034	1.0%	-7,393	-3.8%	197,223	0.9%	-8,582	-4.4%
Available-for-sale financial assets	15,417,870	78.1%	15,699,461	77.2%	-281,591	-1.8%	15,554,282	76.9%	-136,412	-0.9%	16,799,280	76.8%	-1,381,410	-8.2%
Held-to-maturity investments	3,452,886	17.5%	3,445,469	17.0%	7,417	0.2%	3,494,547	17.3%	-41,661	-1.2%	3,535,692	16.2%	-82,806	-2.3%
Financial assets (a)	19,740,940	100.0%	20,306,440	100.0%	-565,500	-2.8%	20,239,341	100.0%	-498,401	-2.5%	21,870,365	100.0%	-2,129,425	-9.7%
of which:														
- debt instruments	18,628,634	94.4%	19,276,446	94.9%	-647,812	-3.4%	19,244,392	95.1%	-615,758	-3.2%	20,851,133	95.3%	-2,222,499	-10.7%
- of which: Italian government securities	16,177,490	81.9%	17,691,911	87.1%	-1,514,421	-8.6%	18,336,961	90.6%	-2,159,471	-11.8%	20,472,426	93.6%	-4,294,936	-21.0%
- equity instruments	257,642	1.3%	289,456	1.4%	-31,814	-11.0%	288,177	1.4%	-30,535	-10.6%	326,956	1.5%	-69,314	-21.2%
- Units in UCITS	300,416	1.5%	184,273	0.9%	116,143	63.0%	184,343	0.9%	116,073	63.0%	180,100	0.8%	120,316	66.8%
Financial liabilities held for trading (b)	612,314	100.0%	610,468	100.0%	1,846	0.3%	531,812	100.0%	80,502	15.1%	647,508	100.0%	-35,194	-5.4%
of which: financial derivatives contracts	612,314	100.0%	610,468	100.0%	1,846	0.3%	531,812	100.0%	80,502	15.1%	528,362	81.6%	83,952	15.9%
Net financial assets (a-b)	19,128,626		19,695,972		-567,346	-2.9%	19,707,529		-578,903	-2.9%	21,222,857		-2,094,231	-9.9%

The financial assets held for trading portfolio (€681,543 thousand) was smaller than the same portfolio held by the Parent (€759,433 thousand) due to the presence of financial derivatives contracts entered into by UBI Banca with the Group network banks and product companies. These instruments, in addition to being subject to intragroup elimination in the consolidation, were classified by the Parent as held for trading because the relative assets hedged were recognised in the balance sheets of the Group network banks and product companies. When the consolidation was prepared, those same instruments, entered into to hedge the underlying assets, were recognised within hedging derivatives.

Financial derivatives classified as held for trading held by the Parent at the end of June 2016 amounted to €633,178 thousand, while the figure for the Group was €554,248 thousand.

Management accounting figures¹ for 30th June 2016, show the following:

- in terms of *type of financial instrument*, the Group's securities portfolio was composed as follows: 92.1% (94.6% at the end of 2015) of government securities; 6.3% (4.4%) of corporate securities (of which 41% belonging to the financial sector and the remaining 59% to corporate issuers; 95% of these investments also had an investment grade rating, of which 63% concentrated in the BBB segment and 29% in the A segment); the remaining 1.6% (1%) of hedge funds; funds and equities;
- from a *financial viewpoint*, floating rate securities accounted for 63.3% (65%) of the portfolio² and fixed rate securities for 35.1% (32.2%), while the remainder was composed of structured instruments (held mainly in the AFS portfolio), equities, funds and convertible securities;
- following the new investments in US Treasuries, changes were seen both with regard to the *currency of denomination* with 93.2% (down from 99.5%) of the securities denominated in euro and 6.8% (up from 0.4%) in dollars with currency hedges and also in terms of *geographical distribution*, with 92.4% (down from 98.5%) of the investments (excluding hedge funds) issued from countries in the euro area;
- finally, an analysis by *rating* (for the bond portfolio only) shows that 99.7% (99.5%) of the portfolio consisted of "investment grade" securities.

¹ The management accounting analysis relates to a smaller portfolio than that stated in the consolidated financial statements, because they exclude "longer-term" AFS assets, some smaller portfolios and also financial derivatives contracts held for trading.

² Fixed rate securities purchased as part of asset swaps are also considered as floating rate (99% of the floating rate securities). The partial change in the mix affecting floating rate and fixed-rate securities is attributable to movements in the AFS portfolio that took place in the second quarter: sales and purchases of government securities as part of asset swaps, the purchase of US Treasuries and the purchase of government securities of emerging countries.

Available-for-sale financial assets

“Available-for-sale financial assets” (AFS), asset item 40, are measured at fair value with the recognition of changes in a separate fair value reserve in equity, except for losses due to reductions in value that are considered significant or prolonged. In this case the reduction in value that occurred in the period is recognised through profit or loss, the amount being transferred from the negative or positive reserve that may have been recognised in equity previously. Following the recognition of impairment losses, recoveries in value continue to be recognised in the separate fair value reserve in equity if they relate to equity instruments and through profit and loss if they relate to debt instruments. Any decreases below the level of the previous impairment losses are recognised through profit and loss.

Definitions relating to the fair value hierarchy (levels 1, 2 and 3) are given in Section A.4 of Part A – Accounting Policies in the Notes to the Consolidated Financial Statements in the 2015 Annual Report.

Available-for-sale financial assets: composition

Figures in thousands of euro	30.6.2016				31.12.2015				Changes (A)/(B)		30.6.2015			
	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (B)	amount	%	L 1	L 2	L 3	Carrying amount (C)
Debt instruments	14,879,535	160,628	12,626	15,052,789	14,943,588	313,310	26,370	15,283,268	-230,479	-1.5%	16,098,530	371,831	25,651	16,496,012
of which: Italian government securities	12,604,437	-	-	12,604,437	14,269,042	154,582	-	14,423,624	-1,819,187	-12.6%	15,917,499	202,630	-	16,120,129
Equity instruments	12,646	-	168,249	180,895	3,261	-	208,748	212,009	-31,114	-14.7%	2,676	-	246,887	249,563
Units in UCITS	18,090	46,897	119,199	184,186	12,405	46,600	-	59,005	125,181	212.2%	10,362	43,343	-	53,705
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	14,910,271	207,525	300,074	15,417,870	14,959,254	359,910	235,118	15,554,282	-136,412	-0.9%	16,111,568	415,174	272,538	16,799,280

Available-for-sale financial assets: composition

Figures in thousands of euro	30.6.2016				31.3.2016				Changes (A)/(D)	
	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (D)	amount	%
Debt instruments	14,879,535	160,628	12,626	15,052,789	15,237,781	160,991	26,729	15,425,501	-372,712	-2.4%
of which: Italian government securities	12,604,437	-	-	12,604,437	14,024,465	-	-	14,024,465	-1,420,028	-10.1%
Equity instruments	12,646	-	168,249	180,895	2,790	-	209,684	212,474	-31,579	-14.9%
Units in UCITS	18,090	46,897	119,199	184,186	13,531	47,955	-	61,486	122,700	199.6%
Financing	-	-	-	-	-	-	-	-	-	-
Total	14,910,271	207,525	300,074	15,417,870	15,254,102	208,946	236,413	15,699,461	-281,591	-1.8%

Available-for-sale financial assets stood at €15.4 billion as at 30th June 2016 (-€1.4 billion year-on-year; -€136 million over six months; and -€282 million compared with March), of which €15.2 billion held in the UBI Banca AFS portfolio, while the remaining €180 million, consisting almost entirely of CCTs, were distributed among the network banks and the product companies.

As shown in the table, the decrease in the consolidated portfolio, although marginal as a whole in the six months in question, is the result of differing trends: the changes relate primarily to debt securities (€15.1 billion at the end of June, down from €15.3 billion at the end of the year), of which €12.6 billion consisted of Italian government securities. The latter recorded the following movements:

- in the first quarter:
 - a reduction of €399 million in *Italian government securities* following the sale of a BTP for €500 million nominal and of a Republic of Italy security for €150 million nominal (classified within fair value level two). The increase in fair value recorded by some securities in the portfolio partly offset the effect of the disposals.
 - A switch operation was also carried out in the period involving securities with a nominal value of €1 billion. More specifically BTPs maturing in the two-year period 2021-2022 were sold and securities of the same type maturing in 2023 were purchased;
 - an increase of €541 million in *other debt instruments*, as a result of the purchase of US Treasuries for \$600 million nominal (fair value level one);

- in the second quarter:
- a decrease in *Italian government securities* (-€1.4 billion) following sales for €1.7 billion nominal and purchases for €400 million nominal;
- an increase in *other debt instruments* of €1 billion following the purchase of US Treasuries for \$500 million nominal; corporate investment grade securities for €350 million nominal and government securities of emerging countries for \$200 million, highly diversified and fragmented in terms of amount. We also report the recognition within this class of a significant write-down of financial instruments resulting from non-performing exposure positions.

*Equity instruments*³ fell to €180.9 million from €212.5 million in March (€212 million at the end of the year) as a result of the recognition in fair value level three, again in the second quarter, of a write-down relating to the substantial elimination of residual credit risk connected with equity instruments resulting from non-performing loan positions.

Similarly, *units in UCITS* – relating almost entirely to UBI Banca – totalling €184.2 million, recorded significant fluctuations (+€122.7 million compared with March and +€125 million in the first half) following the recognition in fair value level three of €119.2 million as a result of the subscription by the Group of stakes in the Atlante Fund⁴. We also report that liquidation of the Sviluppo Impresa Fund is currently in progress having disposed of all the investments in its possession: as at 30th June the fund had a book value of €850 thousand compared with €3.3 million at the end of 2015. Details of the P&L impacts of the operation are given in the commentary on the income statement.

Amounts continue to be recognised for property funds amounting to €20.5 million (€17.8 million at the end of 2015), the most substantial of which is the Polis Fund, classified within fair value level one amounting to €15.2 million (€12.4 million at the end of 2015).

Held-to-maturity investments

“Held-to-maturity investments”, asset item 50, are comprised of financial instruments that an entity intends and is able to hold to maturity.

These assets are measured at amortised cost with the recognition of impairment losses, or recoveries in value when the reason for the impairment no longer exists, through profit or loss.

Held-to-maturity investments: composition

Figures in thousands of euro	Carrying amount (A)	30.6.2016				Carrying amount (B)	31.12.2015				Changes (A)/(B)		Carrying amount (C)	30.6.2015			
		Fair Value					Fair Value				amount	%		Fair Value			
		L 1	L 2	L 3	Total		L 1	L 2	L 3	Total				L 1	L 2	L 3	Total
Debt instruments	3,452,886	3,600,659	-	-	3,600,659	3,494,547	3,599,957	-	-	3,599,957	-41,661	-1.2%	3,535,692	3,530,322	-	-	3,530,322
of which: Italian government securities	3,452,886	3,600,659	-	-	3,600,659	3,494,547	3,599,957	-	-	3,599,957	-41,661	-1.2%	3,535,692	3,530,322	-	-	3,530,322
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	3,452,886	3,600,659	-	-	3,600,659	3,494,547	3,599,957	-	-	3,599,957	-41,661	-1.2%	3,535,692	3,530,322	-	-	3,530,322

Held-to-maturity investments, consisting of BTPs amounting to €3.05 billion nominal with maturities between 2020 and 2022 had a book value at the end of the period of €3.45 billion.

Held-to-maturity investments: composition

Figures in thousands of euro	Carrying amount (A)	30.6.2016				Carrying amount (D)	31.3.2016				Changes (A)/(D)	
		Fair Value					Fair Value				amount	%
		L 1	L 2	L 3	Total		L 1	L 2	L 3	Total		
Debt instruments	3,452,886	3,600,659	-	-	3,600,659	3,445,469	3,595,144	-	-	3,595,144	7,417	0.2%
of which: Italian government securities	3,452,886	3,600,659	-	-	3,600,659	3,445,469	3,595,144	-	-	3,595,144	7,417	0.2%
Financing	-	-	-	-	-	-	-	-	-	-	-	-
Total	3,452,886	3,600,659	-	-	3,600,659	3,445,469	3,595,144	-	-	3,595,144	7,417	0.2%

³ Shareholdings that are not classified as companies subject to control, joint control or significant influence are recognised here.

⁴ See the section “Significant events in the first half of 2016” for further details.

Financial instruments held for trading

Financial assets held for trading

Asset item 20, "Financial assets held for trading" (HFT), comprises financial trading instruments "used to generate a profit from short-term fluctuations in price". They are recognised at fair value through profit or loss – FVPL. Definitions relating to the fair value hierarchy (levels 1, 2 and 3) are given in Section A.4 of Part A – Accounting Policies in the Notes to the Consolidated Financial Statements in the 2015 Annual Report.

Financial assets held for trading: composition

Figures in thousands of euro	30.6.2016				31.12.2015				Changes (A)/(B)		30.6.2015			
	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (B)	amount	%	L 1	L 2	L 3	Carrying amount (C)
On-balance sheet assets														
Debt instruments	122,673	186	100	122,959	466,320	157	100	466,577	-343,618	-73.6%	819,042	133	254	819,429
<i>of which: Italian government securities</i>	120,167	-	-	120,167	418,790	-	-	418,790	-298,623	-71.3%	816,605	-	-	816,605
Equity instruments	4,059	-	2	4,061	4,614	-	2	4,616	-555	-12.0%	5,288	-	435	5,723
Units in UCITS	275	-	-	275	275	-	581	856	-581	-67.9%	256	-	586	842
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (a)	127,007	186	102	127,295	471,209	157	683	472,049	-344,754	-73.0%	824,586	133	1,275	825,994
Derivative instruments														
Financial derivatives	1,217	528,827	24,204	554,248	803	504,871	16,755	522,429	31,819	6.1%	543	495,188	16,445	512,176
Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (b)	1,217	528,827	24,204	554,248	803	504,871	16,755	522,429	31,819	6.1%	543	495,188	16,445	512,176
Total (a+b)	128,224	529,013	24,306	681,543	472,012	505,028	17,438	994,478	-312,935	-31.5%	825,129	495,321	17,720	1,338,170

Financial assets held for trading: composition

Figures in thousands of euro	30.6.2016				31.3.2016				Changes (A)/(D)	
	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (D)	amount	%
On-balance sheet assets										
Debt instruments	122,673	186	100	122,959	405,032	344	100	405,476	-282,517	-69.7%
<i>of which: Italian government securities</i>	120,167	-	-	120,167	221,977	-	-	221,977	-101,810	-45.9%
Equity instruments	4,059	-	2	4,061	4,185	-	2	4,187	-126	-3.0%
Units in UCITS	275	-	-	275	276	-	568	844	-569	-67.4%
Financing	-	-	-	-	-	-	-	-	-	-
Total (a)	127,007	186	102	127,295	409,493	344	670	410,507	-283,212	-69.0%
Derivative instruments										
Financial derivatives	1,217	528,827	24,204	554,248	627	528,500	27,138	556,265	-2,017	-0.4%
Credit derivatives	-	-	-	-	-	-	-	-	-	-
Total (b)	1,217	528,827	24,204	554,248	627	528,500	27,138	556,265	-2,017	-0.4%
Total (a+b)	128,224	529,013	24,306	681,543	410,120	528,844	27,808	966,772	-285,229	-29.5%

At the end of the first half financial assets held for trading amounted to €681.5 million, consisting of on-balance sheet assets of €127.3 million and financial derivatives of €554.2 million, for which the performance and amount must be interpreted in strict relation to the corresponding item recognised within financial liabilities held for trading.

Within the on-balance sheet assets, debt securities, which came to €123 million and accounted for almost the whole amount, fell by a total of €343.6 million in the first half and by €282.5 million in the second quarter.

In detail, the following was recorded:

- In the first quarter *Italian government debt securities* fell to €222 million from €419 million before as a result of the net effect of purchases of BOTs and BTPs for €170 million nominal, which more than offset sales of BTPs for €300 million nominal and the maturity of a BOT for €50 million nominal. On the other hand a U.S. Treasury for \$150 million nominal was recognised within *other debt securities*;
- in the second quarter sales and redemptions of BTPs and BOTs for €100 million nominal were accompanied by a decrease in *other debt securities* following the sale of a US Treasury for \$200 million nominal (\$50 million purchased in the fourth quarter of 2015 and \$150 million purchased in the first quarter of 2016).

On balance sheet assets also included the following:

- *equity instruments* amounting to €4 million, relating almost totally to the Parent, were down from €4.6 million at the end of 2015 and from €4.2 million at the end of March;
- *units in UCITS* amounted to €275 thousand compared with €856 thousand at the end of 2015 and €844 thousand in the first quarter. We report that as at 30th June two residual investments by the Parent in hedge funds had been completely written down. They had been recognised for €568 thousand in fair value level three as at 31st March. Therefore €275 thousand remained on the books recognised in fair value level one, relating to two funds held in portfolio by UBI Banca.

Financial liabilities held for trading

Financial liabilities held for trading: composition

Figures in thousands of euro	30.6.2016				31.12.2015				Changes (A)/(B)		30.6.2015			
	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (B)	amount	%	L 1	L 2	L 3	Carrying amount (C)
On-balance sheet liabilities														
Due to banks	-	-	-	-	-	-	-	-	-	-	119,146	-	-	119,146
Due to customers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (a)	-	-	-	-	-	-	-	-	-	-	119,146	-	-	119,146
Derivative instruments														
Financial derivatives	516	611,784	14	612,314	7	531,773	32	531,812	80,502	15.1%	941	527,362	59	528,362
Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (b)	516	611,784	14	612,314	7	531,773	32	531,812	80,502	15.1%	941	527,362	59	528,362
Total (a+b)	516	611,784	14	612,314	7	531,773	32	531,812	80,502	15.1%	120,087	527,362	59	647,508

Financial liabilities held for trading, amounting to €612 million, continued to consist solely of financial derivatives, the performance of which was consistent with that of the corresponding item recognised within financial assets.

On the other hand, a small amount of business had been recorded as at 30th June 2015 in

uncovered short positions on Italian government securities amounting to €119 million. Although the relative liabilities do not appear in end-of-period figures, UBI Banca had taken limited uncovered short positions on Italian and European government securities during the reporting period.

Financial liabilities held for trading: composition

Figures in thousands of euro	30.6.2016				31.3.2016				Changes (A)/(D)	
	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (D)	amount	%
On-balance sheet liabilities										
Due to banks	-	-	-	-	-	-	-	-	-	-
Due to customers	-	-	-	-	-	-	-	-	-	-
Debt instruments	-	-	-	-	-	-	-	-	-	-
Total (a)	-	-	-	-	-	-	-	-	-	-
Derivative instruments										
Financial derivatives	516	611,784	14	612,314	17	610,440	11	610,468	1,846	0.3%
Credit derivatives	-	-	-	-	-	-	-	-	-	-
Total (b)	516	611,784	14	612,314	17	610,440	11	610,468	1,846	0.3%
Total (a+b)	516	611,784	14	612,314	17	610,440	11	610,468	1,846	0.3%

Financial assets designated at fair value

The item "financial assets designated at fair value" is comprised of financial instruments classified as such in application of the fair value option (FVO). These financial assets are recognised at fair value through profit or loss. Definitions relating to the fair value hierarchy (levels 1, 2 and 3) are given in Section A.4 of Part A – Accounting Policies in the Notes to the Consolidated Financial Statements in the 2015 Annual Report.

Financial assets designated at fair value: composition

Figures in thousands of euro	30.6.2016				31.12.2015				Changes (A)/(B)		30.6.2015			
	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (B)	amount	%	L 1	L 2	L 3	Carrying amount (C)
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments	1,567	3,000	68,119	72,686	1,700	3,000	66,852	71,552	1,134	1.6%	1,899	3,000	66,771	71,670
Units in UCITS	115,955	-	-	115,955	119,082	-	5,400	124,482	-8,527	-6.8%	119,760	-	5,793	125,553
Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	117,522	3,000	68,119	188,641	120,782	3,000	72,252	196,034	-7,393	-3.8%	121,659	3,000	72,564	197,223

Financial assets designated at fair value: composition

Figures in thousands of euro	30.6.2016				31.3.2016				Changes (A)/(D)	
	L 1	L 2	L 3	Carrying amount (A)	L 1	L 2	L 3	Carrying amount (D)	amount	%
Debt instruments	-	-	-	-	-	-	-	-	-	-
Equity instruments	1,567	3,000	68,119	72,686	1,375	3,000	68,420	72,795	-109	-0.1%
Units in UCITS	115,955	-	-	115,955	116,959	-	4,984	121,943	-5,988	-4.9%
Financing	-	-	-	-	-	-	-	-	-	-
Total	117,522	3,000	68,119	188,641	118,334	3,000	73,404	194,738	-6,097	-3.1%

Financial assets designated at fair value related entirely to the Parent and amounted to €188.6 million (€196 million at the end of December).

As shown in the table, at the end of the period this category was composed as follows:

- **equity instruments**, held as part of merchant banking and private equity business, came to €72.7 million, recording a marginal change due to the effects of accounting adjustments;
- **units in UCITS** amounted to €116 million, (€121.9 million at the end of March and €124.5 million at year-end): the decrease occurring in the first half is attributable to the write-down of all hedge funds previously classified within fair value level three (approximately €5 million). Only listed Tages funds amounting to €116 million (€119.1 million at the end of December) remain in the portfolio recognised within fair value level one.

Exposure to sovereign debt risk

UBI Banca Group: exposures to sovereign debt risk

Country/portfolio of classification Figures in thousands of euro	30.6.2016			31.12.2015		
	Nominal amount	Carrying amount	Fair Value	Nominal amount	Carrying amount	Fair Value
- Italy	14,280,102	16,889,380	17,037,153	16,414,709	18,955,442	19,060,853
financial assets and liabilities held for trading (net exposure)	120,002	120,167	120,167	400,000	418,790	418,790
financial assets available-for-sale*	10,412,105	12,620,214	12,620,214	12,358,255	14,436,231	14,436,231
held-to-maturity investments	3,050,000	3,452,886	3,600,659	3,050,000	3,494,547	3,599,957
loans and receivables	697,995	696,113	696,113	606,454	605,874	605,875
- United States	990,812	1,042,886	1,042,886	50,000	44,990	44,990
financial assets and liabilities held for trading (net exposure)	-	-	-	50,000	44,990	44,990
available-for-sale financial assets	990,812	1,042,886	1,042,886	-	-	-
- Holland	10	10	10	10	10	10
loans and receivables	10	10	10	10	10	10
- Colombia	17,114	20,597	20,597	-	-	-
available-for-sale financial assets	17,114	20,597	20,597	-	-	-
- Philippines	13,511	19,191	19,191	-	-	-
available-for-sale financial assets	13,511	19,191	19,191	-	-	-
- Indonesia	26,121	28,834	28,834	-	-	-
available-for-sale financial assets	26,121	28,834	28,834	-	-	-
- Kazakhstan	9,007	9,829	9,829	-	-	-
available-for-sale financial assets	9,007	9,829	9,829	-	-	-
- Morocco	7,206	7,582	7,582	-	-	-
available-for-sale financial assets	7,206	7,582	7,582	-	-	-
- Mexico	26,572	28,377	28,377	-	-	-
available-for-sale financial assets	26,572	28,377	28,377	-	-	-
- Panama	10,809	11,876	11,876	-	-	-
available-for-sale financial assets	10,809	11,876	11,876	-	-	-
- Peru	10,809	15,034	15,034	-	-	-
available-for-sale financial assets	10,809	15,034	15,034	-	-	-
- Poland	4,504	5,130	5,130	-	-	-
available-for-sale financial assets	4,504	5,130	5,130	-	-	-
- Rumania	18,465	21,105	21,105	-	-	-
available-for-sale financial assets	18,465	21,105	21,105	-	-	-
- Spain	512	512	512	-	-	-
loans and receivables	512	512	512	-	-	-
- South Africa	13,511	14,970	14,970	-	-	-
available-for-sale financial assets	13,511	14,970	14,970	-	-	-
- Turkey	13,511	15,470	15,470	-	-	-
available-for-sale financial assets	13,511	15,470	15,470	-	-	-
- Uruguay	9,007	9,926	9,926	-	-	-
available-for-sale financial assets	9,007	9,926	9,926	-	-	-
- Argentina	803	832	832	805	830	830
financial assets and liabilities held for trading (net exposure)	803	832	832	805	830	830
Total on-balance sheet exposure	15,452,386	18,141,541	18,289,314	16,465,524	19,001,272	19,106,683

* The carrying amount for the AFS Italian securities is different from that reported in the line "Italian government securities" in the tables relating to "Available-for-sale financial assets" due to the presence in this table of *Cassa Deposito e Prestiti* (a state controlled fund and deposit institution) bonds (a government issuer) amounting to €15.8 million as at 30th June 2016 and to €12.6 million as at 31st December 2015.

Details of the UBI Banca Group exposures are given on the basis that, according to the instructions issued by the European supervisory authority (European Securities and Markets Authority, ESMA), "sovereign debt" is defined as debt instruments issued by central and local governments and by government entities and also as loans granted to them.

The book value of sovereign debt risk exposures of the UBI Banca Group as at 30th June 2016 was approximately €18.1 billion compared with €19 billion at the end of 2015.

The exposure continues to be concentrated in Italian government securities, even if a decrease is considered that involved both the AFS portfolio and the HFT portfolio following disposals made in the first half.

The following emerged:

- a significant increase in exposure to the United States as a consequence of investments in Treasuries made in the first half within the AFS portfolio;
- the effects of action finalised in the second quarter of the year on emerging country securities, which resulted in a very fragmented and geographically widely distributed list of securities (the investment was for \$200 million nominal).

Loans to Italian public administrations recorded slight growth to €696 million from €605.9 million at the end of 2015.

The table shows the distribution by maturity of Italian government securities held in portfolio.

Maturities of Italian government securities

Figures in thousands of euro	30.6.2016					31.12.2015				
	Financial assets held for trading	Available-for-sale financial assets	Held-to-maturity investments	Carrying amount	%	Financial assets held for trading	Available-for-sale financial assets	Held-to-maturity investments	Carrying amount	%
Up to 6 months	15,016	153,375	-	168,391	1.0%	100,029	-	-	100,029	0.5%
Six months to one year	105,148	894,441	-	999,589	6.2%	-	156,271	-	156,271	0.9%
One year to three years	-	2,776,389	-	2,776,389	17.2%	50,226	4,877,932	-	4,928,158	26.9%
Three years to five years	-	-	2,306,403	2,306,403	14.3%	-	1,405,203	2,336,591	3,741,794	20.4%
Five years to ten years	1	6,885,373	1,146,483	8,031,857	49.6%	268,535	6,187,391	1,157,956	7,613,882	41.5%
Over ten years	2	1,894,859	-	1,894,861	11.7%	-	1,796,827	-	1,796,827	9.8%
Total	120,167	12,604,437	3,452,886	16,177,490	100.0%	418,790	14,423,624	3,494,547	18,336,961	100.0%

At the end of the first half, the average life of the AFS portfolio was 6.53 years (6.2 years at the end of 2015), that of the HTM portfolio was 4.3 years (4.8 years), while that of government securities classified within the HFT portfolio was 0.65 years (4.1 years).

The comparative figures show a lower percentage in the “one to three year” and the “three to five year” ranges (down from 26.9% to 17.2% and from 20.4% to 14.3% respectively) following sales made in the AFS portfolio.

A slight increase was recorded on the other hand from 41.5% to 49.6% in the “five to ten year” range due to the action taken to purchase BTPs maturing in 2022 carried out in June.

With a view to greater transparency on credit risk exposures consisting of debt instruments other than sovereign debt – as requested by the European Securities and Markets Authority (ESMA) in Document No. 725/2012 of 12th November 2012 – a table has been provided summarising total [debt instruments other than sovereign debt](#) recognised among the assets of the UBI Banca Group balance sheet as at 30th June 2016 (available-for-sale financial assets, financial assets held for trading, loans and advances to banks and loans and advances to customers).

Debt instruments other than government securities recognised within consolidated assets

figures in thousands of euro	30.6.2016				31.12.2015					
	Issuer	Nationality	Carrying amount	Fair value	Nominal amount	Nationality	Carrying amount	Fair value	Nominal amount	
Corporate		Italy	142,536	142,536	158,087		Italy	103,722	103,722	111,700
Corporate		United Kingdom	134,996	134,996	129,469		United Kingdom	76,663	76,663	74,037
Corporate		Holland	128,914	128,914	121,105		Holland	112,908	112,908	106,776
Corporate		United States	118,468	118,468	109,872		United States	77,262	77,262	72,872
Corporate		France	100,313	100,313	92,500		France	70,787	70,787	66,000
Corporate		Ireland	35,007	35,007	34,100		Ireland	20,297	20,297	20,100
Corporate		Spain	34,463	34,463	30,679		Spain	41,522	41,522	37,900
Corporate		Germany	30,478	30,478	28,500		Germany	26,690	26,690	25,500
Corporate		Denmark	24,521	24,521	22,500		Denmark	8,075	8,075	7,500
Corporate		Australia	20,234	20,234	18,000		Australia	15,725	15,725	14,500
Corporate		Mexico	17,169	17,169	15,000		Mexico	8,325	8,325	7,500
Corporate		Belgium	13,159	13,159	12,900		Finland	2,033	2,033	2,000
Corporate		Finland	11,148	11,148	9,900		Norway	9,626	9,626	9,000
Corporate		Norway	9,893	9,893	9,000		Luxembourg	9	9	1,827
Corporate		Panama	8,832	8,832	8,500		Argentina	119	119	126
Corporate		Luxembourg	2,075	2,075	3,978		Brazil	-	-	62
Corporate		Sweden	1,374	1,374	1,100					
Corporate		Argentina	124	124	124					
Corporate		Brazil	-	-	62					
Total Corporate			833,704	833,704	805,376			573,763	573,763	557,400
Banking		Italy	183,919	183,919	192,800		Italy	172,723	172,723	178,800
Banking		United Kingdom	48,817	48,817	47,000		United Kingdom	27,738	27,738	27,000
Banking		Spain	29,978	29,978	29,500		Spain	19,111	19,111	19,000
Banking		Austria	16,449	16,449	15,700		Austria	15,228	15,228	14,500
Banking		Germany	16,040	16,040	15,003		Germany	5,760	5,760	5,003
Banking		Holland	14,483	14,483	13,015		Holland	7,565	7,565	7,515
Banking		Sweden	13,424	13,424	12,500		Sweden	8,118	8,118	7,500
Banking		France	12,663	12,662	12,500		France	8,083	8,083	8,000
Banking		United States	8,426	8,426	8,000					
Banking		Finland	7,082	7,083	6,500		Finland	7,012	7,012	6,500
Banking		Cyprus	-	-	9,500		Cyprus	64	64	9,500
Banking		Ireland	-	-	-		Ireland	5,088	5,088	5,000
Total Banking			351,281	351,281	362,018			276,490	276,490	288,318
Total debt instruments			1,184,985	1,184,985	1,167,394			850,253	850,253	845,718

The book value of these investments totalled €1.2 billion, up compared with €850.3 million at the end of December, the aggregate result on the one hand of an increase in exposures to ordinary corporate bonds, but also to banking issuers relating almost totally to the Parent and attributable to the operation to diversify the AFS portfolio carried out in the fourth quarter for approximately €350 million nominal.

To complete the disclosures required by the ESMA on the risk of sovereign debt exposures, at the end of June 2016 (as also in December 2015) the Group held no credit default products, nor did the Group carry out any transactions in those instruments during the first half, either to increase its exposure or to acquire protection.

Exposures to certain types of products

This section provides an update of the position of the UBI Banca Group with regard to some types of financial instruments, which are considered at high risk since the subprime mortgage crisis in 2007.

Special purpose entities

The involvement of the UBI Group in special purpose entities (SPEs⁵) concerns the following types:

1. conventional securitisation transactions⁶ performed by Group member companies in accordance with Law No. 130 of 30th April 1999;
2. the issue of covered bonds, in accordance with Art. 7 *bis* of Law No.130/1999.

1. The list of special purpose entities (SPEs) used for the securitisations in which the Group is involved is as follows:

24-7 Finance Srl,
UBI SPV Lease 2016 Srl,
UBI SPV BPA 2012 Srl,
UBI SPV BPCI 2012 Srl,
UBI SPV BBS 2012 Srl,
UBI SPV GROUP 2016 Srl.

As already reported, the UBI Lease Finance 5 Srl securitisation relating to UBI Leasing lease contracts was permanently closed down in the first half of 2016.

The securitisations concerning 24-7 Finance Srl, UBI SPV Lease 2016 Srl, UBI SPV BPA 2012 Srl, UBI SPV BPCI 2012 Srl, UBI SPV BBS 2012 Srl and UBI SPV Group 2016 Srl were performed in order to create a portfolio of assets eligible as collateral for refinancing with the European Central Bank, consistent with Group policy for the management of liquidity risk.

They were carried out on the following: performing residential mortgages of the former B@nca 24-7(24-7 Finance Srl); UBI Leasing lease contracts (UBI SPV Lease 2016 Srl); performing loans to small to medium-size enterprises of Banca Popolare di Ancona (UBI SPV BPA 2012 Srl), Banca Popolare Commercio e Industria (UBI SPV BPCI 2012 Srl) and Banco di Brescia (UBI SPV BBS 2012 Srl); performing residential mortgages granted to individuals and sole traders by UBI Banca, Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare di Ancona, Banca Popolare Commercio e Industria, Banca Regionale Europea and Banca Carime (UBI SPV GROUP 2016 Srl).

The following new transactions were concluded in the first half of 2016:

- the first transfer (with effect for accounting and financial purposes from June 2016) to the special purpose entity UBI SPV GROUP 2016 Srl of assets amounting to €2,748 million held by Banco di Brescia, Banca Regionale Europea, Banca Popolare di Bergamo, Banca Popolare di Ancona, Banca Popolare Commercio e Industria, Banca Carime and UBI Banca;
- the first transfer (with effect for accounting and financial purposes from June 2016) to the special purpose entity UBI SPV Lease 2016 Srl of assets amounting to €3,069 million held by UBI Leasing.

We report that as at 30th June 2016 the notes relating to those new securitisations had not yet been issued.

Although Group investment in the ownership capital of the SPEs is limited, the entities listed above are included in the consolidated accounts because these companies are in reality controlled, since their assets and liabilities were originated by Group companies.

In the securitisations in question the senior securities issued by the entities – assigned a rating – are listed on the Dublin Stock Exchange.

⁵ Special Purpose Entities (SPEs) are special companies formed to achieve a determined objective.

⁶ With normal securitisations the originator sells the portfolio to a special purpose entity which then issues tranches of asset-backed securities in order to purchase it. With a synthetic securitisation, on the other hand, the originator purchases protection for a pool of assets and transfers the credit risk attaching to the portfolio – either fully or in part – by using credit derivatives such as CDSs (credit default swaps) and CLNs (credit-linked notes) or by means of personal guarantees.

2. With regard to the issue of covered bonds, the creation of the SPEs UBI Finance Srl (in 2008) and UBI Finance CB 2 Srl (in 2011) was performed for the purchase of loans from banks in order to create cover pools for covered bonds issued by the Parent⁷.

The issuance of covered bonds is designed to diversify sources of funding and to contain its cost as well as to increase eligible reserves.

Transfers were made in the first half of 2016 to the SPEs UBI Finance Srl and UBI Finance CB2 Srl involving assets of €1,358 million (with effect for accounting purposes from May 2016) and approximately €350 million (with effect for accounting purposes from June 2016) respectively, held by Banca Regionale Europea, Banca Popolare di Ancona, Banca Popolare Commercio e Industria, Banca Popolare di Bergamo and Banco di Brescia.

At the date of this report, UBI Banca has issued covered bonds totalling €11.7 billion nominal (of which €2.95 billion relating to retained issuances) under the “first programme” (residential mortgages) for a maximum issuance of €15 billion and for a total of €2.4 billion nominal (all retained issuances) under the “second programme” (mainly commercial mortgages) with a maximum issuance of €5 billion. The originator banks issued subordinated loans to the SPE UBI Finance Srl and to the SPE UBI Finance CB 2 Srl, equal to the value of the loans progressively transferred, in order to fund the purchase. As at 30th June 2016 these loans amounted to €15.1 billion for UBI Finance Srl (€14.5 billion in December 2015) and to €3.4 billion for UBI Finance CB 2 (€3.2 billion in December 2015).

Exposures are present in the Group which relate solely to the SPEs formed for the securitisations mentioned and they all fall within the scope of the consolidation.

Ordinary lines of liquidity existed at the end of the first half granted by the Parent to the SPE 24-7 Finance Srl for a total of €97.6 million, entirely drawn on (€97.6 million entirely drawn on also at the end of 2015).

Subordinated loans were disbursed for the three transactions completed in 2012 as a further form of guarantee when the securities were issued, which in June 2016, amounted to: €29.4 million for UBI SPV BBS 2012 Srl, €46.7 million for UBI SPV BPA 2012 Srl and €31.2 million for UBI SPV BPCI 2012 Srl.

The 24-7 Finance Srl securitisation is backed by swap contracts where the main objective is to normalise the flow of interest generated by the transferred or securitised portfolio, providing *de facto* immunisation to the SPE against interest rate risk. As a consequence of the downgrading of UBI Banca’s rating, which occurred starting in 2011, it became necessary to provide margin deposits for the swap contracts entered into between the Parent or other Group companies and the SPEs for the securitisations.

Margin accounts were opened with an eligible institution which was the London Branch of Bank of New York Mellon (ratings: Moody’s Aa1/S&P AA-/Fitch AA). The margin deposits mentioned were paid starting on 26th October 2011 for an initial total amount of a little more than €1,015 million, of which €717 million for the covered bond programme and €298 million for the securitisations.

The total balance as at 30th June 2016 was €550.5 million employed exclusively for the covered bond programme.

With a view to diversifying the risks, on 10th December 2014, the margin account for the swaps relating to the first covered bond programme was transferred from Bank of New York Mellon to BNP Paribas Securities Services (ratings: Moody’s A1/S&P A/Fitch A+).

No exposures exist to SPEs or other conduit operations with underlying securities or investments linked to United States subprime and Alt-A loans.

The total assets of SPEs relating to securitisations and to covered bonds amounted to €26.8 billion (€23 billion at the end of 2015). The table below reports details by asset class:

⁷ The transfers are designed to create segregated portfolios to back the issues and do not involve derecognition of the assets in the financial statements of the originators.

SPE underlying assets

Figures in millions of euro		Classification of underlying assets of the securitisation			30.6.2016		31.12.2015	
Entity	Total assets	Class of underlying asset	Accounting classification	Measurement criteria adopted	Gross of impairment losses	Net of impairment losses	Gross of impairment losses	Net of impairment losses
24-7 Finance	1,244.2	Mortgages	L&R	AC	1,064.0	1,061.7	1,131.2	1,128.7
UBI Lease Finance 5	-	Leasing	L&R	AC	-	-	1,852.0	1,839.0
UBI SPV Lease 2016	3,012.7	Leasing	L&R	AC	3,034.7	3,011.5	-	-
UBI Finance	15,147.7	Mortgages	L&R	AC	14,657.8	14,638.5	14,246.3	14,227.3
UBI Finance CB 2	3,302.0	Mortgages	L&R	AC	3,081.3	3,067.6	2,970.1	2,957.6
UBI SPV BBS 2012	385.3	Loans to SMEs	L&R	AC	357.8	356.1	410.4	408.2
UBI SPV BPA 2012	527.0	Loans to SMEs	L&R	AC	485.9	482.5	555.2	551.6
UBI SPV BPCI 2012	362.6	Loans to SMEs	L&R	AC	341.0	339.7	389.0	387.3
UBI SPV GROUP 2016	2,810.6	Mortgages	L&R	AC	2,814.1	2,809.6		
		Total impaired assets, mortgages and loans			1,313.9	1,023.9	1,263.1	1,051.1
		Total impaired assets, leasing			1.2	1.1	527.3	433.7
TOTAL	26,792.1				27,151.7	26,792.1	23,344.6	22,984.5

Exposures in ABS, CDO, CMBS and other structured credit products

As at 30th June 2016 the Group held no direct investments in ABS instruments.

Own securitisations, eliminated when consolidating the accounts, totalled €2.5 billion in notional terms: €1.4 billion of senior notes used as collateral for advances from the ECB (see the previous section “The interbank market and the liquidity situation”) and €1.1 billion of junior notes.

In addition to the direct exposures, hedge funds or funds of hedge funds were identified among the assets present in Group portfolios with exposures to CDO and CMBS structured credit products. In June 2016 indirect exposure to CDOs and CMBSs was €0.5 million (€1 million in December 2015) compared with a total investment in these funds amounting to €125 million (net of impairment losses/reversals).

Other subprime, Alt-A and monoline insurer exposures

Again in June 2016 indirect exposures to subprime and Alt-A mortgages and to monoline insurers existed that were contained in hedge funds or funds of hedge funds held by the Parent. The percentages of exposure to subprime and Alt-A mortgages were again low (no fund had a percentage exposure of greater than 0.3%), with total exposure to subprime, Alt-A mortgages and monoline insurers of approximately €0.2 million (€0.8 million in December 2015).

Leveraged Finance

The term leveraged finance is used in the UBI Banca Group to refer to finance provided for a company or an initiative which has debt that is considered higher than normal on the market and is therefore considered a higher risk. Usually this finance is used for specific acquisition purposes (e.g. the acquisition of a company by other companies – either directly or through vehicles/funds – owned by internal [buy-in] or external [buy-out] management teams). They are characterised by “non investment grade” credit ratings (less than BBB-) and/or by remuneration that is higher than normal market levels. This definition coincides essentially with acquisition finance (AF) business.

An acquisition involves a substantial change in the economic, financial and capital profile of the debtor. The main source of funds for the repayment of the debt contracted for the acquisition finance itself is from the future cash flows generated by the entity (a single company or a Group) after the acquisition.

The three requirements necessary for the identification and consequent classification of a customer as an acquisition finance client, consistent with the definition used in the validated internal models, are as follows:

- credit lines are granted to finance the acquisition of control of one or more third party companies and/or activities held by third parties and/or the refinancing of prior exposures relating to the same companies/activities subject to the acquisition (purpose requirement);
- the effect of the acquisition consists of an increase in the turnover of the “enlarged” group of companies, i.e. the sum of the turnover of the acquiring group and the turnover of the target group is 40% greater than that of the acquiring group alone (size requirement)⁸;
- no more than four years have passed since the date of the first grant of credit lines to finance the acquisition (“vintage” requirement)⁹.

Once that time has passed the transactions are considered “conventional corporate” transactions and therefore in the presentation that follows, only transactions classified as “acquisition finance” as at the dates indicated have been considered.

The table summarises on- and off-balance sheet exposure for leveraged finance by the UBI Banca at the end of June. These loans (on-balance sheet) accounted for approximately 0.5% of total UBI Banca Group loans. The amounts shown (on- and off-balance sheet) relate to 56 positions (counterparties) for a total average net exposure per position of €8.5 million. Six positions existed with exposures of greater than €20 million, almost all relating to on-balance sheet loans and receivables, and they account for around 45% of the total.

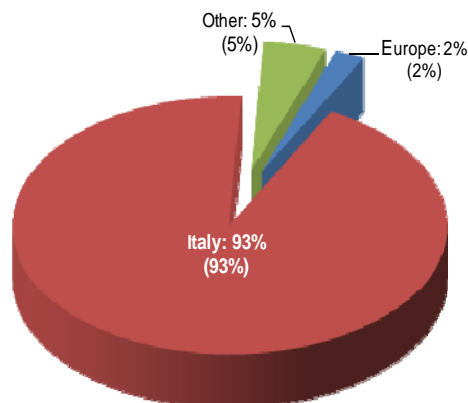
UBI Banca leveraged finance business (Acquisition Finance)

figures in millions of euro	On-balance sheet exposure gross exposure to customers		Unsecured guarantees gross exposure to customers	
	used	impairment	used	impairment
30 June 2016	457.8	-26.6	47.7	-0.4
31 December 2015	491.0	-22.4	20.7	-1.5

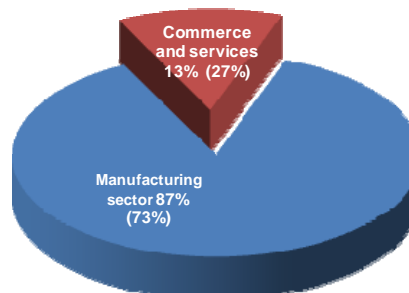
The charts show the distribution of leveraged exposures by geographical area and sector.

Distribution of UBI Banca leveraged exposures as at 30th June 2016 (the figures as at 31st December 2015 are given in brackets)

EXPOSURE BY GEOGRAPHICAL AREA



EXPOSURE BY SECTOR



Residual exposures also existed within the Group amounting to €28.2 million, relating to transactions performed by the network banks for a total of 19 positions with average exposure per transaction of €1.5 million.

The distribution of the loans disbursed was as follows: Banca Popolare di Bergamo €13.7 million, Banca Popolare di Ancona €10.3 million, Banco di Brescia €3.9 million and Banca Popolare Commercio e Industria €0.3 million.

⁸ The threshold has been set at 40% because on the basis of experience it is considered that this percentage of change in “dimension” involves a significant discontinuity for the Group after the operation compared with before it and therefore the official operating and financial documentation (consolidated/separate financial statements of the acquirer) will not be representative of the new reality. This threshold was also set along the same lines as the requirements for the “special procedure” set for other counterparties assessed using the corporate rating model. Where an acquisition is concluded by using a specially formed vehicle, a newco (and therefore usually irrelevant from the viewpoint of dimension), this second requirement is deemed always satisfied.

⁹ This is considered sufficient time to absorb the impacts of the discontinuity determined by the acquisition, described in footnote 8.

Financial derivative instruments for trading with customers

The periodic analysis performed for internal monitoring purposes confirms that the risks assumed by customers continue to remain generally low and they outlined a conservative profile for UBI Group business in OTC derivatives with customers.

A quantitative update as at 30th June 2016 showed the following:

- the notional amount for existing contracts, totalling €6.25 billion, was attributable to interest rate derivatives amounting to €5.66 billion and currency derivatives amounting to €0.57 billion plus a marginal notional amount for commodities contracts of (€22 million);
- transactions in hedging derivatives accounted for approximately 99.96% of the notional amount traded, in the case of currency derivatives and 90.5% of the notional amount in the case of commodity derivatives;
- the net total mark-to-market value (interest rate, currency and commodity derivatives) amounted to -€436.2 million. Those contracts with a negative mark-to-market for customers were valued at approximately -€447.6 million.
- the total negative mark-to-market for customers stood at 7% of the notional amount of the contracts, compared with 6.2% at the end of 2015¹⁰.

The rules governing trading in OTC derivatives with customers are contained in the “Policy for the trading, sale and subscription of financial products” and in the relative documents to implement it, updated in 2015, which provide details of the following:

- customer segmentation and classes of customers associated with specific classes of products, stating that the purpose of the derivatives transactions must be hedging and that transactions containing speculative elements must be of a residual nature;
- rules for assessing the appropriateness of transactions, defined on the basis of the products sold to each class of customer;
- principles of integrity and transparency on which the range of OTC derivatives offered to customers must be based, in compliance with the guidelines laid down by the Italian Banking Association (and approved by the Consob) for illiquid financial products and with the recent ESMA opinions and a Consob communication on complex products;
- rules for assessing credit exposure, which grant credit lines with maximum limits for trading with “qualified”, “professional” and “non-individual retail” counterparties and provide credit lines for single transactions for trading with individual retail counterparties, while counterparty risk is assessed on the basis of Regulation EU 575/2013;
- rules for managing restructuring operations, while underlining their exceptional nature;
- the rules for the settlement of transactions in OTC derivative instruments with customers that are subject to verbal or official dispute;
- the catalogue of products offered to customers and the relative credit equivalents.

¹⁰ In the first half of 2016 the yield curve for Euribor interest rates reduced progressively, especially with regard to medium to long-term maturities.

OTC interest rate derivatives: details of instrument types and classes of customer

Data as at 30th June 2016

Product class	Type of instrument	Customer classification	Number of transaction	Notional	MtM	of which negative MtM
1	Purchase of caps	Qualified	2	27,179,784.00	2,320.77	-
		3: Professional	50	130,900,694.60	223,252.95	-
		2: Non private individual retail	635	232,414,506.01	333,994.51	-
		1: Private individual retail	574	62,505,156.22	100,527.14	-
	Purchase of caps Total		1,261	453,000,140.83	660,095.37	-
	Purchase of floors	3: Professional	2	27,122,038.11	809,209.60	-
	Purchase of floors Total		2	27,122,038.11	809,209.60	-
	Capped swaps	Qualified	2	5,052,772.88	-405,417.70	-405,417.70
		3: Professional	47	159,397,685.74	-5,086,567.50	-5,086,567.50
		2: Non private individual retail	822	492,532,273.04	-12,483,366.01	-12,483,366.01
		1: Private individual retail	1,330	144,256,250.76	-2,932,257.71	-2,932,257.71
	Capped swaps Total		2,201	801,238,982.42	-20,907,608.92	-20,907,608.92
	IRS Plain Vanilla	Qualified	9	37,162,559.16	-1,456,126.19	-1,456,126.19
		3: Professional	369	1,905,964,372.62	-147,689,946.92	-147,689,946.92
		2: Non private individual retail	1,411	1,787,233,446.24	-170,493,768.10	-170,493,768.10
		1: Private individual retail	462	87,968,806.12	-5,586,684.31	-5,586,684.31
	Plain Vanilla IRS Total		2,251	3,818,329,184.14	-325,226,525.52	-325,226,525.52
	IRS Step Up	3: Professional	23	240,084,262.95	-74,725,413.93	-74,725,413.93
		2: Non private individual retail	25	54,825,415.44	-16,265,390.67	-16,265,390.67
		1: Private individual retail	1	251,531.19	-44,319.83	-44,319.83
	IRS Step up Total		49	295,161,209.58	-91,035,124.43	-91,035,124.43
	Floored Swaps	3: Professional	18	177,653,802.64	-1,186,164.53	-1,186,164.53
		2: Non private individual retail	42	54,381,586.91	-868,485.12	-868,485.12
		1: Private individual retail	14	4,772,558.67	-134,098.81	-134,098.81
	Floored Swaps		74	236,807,948.22	-2,188,748.46	-2,188,748.46
	Purchase of collars	2: Non private individual retail	2	7,382,821.74	-443,488.27	-443,488.27
	Purchase of collars Total		2	7,382,821.74	-443,488.27	-443,488.27
	Total Class 1: hedging derivatives		5,840	5,639,042,325.04	-438,332,190.63	-439,801,495.60
	Class 1: % of Group total		99.8%	99.61%	99.7%	99.7%
2	Purchase of caps with K/IKO	3: Professional	1	12,234,042.64	-148,404.29	-148,404.29
		2: Non private individual retail	1	619,516.01	-4,661.52	-4,661.52
	Purchase of caps with K/IKO Total		2	12,853,558.65	-153,065.81	-153,065.81
	Purchase of collars with K/IKO	2: Non private individual retail	3	3,900,085.26	-988,909.41	-988,909.41
	Purchase of collars with K/IKO Total		3	3,900,085.26	-988,909.41	-988,909.41
	IRS Convertible	3: Professional	1	2,625,000.01	-49,717.31	-49,717.31
		2: Non private individual retail	2	659,033.94	-116,460.78	-116,460.78
	IRS Convertible Total		3	3,284,033.95	-166,178.09	-166,178.09
	Total Class 2: hedging derivatives with possible exposure to contained financial risks		8	20,037,677.86	-1,308,153.31	-1,308,153.31
	Class 2: % of Group total		0.1%	0.35%	0.3%	0.3%
3a	IRS Range	2: Non private individual retail	1	2,000,000.00	-93,735.47	-93,735.47
	IRS Range Total		1	2,000,000.00	-93,735.47	-93,735.47
	Total Class 3a: partial hedging derivatives and maximum pre-established loss		1	2,000,000.00	-93,735.47	-93,735.47
	Total Class 3: derivatives not for hedging		1	2,000,000.00	-93,735.47	-93,735.47
	Class 3: % of Group total		0.1%	0.04%	0.0%	0.0%
	Total UBI Banca Group		5,849	5,661,080,002.90	-439,734,079.41	-441,203,384.38

OTC currency derivatives: details of instrument types and classes of customer

Date as at 30th June 2016

Product class	Type of instrument	Customer classification	Number of transactions	Notional	MtM	of which negative MtM
1	Forward synthetic	3: Professional	108	80,800,712.45	1,001,629.78	-395,814.94
		2: Non private individual retail	40	8,874,387.46	41,182.80	-70,802.33
	Forward synthetic Total		148	89,675,099.91	1,042,812.58	-466,617.27
	Plafond	Qualified	1	317,316.41	-6,371.27	-6,371.27
		3: Professional	216	198,758,538.77	867,956.93	-1,399,942.95
		2: Non private individual retail	390	148,232,134.87	-1,563,613.04	-2,516,283.05
	Plafond Total		607	347,307,990.05	-702,027.38	-3,922,597.27
	Currency collars	2: Non private individual retail	3	547,235.03	-3,765.98	-3,765.98
	Currency collars Total		3	547,235.03	-3,765.98	-3,765.98
	Vanilla currency options purchased	3: Professional	22	12,071,402.77	428,839.28	-
2: Non private individual retail		2	440,528.64	18,563.71	-	
Vanilla currency options purchased		24	12,511,931.41	447,402.99	-	
Total Class 1: hedging derivatives			782	450,042,256.40	784,422.21	-4,392,980.52
Class 1: % of Group total			80.7%	79.4%	-	91.6%
2	Knock in collars	3: Professional	28	10,215,717.98	-37,458.68	-88,910.88
		Knock in collars Total	28	10,215,717.98	-37,458.68	-88,910.88
	Knock in forwards	3: Professional	60	39,400,256.76	1,996,241.54	-63,496.79
		2: Non private individual retail	17	5,745,217.25	51,146.88	-1,328.23
	Knock in forwards Total		77	45,145,474.01	2,047,388.42	-64,825.02
	Plafond with accelerated condition	3: Professional	3	4,016,965.10	-15,563.86	-23,047.18
	Plafond with accelerated condition Total		3	4,016,965.10	-15,563.86	-23,047.18
	New collars	3: Professional	3	3,284,703.12	26,094.02	-
	New Collar Total		3	3,284,703.12	26,094.02	-
	Total Class 2: hedging derivatives with possible exposure to contained financial risks			111	62,662,860.21	2,020,459.90
Class 2: % of Group total			11.5%	11.0%	-	3.7%
3b	Knock out knock in forwards	3: Professional	47	4,446,513.20	-11,560.70	-20,213.94
		Knock out knock in forwards Total	47	4,446,513.20	-11,560.70	-20,213.94
	Knock out forwards	3: Professional	1	4,235,493.43	95,164.99	-
		Knock out forwards	1	4,235,493.43	95,164.99	-
	Vanilla currency options sold by the customer	3: Professional	28	45,651,448.46	-204,136.41	-204,136.41
Vanilla currency options sold by the customer Total		28	45,651,448.46	-204,136.41	-204,136.41	
Total Class 3: derivatives not for hedging			76	54,333,455.09	-120,532.12	-224,350.35
Class 3: % of Group total			7.8%	9.6%	-	4.7%
Total UBI Banca Group			969	567,038,572	2,684,349.99	-4,794,113.95

OTC commodities derivatives: details of instrument types and classes of customer

Data as at 30th June 2016

Product class	Type of instrument	Customer classification	Number of transactions	Notional	MtM	of which negative MtM
2	Commodity swaps	3: Professional	81	10,766,717.25	925,359.64	-1,198,118.36
		2: Non private individual retail	5	448,327.12	33,309.58	-2,488.00
	Commodity swaps Total		86	11,215,044.37	958,669.23	-1,200,606.36
	Forward synthetic commodities	3: Professional	45	8,151,041.00	-179,821.00	-397,603.00
		2: Non private individual retail	7	1,879,025.00	81,011.00	-
	Forward synthetic commodities Total		52	10,030,066.00	-98,810.00	-397,603.00
Total Class 2: hedging derivatives with possible exposure to contained financial risks			138	21,245,110.37	859,859.23	-1,598,209.36
Class 2: % of Group total			99.3%	96.6%	-	99.1%
3	Vanilla options on commodities purchased	3: Professional	1	756,620.43	-14,863.99	-14,863.99
	Vanilla options on commodities purchased		1	756,620.43	-14,863.99	-14,863.99
Total Class 3: derivatives not for hedging			1	756,620.43	-14,863.99	-14,863.99
Class 3: % of Group total			0.7%	3.4%	-	0.9%
Total UBI Banca Group			139	22,001,730.80	844,995.24	-1,613,073.34
TOTAL UBI BANCA GROUP			6,957	6,250,120,305.40	-436,204,734.18	-447,610,571.67

OTC derivatives: first five counterparties by bank (figures in euro)

Bank	Classification	MtM	of which negative MtM
UBI Banca	3: Professional	-72,500,867	-72,500,867
	3: Professional	-28,976,565	-28,976,565
	3: Professional	-11,755,546	-11,755,546
	3: Professional	-11,264,039	-11,264,039
	3: Professional	-6,737,915	-6,737,915
Banca Popolare Commercio e Industria	2: Non private individual retail	-6,640,944	-6,640,944
	3: Professional	-3,903,519	-3,903,519
	3: Professional	-2,899,622	-2,899,622
	2: Non private individual retail	-2,021,865	-2,021,865
	3: Professional	-1,757,968	-1,757,968
Banca Popolare di Ancona	3: Professional	-2,019,167	-2,301,832
	2: Non private individual retail	-1,768,455	-1,768,455
	2: Non private individual retail	-1,545,972	-1,545,972
	2: Non private individual retail	-1,401,754	-1,401,754
	3: Professional	-1,400,508	-1,400,508
Banco di Brescia	3: Professional	-4,216,808	-4,216,808
	2: Non private individual retail	-2,469,417	-2,469,417
	2: Non private individual retail	-2,139,186	-2,139,186
	3: Professional	-1,476,045	-1,476,045
	3: Professional	-1,234,759	-1,234,759
Banca Popolare di Bergamo	3: Professional	-3,578,340	-3,578,340
	2: Non private individual retail	-1,979,780	-1,979,780
	2: Non private individual retail	-1,041,528	-1,041,528
	3: Professional	-993,120	-993,120
	2: Non private individual retail	-843,128	-843,128
Banca Regionale Europea	2: Non private individual retail	-966,363	-966,363
	3: Professional	-639,185	-639,185
	3: Professional	-473,738	-473,738
	3: Professional	-444,346	-444,346
	2: Non private individual retail	-408,703	-408,703
Banca Carime	2: Non private individual retail	-451,906	-451,906
	2: Non private individual retail	-221,121	-221,121
	2: Non private individual retail	-37,441	-37,441
	2: Non private individual retail	-37,441	-37,441
	2: Non private individual retail	-31,588	-31,588
Banca di Valle Camonica	2: Non private individual retail	-388,408	-388,408
	2: Non private individual retail	-250,600	-250,600
	3: Professional	-190,647	-190,647
	2: Non private individual retail	-187,573	-187,573
	3: Professional	-179,083	-179,083

Equity and capital adequacy

Changes in consolidated shareholders' equity

Reconciliation between equity and profit for the period of the Parent with consolidated equity as at 30th June 2016 and profit for the period then ended

Figures in thousands of euro	Equity	of which: Profit for period
Equity and profit for the period in the accounts of the Parent	8,485,306	52,887
Effect of the consolidation of subsidiaries including joint ventures	-272,276	-596,961
Effect of measuring other significant equity investments using the equity method	36,313	11,950
Dividends received during the period	-	-232,125
Other consolidation adjustments (including the effects of the PPA)	593,000	-22,736
Equity and profit for the period in the consolidated accounts	8,842,343	-786,985

Changes in consolidated equity of the Group in the first half of 2016

Figures in thousands of euro	Balances as at 31.12.2015	Allocation of prior year profit		Changes January-June 2016				30.6.2016 Equity attributable to the shareholders of the Parent
		Reserves	Dividends and other uses	Changes in reserves	Equity transactions		Consolidated comprehensive income	
					New share issues	Stock options		
Share capital:	2,254,371	-	-	-	-	-	-	2,254,371
a) ordinary shares	2,254,371	-	-	-	-	-	-	2,254,371
b) other shares	-	-	-	-	-	-	-	-
Share premiums	3,798,430	-	-	-	-	-	-	3,798,430
Reserves	3,556,603	116,765	-104,098	-9,112	-	-	-	3,560,158
Valuation reserves	260,848	-	-	1	-	-	-233,864	26,985
Treasury shares	-5,155	-	-	-5,461	-	-	-	-10,616
Result for period	116,765	-116,765	-	-	-	-	-786,985	-786,985
Equity attributable to the shareholders of the Parent	9,981,862	-	-104,098	-14,572	-	-	-1,020,849	8,842,343

The equity attributable to the shareholders of the Parent, UBI Banca, as at 30th June 2016 inclusive of the result for the period, was €8,842.3 million, down compared with €9,981.9 million at the end of 2015.

As shown in the table "Changes in the consolidated equity of the Group in the first half of 2016", the decrease of over €1,139.6 million is the aggregate result of the following:

- the allocation of €104.1 million to dividends and other uses;

- a fall of €233.9 million in the balance on valuation reserves, generated entirely by the impact of comprehensive income as follows: -€216.1 million for available for sale financial assets; -€18 million for actuarial gains/losses relating to defined benefit pension plans; +€0.25 million for cash flow hedges;

Valuation reserves attributable to the Group: composition

Figures in thousands of euro	30.6.2016	31.12.2015
Available-for-sale financial assets	72,466	288,538
Cash flow hedges	-33	-285
Currency translation differences	-243	-243
Actuarial gains/losses for defined benefit pension plans	-104,221	-86,177
Special revaluation laws	59,016	59,015
Total	26,985	260,848

- an aggregate negative impact of €9.1 million for other reserves, consisting of €7.7 million resulting from the recognition of a negative reserve in relation to the valuation of the 1,807,220 shares subject to withdrawal, which UBI Banca was authorised to repurchase [corresponding to the difference between the redemption price (€7.288 per share) and the market value on the redemption settlement date (€3.0215)]¹;
- a decrease of €5.5 million, which reflects the recognition of the aforementioned 1,807,220 treasury shares at a value of €3.0215 per share¹;
- recognition of a loss for the period of €787 million.

Fair value reserves of available-for-sale financial assets attributable to the Group: composition

Figures in thousands of euro	30.6.2016			31.12.2015		
	Positive reserve	Negative reserve	Total	Positive reserve	Negative reserve	Total
1. Debt instruments	119,971	-109,847	10,124	236,554	-19,484	217,070
2. Equity instruments	53,406	-643	52,763	59,421	-257	59,164
3. Units in UCITS	9,669	-90	9,579	12,314	-10	12,304
4. Financing	-	-	-	-	-	-
Total	183,046	-110,580	72,466	308,289	-19,751	288,538

Fair value reserves of available-for-sale financial assets attributable to the Group: changes in the period

Figures in thousands of euro	Debt instruments	Equity instruments	UCITS units	Financing	Total
1. Opening balances as at 1st January 2016	217,070	59,164	12,304	-	288,538
2. Positive changes	41,677	4,502	4,313	-	50,492
2.1 Increases in fair value	41,130	4,146	4,310	-	49,586
2.2 Transfer to income statement of negative reserves	544	356	3	-	903
- following impairment losses	24	51	-	-	75
- from disposal	520	305	3	-	828
2.3 Other changes	3	-	-	-	3
3. Negative changes	-248,623	-10,903	-7,038	-	-266,564
3.1 Reductions in fair value	-174,659	-2,965	-1,562	-	-179,186
3.2 Impairment losses	-8	-410	-188	-	-606
3.3 Transfer to income statement of positive reserves: from dispo	-73,913	-7,528	-5,288	-	-86,729
3.4 Other changes	-43	-	-	-	-43
4. Closing balances as at 30th June 2016	10,124	52,763	9,579	-	72,466

As shown in the table, the decrease mentioned above of €216.1 million in the “fair value reserve for available-for-sale financial assets” is almost entirely attributable to debt instruments held in portfolio (for which the positive balance, affected by volatility on markets since the end of the first half, decreased by €206.9 million to €10.1 million net of tax and non-controlling interests) and to [Italian government securities](#) in particular. The relative reserve did in fact become negative by €2.7 million (it was positive at €212.4 million in December and €131.2 million in March) fully attributable to the Parent’s portfolio.

In the first six months of the year, the reserve for [debt instruments](#) recorded increases in fair value of €41.1 million, of which €11.7 million relating to the Parent (consisting almost entirely of Italian government securities), and €29.4 million to Lombarda Vita (primarily on its Italian government securities portfolio).

The table also shows “Transfers to the income statement of negative reserves” of €0.5 million relating entirely to Lombarda Vita.

Decreases include the following:

- reductions in fair value amounting to €174.6 million, of which: €146.3 million relating to UBI Banca (almost entirely on government securities); €27.5 million to Lombarda Vita and €0.8 million to the network banks (resulting from marginal portfolios of Italian government securities);

¹ The section “Significant events in the first half of 2016” may be consulted for further information.

- “transfers to the income statement from positive reserves from disposals” amounting to €73.9 million, of which: €72.2 million by UBI Banca due primarily to the disposal of Italian government securities; and €1.7 million by Lombarda Vita.

As concerns **equity instruments**, increases in fair value came to €4.1 million, of which €2.3 million relating to Lombarda Vita, €1 million in relation to the Parent (interest held in S.A.C.B.O.) and €0.8 million a Banco di Brescia. “Transfers to the income statement of negative reserves”, amounted to €0.4 million and were attributable primarily to Lombarda Vita.

We also report reductions in fair value totalling €3 million (€2.5 million relating to Lombarda Vita and €0.4 million to the Parent) and “impairment losses” of €0.4 million relating almost entirely to the write-down of the stake held by UBI Banca as well as “transfers to the income statement of positive reserves from disposals” of €7.5 million of which €2.2 million relating to the Parent and €5 million to IW Bank, as a result of the sale of the Visa Europe Ltd shareholdings, and to a minor extent to Lombarda Vita.

Units in UCITS recorded increases in fair value amounting to €4.3 million, of which €2.8 million relating to UBI Banca (mainly on the Polis Fund) and €1.5 million to Lombarda Vita. Reductions included decreases in fair value of €1.6 million (€1.4 million for Lombarda Vita; €0.1 million for UBI Banca), impairment losses of €0.2 million relating to the Parent and “transfers to the income statement of positive reserves from disposals” of €5.3 million relating primarily to UBI Banca (Sviluppo Impresa Fund).

Capital adequacy

The new prudential rules for banks and investment companies contained in EU Regulation 575/2013 (the Capital Requirements Regulation, known as the CRR) and in the EU Directive 2013/36/EU (the Capital Requirements Directive, known as CRD IV), came into force on 1st January 2014. These transpose standards defined by the Basel Committee on Banking Supervision (known as the Basel 3 framework) into European Union regulations.

The CRR came directly into force in member states, while the regulations contained in CRD IV were implemented in national legislation with Legislative Decree No. 72 of 12th May 2015, which came into force on 27th June 2015.

On conclusion of a public consultation process started in November 2013, on 17th December the Bank of Italy published Circular No. 285 “Regulations for the prudential supervision of banks”, which updated, within the scope of its remit, the new EU regulations, together with Circular No. 286 “Instructions for compiling supervisory reports for banks and stock brokerage firms” and an update to Circular No. 154 “Supervisory reporting for credit and financial institutions. Tables for data and instructions for filing reports” (a set of regulations that was updated several times in 2014 and 2015).

As already reported, the introduction of Basel 3 rules is subject to a transitional regime during which, in most cases, the new rules will be applied to an increasing degree until 2019, when they will reach full application. At the same time, capital instruments that no longer qualify will be gradually excluded from total capital for regulatory purposes by 2021.

At the end of June the UBI Banca Group’s Common Equity Tier 1 (CET1) capital amounted to €7.047 billion, down compared with the end of December (€7.4 billion) and also compared with March (€7.3 billion).

The performance of the CET1 capital in the first half is attributable primarily to items recognised in the second quarter of the year:

- a decrease in the shortfall totalling €639 million net (following an increase in coverage for non-performing exposures which led to recognition of loan losses through profit and loss).
The total shortfall therefore fell from €1,050 million as at 31st December (€991 million in March) to €95.4 million at the end of June;
- recognition of a loss for the period of €787 million (increased to take account of the share of the proposed distributable dividends and allocations to charity)².

² The application of transitional rules for 2016 involves a 60% deduction of the loss for the period from the CET1 capital and the remaining 40% from AT1 capital, within the maximum limits of that capital. If the AT1 has reached capacity, the deduction is transferred to the higher capital level (CET1).

- the deduction of DTAs on future profits amounting to €137 million, following the same application of “transitional” rules for 2016 which involve a 60% deduction of the total amount.

As concerns the Tier 2 capital on the other hand, an increase of €1.9 billion was recorded as a result of an increase in the share of eligible instruments following a subordinated issuance of EMTNs amounting to €750 million completed in the second quarter, partly offset by amortisations on other eligible issues totalling €296 million in the first half.

Capital ratios (Basel 3)

Figures in thousands of euro	30.6.2016	31.3.2016	31.12.2015
Common Equity Tier 1 capital before filters and transitional provisions	6,892,511	8,127,416	8,182,013
Effects of transitional provisions provided for by the regulations (minority interests)	117,805	115,770	176,599
Effects of transitional provisions provided for by the regulations (AFS reserves)	-40,894	-42,535	-59,068
Effects of transitional provisions provided for by the regulations (loss for the period)	18,345	-	-
Effects of transitional provisions provided for by the regulations (DTAs)	91,139	-	-
Adjustments to Common Equity Tier 1 capital due to prudential filters provided for by	-4,563	-5,064	-3,136
Government securities sterilisation effect*	29,514	-105,449	-190,983
Common Equity Tier 1 capital net of prudential filters	7,103,857	8,090,138	8,105,425
<i>Deductions from Common Equity Tier 1 capital in relation to negative items for shortfall of provisions to expected losses, inclusive of the application of transitional provisions</i>	-57,267	-754,370	-696,531
<i>of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions</i>			
Common Equity Tier 1 capital	7,046,590	7,335,768	7,408,894
Additional Tier 1 capital before deductions	37,434	38,873	38,891
<i>Deductions from Additional Tier 1</i>	37,434	38,873	38,891
<i>of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions</i>	-19,089	-38,873	-38,891
Additional Tier 1 capital	-	-	-
Tier 1 capital (Common Equity Tier 1 + Additional Tier 1)	7,046,590	7,335,768	7,408,894
Tier 2 capital before transitional provisions	1,889,326	1,287,160	1,443,464
Effects of grandfathering provisions on Tier 2 instruments	-	-	-
Tier 2 capital after transitional provisions	1,889,326	1,287,160	1,443,464
Deductions from Tier 2 capital	-13,929	-191,904	-307,341
<i>of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions</i>	-19,089	-198,311	-315,181
Tier 2 capital after specific deductions	1,875,397	1,095,256	1,136,123
Total own funds	8,921,987	8,431,024	8,545,017
Credit risk	4,577,486	4,523,121	4,536,654
Credit valuation adjustment risk	17,670	18,210	15,519
Market risk	60,009	44,465	78,762
Operational risk	278,065	276,654	276,654
Total prudential requirements	4,933,230	4,862,450	4,907,589
Risk weighted assets	61,665,379	60,780,623	61,344,866
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions / Risk weighted assets)	11.43%	12.07%	12.08%
Tier 1 ratio (Tier 1 capital after filters and deductions / Risk weighted assets)	11.43%	12.07%	12.08%
Total capital ratio (Total own funds / Risk weighted assets)	14.47%	13.87%	13.93%

Following the authorisations received from the Bank of Italy, the UBI Banca Group uses internal models to calculate capital requirements to meet credit risk relating to the corporate segment (exposures to companies) and to operational risks from the consolidated supervisory report as at 30th June 2012 and relating to the retail regulatory segment (exposures to small and medium-size enterprises and exposures backed by residential properties) from the consolidated supervisory report as at 30th June 2013.

* In compliance with transition measures concerning own funds contained in Part II, Chapter 14 of Bank of Italy Circular No 285 of 17th December 2013 and subsequent amendments (“Regulations for the supervision of banks”), advantage was taken in the calculation of the regulatory capital of the UBI Banca Group of the option to not include unrealised gains or losses relating to exposures to central governments classified within “available-for-sale financial assets” in any item of own funds. That option was exercised within the time limit set of 31st January 2014 and was applied at separate company and at consolidated level. This item therefore relates to the sterilisation from the CET1 capital of AFS reserves on Italian government securities, which therefore went into negative territory in the first half.

Finally, RWAs fell from €61.3 billion in December to €60.8 billion in March and rose to €61.7 billion in June. Overall, the increase recorded in the second quarter was the result, amongst other things, of greater exposures arising from the purchase of corporate securities and securities of emerging countries (as part of action taken to diversify financial portfolios) as well as the subscription by the Group of shares in the Atlante Fund.

At the end of the period, the capital ratios of the UBI Banca Group consisted of a Common Equity Tier 1 ratio and a Tier 1 ratio of 11.43% (12.07% in March and 12.08% in December) - 218 bp higher than the target thresholds set on conclusion of the SREP (9.25%) - and a total capital ratio of 14.47% (13.87% in March and 13.93% in December).

The pro forma CET1 ratio as at 30th June 2016, calculated on the basis of the rules that will be in force at the end of the transitional period (known as the fully phased in CET1 ratio) is estimated at 11.73% (11.62% in December 2015).

Finally, with regard to Basel 3 requirements, the leverage ratio³ stood at 5.70% (5.99% in March and 6% in December) while the fully loaded ratio was 5.53%.

Furthermore, as already reported, from 1st January 2016 banks are obliged to hold an anti-cyclical capital buffer. With a communication dated 25th March 2016, the Bank of Italy set the ratio for the anti-cyclical buffer for exposures to counterparties resident in Italy⁴ at 0% for the second quarter of 2016. As a consequence, since the Group's exposures are mainly towards domestic counterparties, the Group's anti-cyclical buffer is not significant.

³ Under Basel 3, leverage is calculated as the ratio of Tier 1 capital to total on- and off-balance sheet assets, with a minimum requirement of 3%. The ratio was calculated according to the provisions of the CRR, as amended by the Delegated Act (EU) No. 62/2015.

⁴ The capital requirement for significant exposures to counterparties not resident in Italy is below 5% of the total capital requirement for significant exposures.

Subordinated securities

ISSUER	TYPE OF ISSUE	COUPON	MATURITY DATE	EARLY REDEMPTION CLAUSE	NOMINAL AMOUNT		IAS AMOUNT	
					30.6.2016	31.12.2015	30.6.2016	
UNIONE DI BANCHE ITALIANE SPA	Ordinary subordinated bond issues (Lower Tier 2)	2009/2016 - floating rate 1 ISIN IT0004457187 - Currency euro Listed on MOT (electronic bond market)	Quarterly Euribor 3M + 1.25%.	13-3-2016	Redemption by fixed rate annual amortisation schedule from 13-3-2012	-	42,398	-
		2009/2019 - mixed rate 2 ISIN IT0004457070 - Currency euro Listed on MOT (electronic bond market)	Half year fixed rate 4.15% until 2014; subsequently floating rate Euribor 6M + 1.85%.	13-3-2019	13-3-2014	370,000	370,000	369,171
		2009/2016 - floating rate 3 ISIN IT0004497068 - Currency euro Listed on MOT (electronic bond market)	Quarterly Euribor 3M + 1.25%.	30-6-2016	Redemption by fixed rate annual amortisation schedule from 30-6-2012	-	31,367	-
		2009/2019 - mixed rate 4 ISIN IT0004497050 - Currency euro Listed on MOT (electronic bond market)	Half year fixed rate 4% until 2014; subsequently floating Euribor 6M + 1.85%.	30-6-2019	30-6-2014	365,000	365,000	362,041
		2010/2017 - fixed rate 5 ISIN IT0004572878 - Currency euro Listed on MOT (electronic bond market)	Half year fixed rate 3.10%.	23-2-2017	Redemption by fixed rate annual amortisation schedule from 23-2-2013	60,000	120,000	61,319
		2010/2017 - floating rate 6 ISIN IT0004572860 - Currency euro Listed on MOT (electronic bond market)	Half year floating rate Euribor 6M + 0.40%.	23-2-2017	Redemption by fixed rate annual amortisation schedule from 23-2-2013	30,517	61,035	30,451
		2010/2017 - fixed rate 7 ISIN IT0004645963 - Currency euro Listed on MOT (electronic bond market)	Half year fixed rate 4.30%.	5-11-2017	Redemption by repayment schedule at constant annual rates from 5-11-2013	160,000	160,000	162,042
		2011/2018 - fixed rate 8 ISIN IT0004718489 - Currency euro Listed on MOT (electronic bond market)	Half year fixed rate 5.50%.	16-6-2018	Redemption by fixed rate annual amortisation schedule from 16-6-2014	160,000	240,000	164,348
		2011/2018 - fixed rate 9 ISIN IT0004723489 - Currency euro Listed on MOT (electronic bond market)	Half year fixed rate 5.40%.	30-6-2018	Redemption by fixed rate annual amortisation schedule from 30-6-2014	160,000	240,000	164,258
		2011/2018 - mixed rate 10 ISIN IT0004767742 - Currency euro Listed on MOT (electronic bond market)	Quarterly fixed rate 6.25% until 2014; subsequently floating rate Euribor 3M + 1%	18-11-2018	-	222,339	222,339	220,424
		2012/2019 - mixed rate 11 ISIN IT0004841778 - Currency euro Listed on MOT (electronic bond market)	Quarterly fixed rate 7.25% until 2014; subsequently floating rate Euribor 3M + 5%	8-10-2019	-	200,000	200,000	201,095
		2012/2019 - fixed rate 12 ISIN IT0004842370 - Currency euro Listed on the MOT (electronic bond market) *	Half yearly fixed rate 6%	8-10-2019	Redemption by fixed rate annual amortisation schedule from 08-10-2015	776,366	776,366	787,318
		2016/2026 - fixed rate 4.25% EMTN 13 ISIN XS1404902535 - Currency euro Listed on the Irish Stock Exchange	Annual fixed rate 4.25%	5-5-2026	5-5-2021	750,000	-	759,126
Total					3,254,222	2,828,505	3,281,593	
<i>Total eligible</i>					<i>2,477,856</i>	<i>2,052,139</i>		

* In compliance with an interpretation given by the authorities on the qualification for the inclusion of subordinated liabilities, because that bond was issued after 31st December 2011 and has an amortisation schedule which starts to run before five years since issuance, it has not been included among the eligible liabilities.

Information on share capital, the share, dividends paid and earnings per share

Information on share capital and shareholder structure

On 3rd March 2016, Legislative Decree No. 25 of 15th February 2016 was published in the Official Journal which implemented Directive 2013/50/EU with which Transparency Directive 2004/109/EC was amended. This decree, which came into force on 18th March 2016, made amendments to the Consolidated Finance Act (Legislative Decree No. 58/1998): more specifically, Art. 120, which regulates the communication of significant shareholders in listed issuers, raised the threshold of significance to 3% from 2% previously in force.

We report in this respect that in July, the Bank received two reports of changes in the capital held in UBI Banca from Blackrock Inc. Therefore, compared with the information given in UBI Banca's 2015 Annual Report, significant interests held as at the date of this report are as follows:

- Silchester International Investors LLP, with 5.123% of the share capital held for asset management purposes (reported on 4th November 2015);
- BlackRock Inc., with 4.987% of the share capital held through its asset management companies (reported on 11th July 2016).

It must in any case be considered that the percentage interests reported may no longer be those actually held if a change has occurred in the meantime which does not involve disclosure obligations by the shareholders (Art. 119 bis "exemptions" of the Issuers' Regulations, paragraphs 7 and 8).

On the basis of reports received from financial intermediaries, shareholders of UBI Banca numbered approximately 150 thousand on the *ex dividend* date (23rd May 2016).

Treasury shares

As at 30th June 2016 UBI Banca held 3,239,049 treasury shares with no nominal value, accounting for 0.36% of the share capital. Of these:

- 1,807,220 shares resulted from the exercise of a right of withdrawal, purchased with value date 8th April 2016 on the basis of an authorisation issued by the ECB on 31st March 2016;
- 1,431,829 shares, on the other hand, were already held in portfolio as at 31st December 2015, to service the incentive schemes for "key personnel" of the Group.

On 1st July 2016, 131,277 treasury shares were granted relating to the deferred portion of the 2011 short term incentive scheme (because the retention period on the deferment had ended) and 77,359 shares were granted relating to the "up front" part to be paid in financial instruments as part of the 2013 incentive scheme, because the two-year retention period had ended.

Consequently at the date of this report treasury shares held at the service of incentives schemes for the Group's "key personnel" had fallen to 1,223,193, of which approximately 45.6% were already committed as follows:

- 34,242 shares for the deferred portion of the 2012 short-term scheme;
- 22,153 shares for the deferred portion of the 2013 short-term scheme;
- 259,708 shares for the 2014 short-term scheme;
- 242,200 shares for 2015 short-term scheme.

The remaining 664,890 shares will be used to service the long-term incentive scheme introduced in 2015, subject to this qualifying for share grants.

Finally, as already reported, the Shareholders' Meeting held on 2nd April 2016 authorised the Management Board and on its behalf the Chairman and the Chief Executive officer, each individually, to purchase a maximum of 6,300,000 ordinary shares of UBI Banca, for a total maximum consideration of €18,500,000,

to be used as part of the 2016 incentive scheme, to pay the variable components of personnel remuneration and a maximum number of 10,200,000 shares for a total maximum consideration of €30,000,000, to cover the personnel Productivity Bonus for the years 2015 and 2016.

These purchases must be made within 18 months of the date of the shareholders' authorisation, at a price of not less than €2.5 per share and not greater than 5% of the official price quoted in the market session prior to each individual purchase transaction.

Share performance

The UBI Banca share is traded on the *Mercato Telematico Azionario* (electronic stock exchange) of Borsa Italiana in the blue chip segment and forms part of the 40 shares in the FTSE/Mib Index.

Performance comparisons for the Unione di Banche Italiane share

Amounts in euro	30.6.2016 A	31.3.2016 B	30.12.2015 C	%change A/C	30.9.2015 D	30.6.2015 E	%change A/E	18.7.2011* F	%change A/F
Unione di Banche Italiane shares									
- official price	2.432	3.263	6.246	-61.1%	6.359	7.235	-66.4%	3.351	-27.4%
- reference price	2.474	3.252	6.200	-60.1%	6.340	7.195	-65.6%	3.278	-24.5%
FTSE Italia All-Share index	17,775	19,787	23,236	-23.5%	22,845	23,985	-25.9%	18,628	-4.6%
FTSE Italia Banks index	7,178	10,471	15,388	-53.4%	16,012	17,032	-57.9%	12,647	-43.2%

* The date of the conclusion of the increase in UBI Banca's share capital by €1 billion.

Source Datastream

Financial markets experienced a general climate of difficulty in the first six months of the year. While they were affected in the first part of the period by the downward trend for oil prices and the weakness of the economic recovery, in the second part of the period turbulence regarded the banking sector in particular, characterised by large stocks of non-performing loans and little expectation of any recovery in profitability. The already extremely volatile environment was affected firstly by speculation over the British referendum ("Brexit") and then by the actual result which amplified the already existing causes of instability (primarily uncertainties over the prospects for the real economy and over the effectiveness of central bank policies) and increased pressures on banks, and especially those in peripheral countries, squeezed by stringent capital requirements in a context of very low profitability due to zero interest rates.

The table shows the sharp increase in volatility already evident in the first three months of the year: the fall recorded compared with December was 23.5% for the FTSE Italia All-Share index and 53.4% for FTSE Italia Banks index. In this context the UBI Banca share ended the first half with a fall of 61.1% to €2.432 (the official price).

The share showed signs of recovery starting in the middle of July and even reached over €2.8, but then fell again after markets were affected by the announcement of the results of the EBA stress tests, which UBI Banca nevertheless passed positively.

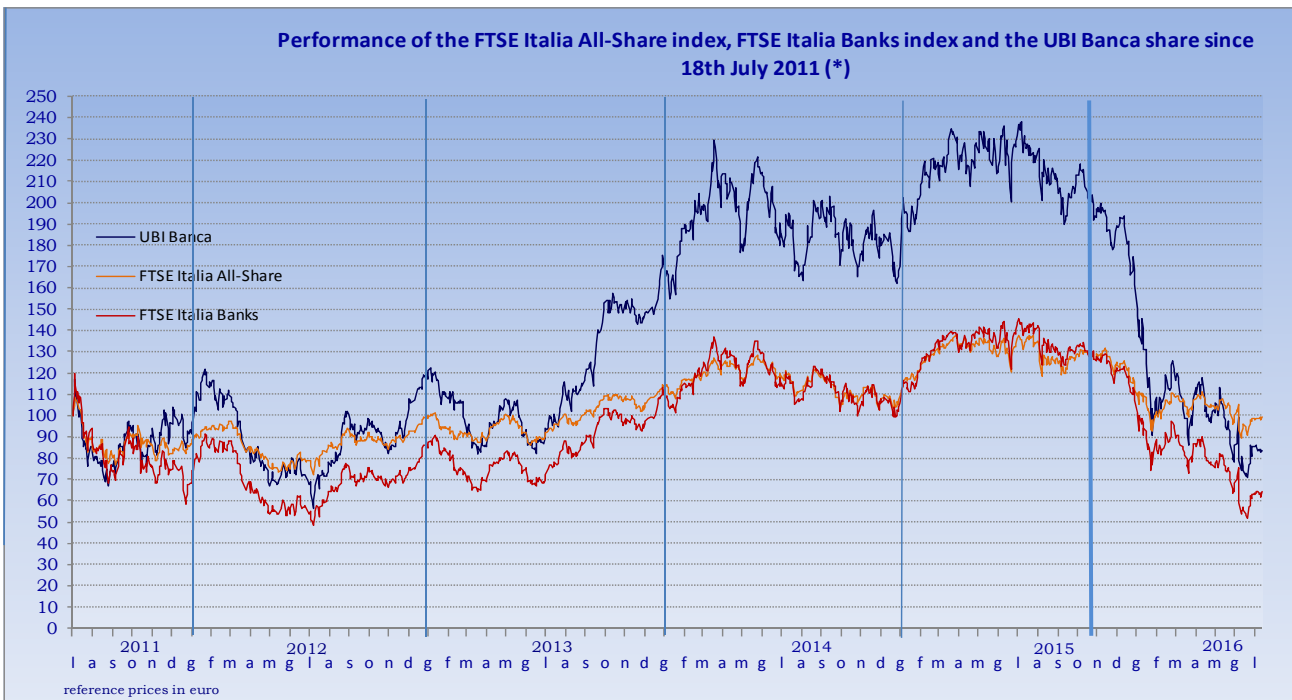
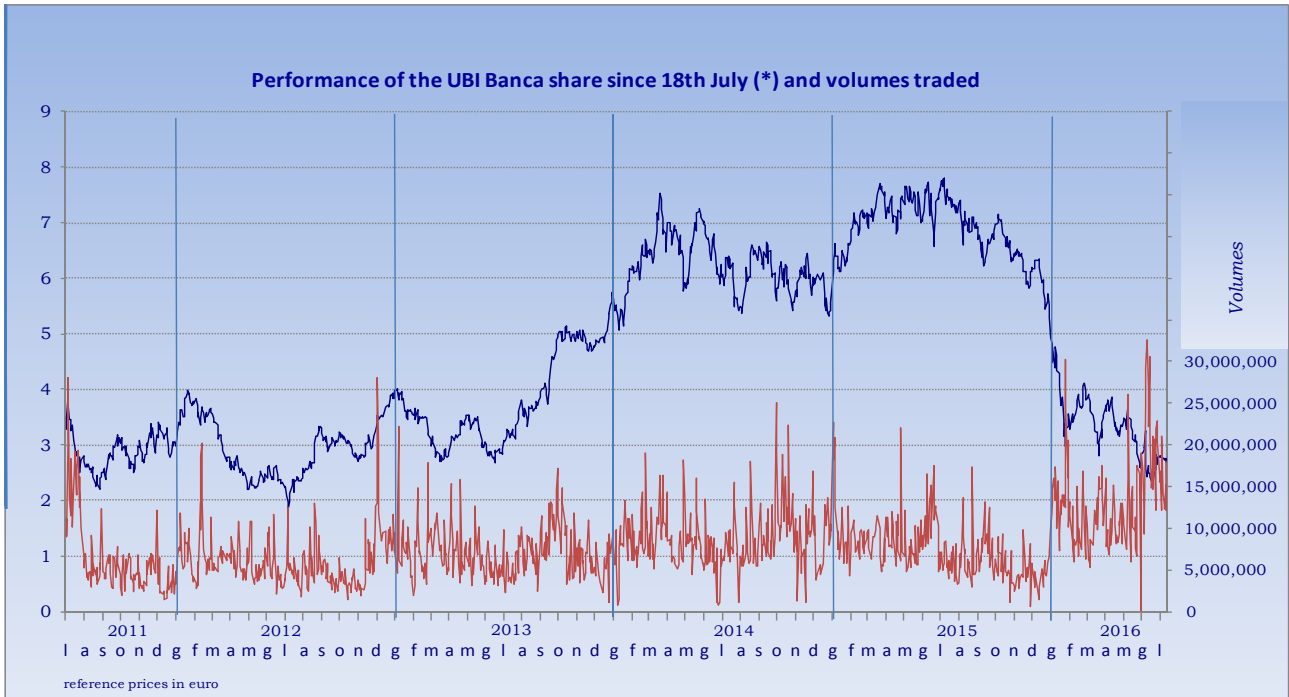
Between January and June 2016, 1.5 billion UBI Banca shares were traded on the electronic stock market for a value of €5.4 billion, (volumes traded in the first half of last year involved approximately €1.14 billion shares for a value of €7.9 billion).

As a result of the performance reported above, at the end of June the stock market capitalisation (calculated on the official price) had fallen to €2.2 billion from €5.6 billion at the end of 2015 (€2.9 billion in March), which positioned UBI Banca in third place among listed Italian commercial banking groups¹.

At European level, the UBI Group was again among the first 45 institutions on the basis of the classification drawn up by the Italian Banking Association in its European Banking Report, which considers the EU15 countries plus Switzerland².

¹ The Group is positioned in the fourth place if all listed banking groups are considered.

² EBR International Flash, July 2016.



* The date of the conclusion of the increase in UBI Banca's share capital by €1 billion, with the subscription of marginal shares by the underwriting syndicate.

The main information concerning the UBI Banca share is summarised below, along with the principal stock market indicators, which have been calculated using consolidated figures.

The UBI Banca share and the main stock market indicators

	First half 2016	FY 2015
Number of shares outstanding at the end of period/year	901,748,572	901,748,572
Average price of the UBI share (average of the official prices quoted daily by Borsa Italiana Spa) - in euro	3.672	6.887
Minimum price (recorded during trading) - in euro	2.360	5.180
Maximum price (recorded during trading) - in euro	6.150	7.880
Dividend per share - in euro	n.a.	0.11
Dividend yield (dividend per share/average price)	n.a.	1.60%
Total dividends - in euro (*)	n.a.	99,034,842
Book Value - in euro (Consolidated equity, excluding profit for the period/No. shares) - in euro	9.81	10.94
Book value calculated by deducting intangible assets attributable to the shareholders of the Parent from consolidated equity - in euro	8.00	9.06
Stock market capitalisation at the end of period (official prices) - in millions of euro	2,193	5,632
Price / book value [Stock market capitalisation at the end of period / (consolidated equity attributable to shareholders of the Parent excluding profit for the period/year)]	0.25	0.57
Price / book value calculated by deducting intangible assets attributable to the shareholders of the Parent from consolidated equity	0.30	0.69

(*) The total dividend payout for 2015 was calculated on the 900,316,743 shares outstanding on the date of the approval of the proposal to declare a dividend by the Management Board. That number does not include the 1,431,829 treasury shares held in portfolio on that same date.

The indicators for the first half of 2016 have been calculated using consolidated equity net of the loss for the period to give a more appropriate indication of the capital value of the share and of the price/book value.

Dividends paid

The dividend for the year 2015, drawn on the profit of the Parent and totalling €99,034,841.73 corresponding to €0.11 on each of the 900,316,743 UBI Banca shares in issue (excluding treasury shares repurchased) was paid with value date 25th May 2016 (ex dividend date 23rd May and record date 24th May) against coupon No. 18.

Earnings per share

January - June 2016	Consolidated earnings attributable (in thousands of euro)	Weighted average ordinary shares	Consolidated earnings per share (in euro)
Basic EPS	(785,213)	899,482,641	(0.8730)
"Annualised" Basic EPS*	(1,572,198)	899,482,641	(1.7479)
Diluted EPS	(785,213)	899,482,641	(0.8730)
"Annualised" diluted EPS	(1,572,198)	899,482,641	(1.7479)

FY 2015	Consolidated earnings attributable (in thousands of euro)	Weighted average ordinary shares	Consolidated earnings per share (in euro)
Basic EPS	112,665	900,287,051	0.1251
Diluted EPS	112,665	900,287,051	0.1251

January - June 2015	Consolidated earnings attributable (in thousands of euro)	Weighted average ordinary shares	Consolidated earnings per share (in euro)
Basic EPS	120,787	900,265,380	0.1342
"Annualised" Basic EPS	245,230	900,265,380	0.2724
Diluted EPS	120,787	900,265,380	0.1342
"Annualised" diluted EPS	245,230	900,265,380	0.2724

(*) The numerator used for the purposes of the calculation does not indicate a forecast of profitability for the whole year because it has been obtained by annualising the net result achieved in the first half.

Information on risks and on hedging policies

Banking Group risks

The measurement of risks in the strategic and competitive scenarios in which the UBI Banca Group has set its annual and medium-term planning takes the form of defining limits and rules for the assumption of risk, which are able to guarantee capital strength and value creation oriented towards sustainable growth.

The key principles on which Group risk analysis and management are based are as follows:

- rigorous containment of financial and credit risks and strong management of all types of risk;
- the use of a sustainable value creation approach to the definition of risk appetite and the allocation of capital;
- definition of the Group's risk appetite with reference to specific types of risk and/or specific activities in a set of policy regulations for the Group and for the single entities within it.

The assessments performed by the Parent were carried out with account taken of the operating nature and the relative profiles of each company in the Group in order to formulate integrated and consistent policies and guidelines. In order to achieve that objective, the governing bodies of UBI Banca perform their functions with reference not only to their own corporate reality but also by assessing the operations of the Group as a whole. The policies set by the Supervisory Board are then translated into operational regulations by the Management Board.

1 – Credit risk

Qualitative information

The strategies, policies and instruments for the assumption and management of credit risk are defined at the Parent by the Chief Risk Officer in co-operation with the Chief Lending Officer, with the support and co-ordination of the relative specialist units. There is a particular focus in the formulation of policies to manage credit risk on maintaining an appropriate risk-yield profile and on taking risks that are consistent with the risk appetite defined by senior management and, more generally, with the mission of the Group.

The Notes to the Consolidated Financial Statements in the 2015 Annual Report (Part E Information on risks and on the relative hedging policies) may be consulted for a detailed description of organisational aspects and systems for credit risk management, measurement and control and techniques to mitigate it employed by the UBI Banca Group.

With regard to the Basel 2 project, in 2012 and 2013 the Bank of Italy authorised the Group to use the advanced internal rating based (AIRB) approach to calculate capital requirements to meet credit risk for the regulatory retail segments “exposures backed by residential properties” and “other exposures (SME-retail)” and for the “corporate” regulatory segment. For these portfolios the authorisation involved the use of internal estimates of the probability of default (PD) and loss given default (LGD) parameters.

For all the other portfolios, the standardised approach is used, to be applied in accordance with the roll-out plan submitted to the Supervisory Authority, which involves specific deadlines for regulatory segments and risk parameters.

At the date of this report, the scope of application of the approaches authorised in terms of companies is as follows:

- AIRB: Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare Commercio e Industria, Banca Popolare di Ancona, Banca Regionale Europea, Banca Carime, Banca Valle Camonica (the “Network Banks”), IW Bank

- ¹ and UBI Banca²;
- the remaining legal entities in the Group will continue to use the standardised approach until the date of the respective roll-out.

The output of the models consists of nine rating classes that correspond to the relative PDs, updated as at December 2014. These PDs are mapped on the Master Scale to 14 classes (comparable with the ratings of the main external rating agencies) exclusively for reporting purposes.

With regard to LGD models, the UBI Banca Group has developed LGD models differentiated by regulatory class.

Quantitative information

Classification of exposures on the basis of internal ratings

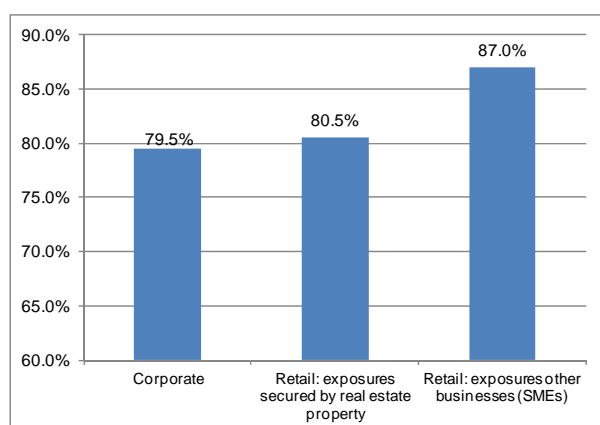
Master Scale	PD THRESHOLDS		UBI INTERNAL RATING MODELS				EXTERNAL RATINGS
	Min PD	Max PD	Corporate and Large Corporate	Small Business	Retail Businesses	Private individuals	Moody's (1)
			class	class	class	class	
MS1	0.030%	0.049%	1			1	Aaa Aa1 Aa2 Aa3
MS2	0.049%	0.084%		1	1	2	A1 A2 A3
MS3	0.084%	0.174%	2		2		Baa1 Baa2
MS4	0.174%	0.298%		2			Baa3
MS5	0.298%	0.469%	3	3	3	3	Baa3 /Ba1
MS6	0.469%	0.732%	4				Ba1 Ba2
MS7	0.732%	1.102%		4	4	4	Ba2/Ba3
MS8	1.102%	1.867%	5				Ba3
MS9	1.867%	2.968%	6	5	5	5	B1
MS10	2.968%	5.370%		6	6	6	B2 B3
MS11	5.370%	9.103%	7				Caa1
MS12	9.103%	13.536%		7	7	7	Caa1/Caa2
MS13	13.536%	19.142%	8	8			Caa2
MS14	19.142%	99.999%	9	9	8-9	8-9	Caa3 Ca-C

(1) Cf. "Moody's "Corporate Default and Recovery Rates, 1920-2014", Exhibit 29, Average One-Year Alphanumeric. Rating Migration Rates, 1983-2014.

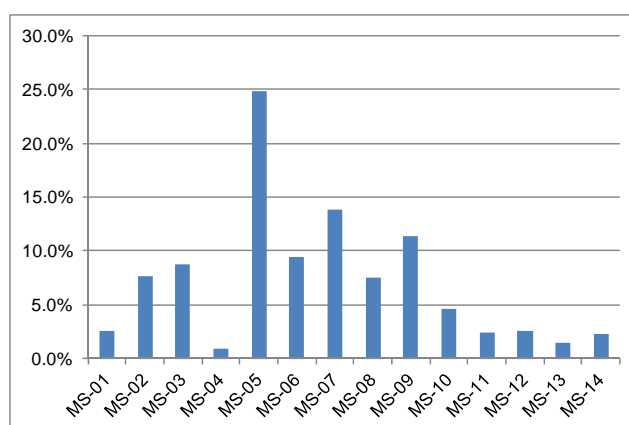
The following is given below:

- regulatory coverage determined on the basis of the rules set by EU Regulation 575/2013 (the "CRR") and by Bank of Italy Circular No. 285 of 17th December 2013 and subsequent updates. A significant increase in the figures given is forecast following implementation of the procedures for the approval of internal models according to the roll-out plan established by the Supervisory Authority;
- the distribution of the IRB perimeter on the classes of the master scale: exposures to corporate clients, retail exposures: "exposures backed by residential real estate" and "exposures other, businesses (SMEs)".

UBI Banca Group: regulatory coverage for internal ratings by regulatory class and subclass



IRB perimeter (network banks + UBI Banca): Distribution of EAD on the Master Scale



¹ The company IW Bank incorporates the exposures of the former UBI Banca Private Investment and the former IW Bank.

² The legal entity, UBI Banca, incorporates the exposures of the former Banca 24-7 and the former Centrobanca.

Market risk

1.2.1 Interest rate risk and price risk - Supervisory trading book

Qualitative information

General aspects

Information on organisational and methodological aspects, which are unchanged, is given in Part E, section 1, subsection 2 – the Banking Group – Market risk of the Notes to the Consolidated Financial Statements in the 2015 Annual Report, which may be consulted.

We report that with a view to ensuring the most effective measurement of the risks taken by the Group, the summary indicator selected from 2016 for the calculation of potential risk on portfolios is the “expected shortfall” (ES), which replaces VaR. This is calculated using the historical simulation method with a confidence interval of 99% and a holding period of one day, which corresponds to the arithmetic average of the worst case losses for the portfolio with a probability of 1% and it represents the value of expected losses that are greater than the VaR.

The Document setting operational limits defines operational limits for the trading book of the UBI Group in 2016, both at general level and for counterparties and single portfolios.

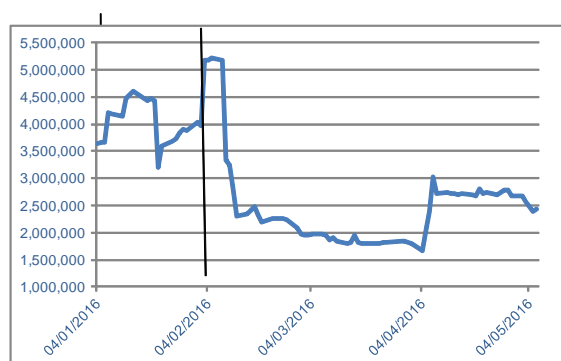
The main operational limits for 2016 (including reallocations and any new limits set during the year) are as follows:

Maximum acceptable loss for the UBI Banca Group trading book	€100 million
One day Expected Shortfall limit for the UBI Banca Group trading book	€20 million
Early warning threshold on Expected Shortfall	80% ES

Quantitative information

Supervisory trading book: internal models and other methods of sensitivity analysis

Change in market risk: daily market ES for the UBI Banca trading portfolios in the first half of 2016



The vertical line running between the 2nd and 3rd February 2016 marks the changeover from the measurement of value at risk (VaR) to that of the expected shortfall (ES).

The ES by risk factor calculated on the entire trading book of the UBI Group as at 30th June 2016 is given below.

Trading book of the UBI Banca Group <small>in whole euro</small>	30.6.2016	Average	Minimum	Maximum	31.3.2016	31.12.2015
Currency risk	234,048	295,015	6,813	1,120,396	84,647	457,014
Interest rate risk	1,061,029	1,141,185	769,572	1,902,246	851,346	653,087
Equity risk	673,096	446,336	198,391	1,306,840	201,696	909,554
Credit risk	280,993	1,544,531	279,390	3,751,303	1,327,686	2,736,345
Volatility risk	125,556	169,984	103,936	339,209	126,945	169,886
Diversification effect (1)	(701,094)				(770,268)	(1,298,483)
Total (2)	1,673,628	2,567,733	1,170,534	5,220,590	1,822,052	3,627,403

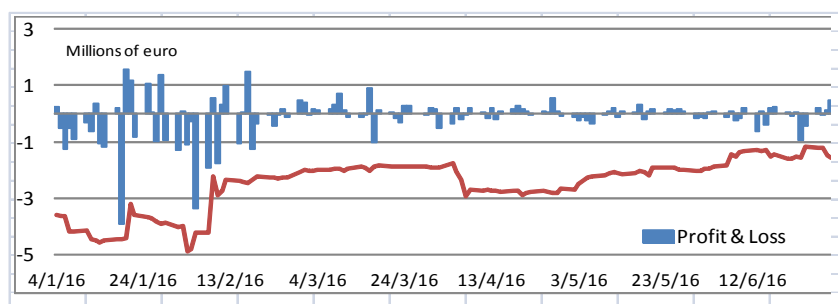
(1) The diversification effect is due to the imperfect correlation between the different risk factors present in the Group's portfolio.

(2) The maximum ES was recorded on 5th February 2016, the minimum ES on 24th June 2016.

N.B. the comparative figures for December 2015 are for VaR

Backtesting analyses

UBI Banca Group trading book: backtesting for the first half of 2016



Actual backtesting analysis of the supervisory portfolios of the Group found no days when the P&L was worse than the ES calculated by the risk management system.

Theoretical stress tests

The analysis shows a heightened sensitivity of the portfolios to credit spread shocks (consistent with the presence of Italian government securities and corporate securities, especially in the AFS portfolios) and to interest rate shocks (consistent with the presence of bonds and interest-rate derivatives within the portfolios).

Data as at 30th June 2016 in whole euro		UBI BANCA GROUP Supervisory Trading Book 30th June 2016	UBI BANCA GROUP Banking Book 30th June 2016	TOTAL UBI BANCA GROUP 30th June 2016
		Change in NAV		Change in NAV
Risk Factors	IR			
Shock	Shock +1bp	-6,738 -0.01%	-671,072 0.00%	-677,810 0.00%
Risk Factors	IR			
Shock	Shock -1bp	-131,317 -0.11%	670,347 0.00%	539,030 0.00%
Risk Factors	IR			
Shock	Bear Steepening	570,945 0.49%	51,267,144 0.37%	51,838,089 0.37%
Risk Factors	IR			
Shock	Bull steepening	-69,853 -0.06%	- 1,670,937 -0.01%	-1,740,790 -0.01%
Risk Factors	IR			
Shock	Bear Flattening	350,937 0.30%	14,950,746 0.11%	15,301,683 0.11%
Risk Factors	IR			
Shock	Bull Flattening	298,107 0.26%	-49,913,726 -0.36%	-49,615,618 -0.35%
Risk Factors	Equity			
Shock	+10%	1,156,937 1.00%	3,313,788 0.02%	4,470,725 0.03%
Risk Factors	Equity			
Shock	-10%	-1,156,937 -1.00%	-3,313,788 -0.02%	-4,470,725 -0.03%
Risk Factors	Volatility			
Shock	+20%	-61,666 -0.05%	204,031 0.00%	142,364 0.00%
Risk Factors	Volatility			
Shock	-20%	60,635 0.05%	-166,934 0.00%	-106,299 0.00%
Risk Factors	Forex			
Shock	+15%	962,082 0.83%	-392,445 0.00%	569,637 0.00%
Risk Factors	Forex			
Shock	-15%	-1,768,718 -1.53%	392,445 0.00%	-1,376,273 -0.01%
Risk Factors	Credit Spread			
Shock		-858,311 -0.74%	-748,048,251 -5.33%	-748,906,562 -5.29%
Flight to quality scenario		-1,146,825 -0.99%	-715,871,486 -5.10%	-717,018,311 -5.07%

1.2.2 Interest rate risk and price risk – Banking book

Qualitative information

Information on organisational and methodological aspects, which are unchanged, is given in Part E, section 1, subsection 2 – the Banking Group – Market risk of the Notes to the Consolidated Financial Statements in the 2015 Annual Report, which may be consulted.

Quantitative information

The exposure of the UBI Banca Group to interest rate risk as at 30th June 2016, measured in terms of core sensitivity³ was approximately -€105.20 million, thereby remaining within the limits set by the Policy to Manage Financial Risks. In detail, the sensitivity originated by the network banks was -€68.93 million and that generated by the product companies was -€4.93 million, while the Parent contributed a total of -€31.34 million.

In compliance with the Financial Risks Policy, the exposure includes an estimate of the impact of early repayments and modelling of on-demand items on the basis of the internal model.

On the basis of the standard scenario set by supervisory regulations, the end of period measurements as at 30th June 2016, as at 31st March 2016 and as at 31st December 2015, as well as the average measurements for the period June 2016-June 2015, March 2016-March 2015 and the full year 2015 showed increases in economic value in both the scenarios considered. The exposure recorded is strongly influenced by the non-negative constraint imposed on interest rates in compliance with regulatory recommendations.

Sensitivity analysis of net interest income focuses on changes in profits resulting from a set of scenarios for changes in interest rates measured over a time horizon of twelve months.

UBI Banca Group exposure to interest rate risk as at 30th June 2016, estimated in terms of an impact on net interest income of a reduction in reference interest rates of -100 bp, was -49.78 million, a figure within the limits set by Group policy.

The total level of exposure includes an estimate of the impact of early repayments and of the viscosity of demand items.

The impact on net interest income shows the effects of changes in interest rates on the portfolio monitored, excluding hypotheses of future changes in the mix of assets and liabilities. These factors mean that the indicator cannot be used to assess the Bank's future strategy.

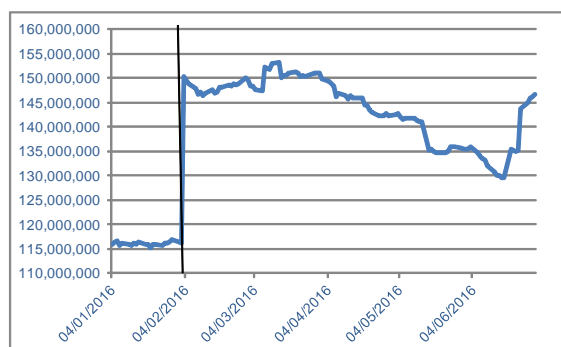
The *Document setting operational limits* defines operational limits for the banking book of the UBI Group in 2016 (available-for-sale and fair value option portfolios), both at general level and for counterparties and single portfolios.

The main operational limits for 2016 (including reallocations and any new limits set during the year) are as follows:

Maximum acceptable loss for UBI Banca Group banking book	€1.8 billion
One day Expected Shortfall limit for the UBI Banca Group banking book	€270 million
Early warning threshold on Expected Shortfall	80% ES

³ The component relating to the AFS portfolio is excluded.

Change in market risk: daily market ES for the UBI Banca banking book portfolios in the first half of 2016



The vertical line running between the 2nd and 3rd February 2016 marks the changeover from the measurement of value at risk (VaR) to that of the expected shortfall (ES).

The market ES does not comprise hedge funds.

The ES by risk factor calculated on the banking book of the Group as at 30th June 2016 is given below.

Banking book of the UBI Banca Group <small>in whole euro</small>	30.6.2016	Average	Minimum	Maximum	31.3.2016	31.12.2015
Currency risk	50,492	56,773	12,713	183,916	58,478	45,701
Interest rate risk	7,750,651	8,162,995	5,820,436	12,314,463	9,312,723	5,802,830
Equity risk	1,615,498	1,059,508	522,933	1,615,498	1,141,316	525,237
Credit risk	142,778,661	135,300,970	107,164,989	150,191,988	148,076,891	108,796,479
Volatility risk	125,923	151,080	96,868	237,277	135,185	141,049
Diversification effect (1)	(5,789,188)				(7,817,969)	-
Total (2)	146,532,037	138,807,571	115,168,134	153,168,311	150,906,624	115,597,473

(1) The diversification effect is due to the imperfect correlation between the different risk factors present in the Group's portfolio.

(2) The maximum ES was recorded on 14th March 2016, the minimum ES on 20th January 2016.

N.B. the comparative figures for December 2015 are for VaR

1.2.3 Currency risk

Further information on general aspects and on processes for the management and methods for the measurement of currency risk is given in Part E, section 1, sub-section 2 – Banking Group – Market risk of the Notes to the Consolidated Financial Statements in the 2015 Annual Report, which may be consulted.

3 – Liquidity risk

Qualitative information

The section on the interbank market in this interim report on consolidated operations may be consulted for information on net interbank debt and details of the Group's liquidity reserve.

Short-term liquidity analysis is monitored using a net liquidity balance model of analysis at consolidated level over a time horizon of 30 days, supplemented with stress tests designed to assess the Group's ability to withstand crisis scenarios characterised by an increasing level of severity. The position at the end of the first half was one of ample funds. The structural balance between assets and liabilities, measured on the basis of their degree of liquidity is also one of an ample positive balance.

Further information on liquidity risk is given in Part E, section 1, sub-section 3 – Banking Group – Liquidity risk – of the Notes to the Consolidated Financial Statements in the 2015 Annual Report, which may be consulted.

4 – Operational risks

Part E section 1, sub-section 4 – Banking Group – Operational risks of the Notes to the Financial Statements in the 2015 Annual Report may be consulted for qualitative information (general aspects, management processes, measurement methods and the reporting system).

Legal risk

The companies in the UBI Banca Group are party to a number of court proceedings originating from the ordinary performance of their business. In order to meet the claims received, the companies have made appropriate provisions on the basis of a reconstruction of the amounts potentially at risk, an assessment of the risk in terms of the degree of “probability” and/or “possibility”, as defined in the accounting standard IAS 37, and established legal opinion. Therefore, while it is not possible to predict final outcomes with certainty, it is considered that an unfavourable conclusion of these proceedings, both taken singly or as a whole, would not have a significant effect on the financial and operating position of the Group.

Specific sections of this consolidated condensed interim financial report may be consulted for information on corporate litigation, including tax litigation, which may be consulted.

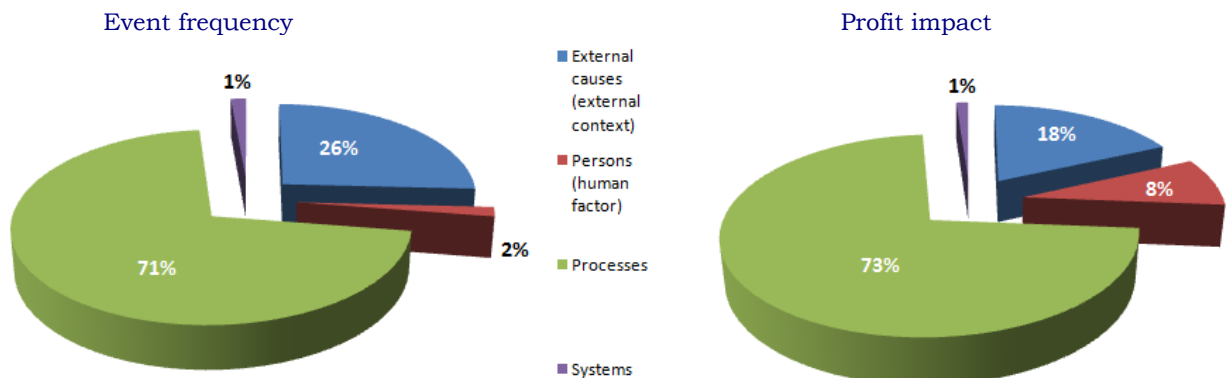
Quantitative information

Descriptive data

Between 1st July 2011 and 30th June 2016 the main sources of operational risk for the Group were “processes” (71% of frequencies and 73% of the total impacts detected) and “external causes” (26% of frequencies and 18% of the total impacts detected).

The “process” risk driver includes unintentional errors and incorrect application of regulations. The “external causes” risk driver included, amongst other things, human actions performed by third parties and not directly under the control of the Bank.

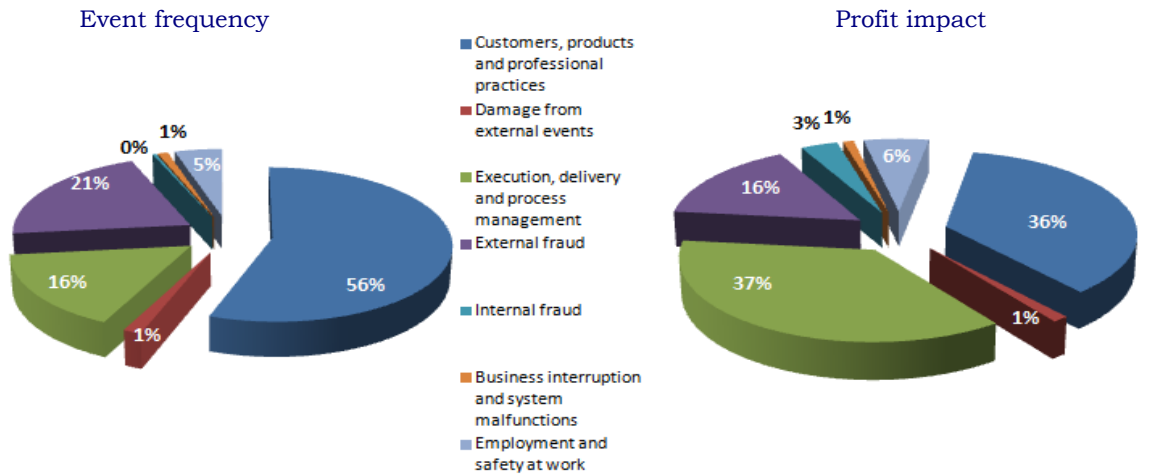
Percentage of operational losses by risk driver
(detection 1st July 2011 – 30th June 2016)



The types of event⁴ which recorded the greatest concentration of operational losses during the period examined were “customers, products and professional practices” (56% of frequencies and 36% of the total impacts detected), “execution, delivery and process management” (16% of frequencies and 37% of the total impacts detected) and “external fraud” (21% of frequencies and 16% of the total impacts detected).

Percentage of operational losses by type of event

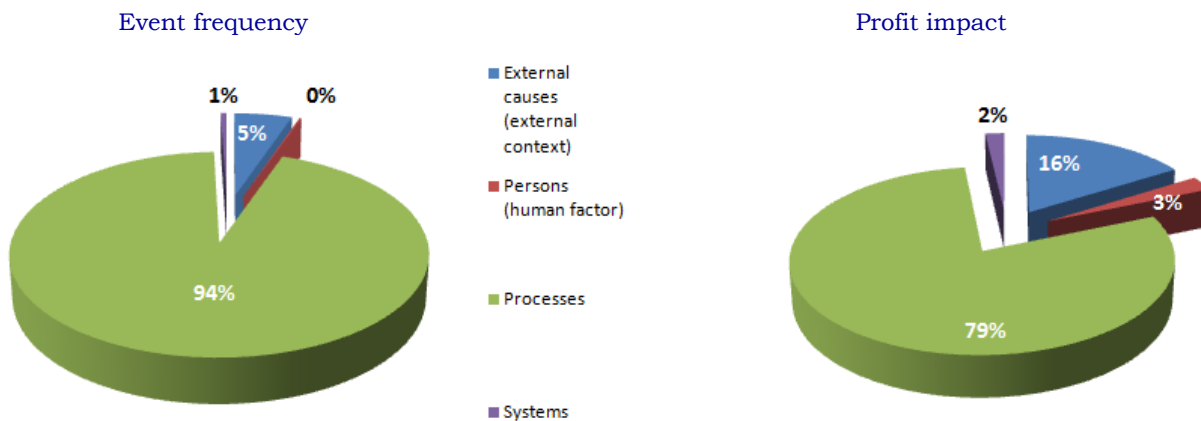
(detection 1st July 2011 – 30th June 2016)



Operational losses in the first six months of 2016 were concentrated on the following risk factors: ‘processes’ (94% of frequencies and 79% of the total impacts detected) and ‘external causes’ (5% of frequencies and 16% of the total impacts detected).

Percentage of operational losses by risk driver

(detection 1st January 2016 - 30th June 2016)

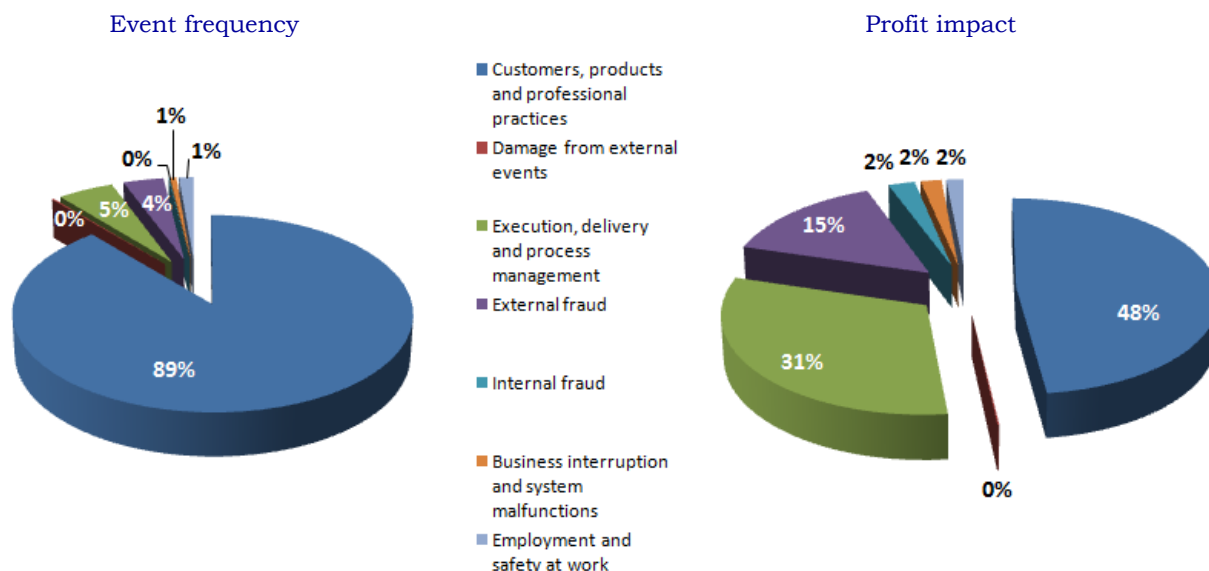


⁴ Reference is made to regulatory types of event laid down by EU Regulation 575/2013 as follows:
internal fraud: losses due to acts of fraud, misappropriation of property, circumvention of the articles of association, laws, regulations or company policies (excluding discrimination events or diversity events) that involve at least one internal party of the company.
external fraud: losses due to acts of fraud, misappropriation of property, circumvention of the articles of association, laws, regulations or company policies, (excluding discrimination events) carried out by third parties.
employment and workplace safety: losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims or from diversity/discrimination events.
customers, products and business practices: losses arising from the failure to meet professional obligations to specific clients (inclusive of fiduciary requirements and requirements to disclose information on investments) or from the nature or design of a product.
damage from external events: losses arising from damage to, destruction or loss of physical assets, and from human and other losses due to natural disasters or other events.
business interruption and system failures: losses arising from misfunctions and faults in systems and/or consequent business disruptions.
execution, delivery and process management: losses arising from failed transaction processing or process management and from relations with trade counterparties and vendors.

During the period operational losses were attributable mainly to the following types of event: “customers, products and professional practices” (89% of frequencies and 48% of the total impacts detected), “execution, delivery and process management” (5% of frequencies and 31% of the total impacts detected) and “external fraud” (4% of frequencies and 15% of the total impacts detected).

Percentage of operational losses by type of event

(detection 1st January 2016 - 30th June 2016)



Capital requirement

No changes have occurred in the method and the perimeter of application employed for the different components of the model compared with the information reported in the Notes to the Consolidated Financial Statements in the 2015 Annual Report.

The capital requirement net of expected losses for which provisions for risks and charges had been made was €278.07 million, in line with amounts estimated as at 31st December 2015.

The risk capital calculated on a consolidated basis for each risk class is allocated to the various legal entities on the basis of a summary indicator determined as follows: 60% of the historical and future risk measured (consisting of 50% from historical measurement of operational losses incurred over the last five years and 10% from potential risk perceived and estimated taken from the last available risk assessment carried out) and 40% of the capital requirement calculated using the standardised methodology, which is in turn affected by the gross income of each entity and it reflects the implicit dimension inherent in each area of activity in which it operates.

Those banks which contribute most to the determination of the capital requirement are Banca Popolare di Bergamo (€41.13 million, accounting for 15% of the total), UBI Banca (€36.96 million, 13%) Banco di Brescia (€36.27 million, 13%).

The figures for the risk capital allocated to those legal entities are affected by the higher levels of profitability that they generate compared with the other network banks. Furthermore, the figures for UBI Banca are affected by events acquired from the former B@nca 24-7, the former Centrobanca and the former Silf following the relative mergers.

The principal risks and uncertainties for the second half of the year

Risks

The UBI Banca Group attributes primary importance to the measurement, management and monitoring of risk, as activities necessary to the sustainable creation of value over time and to the consolidation of its reputation on its markets. Consequently, it has a system of risk governance and management in place which takes account of organisation, regulations and methods in order to ensure consistency in its operations and its relative risk appetite (RAF - Risk Appetite Framework). More specifically, the Group has adopted a risk management framework consistent with Group regulations and strategies which have been developed over the years, consistent in turn with developments in the regulatory framework. The main parts of the current framework regard the following:

1. definition of risk appetite;
2. definition of risk management policies;
3. interpretation and management of the RAF in Group companies;
4. monitoring of current and future risks.

Articles 97 and following of section III of Directive 2013/36/EU (“CRD IV”) regulates the Supervisory Review and Evaluation Process (SREP), and that is the regulatory control, review and assessment process for which the supervisory authority is responsible by which it formulates an overall opinion on the bank and institutes corrective measures if necessary. To achieve this, in accordance with Art. 107 (3) of CRD IV, the European Banking Authority (EBA) has published “Guidelines”⁵ with the objective of generating procedures and methodologies common to the competent authorities in order to support the Supervisory Review and Evaluation Process (SREP).

Internal processes make a considerable contribution to the calculation and assessment of capital adequacy (Internal Capital Adequacy Assessment Process – ICAAP) and liquidity adequacy (Internal Liquidity Adequacy Assessment Process – ILAAP) and on the basis of these the Group carries out a self-assessment each year focused on identifying risks and the conditions of its current and future capital and liquidity adequacy including under stress conditions⁶.

In compliance with the regulations in force, on 29th April the UBI Banca Group submitted its 2015 ICAAP and ILAAP reports to the supervisory authority. The results of the capital and liquidity adequacy assessments contained in those reports confirmed the availability of significant margins sufficient to maintain the capital and liquidity position, both current and future and under stress conditions above the requirements requested.

As part of those risk management processes, very careful identification is performed on a continuous basis of the risks subject to measurement. Risk identification activity is designed to verify the magnitude of Group risks already subject to measurement and to detect signals of other types of risk which may manifest. Identification involves precise conceptual definition of the risks to which the Group is exposed, an analysis of the factors which combine to generate them and a description of the relative manner in which they manifest. This activity is achieved by means of a centralised process of analysis supplemented by self assessment conducted on all the entities of the Group.

Details are given below of risks which have significant impacts for the Group and the action taken to mitigate them. Risks other than those reported below, which are of marginal importance within the UBI Banca Group, are not expected to change during the course of the second half.

⁵ Cf. “Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP)”, EBA/GL/2014/13 of 19th December 2014

⁶ Cf. “Guidelines on ICAAP and ILAAP information collected for SREP purposes”, consultation paper, EBA/CP/2015/26 of 11th December 2015.

Credit risk

Credit risk, which consists of the risk of incurring losses resulting from the default of counterparties with whom credit exposure exists, constitutes the most important characteristic risk of the UBI Banca Group. On a historical basis it absorbs around 90% of the regulatory risk capital.

The Group has always considered the quality of its loan portfolio and efficient management of non-performing loans to be one of its top strategic priorities. In this sense, activity continued again in the first half of 2016 to optimise credit processes with the following aims:

- to maintain the percentage of the high risk lending portfolio within performing loans extremely low;
- to manage forbore positions effectively;
- to reduce flows of performing loans to non-performing status;
- to manage the gradual reduction of the non-performing loan portfolio by means, amongst other things, of carefully targeted disposals outside the Group;
- to optimise the process for the management of guarantees to back loans, in order, amongst other things, to acquire increasingly more accurate and complete information.

In 2016 the UBI Banca Group intends to continue to refine its processes and its integrated IT platform for the management of default loans by means of specific action designed to further strengthen credit risk management through automated integration of monitoring processes (defined by means of electronic case monitoring and a classification and writedown module – PEM – *pratica elettronica mutuo* software) and processes for the approval of credit authorisations using PEF (*Pratica Elettronica di Fido*) software.

Also, with regard to the risk of incurring losses resulting from the depreciation of the value of assets lodged as collateral to guarantee loans which, in the current economic context, could reduce in value thereby diminishing the intrinsic level of protection, as a consequence of its lending policies the UBI Banca Group has lower loan to value ratios than the average for the sector nationally. Furthermore, we also report that, as announced when the “UBI 2019/2020 Business Plan” was presented, a Real Estate Owned Company, Re.O.Co. will commence operations in the second half. It has been created as part of activities to reinforce the management and value of NPLs in order to support the realisation of the value of the relative real estate collateral.

Business risk

The current scenario of slow and weak economic recovery is continuing to have a negative impact on operating conditions in the banking system. This was accompanied by a strongly expansionary monetary policy in a scenario of continuously falling interest rates, now at minimum levels. More specifically, in this context there is strong competition on prices with regard to the loans granted by banks following access to forms of funding regulated by the European Central Bank (i.e. Targeted Longer Term Refinancing Operations - TLTROs).

The macroeconomic environment, the extreme volatility on markets and the pressure of aggressive competition resulting from the substantial liquidity flooding credit markets has compressed margins and the profitability of operators. Against this backdrop the UBI Banca Group is continuing to take appropriate action on its distribution network designed to achieve goals identified in terms of volumes and pricing of loans consistent with targets for the quality of credit.

Sovereign risk

The Group's sovereign risk exposure continues to be concentrated in Italy consisting of national government securities. With regard to that risk for the banking book, as confirmed in its Business Plan, the UBI Banca Group is focusing on taking appropriate steps to increase the diversification of the portfolio and to gradually and significantly reduce that concentration in exposures to Italian government securities in compliance with strategic guidelines.

Uncertainties

An uncertainty is defined as a possible event for which the potential impact, attributable to one of the risk categories just mentioned, cannot be determined and therefore quantified at present.

The Group is operating in a scenario that is expected to improve, but which is nevertheless overshadowed by certain risks, potentially negative for growth, connected with various sources of tension. These factors of uncertainty could manifest with impacts attributable primarily to credit, but without affecting the capital strength of the UBI Banca Group.

In detail, the main uncertainties identified for the second half of 2016 are linked to the following aspects:

- *Developments in the macroeconomic environment.*

The expansionary phase of the world economy is continuing although at a moderate pace and also in an environment containing high levels of uncertainty raised even higher by the result of the referendum on 23rd June 2016 which authorised the exit of the United Kingdom from the European Union. Expectations of moderate expansion are in fact confirmed by low inflation and the consolidation of the recovery in developed countries, while the pace of growth in emerging countries is cooling. As concerns the eurozone in particular, signs of consolidation of the recovery in the presence of low levels of inflation are emerging in view of favourable trends for GDP in the first quarter, compared with the same periods of last year. Furthermore, in consideration of the low level of exposure to Great Britain, no particular impacts on major economies in the eurozone are envisaged. The macroeconomic scenario in Italy is again one of slow improvement with a decidedly moderate pace of expansion. The improvement in the environment in the eurozone has in fact had a positive impact on Italy, although with growth rates penalised by continuing and significant structural problems. Despite its limited direct presence, the repercussions of Brexit on the domestic banking system could translate into non-negligible impacts in terms of financial assets held in portfolio (volatility and wider spreads) and terms and conditions for wholesale funding. Possible expansionary measures by the ECB could drive Euribor interest rates further into negative territory and penalise profit margins.

These prospects of economic recovery, although at an extremely slow pace, appear to be vulnerable to considerable downside risks in consideration of the negative impacts resulting from potential external shocks. These regard the following: a possible deterioration on the geopolitical scene (the outbreak of “large-scale” military conflicts and/or the possible spread of terrorist attacks); a potential slowdown in Chinese growth and that of emerging countries connected with energy resources and commodities; and looking at the medium to long term future, the growing gaps between the monetary policies of the major central banks (ECB and Bank of Japan, which today are all still strongly aligned on expansionary policies, compared with the Federal reserve which at the end of 2015 made its first interest rate rise in over nine years);

- *Developments in the regulatory context.*

The regulatory context is subject to various processes of change following both the issue of a number of regulatory provisions at European and national level, with the introduction of the relative regulations to implement them, relating to the provision of banking services and also the related legal recommendations. This scenario requires particular effort both in terms of interpretation and implementation and has at times directly affected the profits of banks, and/or costs for customers. The UBI Banca Group continuously studies action to soften the impacts of measures, which includes constant and attentive monitoring of operating costs and a constant search for greater efficiency in internal processes.

With regard to aspects of immediate and future importance, we confirm the new IFRS 9 financial reporting standard and proposals to amend supervisory regulations with potential impacts on loan write-downs and capital adequacy. Significant proposals include those regarding the process for the classification and management of past due loans⁷ and, with the aim of standardising the calculation of regulatory requirements at European level, regulations on the exercise of national options and discretions and proposals to bring

⁷ Cf. Draft Regulatory Technical Standards on materiality threshold of credit obligation past due under Article 178 of Regulation (EU) 575/2013 - consultation paper.

greater alignment to internal rating models for credit risk by the supervisory authorities⁸. In this respect in particular we report the removal from 1st October 2016 of national discretion relating to the option to not include unrealised profits or losses relating to exposures to central governments classified within “available-for-sale financial assets”. Operational and reputational difficulties and the costs of implementation could also be determined by the adoption of regulations governing the compounding of interest, usury and transparency in banking;

- *Supervisory Review and Evaluation Process (SREP).*

The adoption of EBA guidelines on the supervisory review and evaluation process carried out by the European Central Bank could lead to the introduction of new supervisory practices, different from those previously employed by national authorities. Further requirements in addition to the regulations currently in force could arise, requiring specific action including that of an organisational nature.

* * *

The risks and uncertainties described above were subject to a process of assessment designed, amongst other things, to examine the impacts of changes in market parameters and conditions on corporate performance. The Group does in fact possess instruments to measure the possible impacts of risks and uncertainties on its operations (sensitivity analysis and stress tests in particular), which allow it to rapidly and continuously adapt its strategies – in terms of its distribution, organisation and cost management systems – to changes in the operating context. Risks and uncertainties are also under constant observation through the implementation of the policies and regulations to manage risk adopted by the Group: policies are updated in relation to changes in strategy, context and market expectations. Periodic monitoring of policies is designed to verify their state of implementation and their adequacy. The findings of the analyses performed show that the Group is able to meet the risks and uncertainties to which it is exposed, which therefore confirms the assumption that it is a going concern.

⁸ Cf. Regulation (EU) No. 445/2016 of the European Central Bank of 14th March 2016 on the exercise of options and discretion under EU law (ECB/2016/4) and Draft Regulatory Technical Standards “On the specification of the assessment methodology for competent authorities regarding compliance of an institution with the requirements to use the IRB Approach in accordance with Articles 144(2), 173(3) and 180(3)(b) of Regulation (EU) No. 575/2013.

Consolidated companies: the principal figures

Profit for the period

Figures in thousands of euro	First half 2016 A	First half 2015 B	Change A-B	% change A/B	FY 2015 C
Unione di Banche Italiane Spa	52,887	177,216	(124,329)	(70.2%)	123,423
Banca Popolare di Bergamo Spa	(92,753)	83,949	(176,702)	n.s.	127,264
Banco di Brescia Spa	(170,653)	10,211	(180,864)	n.s.	(11,155)
Banca Popolare Commercio e Industria Spa	(59,975)	22,675	(82,650)	n.s.	34,677
Banca Regionale Europea Spa	(102,587)	11,629	(114,216)	n.s.	960
Banca Popolare di Ancona Spa	(118,990)	12,831	(131,821)	n.s.	15,952
Banca Carime Spa	(65,532)	(3,195)	62,337	n.s.	(20,849)
Banca di Valle Camonica Spa	(7,489)	4,010	(11,499)	n.s.	3,376
Centrobanca Sviluppo Impresa SGR Spa	(155)	(113)	42	37.5%	(184)
IW Bank Spa	(1,279)	(2,000)	(721)	(36.1%)	(4,336)
UBI Banca International Sa (*)	(1,611)	(605)	1,006	n.s.	(356)
UBI Pramerica SGR Spa	28,490	29,428	(938)	(3.2%)	63,542
UBI Leasing Spa	(32,066)	(5,482)	26,584	n.s.	(3,928)
UBI Factor Spa	2,737	4,535	(1,798)	(39.6%)	2,486
Prestitalia Spa	(6,896)	(1,847)	5,049	n.s.	(2,278)
BPB Immobiliare Srl	(95)	(282)	(187)	(66.3%)	(2,569)
Società Bresciana Immobiliare Mobiliare - S.B.I.M. Spa (1)	1,149	1,072	77	7.1%	2,330
UBI Sistemi e Servizi SCpA (2)	3,793	3,683	110	3.0%	-
UBI Fiduciaria Spa (3)	(261)	(145)	116	80.3%	(537)
Aviva Assicurazioni Vita Spa (20%)	300	380	(80)	(21.1%)	2,080
Aviva Vita Spa (20%)	2,800	1,340	1,460	n.s.	3,100
Lombarda Vita Spa (40%)	4,841	9,158	(4,317)	(47.1%)	11,941
UBI Management Co. Sa (*)	1,304	781	523	66.9%	1,429
UBI Trustee Sa (*)	148	324	(176)	(54.3%)	88
CONSOLIDATED	(786,985)	124,443	(911,428)	n.s.	116,765

(*) The result shown is from the financial statements prepared for the consolidation according to the accounting policies followed by the Parent.

- (1) On 23rd October 2015 with effect for accounting and tax purposes from 1st January 2015, the merger of SOLIMM Srl into S.B.I.M. Spa (Società Bresciana Immobiliare Mobiliare) became effective. Procedures for the merger of that company into UBI Banca Spa have been commenced and are scheduled to be completed by the end of the current year.
- (2) Since this is a consortium company with mutual, not-for-profit objects, UBI Sistemi e Servizi ends the year with a break-even result.
- (3) Procedures for the merger of that company into UBI Banca Spa have been commenced and are scheduled to be completed in the second half of 2016.

Net loans and advances to customers

Figures in thousands of euro	30.6.2016 A	31.12.2015 B	30.6.2015 C	Change A-C	% change A/C
Unione di Banche Italiane Spa	21,083,165	21,901,390	21,854,404	-771,239	-3.5%
Banca Popolare di Bergamo Spa	19,103,434	18,736,138	19,135,848	-32,414	-0.2%
Banco di Brescia Spa	12,140,620	12,295,453	12,574,095	-433,475	-3.4%
Banca Popolare Commercio e Industria Spa	8,929,308	8,957,102	8,768,255	161,053	1.8%
Banca Regionale Europea Spa	8,090,205	8,162,878	8,356,461	-266,256	-3.2%
Banca Popolare di Ancona Spa	7,654,579	7,794,538	7,812,214	-157,635	-2.0%
Banca Carime Spa	4,103,291	4,091,660	4,211,959	-108,668	-2.6%
Banca di Valle Camonica Spa	1,771,492	1,740,753	1,791,961	-20,469	-1.1%
Prestitalia Spa	1,305,855	1,433,272	1,657,309	-351,454	-21.2%
UBI Banca International Sa	385,849	426,539	486,224	-100,375	-20.6%
IW Bank Spa	681,581	757,087	817,304	-135,723	-16.6%
UBI Factor Spa	2,335,860	2,237,554	2,063,248	272,612	13.2%
UBI Leasing Spa	6,472,594	6,619,022	6,778,012	-305,418	-4.5%
CONSOLIDATED	83,906,862	84,586,200	85,340,026	-1,433,164	-1.7%

Risk indicators

Percentages	Net bad loans / Net loans			Total net non-performing loans / Net loans		
	30.6.2016	31.12.2015	30.6.2015	30.6.2016	31.12.2015	30.6.2015
Unione di Banche Italiane Spa	1.38%	1.46%	1.54%	5.04%	5.55%	5.72%
Banca Popolare di Bergamo Spa	3.90%	4.49%	4.28%	6.93%	8.21%	7.99%
Banco di Brescia Spa	3.18%	3.73%	3.52%	10.51%	12.16%	12.21%
Banca Popolare Commercio e Industria Spa	3.04%	3.74%	4.03%	7.40%	8.52%	8.55%
Banca Regionale Europea Spa	5.31%	6.00%	5.24%	10.74%	12.05%	11.32%
Banca Popolare di Ancona Spa	5.73%	6.50%	6.29%	12.14%	13.76%	13.42%
Banca Carime Spa	5.89%	6.63%	6.10%	10.72%	12.02%	11.58%
Banca di Valle Camonica Spa	3.90%	4.70%	4.54%	9.42%	10.85%	10.80%
Prestitalia Spa	0.90%	0.95%	0.99%	8.97%	11.57%	11.84%
UBI Banca International Sa	4.71%	3.40%	2.78%	16.21%	14.47%	12.78%
IW Bank Spa	1.92%	1.77%	1.88%	3.46%	3.43%	3.46%
UBI Factor Spa	9.46%	9.78%	10.83%	12.44%	13.90%	12.14%
UBI Leasing Spa	11.01%	10.93%	10.31%	19.93%	20.78%	20.31%
CONSOLIDATED	4.59%	5.07%	4.91%	10.14%	11.45%	11.31%

Direct funding from customers

Figures in thousands of euro	30.6.2016 A	31.12.2015 B	30.6.2015 C	Change A-C	% change A/C
Unione di Banche Italiane Spa	36,359,342	40,669,221	44,694,225	-8,334,883	-18.6%
Banca Popolare di Bergamo Spa	15,365,009	15,612,014	14,733,929	631,080	4.3%
Banco di Brescia Spa	8,154,761	8,041,806	8,003,248	151,513	1.9%
Banca Popolare Commercio e Industria Spa	6,496,602	6,242,340	6,185,082	311,520	5.0%
Banca Regionale Europea Spa	5,215,798	4,925,895	5,023,973	191,825	3.8%
Banca Popolare di Ancona Spa	5,006,560	4,947,113	4,875,515	131,045	2.7%
Banca Carime Spa	5,648,716	5,489,156	5,454,950	193,766	3.6%
Banca di Valle Camonica Spa	1,016,278	985,427	1,006,140	10,138	1.0%
UBI Banca International Sa (**)	1,328,992	1,540,519	882,501	446,491	50.6%
IW Bank Spa	2,711,105	2,848,627	3,009,082	-297,977	-9.9%
CONSOLIDATED	87,524,908	91,512,399	94,327,352	-6,802,444	-7.2%

Direct funding from customers includes amounts due to customers and debt securities issued, with the exclusion of bonds and other securities subscribed directly by companies in the Group.

Direct funding for the following banks was therefore adjusted as follows:

Figures in millions of euro	30.6.2016	31.12.2015	30.6.2015
<i>Bonds</i>			
Unione di Banche Italiane Spa	3,382.3	2,953.6	2,391.3
Banca Popolare di Bergamo Spa	999.3	1,007.5	1,015.6
Banco di Brescia Spa	2,152.4	2,155.2	2,158.3
Banca Popolare Commercio e Industria Spa	297.5	297.6	297.6
Banca Regionale Europea Spa	1,267.1	1,272.8	1,278.4
Banca Popolare di Ancona Spa	1,095.2	1,155.0	1,163.3
Banca di Valle Camonica Spa	398.0	404.1	423.4
IW Bank Spa	10.0	10.0	10.2
<i>International Commercial Paper and French certificates of deposit</i>			
UBI Banca International Sa	415.1	766.7	969.4

(**) The disposal operation is expected to be concluded once the preparatory activities for the disposal are completed and therefore not before the second quarter of 2017.

Indirect funding from ordinary customers (at market prices)

Figures in thousands of euro	30.6.2016 A	31.12.2015 B	30.6.2015 C	Change A-C	% change A/C
Unione di Banche Italiane Spa	5	5	5	-	-
Banca Popolare di Bergamo Spa	31,241,085	32,385,044	32,275,715	-1,034,630	-3%
Banco di Brescia Spa	16,175,795	17,062,911	17,524,889	-1,349,094	-8%
Banca Popolare Commercio e Industria Spa	10,797,614	11,073,614	11,176,946	-379,332	-3%
Banca Regionale Europea Spa	10,324,883	10,527,572	10,491,012	-166,129	-2%
Banca Popolare di Ancona Spa	5,193,524	5,261,708	5,153,192	40,332	1%
Banca Carime Spa	6,605,630	6,760,003	6,784,076	-178,446	-3%
Banca di Valle Camonica Spa	1,494,374	1,512,689	1,535,845	-41,471	-3%
UBI Pramerica SGR Spa	28,864,539	27,705,037	27,573,474	1,291,065	5%
UBI Banca International Sa (**)	2,579,220	3,107,370	2,929,341	-350,121	-12%
IW Bank Spa	8,396,819	9,065,992	8,988,431	-591,612	-7%
Lombarda Vita Spa (1)	6,017,285	5,684,570	5,482,060	535,225	10%
Aviva Vita Spa (1)	7,425,470	6,621,442	6,145,718	1,279,752	21%
Aviva Assicurazioni Vita Spa (1)	2,373,389	2,255,064	2,128,574	244,815	12%
CONSOLIDATED	78,097,204	79,547,957	79,070,259	-973,055	-1.2%

The totals for the network banks also include indirect funding consisting of bonds issued by UBI Banca.

Assets under management (at market prices)

Figures in thousands of euro	30.6.2016 A	31.12.2015 B	30.6.2015 C	Change A-C	% change A/C
Unione di Banche Italiane Spa	-	-	-	-	-
Banca Popolare di Bergamo Spa	17,183,988	16,411,767	16,107,873	1,076,115	6.7%
Banco di Brescia Spa	8,283,791	7,932,526	7,863,971	419,820	5.3%
Banca Popolare Commercio e Industria Spa	6,092,750	5,790,122	5,732,770	359,980	6.3%
Banca Regionale Europea Spa	5,537,033	5,145,208	5,088,337	448,696	8.8%
Banca Popolare di Ancona Spa	2,513,586	2,325,665	2,230,664	282,922	12.7%
Banca Carime Spa	4,054,552	3,847,889	3,694,123	360,429	9.8%
Banca di Valle Camonica Spa	709,996	630,993	639,627	70,369	11.0%
UBI Pramerica SGR Spa	28,864,539	27,705,037	27,573,474	1,291,065	4.7%
UBI Banca International Sa (**)	152,968	102,962	138,644	14,324	10.3%
IW Bank Spa	5,856,581	5,865,415	5,953,264	-96,683	-1.6%
Lombarda Vita Spa (1)	6,017,285	5,684,570	5,482,060	535,225	9.8%
Aviva Vita Spa (1)	7,425,470	6,621,442	6,145,718	1,279,752	20.8%
Aviva Assicurazioni Vita Spa (1)	2,373,389	2,255,064	2,128,574	244,815	11.5%
CONSOLIDATED	50,914,753	48,567,539	47,773,645	3,141,108	6.6%

(1) The figure shown on this line is for total assets managed by the Company. However, the calculation of consolidated funding is based solely on the portion placed by companies in the UBI Banca Group.

(**) The disposal operation is expected to be concluded once the preparatory activities for the disposal are completed and therefore not before the second quarter of 2017.

Transactions with related parties and with connected parties

Related parties

With Resolution No. 17221 of 12th March 2010 – amended by the subsequent Resolution No. 17389 of 23rd June 2010 – the Consob (Italian securities market authority) approved a Regulation concerning related-party transactions. The regulations concern the procedures to be followed for the approval of transactions performed by listed companies and the issuers of shares with a broad shareholder base with parties with a potential conflict of interest, including major or controlling shareholders, members of the management and supervisory bodies and senior managers including their close family members.

The regulations currently apply within the UBI Banca Group to the Parent, UBI Banca Spa, only, as a listed company. In November 2010 the Supervisory Board had already appointed a specific committee from among its members to which transactions falling within the scope of the regulations must be submitted in advance.

In order to implement Art. 2391-*bis* of the Italian Civil Code and the Consob (Italian securities market authority) regulation on related parties, UBI Banca has adopted a special “Regulation to govern the Related Party Transactions of UBI Banca”, available on the corporate website of the Bank, which lays down rules for the identification, approval and implementation of related-party transactions performed, either directly or through its subsidiaries, in order to ensure their transparency and substantive and procedural fairness.

In compliance with Consob recommendations, transactions with related-parties of UBI Banca performed by subsidiaries are also subject to the regulations in question if, under the provisions of the Articles of Association or internal regulations adopted by the Bank, the Management Board, the Supervisory Board, in response to a proposal of the Management Board, or even an officer of the Bank on the basis of powers conferred on that officer, must preliminarily examine or approve a transaction to be performed by subsidiaries.

Transactions of greater importance

In accordance with Art. 5, paragraph 8 of Consob Resolution No. 17221/12 March 2010, “Public disclosures on related-party transactions”, the following related-party transactions concluded in the first six months of 2016 were excluded from the scope of application of the regulations for related-party transactions with UBI Banca, because they were concluded with subsidiaries:

- the approval of three credit lines of the “very short-term lending” type for UBI Leasing, of which one on 1st March 2016 for €700 million and two on 1st June 2016 for a total of €1,250 million;
- the approval of two credit lines of the “short-term loan” type for Prestitalia, on 20th May 2016, for a total of €550 million;
- the approval of six transfers to the Group network banks of funds received from the ECB to support lending to customers (TLTROs) on 30th June 2016 for a total of €4,526.3 million, of which two to Banca Popolare di Bergamo for €900 million and €813.8 million respectively, one to Banco di Brescia for €697.6 million, one to Banca Regionale Europea for €959.9 million, one to Banca Popolare Commercio e Industria for €663.1 million and one to Banca Popolare di Ancona for €491.9 million;
- the approval of the transfer of assets by UBI Leasing to the special purpose entity “UBI SPV Lease 2016 Srl”, under the “UBI Leasing” securitisation programme on 9th March 2016 for a total of €2,000 million;

- three approvals for transfers of assets to the special purpose entity “UBI Finance Srl”, under the First Covered Bond Programme on 29th February 2016 by Banca Popolare Commercio e Industria for a total of €600 million, on 3rd March 2016 by Banco di Brescia for a total of €500 million and on 11th March 2016 by Banca Popolare di Bergamo for a total of €600 million;
- four approvals for transfers of assets to the special purpose entity “UBI SPV Group 2016 Srl”, under the “Multioriginator” Securitisation Programme on 16th February 2016 by UBI Banca for a total of €430 million, on 29th February 2016 by Banca Popolare Commercio e Industria for a total of €500 million, on 3rd March 2016 by Banco di Brescia for a total of €450 million and on 11th March 2016 by Banca Popolare di Bergamo for a total of €1,100 million.

We also report that:

- in a meeting held on 14th January 2016, the Supervisory Board approved the new project to [transfer 100% of the investment held in UBI International Sa](#), with headquarters in Luxembourg, on which, on 12th January 2016 the Management Board had expressed an opinion in favour, which involves a period of exclusive negotiation for the counterparty EFG International to carry out a complete due diligence on the bank and to discuss contractual terms and conditions. A contract was signed on 28th April 2016 for the sale of 100% of the share capital of UBI Banca International to EFG International AG, an international operator that specialises in asset management and private banking services, located in the Zurich. The portfolio of loans to corporate clients (approximately €340 million out of almost €430 million existing at the end of 2015), the bank branches in Madrid and Munich and the investment in UBI Trustee do not form part of the operations sold to EFG International, while approximately €3.6 billion of customer asset business is included in the disposal;
- in a meeting held on 18th February 2016, the Supervisory Board approved the [UBI Factor Business Plan for the period 2016-2018](#), submitted to the Board of Directors of that company on 19th January 2016 and approved, within the scope of its remit, by the Management Board on 10th February 2016;
- in a meeting held on 8th March 2016, the Supervisory Board approved the projects to merge [UBI Fiduciaria Spa and SBIM Spa into UBI Banca](#), together with the draft terms of merger pursuant to Art. 2501 *ter* of Italian Civil Code, approved by the Management Board on 1st March 2016. It also approved waiving the time limits available to UBI Banca as a shareholder of UBI Fiduciaria and SBIM, pursuant to articles 2501 *ter* and 2501 *septies* of the Italian Civil Code and finally it approved the start of the authorisation procedure with the Supervisory Authority;
- in a meeting held on 13th May 2016, the Supervisory Board approved an [amendment to the shareholders’ agreement relating to the subsidiary UBI Pramerica SGR Spa](#) – signed between UBI Banca, Prudential International Investments Corporation, UBI Pramerica SGR Spa and UBI Management Company Sa – on the basis of a proposal submitted by the Management Board, and approved, within the scope of its remit, in a meeting held on 29th April 2016;
- the Management Board on 24th May 2016 and the Supervisory Board on 14th June 2016 approved the [REOCO \(Real Estate Owned Company\) Project](#), the overall basis of which had been previously approved by the Supervisory Board in a meeting held on 13th May, which involved the formation of a real estate company designed to identify strategies to increase the value of the collateral backing bad loan positions.

Finally, as already reported, in a meeting held on 27th June 2016 the Supervisory Board approved the [2019/2020 Business Plan](#) as proposed by the Management Board and the [draft terms of the merger](#) (in the text prepared by the Management Board) [by acquisition into UBI Banca pursuant to Art. 2501 *ter* of the Italian Civil Code of the Group’s network banks](#) Banca Popolare di Bergamo Spa, Banco di Brescia Spa, Banca Popolare Commercio e Industria Spa, Banca Regionale Europea Spa, Banca Popolare di Ancona Spa, Banca Carime Spa and Banca di Valle Camonica Spa.

We also report that, with the application of particularly rigorous principles of interpretation, in terms of substance, given the importance of the operation, UBI Banca has considered Fondazione Cassa di Risparmio di Cuneo and Fondazione Banca del Monte di Lombardia who are shareholders of BRE and BPCI respectively (as related parties of UBI Banca), to be the holders of significant interests in the aforementioned network banks involved in the operation.

Because those foundations are also related parties of UBI Banca, the provisions governing transactions with related parties of “greater importance ” laid down in the “Regulations for transactions with related parties of UBI Banca Spa” adopted in accordance with the aforementioned Consob regulation apply to the operation.

On the basis of those regulations and within the scope of its remit, in view of the unifying nature of the operation, which, amongst other things, is designed to allow the UBI Banca Group to achieve significant synergies as indicated by management, the Related and Connected Parties Committee of UBI Banca has issued an opinion (i) in favour of the operation and, in particular, with regard to UBI Banca’s interest in implementing the merger by acquisition of BRE and BPCI into UBI Banca and to the purchase of the privileged shares and saving shares from the Fondazione CRC under the terms and conditions laid down and also (ii) on the substantial fairness and advantageous nature of those conditions. That opinion was issued by the Committee also in accordance with supervisory provisions concerning related-party transactions pursuant to Bank of Italy Circular No. 263 of 27th December 2006.

Lastly we report that:

- no transactions were performed in the reporting period with other related parties which influenced the capital position or the results of the Parent, UBI Banca, to a significant extent;
- there have been no modifications and/or developments of transactions with related parties, which may have been reported in previous financial reports, that could have a significant effect on the capital position or the results of the Parent, UBI Banca.

Information is reported in the notes to the condensed consolidated interim financial statements in compliance with IAS 24 on balance sheet and income statement transactions between related parties of UBI Banca and Group member companies and on balance sheet and income statement transactions between UBI Banca and its own related parties, together with those items as a percentage of each item in the condensed consolidated interim financial statements.

Connected parties

In implementation of article 53, paragraphs 4 *et seq* of the Consolidated Banking Act and Inter-Ministerial Credit Committee Resolution No. 277 of 29th July 2008, on 12th December 2011 the Bank of Italy issued the ninth update of the “New regulations for the prudential supervision of banks” (published in the Official Journal of 16th January 2012) regarding risk assets and conflicts of interest concerning parties connected to banks or banking Groups, where connected parties are defined as a related party and all the parties connected to it.

The regulations are designed to guard against the risk that the closeness of persons to decision-making centres might compromise the objectivity and impartiality of decisions concerning loans to and/or other transactions with those persons.

The first measure therefore regards the introduction of supervisory limits for risk assets (of a bank and/or of a group) lent to connected parties. These limits differ according to the type of related party, with stricter levels for relations between banks and industry.

The supervisory limits have been supplemented in the regulations with special approval procedures, together with specific recommendations concerning organisational structure and internal controls.

In compliance with the provisions of Title V, Chapter 5 of Circular No. 263 of 27th December 2006, UBI Banca has adopted specific “Regulations for transactions with Connected Parties of the UBI Group” containing measures concerning “risk assets and conflicts of interest with regard to connected parties”, available on the corporate website of the Bank, which regulates procedures designed to preserve the integrity of decision-making processes concerning transactions with connected parties carried out by UBI Banca and by the banking and non-banking members of the Group that it controls including foreign subsidiaries, compatibly with the laws and regulations of the country in which these are registered.

The regulations also require the bodies of Group companies with strategic supervisory responsibility to oversee (with support from the competent functions) the proper application of the provisions of the regulations governing transactions carried out by the respective companies.

In order to achieve this, each of those bodies shall update, on at least a quarterly basis, a list of all the transactions concluded in the previous quarter, inclusive of those not subject to a prior opinion from the committee in accordance with the regulations. It shall specify the connected party, the type of transaction and its value and, if the transaction has not been subjected to prior examination by the committee, the reasons given for the exemption, the maximum limit set for the “General Approvals” and a detailed report on its periodic use.

Also in order to allow the Parent to constantly comply with the consolidated limit on risk assets, the Supervisory Board oversees compliance of the Regulations with the principles recommended in the Supervisory Provisions and also observance, at consolidated level, of the procedural and substantive rules contained in them and it reports to shareholders in accordance with Art. 153 of the Consolidated Finance Act. To achieve this, bodies of other Group companies with responsibility for strategic supervision submit lists quarterly to the Supervisory Board, through the Management Board, of all transactions with connected parties concluded in the previous quarter.

The UBI Banca Group has always been within the limits laid down by supervisory regulations in both the consolidated quarterly reports to the Supervisory Authority in 2016 (in March and June).

* * *

Further information is given on the Related and Connected Parties Committee of UBI Banca in the section “*De jure* and delegated powers of the corporate bodies”, contained among the last pages of this document.

Other information

Inspections

As already reported in the 2015 annual report, as a result of the IT Risk inspections conducted into the UBI Banca Group by a team of senior officers from the **Bank of Italy** and the **ECB** between 30th March and 19th June 2015, on 18th November 2015 a report was received which gave a fully satisfactory opinion on the overall management of IT risk within the UBI Banca Group, although it outlined areas for refinement and improvement (e.g. on business continuity, preventing cyber attacks and computer fraud).

Following the preliminary remarks provided in the last days of 2015, on 24th February 2016 UBI Banca sent a full reply to the ECB containing a detailed action plan for the intervention requested with a time schedule for implementation.

On 22nd July, a detailed update report as at 30th June was sent to the ECB, covering measures already completed or initiated, in line with the implementation schedule submitted.

On 13th January 2016, the ECB sent UBI Banca a specific communication concerning a “**THEMATIC REVIEW ON RISK GOVERNANCE AND RISK APPETITE**” (i.e. an assessment of the functioning and effectiveness of action by the governing bodies and of governance in risk management) which followed a visit by senior officers of the ECB “Joint Supervisory Team” and of the Bank of Italy from 15th to 19th of June 2015 and subsequent meetings on the matter with senior management of the Bank on 25th and 26th November.

With a letter dated 23rd February 2016, UBI Banca set out its own considerations and reported on initiatives designed to achieve the refinements requested, especially with regard to governing bodies, the internal control system and risk governance.

On 4th September 2015 the Bank of Italy commenced inspections into the UBI Banca Group on **COMPLIANCE WITH REGULATIONS ON TRANSACTION TRANSPARENCY, ON PROPER CONDUCT IN CUSTOMER RELATIONSHIPS, AND ON ANTI MONEY-LAUNDERING PRACTICES**. The inspection team’s activities, which were also conducted at individual branches of Group banks, ended on 23rd December 2015.

On 22nd March 2016 the Bank of Italy reported the results of the above inspections to the Parent, which concluded with a partially unfavourable opinion due to the insufficient incisiveness of action regarding the governance, management and control of compliance risk. More specifically, with regard to transparency and proper conduct in relations with customers in that area of operations subject to regulation by the Consolidated Banking Act, weaknesses were found in internal organisational units, in operating processes and in controls which were not always able to ensure the minimisation of exposure to legal and reputational risks.

Furthermore, shortcomings were found in the governance of anti-money-laundering and finance of terrorism risks and irregularities were found in adequate checking and input to the “Single IT Archive”. In light of these shortcomings, an administrative fine procedure has begun against UBI Banca for inadequacies in the organisation and in sector controls, as well as for anomalies in adequate customer identity verification, some of which influenced input to the Single IT Archive.

On 19th May 2016:

- the Bank of Italy was notified of the Group’s specific observations and considerations pertaining to its findings in the areas of transaction transparency and proper conduct in customer relationships;
- counter-arguments were sent to the Bank of Italy with regard to anti money-laundering profiles, in relation to the aforementioned ongoing penalty procedure.

On 26th February 2016 the Central European Bank commenced inspections into the Parent, UBI Banca, on the subject of **BUSINESS MODEL AND PROFITABILITY**. These inspections concluded on 19th May with a “pre-closing meeting”, during which the Company’s senior managers were informed of the main results of the inspections conducted. On 25th May, UBI Banca sent the inspection team some preliminary reflections about the topics discussed in the pre-closing

meeting. The Bank now awaits any consequent written communication from the European Central Bank.

On 13th May 2016, the European Central Bank gave notice that it has begun inspections on the UBI Banca Group in [INTERNAL AND EXTERNAL REPORTING QUALITY](#). The main focus of this inspection is data aggregation processes, particularly regarding credit risk. The inspection was completed on 28th July.

Finally, in a letter dated 22nd June 2016, the ECB ordered new inspections in the areas of [GOVERNANCE, REMUNERATION AND INTERNAL CONTROLS](#), with a particular focus on how the Group deals with conflicts of interest. This inquiry was concluded on 5th August.

* * *

Regarding other specific affairs:

- in the proceedings opened by **Consob**, with a letter dated 30th April 2014, in accordance with article 195 of the Consolidated Finance Act, and concluding in October 2015 when Consob decided to impose administrative fines – in an amount equal to or close in percentage terms to the minimum penalty allowed – upon those members of the Supervisory Board only who were in office in the year 2009 or who were appointed to the Supervisory Board in subsequent years, but were members of the Management Board in the year 2009: UBI Banca, as jointly liable, and the individuals concerned, lodged separate appeals against the Consob ruling, and this case is currently still pending at the Council of State (administrative tribunal) and at the Brescia Court of Appeals.
- in investigations initiated in 2014 by the **Public Prosecutors' Office of Bergamo**: please refer to the notes to the 2015 Consolidated Financial Statements, as no new information has arisen since.

In consideration of their nature, it is considered that the procedures initiated by the Consob and the Public Prosecutor's Office of Bergamo can have no repercussions on Group assets.

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Please refer to the 2015 Consolidated Financial Statements for further information about other events and legal affairs, reported in the notes to those statements, for which there have been no new developments so far in 2016.

Compounding of interest

The UBI Banca Group has always paid the greatest attention to the well-known issue of compounding of interest in its banking relationships, both to the arguments which historically have legitimated that practice in the past and to the implementation of new rules each time that Parliament has amended the legislative framework.

In recent years this framework has been subject to repeated revisions:

- at the end of 2013, Law No. 147 of 27th December 2013 first amended Art. 120, paragraph 2 of the Consolidated Banking with a formulation that was not easy to interpret and which also continued to make reference, for the regulations to implement it, to a resolution of the Interministerial Committee for Credit and Saving (ICCS);
- by means of Law No. 49 of 8th April 2016 (which converted Decree Law No. 18/2016) Parliament, having taken note of the difficulties in implementing the preceding formulation, rewrote the provision introducing substantial new elements to redefine the regulatory delegation to the ICCS more clearly. The principal changes included the following: (i) a minimum annual duration, ending on 31st December of each year, of equal periods for calculating interest receivable and payable on current accounts and payment accounts; (ii) a deadline of 1st March of each year is set by law for demanding payment of interest payable accruing on credit facilities opened on current accounts and on payment accounts, and also

for unauthorised overdrafts; (iii) the possibility for customers to authorise (which may also be done in advance) interest payable to be charged to the account at the moment that it becomes payable thereby transforming it into interest-bearing principal, while the authorisation may be revoked at any time provided that the charge has taken place; (iv) the exclusion of interest arrears from the above regime for the management of interest payable.

On 25th August 2015, the Bank of Italy submitted a draft regulation for public consultation, highlighting difficulties originating from the literal meaning of a regulation introduced at the end of 2013, for which interpretational work is needed in order to avoid potential negative repercussions for bank customers. Even though this consultation period ended on 23rd October 2015, the implementation directive was not issued until 3rd August 2016, partly to be able to incorporate new measures introduced in the meantime by the Government's April 2016 reform. This directive, which took the form of an urgent Ministry of Economy and Finance Decree (no. 343/2016) completes the primary regulatory framework by putting into effect new laws and providing some further detailed clarifications. Financial intermediaries are expected to apply the new measures to interest that matures as from 1st October, and must change clauses in active contracts via a unilateral notification in accordance with the law. The Group's units are working to comply with these measures.

In the courts, in 2015 some courts – with rulings made before the last legislative changes – have issued cautionary injunctions against some banks including Banca Regionale Europea and IW Bank, claiming that the ban on compounding of interest is applicable immediately from 1st January 2014 (the date on which Law No. 147/2013 came into force), notwithstanding the aforementioned absence of provisions to implement it – at least until today – and the overall uncertainty over the legal framework. Other courts, on the other hand, have thrown out similar actions, claiming the unenforceability of the primary legislation without the completion of the framework with provisions for implementation issued by the ICCS.

In this framework, the Group banks involved have taken initiatives to obtain new rulings from the courts in the proceedings in which they are involved.

Tax aspects

The first half of 2016 featured a series of acts to implement regulatory guidelines introduced in 2015 in the “mandate to revise the tax system” (Law no. 23/2014 of 11th March 2014) and in the Italian Government's annual budget law for 2016 (Law no. 208/2015 of 28th December 2015). During the half-year, new measures were also issued specifically pertaining to credit institutions, some of which were fiscal in nature.

Decree Law no. 59/2016, issued 3rd May 2016: Provisions concerning foreclosures and investors in banks in liquidation

This decree, converted into law (no. 119/2016) on 30th June, contains several measures pertaining to lenders and other financial institutions. In the fiscal domain, Article 11 of the decree changes the rules on the convertibility of deferred tax assets (DTAs) into tax credits. At present, these measures have not led to any additional charges to be paid in the current year for the UBI Banca Group.

More specifically, DTAs are assets that originate from cost components in a given financial year that become relevant for tax purposes in a subsequent year. In practice, they arise from a temporary time gap between (i) the moment when costs and revenues are recognised in accounts, and (ii) the moment when these items become relevant for tax purposes. The amount of DTAs on the balance sheets of Italian lenders has traditionally been rather high, due to rules on the tax deductibility of impairment losses on loans as well as on fiscal recognition of goodwill booked following corporate restructuring operations and then released by paying a substitute tax specifically foreseen by law.

In order to guarantee recoverability of DTAs recognised in the accounts of lenders and other financial institutions, specific regulations were enacted in 2010 to enable some ‘qualified’ DTAs to be converted into tax credits under certain circumstances. Following an evaluation by the European Commission asserting that these DTA convertibility regulations could potentially fall

within the sphere of “State aid” and thus be incompatible with the Treaty on the Functioning of the European Union, the Italian Government took action through Article 11 of Decree Law 59/2016. This regulation maintains the same rules for convertibility of qualified DTAs wherever the temporal misalignment between statutory accounting rules and fiscal regulations has given rise to an effective advance tax payment (given that in this circumstance, it cannot be considered tantamount to State aid). Conversely, in cases where qualified DTAs do not correspond to an effective advance tax payment, convertibility into tax credits is subject to payment of an annual fee.

The amount of this fee is determined using a precise formula contained in Article 11 of the Decree Law (there are specific rules for consolidated accounts). If the taxable base for the fee is negative, then no fee is due; this is what occurred for the UBI Banca Group.

On 22nd July 2016, the Italian Tax Office issued both implementation provisions for the measures contained in Article 11 of the Decree Law and a circular with notes on the new regulations. In particular, these documents contain instructions that taxpayers must follow in order to declare that they are exercising the option of converting DTAs in the event of a negative taxable base for the fee.

UBI Banca Spa, as the consolidating company of a consolidated group, made the appropriate declaration to the Lombardy regional tax authorities by the 31st July deadline set in the law.

Decree Law no. 18/2016, issued 14th February 2016: Urgent measures concerning cooperative banking reform, guarantees for the securitisation of bad loans, taxation related to crisis procedures, and collective investment management

This decree, converted into law (no. 49/2016) on 8th April, contains various different measures pertaining to credit institutions. With regard to taxation, Article 15 of the decree establishes the irrelevance – for the purpose of corporate income tax (IRAP) and the regional production tax (IRAP) – of the disposal to a “bridge institution” of rights, assets and liabilities of an entity subject to dissolution. The term “bridge institution” is defined in Article 43, paragraph 1b of Legislative Decree no. 180, issued on 16th November 2015 (which in turn implemented EU Directive 2014/59 instituting a framework for salvaging and resolving credit institutions and investment firms. In brief, a “bridge institution” is established:

- to manage the goods and legal affairs of an institution subject to dissolution;
- with the aim of maintaining continuity in the essential functions previously carried out by the entity subject to dissolution and, when market conditions are acceptable, sell off portions of the share capital or the rights, assets and liabilities acquired.

The same decree also states that as from the date on which the sale takes effect, the bridge institution takes hold of all rights, assets and/or liabilities contained in the sale, including, for example, the deduction or taxation of income items of the entity subject to resolution that have already been recognised on the profit and loss account but not yet deducted or taxed. Tax losses of the entity subject to resolution are also transferred to the bridge institution.

Finally, Article 16 decrees that the acts and provisions for title deed transfers of immovable property (or real rights thereof) to entities that run businesses, in the context of real estate expropriation proceedings in court, are subject to a flat mortgage and cadastral registry tax in the amount of 200 euros, provided that the buyer declares an intent to transfer the deeds again within two years. If no such transfer occurs within two years, then the ordinary mortgage and cadastral registry tax is due, plus interest and a 30% administrative fine. These measures concerning registry taxes are temporary: they apply only to transactions on or before 31st December 2016.

FATCA Regulations and automatic exchange of tax information at international level

FATCA – In a memo published on 28th April 2016, the Italian Tax Office responded to several queries put forward by the Italian Banking Association and Italian asset managers’ association Assogestioni regarding FATCA notifications to be submitted for the year 2015, specifically with reference to the circumstance where in such notification, for the first time, payments related to financial accounts considered relevant for FATCA purposes (i.e. accounts of United States persons or accounts related to financial institutions not registered for FATCA) are also to be provided.

A provision by the Director of the Italian Tax Office on the same date extended the deadline to submit FATCA notifications for 2015 from 30th April 2016 to 15th June 2016, considering the

new information to be included in such notifications (namely, payment information on financial accounts that are relevant for FATCA purposes).

INFORMATION EXCHANGE – Although they refer specifically to FATCA notifications, the indications provided by the tax authorities in the 28th April memo are also pertinent to notifications for the automatic multilateral exchange of information on financial accounts maintained by customers physically resident or present outside of Italy, according to the Common Reporting Standard (CRS), which is broadly based on FATCA regulations. The first of these notifications, referring to the year 2016, must be submitted by 30th April 2017 (barring any extensions).

Inter-Ministry Decree of 25th March 2016 – criteria for reduced taxation of productivity bonuses as from 2016

Italy's budget law for 2016 brings back into effect reduced tax rates on productivity bonuses paid by private sector employers to their employees, even if it is in the form of business profit-sharing; implementation methods were deferred to a specific decree. This Inter-Ministry decree establishes the criteria for measuring incremental productivity, profitability, work quality, efficiency and innovation. Company-specific or regional labour contracts must link variable bonus amounts to these criteria. The decree also establishes criteria for identifying amounts paid in the form of business profit-sharing. The same decree also regulates tools and methods by which companies should achieve equal involvement of workers in the organisation, as well as the use of vouchers for goods and benefit packages in general.

The regulations on productivity bonuses apply to payments made in fiscal year 2016 and subsequent years. In cases where payments made in 2016 are for bonuses and profit-sharing related to 2015, then application of the reduced taxation is subject to fulfilment of all the conditions stipulated in the budget law for 2016.

Regulation issued 14th April 2016 (Cooperative Compliance)

A regulation issued by the Director of the Italian Tax Office on 14th April 2016 contains the objective and subjective requirements for institutional taxpayers to apply for the Cooperative Compliance system introduced in Legislative Decree no. 128/2015 of 5th August 2015.

The aim of this system is to instil a relationship of trust between taxpayers and the tax authorities in order to increase the level of certainty on significant fiscal issues. This goal is to be reached through constant, preventive dialogue, so that both sides can come to a common assessment of situations prone to generate tax risks. Subscription to the Cooperative Compliance system can be done on a voluntary basis by taxpayers that meet the subjective and objective requirements foreseen by the law.

Because this system is being applied for the first time, rather high company size parameters have been set, so as to greatly limit access in this initial phase. More precisely, only companies that on an individual basis have at least €10 billion in annual sales or revenue, or have formulated requests for a tax opinion regarding new investments (a condition regulated under Legislative Decree no. 147/2015 of 14th September 2015). None of the Companies of the UBI Banca Group met the business size criteria to subscribe to the new system, so at present, none have been able to submit applications.

Decree issued 29th April 2016: Identification of methods for processing requests for a tax opinion regarding new investments

This decree outlines operational rules for requests for a tax opinion regarding new investments (as introduced under Legislative Decree no. 147/2015 of 14th September 2015). This request system is designed for businesses that intend to invest no less than €30 million in Italy in a way that will have significant, durable effects on employment numbers. These companies are now offered the opportunity to receive advance confirmation from the Italian Tax Office with regard to the tax treatment of the investment plan and any related extraordinary transactions needed to execute it, including an evaluation of any tax avoidance aspects. The Italian Tax Office will examine the proposed operations with respect to all forms of taxation, from direct corporate taxes (IRES and IRAP) to indirect taxes (VAT, registry taxes, etc.). The following types of investment proposals may be the subject of a request for an opinion:

- the establishment of new businesses;
- diversification of production;
- corporate restructuring in order to recover from or prevent a crisis situation;
- transactions involving equity stakes in a business.

To determine the value of the investment, all resources needed to complete the project are taken into consideration, even if they are to come from third parties or from groups of businesses. The tax authorities will provide a written reply including their reasoning within 120 days, although this may be extended by 90 days if further information must be requested. The content of this reply is binding for the tax authorities with respect to the inquiring business and remains valid – and thus cannot be amended – unless the circumstances laid out in the opinion request change.

Law no. 112/2016, issued 22nd June 2016: Measures to aid persons with severe disabilities and without family support

This law introduces a series of measures designed to facilitate aid for persons with severe disabilities. One of these measures is complete exemption from inheritance and donation taxes on transactions designed to restrict the destination of funds, or to create trust funds and other special funds, in order to aid the disabled.

* * *

On the interpretation front, recent memos issued by the tax authorities have mainly dealt with regulations introduced by the implementation decrees for the tax system reform (those implementing Law no. 23/2014 issued 11th March 2014) and by Law no. 208/2015, the budget law for 2016. The following circulars worthy of mention issued in the first half of 2016 are as follows:

- **Circular no. 4/E/2016 APPLICATION OF THE FAVOR REI PRINCIPLE:** as a consequence of the penalty system revision implemented under Legislative Decree no. 158/2015 of 24th September 2015, the principle of *favor rei* is to be applied to all decisions to impose penalties (whether or not the taxpayer had already been notified), even if not definitive, as from 1st January 2016. Taxpayers therefore have the right to a recalculation of all fines imposed before the regulatory change took effect.
- **Circular no. 6/E/2016 CLARIFICATION ON THE FISCAL TREATMENT OF ACQUISITIONS INVOLVING DEBT:** the tax authorities have outlined appropriate tax treatment of both income items connected to the sources of financing of leveraged buyouts, in terms of both returns (interest paid, dividends and capital gains) realised in Italy by entities located in other EU jurisdictions (or otherwise belonging to the European Economic Area), or even outside the EU. This analysis confirms, as a general rule, the lawfulness of these transactions, which in the past have very frequently been subject to objections by the tax authorities.
- **Circular no. 9/E/2016 REVISION OF REGULATIONS ON REQUESTS FOR OPINIONS:** the tax authorities provided important clarifications on the procedure that needs to be followed to submit a request for a tax opinion, in light of the amendments and reforms to opinion request regulations established by Legislative Decree no. 156/2015 issued on 24th September 2015. This Circular also provides clarification on the required content of these requests and on the aspects to which the tax authorities cannot provide a response (e.g. confirmation of factual circumstances).
- **Circular no. 20/E/2016 PRELIMINARY COMMENTS ON THE BUDGET LAW FOR 2016:** the tax authorities commented on some of the fiscal measures contained in the Italian Government's budget law for 2016. This procedural document examined, first and foremost, new legislation on income taxes, distinguishing those regarding individuals from those regarding companies. One of the former refers to the new personal income tax (IRPEF) deduction of 50% of the VAT due on transactions to purchase a new home by 31st December 2016, a measure intended to stimulate a recovery in the real estate market. The third chapter illustrates regulatory changes concerning VAT, including new rules about reverse charges. For companies, this Circular comments on the reduction in the ordinary corporate income tax rate to 24% as from 2017, and on the associated recalculations of withholdings on profits

distributed to certain persons or legal entities residing in the EU or in some other EEA nations. Lastly, important clarification is provided on certain tax incentives such as the “Art Bonus”, which the UBI Banca Group has taken advantage of.

- **Circular no. 23/E/2016 “SUPER DEPRECIATION”:** the tax authorities have indicated how to apply the recently introduced corporate income tax incentive for the purchase of new plant and equipment. The incentive consists in a 40% increase in the cost of such goods for tax purposes, translating into higher than normal amounts to be deducted from taxable income for depreciations and for lease payments. Because this 40% increase must be calculated based on fixed depreciation rate coefficients, rather than on depreciation rates actually recognised in profit and loss accounts, companies that adopt IAS (including UBI Banca Group) must adapt their procedures to provide evidence of the difference in ordinary depreciation calculations for the profit and loss account, as well as of the 40% increase (to be applied off the balance sheet).
The 40% increase can be applied only to new plant and equipment items purchased on or before 31st December 2016, although the Government appears inclined to extend this incentive to investments to be made in 2017.
The UBI Banca Group has updated its computer systems in order to provide sufficient evidence regarding investments made (or yet to be made) while this incentive is in force, so as to benefit from the “super depreciation”.
- **Circular no. 25/E/2016 REQUESTS FOR A TAX OPINION REGARDING NEW INVESTMENTS:** This Circular from the tax authorities contains useful operational indications for requests for a tax opinion regarding new investments, as introduced by Legislative Decree no. 147/2015 and regulated by the Director of the Italian Tax Office’s decree issued on 29th April 2016.
- **Circular no. 28/E/2016 ON BONUSES AND BENEFIT PACKAGES:** the tax authorities have provided clarifications on the tax breaks for salary bonuses introduced in the budget law for 2016, in connection with the participation of employees in work arrangements, as well as regarding the development of company benefit packages, consisting in the attribution of works, services and other socially useful benefits.
- **Circular no. 30/E/2016 ARGENTINE BONDS:** the tax authorities have clarified the tax treatment of Italian investors that have obtained sums of money above the nominal value of bonds issued by the Republic of Argentina that are subject to potential reimbursement or cancellation depending on the outcome of international arbitration. The UBI Banca Group has acknowledged and applied these indications in its internal procedures.
- **Circular no. 32/E/2016 THE DTA FEE OPTION:** the tax authorities have commented on the regulations pertaining to fees that companies must pay the Italian Government in order to maintain, under certain conditions, the same DTA convertibility scheme. This procedural document also contains operational instructions for corporate taxpayers that are not required to pay any such fees (as is the case for UBI Banca Group).

Revision of the organisational structure of UBI Banca

We report that on 30th June 2016, several organisational changes took effect at the Parent Company, UBI Banca, as approved by the appropriate governing bodies.

The most notable change concerns the Chief Risk Officer and the Compliance Department. In keeping with Bank of Italy indications on the reporting arrangement for corporate control functions (Circular 285, Internal Control System), as well as with the ECB’s recommendations contained in its “Thematic review on risk governance and appetite”, the Chief Risk Officer and the Compliance Officer will report directly to the Management Board, rather than to staff members directly under the Chief Executive Officer¹.

At the same time, the Compliance Department has been partially reconfigured in keeping with the new compliance model designed to improve how non-compliance risks are handled, to

¹ In order to adopt a consistent model for the entire Group, and to adopt the Bank of Italy provisions following the registry authorisation as per Article 106 of the Consolidated Banking Act, this same approach will be adopted at Prestitalia, UBI Leasing and UBI Factor: the Risk Officer will report directly to the respective Board of Directors, rather than to the Managing Director.

strengthen specialised oversight and to streamline coordination activities with other corporate control functions².

Some services and functions have also been revised or rationalised for the Chief Audit Executive (to increase correlation with the scope of duties), the Chief Financial Officer (revising activities carried out by the CFO's staff) and the Chief Risk Officer (to improve organisational efficiency as well as overall oversight in the field of anti-money laundering and claims).

Finally, the Chief of General and Legal Affairs has been renamed Chief Legal and Corporate Affairs Officer; this position will still report to both the Supervisory Board and the Management Board.

Regarding the functions underneath it, we report that as from 18th April 2016, several activities previously performed by the Network Banks have been centralised under the Legal Affairs and Litigation department, including:

- *litigation management (through the creation of a new Litigation Management Service);*
- *appeals to the Financial and Banking Arbitrator and other out-of-court claims settlement institutions (now directly centralised within the Legal Affairs and Litigation department).*

Furthermore, as from 1st May 2016, the Extraordinary Operations department, which previously reported directly to the Chief of General and Legal Affairs, has been renamed "Extraordinary Operations and Equity Investments" and reallocated to report directly to the Chief Executive Officer. As from the same date, the Support Service to the Management Board has been moved to become part of the staff of the Chief Legal and Corporate Affairs Officer.

An updated organisation chart of the Parent, for top level positions, is available in the Corporate Governance section of the official website www.ubibanca.it.

After having announced the 2019/2020 Business Plan, UBI Banca's organisational model will gradually undergo further revision and the business and operational model will be strengthened comprehensively.

With reference to the operational configuration, effective 1st August 2016 the Company's competent governing bodies in fact approved a few initial measures regarding the commercial structure: the current unit, which reports to the Chief Business Officer, has been reorganised into two broad sections, one headed up by a Chief Commercial Officer and the other by a Chief Wealth and Welfare Officer.

The former section now contains the following departments: 'Retail', 'Private & Corporate Unity', 'Multichannel Banking', 'Global Transactions and Operations', 'Customer Satisfaction', as well as service units 'Communication' and 'Distribution Models, Planning and Reporting'. Also under the Chief Commercial Officer, there will be a unit that coordinates the commercial operations of several Group companies (UBI Leasing, UBI Factor, Prestitalia and UBI Trustee). Reporting to the second section, there will not only be the new 'Wealth and Welfare Coordination and Support' unit, but also the 'Finance' unit as well as the newly formed 'Life Insurance and Pensions, Asset Management and Financial Instruments' and 'Pension Services, Assistance and Protection' units.

Finally, regarding the Chief Financial Officer's area, activities related to extraordinary operations will now fall directly under the CFO, having previously reported to the Chief Executive Officer.

Social and environmental responsibility

As already noted in the 2015 Annual Report, last year the Group completed the transition to the new GRI-G4 version of sustainability reporting guidelines proposed by Global Reporting Initiative. This transition project redefined the setup and contents of the Social Report, which has now been renamed the Sustainability Report, along with an update to the Code of Ethics, the key tool used to regulate the Group's social and environmental responsibilities.

The Code of Ethics is in fact an integral part of the Model of Organisation, Management and Control pursuant to Legislative Decree No. 231/2001, adopted by UBI Banca as it establishes

² As reported in the UBI Banca report, effective 1st February 2016 the IT compliance activities have also been brought under this area, in keeping with recommendations expressed by the Bank of Italy in a clarification memo dated 22nd July 2015.

how the Bank and the Group Companies intend to pursue their mission and relate with their various stakeholders, by shaping managerial and operational activities in a way that respects the moral and legal obligations contained in it. The Code describes general ethical and behavioural principles that the UBI Banca Group intends to respect in its relations with its various stakeholders, as well as how these principles are to be implemented and upheld.

The revision of the Code of Ethics, approved by the Supervisory Board and by the Management Board in the early months of 2016, involves mainly:

- adjustments related to the Company's new legal form for actions adopted by UBI Banca, that is, references to its legal status, articles of association and corporate structure;
- a redrawn map of stakeholders and of the Group's relations with the various categories of stakeholders, following up on the work carried out in the aforementioned GRI-G4 project for sustainability reporting;
- a more precise definition of the ban on offering, accepting or receiving money, gifts, complimentary items, hospitality or any other benefits in relations with suppliers and service providers;
- the addition of regulations concerning reporting and managing violations, analogous to the Group's new internal policy for reporting violations or whistleblowing, with the insertion of this further means of reporting violations.

The 2015 Sustainability Report, published in the second quarter of the current financial year, adopts the new GRI-G4 guidelines and covers specific sustainability topics relevant to the Bank and its stakeholders, as identified through the direct involvement of the top management, with planned objectives and actions to be put in place.

The Sustainability Report has undergone independent verification by auditing firm Deloitte & Touche and can be downloaded in electronic format from the official UBI Banca website.

Outlook for consolidated operations

With regard to the **outlook for consolidated operations**, we report the forecasts given below on the basis of information currently available.

In consideration of the level of current market interest rates, again expected to remain stable in coming months, net interest income will benefit in the second half of 2016 from 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 during the year 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 of the year.

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 reduction in inflows of new non-performing loans, should confirm an expected further reduction in loan losses in the second half compared with the same period in 2015, in accordance with the 2019-2020 Business Plan.

Bergamo, 5th August 2016

THE MANAGEMENT BOARD



**CONDENSED INTERIM
CONSOLIDATED FINANCIAL
STATEMENTS**

**AS AT AND FOR THE PERIOD
ENDED 30TH JUNE 2016**

**MANDATORY INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**
AS AT AND FOR THE PERIOD
ENDED 30TH JUNE 2016

Consolidated balance sheet

Figures in thousands of euro	30.6.2016	31.12.2015	30.6.2015
ASSETS			
10. Cash and cash equivalents	476,840	530,098	484,055
20. Financial assets held for trading	681,543	994,478	1,338,170
30. Financial assets designated at fair value	188,641	196,034	197,223
40. Available-for-sale financial assets	15,417,870	15,554,282	16,799,280
50. Held-to-maturity investments	3,452,886	3,494,547	3,535,692
60. Loans and advances to banks	3,930,021	3,429,937	3,191,584
70. Loans and advances to customers	83,906,862	84,586,200	85,340,026
80. Hedging derivatives	791,268	594,685	545,576
90. Fair value change in hedged financial assets (+/-)	63,857	59,994	59,108
100. Equity investments	253,719	260,812	247,779
120. Property, plant and equipment	1,659,827	1,744,463	1,755,974
130. Intangible assets	1,685,184	1,757,468	1,760,006
<i>of which:</i>			
- goodwill	1,465,260	1,465,260	1,465,260
140. Tax assets	3,006,517	2,814,933	2,753,059
a) current	460,169	605,770	488,766
b) deferred	2,546,348	2,209,163	2,264,293
- of which pursuant to Law No. 214/2011	1,948,851	1,966,054	1,931,943
150. Non-current assets and disposal groups held for sale	63,883	11,148	11,286
160. Other assets	1,081,317	1,171,686	1,434,917
TOTAL ASSETS	116,660,235	117,200,765	119,453,735

Figures in thousands of euro	30.6.2016	31.12.2015	30.6.2015
LIABILITIES AND EQUITY			
10. Due to banks	13,691,017	10,454,303	9,049,928
20. Due to customers	55,460,078	55,264,471	55,331,195
30. Debt securities issued	32,064,830	36,247,928	38,996,157
40. Financial liabilities held for trading	612,314	531,812	647,508
60. Hedging derivatives	1,110,942	749,725	788,565
80. Tax liabilities	241,596	472,564	440,745
a) current	35,579	171,620	147,510
b) deferred	206,017	300,944	293,235
100. Other liabilities	3,230,328	2,354,617	3,132,513
110. Post-employment benefits	339,679	340,954	339,894
120. Provisions for risks and charges:	591,468	266,628	291,748
a) pension and similar obligations	73,527	70,237	71,515
b) other provisions	517,941	196,391	220,233
140. Valuation reserves	26,985	260,848	150,595
170. Reserves	3,560,158	3,556,603	3,564,327
180. Share premiums	3,798,430	3,798,430	3,798,430
190. Share capital	2,254,371	2,254,371	2,254,371
200. Treasury shares (-)	-10,616	-5,155	-5,340
210. Non-controlling interests (+/-)	475,640	535,901	548,656
220. Profit (loss) for the period/year (+/-)	-786,985	116,765	124,443
TOTAL LIABILITIES AND EQUITY	116,660,235	117,200,765	119,453,735

Consolidated Income Statement

	1H 2016	1H 2015	FY 2015
Figures in thousands of euro			
10. Interest and similar income	1,117,846	1,308,681	2,509,201
20. Interest and similar expense	(352,274)	(461,533)	(878,146)
30. Net interest income	765,572	847,148	1,631,055
40. Fee and commission income	751,867	768,185	1,488,853
50. Fee and commission expense	(84,414)	(99,107)	(188,734)
60. Net fee and commission income	667,453	669,078	1,300,119
70. Dividends and similar income	8,599	5,319	10,349
80. Net trading income	5,575	45,383	63,919
90. Net hedging income (loss)	(1,250)	6,730	10,968
100. Income from disposal or repurchase of:	86,502	53,441	211,390
a) loans and receivables	(1,593)	(4,311)	(34,527)
b) available-for-sale financial assets	101,214	65,810	262,251
d) financial liabilities	(13,119)	(8,058)	(16,334)
110. Net profit (loss) on financial assets and liabilities designated at fair value	(8,238)	5,544	4,356
120. Gross income	1,524,213	1,632,643	3,232,156
130. Net impairment losses on:	(1,256,840)	(392,447)	(819,512)
a) loans and receivables	(1,206,373)	(389,099)	(802,646)
b) available-for-sale financial assets	(49,903)	(8,490)	(18,290)
d) other financial transactions	(564)	5,142	1,424
140. Net financial income	267,373	1,240,196	2,412,644
170. Net income from banking and insurance operations	267,373	1,240,196	2,412,644
180. Administrative expenses	(1,407,118)	(1,082,843)	(2,340,247)
a) staff costs	(963,115)	(656,415)	(1,391,732)
b) other administrative expenses	(444,003)	(426,428)	(948,515)
190. Net provisions for risks and charges	(26,657)	(29,135)	(2,975)
200. Depreciation and net impairment losses on property, plant and equipment	(38,007)	(42,942)	(88,096)
210. Amortisation and net impairment losses on intangible assets	(94,470)	(33,106)	(66,523)
220. Other net operating income/expense	161,568	168,420	321,441
230. Operating expenses	(1,404,684)	(1,019,606)	(2,176,400)
240. Profits of equity investments	11,950	19,573	35,516
270. Profits on disposal of investments	1,603	83	208
280. Pre-tax profit (loss) from continuing operations	(1,123,758)	240,246	271,968
290. Taxes on income for the period/year from continuing operations	306,134	(98,695)	(127,502)
300. Post-tax profit (loss) from continuing operations	(817,624)	141,551	144,466
320. Profit (loss) for the period/year	(817,624)	141,551	144,466
330. (Profit) loss for the period/year attributable to non-controlling interests	30,639	(17,108)	(27,701)
340. Profit (loss) for the period/year attributable to the shareholders of the Parent	(786,985)	124,443	116,765
Annualised basic earnings per share	(1.7479)	0.2724	0.1251
Annualised diluted earnings per share	(1.7479)	0.2724	0.1251

Consolidated statement of comprehensive income

Figures in thousands of euro	1H 2016	1H 2015	FY 2015
10. PROFIT (LOSS) FOR THE PERIOD/YEAR	(817,624)	141,551	144,466
Other comprehensive income net of taxes without transfer to the income statement			
40. Defined benefit plans	(19,346)	20,541	14,458
Other comprehensive income net of taxes with transfer to the income statement			
90. Cash flow hedges	252	535	573
100. Available-for-sale financial assets	(216,791)	21,593	136,938
120. Share of valuation reserves of equity-accounted investees	636	(4,308)	(3,372)
130. Total other comprehensive income (loss) net of taxes	(235,249)	38,361	148,597
140. COMPREHENSIVE INCOME (LOSS) (item 10 + 130)	(1,052,873)	179,912	293,063
150. CONSOLIDATED COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(32,024)	18,711	29,286
160. CONSOLIDATED COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT	(1,020,849)	161,201	263,777

Statement of changes in consolidated equity for the period ended 30th June 2016

	Balances as at 31.12.2015	Restate- ment of opening balances	Balances as at 1.1.2016	Allocation of prior year profit		Changes January - June 2016								30th June 2016			
						Reserves	Dividends and other uses	Changes in reserves	Equity transactions								Consolidated comprehensive income
									New share issues	Repur- chase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity stakes		
Figures in thousands of euro																	
Share capital:	2,565,936	-	2,565,936	-	-	-	-	-	-	-	-	-	-77	-	2,565,859	2,254,371	311,488
- ordinary shares	2,520,829	-	2,520,829	-	-	-	-	-	-	-	-	-	-77	-	2,520,752	2,254,371	266,381
- other shares	45,107	-	45,107	-	-	-	-	-	-	-	-	-	-	-	45,107	-	45,107
Share premiums	3,818,024	-	3,818,024	-	-	-	-	-	-	-	-	-	-87	-	3,817,937	3,798,430	19,507
Reserves	3,737,499	-	3,737,499	144,466	-132,151	-8,923	-	-	-	-	-	-	-197	-	3,740,694	3,560,158	180,536
- of profits	1,806,092	-	1,806,092	144,466	-132,151	-7,710	-	-	-	-	-	-	-	-	1,810,697	1,734,770	75,927
- other	1,931,407	-	1,931,407	-	-	-1,213	-	-	-	-	-	-	-197	-	1,929,997	1,825,388	104,609
Valuation reserves	256,993	-	256,993	-	-	-	-	-	-	-	-	-	-11	-235,249	21,733	26,985	-5,252
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-5,155	-	-5,155	-	-	7,710	-	-13,171	-	-	-	-	-	-	-10,616	-10,616	-
Profit (loss) for the period	144,466	-	144,466	-144,466	-	-	-	-	-	-	-	-	-	-817,624	-817,624	-786,985	-30,639
Equity	10,517,763	-	10,517,763	-	-132,151	-1,213	-	13,171	-	-	-	-	-372	-1,052,873	9,317,983	8,842,343	475,640
<i>Equity attributable to the shareholders of the Parent</i>	<i>9,981,862</i>	-	<i>9,981,862</i>	-	<i>-104,098</i>	<i>-1,213</i>	-	<i>-13,171</i>	-	-	-	-	<i>-188</i>	<i>-1,020,849</i>	8,842,343	X	X
<i>Equity attributable to non-controlling interests</i>	<i>535,901</i>	-	<i>535,901</i>	-	<i>-28,053</i>	-	-	-	-	-	-	-	<i>-184</i>	<i>-32,024</i>	475,640	X	X

Statement of changes in consolidated equity for the period ended 30th June 2015

	Balances as at 31.12.2014	Restatement of opening balances	Balances as at 1.1.2015	Allocation of prior year profit		Changes January - June 2015										30th June 2015		
				Reserves	Dividends and other uses	Changes in reserves	Equity transactions						Consolidated comprehensive income	Equity	attributable to the shareholders of the Parent	attributable to non-controlling interests		
							New share issues	Repurchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options					Changes in equity stakes	
Figures in thousands of euro																		
Share capital:	2,566,663	-	2,566,663	-	-	-	-	-	-	-	-	-	-84	-	2,566,579	2,254,371	312,208	
- ordinary shares	2,521,556	-	2,521,556	-	-	-	-	-	-	-	-	-	-84	-	2,521,472	2,254,371	267,101	
- other shares	45,107	-	45,107	-	-	-	-	-	-	-	-	-	-	-	45,107	-	45,107	
Share premiums	4,744,986	-	4,744,986	-918,436	-	-	-	-	-	-	-	-	-88	-	3,826,462	3,798,430	28,032	
Reserves	3,646,157	-	3,646,157	214,846	-101,596	-1,603	-	-	-	-	-	-	-126	-	3,757,678	3,564,327	193,351	
- of profits	1,692,842	-	1,692,842	214,846	-101,596	-	-	-	-	-	-	-	-	-	1,806,092	1,730,486	75,606	
- other	1,953,315	-	1,953,315	-	-	-1,603	-	-	-	-	-	-	-126	-	1,951,586	1,833,841	117,745	
Valuation reserves	110,191	-	110,191	-	-	-	-	-	-	-	-	-	-	38,361	148,552	150,595	-2,043	
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury shares	-5,340	-	-5,340	-	-	-	-	-	-	-	-	-	-	-	-5,340	-5,340	-	
Profit (loss) for the period	-703,590	-	-703,590	703,590	-	-	-	-	-	-	-	-	-	141,551	141,551	124,443	17,108	
Equity	10,359,067	-	10,359,067	-	-101,596	-1,603	-	-	-	-	-	-	-298	179,912	10,435,482	9,886,826	548,656	
<i>Equity attributable to the shareholders of the Parent</i>	<i>9,804,048</i>	<i>-</i>	<i>9,804,048</i>	<i>-</i>	<i>-75,630</i>	<i>-1,603</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-1,190</i>	<i>161,201</i>	<i>9,886,826</i>	<i>X</i>	<i>X</i>	
<i>Equity attributable to non-controlling interests</i>	<i>555,019</i>	<i>-</i>	<i>555,019</i>	<i>-</i>	<i>-25,966</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>892</i>	<i>18,711</i>	<i>548,656</i>	<i>X</i>	<i>X</i>	

Consolidated Statement of Cash Flows

(indirect method)

Figures in thousands of euro	1H 2016	1H 2015
A. OPERATING ACTIVITIES		
1. Ordinary activities	110,851	618,905
- profit for the period (+/-)	-817,624	141,551
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	2,663	-50,927
- gains/losses on hedging activities (-/+)	1,250	-6,730
- net impairment losses on loans (+/-)	1,256,840	392,447
- depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (+/-)	132,477	76,048
- net provisions for risks and charges and other expense/income (+/-)	26,657	29,135
- net premiums not received (-)	-	-
- other insurance income/expense not received(-/+)	-	-
- outstanding taxes, duties and tax credits (+/-)	-422,552	49,063
- net impairment losses on disposal groups held for sale after tax (-/+)	-	-
- other adjustments (+/-)	-68,860	-11,682
2. Net cash flows from/used by financial assets	-654,804	1,731,443
- financial assets held for trading	253,310	131,900
- financial assets designated at fair value	-798	1,279
- available-for-sale financial assets	284,430	1,875,916
- loans and advances to banks: repayable on demand	-	-
- loans and advances to banks: other loans and receivables	-500,084	148,831
- loans and advances to customers	-527,035	-84,902
- other assets	-164,627	-341,581
3. Net cash flows from/used by financial liabilities	649,492	-2,344,566
- amounts due to banks repayable on demand	-	-
- amounts due to banks: other payables	3,236,714	-4,242,795
- due to customers	195,607	3,714,275
- debt securities issued	-4,183,098	-2,594,192
- financial liabilities held for trading	80,502	29,746
- financial liabilities designated at fair value	-	-
- other liabilities	1,319,767	748,400
Net cash flows from/used in operating activities	105,539	5,782
B. INVESTING ACTIVITIES		
1. Cash flows from	10,289	6,889
- disposals of equity investments	-	1,507
- dividends received on equity investments	8,599	5,319
- disposals of held-to-maturity investments	-	-
- disposals of property, plant and equipment	1,536	63
- disposals of intangible assets	154	-
- disposals of subsidiaries and lines of business	-	-
2. Cash flows used in	-36,935	-25,082
- purchases of equity investments	-	-
- purchases of held-to-maturity investments	-	-
- purchases of property, plant and equipment	-14,545	-8,329
- purchases of intangible assets	-22,390	-16,753
- purchases of subsidiaries and lines of business	-	-
Net cash flows from/used in investing activities	-26,646	-18,193
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	-132,151	-101,596
Net cash flows from/used in financing activities	-132,151	-101,596
NET CASH GENERATED/USED DURING THE PERIOD	-53,258	-114,007

Reconciliation

Figures in thousands of euro	1H 2016	1H 2015
Cash and cash equivalents at beginning of period	530,098	598,062
Total net cash flows generated/absorbed during the period	-53,258	-114,007
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the period/year	476,840	484,055

EXPLANATORY NOTES

Accounting policies

Basis of preparation

The Interim financial report as at and for the period ended 30th June 2016 of the UBI Banca Group¹, approved by the Management Board on 5th August 2016 which authorised its publication in compliance, amongst other things, with IAS 10, comprises the interim management report on consolidated operations and the condensed interim consolidated financial statements². It has been prepared in compliance with article 154-*ter* of Legislative Decree No. 58/1998, with the IFRS international accounting standards³ issued by the International Accounting Standards Board (IASB) and with the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission and in force on 30th June 2016.

More specifically the condensed interim consolidated financial statements⁴ have been prepared in compliance with IAS 34, which governs interim financial reporting. In view of the option allowed by the standard just mentioned, the financial statements have been presented in condensed form and therefore they do not provide all the full information required for annual financial statements and must be read in conjunction with the annual report prepared for the year ended 31st December 2015.

The condensed interim consolidated financial statements as at and for the period ended 30th June 2016 include the Parent, UBI Banca Spa, and the companies comprised within the scope of the consolidation⁵ and they have been prepared by using the positions of the single companies included within the consolidation, corresponding to their individual interim financial statements examined and approved by their respective governing bodies and appropriately modified and reclassified, where necessary, for compliance with the accounting policies adopted by the Group.

The condensed interim consolidated financial statements contain a statement by the Chief Executive Officer and the Senior Officer Responsible pursuant to Art. 154 *bis* of Legislative Decree No. 58/1998 and they have been subjected to a limited audit by the independent auditors Deloitte & Touche Spa.

* * *

These condensed interim consolidated financial statements as at and for the period ended 30th June 2016 have been clearly stated and give a true and fair view of the capital and financial position, the result for the period, the changes in equity and the cash flows generated.

The condensed interim consolidated financial statements result from the application of IFRS and measurement criteria, adopted on the basis of a going concern assumption and in compliance with the principles of accrual accounting, the relevance of the information and the predominance of substance over form.

These criteria are the same as those applied to the financial statements as at and for the period ended 31st December 2015, which may be consulted in full, except for the entry into

¹ The business of the Group is not significantly subject to seasonal and/or cyclical factors.

² For full information, this Interim Financial Report also includes a section on the Parent, even if it is required neither by Art. 154-*ter* nor by IAS 34, containing the separate condensed mandatory interim financial statements as at and for the period ended 30th June 2016, the reclassified financial statements and the relative notes and comments. Those financial statements were not subjected to a limited audit.

³ Those standards, implemented in Italian law by Legislative Decree No. 38/2005, which took advantage of the option allowed under EC Regulation 1606/2002, and to which no exceptions have been made, are applied on the basis of events occurring that are disciplined by them from the date on which their application becomes compulsory, unless specified otherwise.

⁴ The interim condensed consolidated financial statements containing the balance sheet, income statement, statement of comprehensive income, statements of changes in equity, cash flow statement and notes.

⁵ Details are given in the section "The scope of the consolidation", in which any changes that occurred during the period are also given.

force of some changes already illustrated in the 2015 Annual Report⁶ where accounting standards, amendments and interpretations applied from 1st January 2016 are described.

Where it is impossible to measure items in the financial statements with precision, the application of those policies involves the use of estimates and assumptions which may have a significant effect on the amounts recognised in the balance sheet and in the income statement. The use of reasonable estimates forms an essential part of the preparation of financial statements and we have listed here those items in the financial statements in which the use of estimates and assumptions is most significant:

- measurement of loans and receivables;
- measurement of financial assets not listed on active markets;
- measurement of indefinite useful life intangible assets and equity investments;
- quantification of provisions for risks and charges;
- quantification of deferred taxes;
- definition of the depreciation and amortisation charges for property, plant and equipment and intangible assets with finite useful lives;
- measurement of post-employment benefits.

In compliance with the provisions of IAS 34, income taxes are recognised on the basis of the best estimate of the weighted average rate expected for the full year.

An adjustment may be made to an estimate following a change in the circumstances on which it was based or if new information is acquired or yet again on the basis of greater experience.

A change in an estimate is applied prospectively and it therefore generates an impact on the income statement in the year in which it is made and, if it is the case, also in future years.

In this respect we report that no changes were made in the first half to the criteria already employed for estimates in the financial statements as at 31st December 2015, except for the items described in the subsequent sub-section “Other aspects” with reference to impairment losses on non-performing exposures.

The information contained in this report is expressed, unless otherwise indicated, in euro as the accounting currency.

The mandatory financial statements and the explanatory notes have been prepared in thousands of euro⁷ and comply with those defined in Bank of Italy Circular No. 262/2005⁸ and in addition to the financial statements as at 30th June 2016 they provide the following comparative information:

- balance sheet: as at 30th June 2015 and 31st December 2015;
- income statement: first half 2015 and full year 2015;
- statement of comprehensive income: first half 2015 and full year 2015;
- statement of changes in equity: period ended 30th June 2015;
- statement of cash flows: first half 2015.

The minimum information required under paragraphs 15 B and 16 A of IAS 34 relating to dividends paid and trends for loan provisions is given in the interim consolidated management report.

With regard to the provisions of IAS 10, concerning events occurring subsequent to the balance sheet date of the condensed interim consolidated financial statements, we report that subsequent to 30th June 2016, the balance sheet date, and until 5th August 2016, the date on which the Interim financial report was approved by the Management Board, no events occurred to make adjustments to the figures presented in the report necessary.

Furthermore, account was also taken in the preparation of this financial report of the following:

- provisions introduced with documents issued jointly by the supervisory authorities; with reference in particular to Bank of Italy/Consob (securities market authority)/Isvap (insurance authority) Document No. 4 of 3rd March 2010, see the subsequent section “Other aspects” in relation to impairment of goodwill and available-for-sale financial assets.

⁶ See Part A.1 of the notes to the consolidated financial statements, “Accounting policies – General Part”, for further information.

⁷ The relative rounding of the figures has been performed on the basis of Bank of Italy instructions.

⁸ The balance sheet lists assets and liabilities in order of decreasing liquidity and the income statement recognises expenses according to their nature.

- the ESMA document “Guidelines – Alternative Performance Measures” of 5th October 2015 designed to encourage the usefulness and transparency of alternative performance measures⁹ included in prospectuses and regulated information¹⁰.

With specific reference to the provisions in those guidelines on the subject of the alternative performance measures provided in the interim management report on consolidated operations and more specifically in the income statement net of the most significant non-recurring items, we report that the definition of non-recurring events used in order to determine those appropriate for normalisation is currently under revision in the UBI Banca Group. Until non-recurring events have been redefined, we report for full information that on the basis of a preliminary analysis, the results given in the statement mentioned¹¹ would not have been significantly different from those which would have resulted from the application of the guidelines introduced by the ESMA document.

Regulatory developments

The most important aspects of changes in international accounting standards are given below with the periods from which they run.

INTERNATIONAL ACCOUNTING STANDARDS IN FORCE FROM 2016

As already reported in the 2015 Annual Report, which may be consulted for full details, some provisions relating to regulations issued by the European Union have come into force during the current year, the adoption of which has had no significant effects on the condensed interim consolidated financial statements of the UBI Banca Group¹².

With specific regard to the option introduced, (with Regulation EU 2442/2015) by an amendment to IAS 27 “Consolidated and separate financial statements”, to measure investments in subsidiaries, joint ventures or associates subject to considerable influence using the equity method in the separate financial statements of the investor, the UBI Banca Group has decided at present not to take up that option. These equity investments are therefore measured at cost, continuing with the measurement criteria criterion adopted until 31st December 2015.

INTERNATIONAL ACCOUNTING STANDARDS IN FORCE SUBSEQUENT TO 2016

At present no accounting standards (or interpretations) endorsed by the European Commission exist which involve compulsory application subsequent to 31st December 2016.

INTERNATIONAL ACCOUNTING STANDARDS NOT ENDORSED AS AT 30TH JUNE 2016

Standard (IAS/IFRS) Interpretation (SIC/IFRIC)	Amendments	Date of publication
IFRS 14	Regulatory deferral accounts	30/01/2014
IFRS 15	Revenue from contracts with customers	28/05/2014
IFRS 9	Financial Instruments	24/07/2014

⁹ The ESMA document defines an alternative performance measure as “a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Examples of APMs include: operating earnings, cash earnings, earnings before one-time charges, earnings before interest, taxes, depreciation and amortisation (EBITDA), net debt, autonomous growth or similar terms denoting adjustments to line items of statements of comprehensive income, statements of financial position or statements of cash flow.

¹⁰ Examples of regulated information are: management reports disclosed to the market in accordance with the Transparency Directive and disclosures issued under the Market Abuse Regulation and the Management Report on operations. The financial statements in the sense of the mandatory financial statements and the notes to them are explicitly excluded from the compulsory application of the guidelines even if the application of APMs is allowed.

¹¹ See the section “Reclassified consolidated financial statements, reclassified income statement net of the most significant non-recurring items and reconciliation schedules” in this interim financial report for further information.

¹² A more detailed description is given in a report contained in the Notes to the consolidated financial statements as at and for the period ended 31st December 2015.

IFRS 10, IAS 28	Sale contribution of assets between an investor and its Associate or Joint Venture	11/09/2014
IFRS 10, IFRS 12, IAS 28	Investment Entities: applying the consolidation exception	18/12/2014
IFRS 16	Leases	13/01/2016
IAS 12	Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	19/01/2016
IAS 7	Amendments to IAS 7: Disclosure initiative	29/01/2016
IFRS 15	Clarification to IFRS 15: Revenue Contracts with Customers	12/04/2016
IFRS 2	Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transaction	20/06/2016

The standards listed above are not applicable for the purposes of the preparation of the 2016 first half report because their application is subject to endorsement by the European commission through the issue of specific EU Regulations.

The IFRS 9 Project in the UBI Banca Group

As already reported in the Consolidated 2015 Annual Report, in view of the importance of the future changes¹³ introduced by the new IFRS 9 financial reporting standard¹⁴, a summary of which is given in the notes to the financial statements contained in the aforementioned annual report, the UBI Banca Group has taken part from the outset in a project run by the Italian Banking Association and then in the second half of 2015 it launched its own transition project, the architecture of which is organised along three lines of activity:

1. preliminary assessment;
2. design;
3. implementation.

The assessment stage started in 2015 was concluded in the first quarter of 2016. Its aim was to assess the potential impacts of the new standard with respect to regulatory aspects, risk models, administration, organisation, IT software and business.

The main results of this preliminary activity can be summarised as follows:

- identification of regulatory and accounting modifications and the consequent preliminary definition of accounting guidelines for the necessary aspects;
- identification of the preliminary impacts in terms of business, risk models, organisation and IT systems;
- definition of criteria for the recognition and transfer of financial instruments and for loans in particular, among the three stages laid down by IFRS 9 on the basis of credit quality, with consequent different estimates of the respective carrying amounts (twelve month expected credit loss vs. lifetime expected credit loss).

A detailed analysis was conducted in the first quarter of 2016 of the above-mentioned preliminary results which confirmed the significance of the changes introduced by the new standard in relation in particular to the impairment model applicable to all financial assets (except for those recognised at fair value through profit or loss – FVPL). This lends weight as a consequence to the expectation held by the whole national and international banking industry that the degree of write-downs will increase compared with those estimated with the model currently in use, especially with regard to financial assets that have not defaulted, or in other words those located in stages one and two as defined in the standard.

On the other hand there are no significant expectations of asset reclassifications on the basis of the provisions for the classification of financial assets contained in IFRS 9.

Design activity, which commenced in the first quarter, was further developed during the second quarter with the activity summarised below and at present its conclusion is forecast for before the end of the current year.

¹³ Especially with regard to the expected loss model applicable to estimates of the value of financial instruments and also in consideration of the consequent complexity of the implementation of the standard in question.

¹⁴ The accounting standard IFRS 9 “Financial Instruments” as issued by the IASB on 24th July 2014, which therefore brought to conclusion the process to fully revise IAS 39 “Financial Instruments: Recognition and Measurement”. The standard in question, adoption of which will be compulsory from 1st January 2018, is still going through the endorsement process by the European Commission as part of which the European Financial Reporting Advisory Group (EFRAG – the body responsible for assessing the adoption of IFRS at European level) issued a favourable opinion on 4th May 2015. At present endorsement of the standard is forecast for the fourth quarter of 2016.

More specifically the purpose of the design stage currently underway is to develop the following activities:

- detailed definition of accounting policies;
- preparation of risk models;
- definition of technical specifications for IT systems and processes;
- management of regulatory updates and specifications requested by regulators;
- definition of detailed specifications in organisational terms.

The architecture of the project subsequently involves implementation activities designed to plan and implement the action identified and defined in the preceding stages of the project.

The relative updates will be provided in future interim/half yearly and annual financial reports.

For full information, we report that on 9th July 2016 the Bank of Italy sent banks a “[Questionnaire for self diagnosis on the adoption of the new accounting standards](#)” in order to provide intermediaries with a uniform tool for self diagnosis on the process of the adoption of IFRS 9¹⁵.

As underlined by the Supervisory Body, the questionnaire, which includes information of a qualitative and quantitative nature, will constitute a useful auxiliary tool for the meetings that will be held starting next September – at the level of single intermediaries or trade association – in order to learn the state-of-the-art in the process of adopting the new accounting standard as well as to gain knowledge of the analyses and more difficult aspects concerning the application of that standard. A preliminary analysis of that document confirms that the most important issues are the same as those identified in the stages of the project described above.

Other aspects

Impairment losses on non-performing exposures

One key goal of the Group’s 2019/2020 Business Plan¹⁶ is to achieve a Texas ratio¹⁷, which measures the portion of non-performing exposures which can be covered by the capital immediately available to the bank, of less than 100% on conclusion of the plan. In order to achieve that result, given the current size of the Group’s non-performing loans (on which, moreover, recent regulatory provisions designed to speed up credit recovery times in the short term are having only a marginal impact), the Group has decided to adopt an even more prudential approach in its management of these loans, in order to reduce recovery times and therefore facilitate achievement of the plan to reduce the portfolio over the time horizon of the business plan.

The condensed interim consolidated financial statements as at and for the period ended 30th June 2016 therefore contain substantial impairment losses on loans and consequent increases in case-by-case provisions to meet exposures classified as defaulted, and that is “unlikely to pay loans” and “bad loans”. Those same impairment losses are the result of newly acquired information relating to facts and events that occurred subsequent to 31st December 2015 in an environment which caused the progressive deterioration of positions already classified as non-performing, with account also taken of the progressive reduction in the appraised value of the collateral backing the loans.

In accordance with IAS 8 “Accounting policies, changes in accounting estimates, and errors”, impairment losses recognised in the second quarter of 2016 are attributable entirely to “changes in estimates”, because the measurement base consisting of the amortised cost had not changed.

¹⁵ The questionnaire is the same as that used by the ECB for an exercise carried out on a few intermediaries, designed to understand the impact of the application of IFRS 9.

¹⁶ See in this respect the section “significant events in the first half of 2016” in the interim management report on consolidated operations.

¹⁷ The Texas Ratio is the ratio of net non-performing exposures to tangible equity (net of profit for the year and including non-controlling interests).

Leaving incentives

The 2019-2020 Business Plan involves strong generation turnover to be implemented with approximately 2,750 staff leaving and approximately 1,100 new recruits to develop new skills and expertise, thereby creating, amongst other things, significant synergies in terms of staff numbers.

Part of those redundancies, relating to approximately 1,300 staff, involve use of the sector “solidarity fund” and will be achieved by means of a voluntary redundancy scheme. A preliminary meeting was held with trade union organisations on 28th June 2016, following which, on 21st July 2016 the Parent issued a report as required by the current provisions of the law and the agreement concerning the incentive scheme.

As concerns the more specifically accounting aspects of the aforementioned scheme, in compliance with the provisions of IAS 37 “provisions, contingent liabilities and contingent assets”¹⁸, an expense of €323.2 million before tax and non-controlling interests was recognised within the item “staff costs”¹⁹.

BRRD Directive (Bank Recovery and Resolution Directive – 2014/59/EU)

- Accounting treatment of the contribution to the Single Resolution Fund

As already fully described in the information contained in the notes to the consolidated financial statements as at and for the period ended 31st December 2015, the **BRRD Directive (Bank Recovery and Resolution Directive – 2014/59/EU)** defines the new resolution rules applicable to all banks in the European Union from 1st January 2015. Its measures will be financed from 1st January 2015 by the National Resolution Fund which from 1st January 2016 has been paid into the Single resolution fund (SRF).

The Single Resolution Fund must reach its funding target by 31st December 2023 by means of the payment of an annual *ex ante* contribution, which under normal circumstances, in accordance with Commission Delegated Regulation of the European Commission No. 2015/81, may also be paid by signing irrevocable payment commitments, with a minimum amount of 15%.

From 29th April 2016, the Bank of Italy, in its capacity as the Resolution Authority, sent a communication to the Italian banks subject to the above-mentioned regulation, which states the amount of the ordinary contribution due for the financial year 2016, calculated in accordance with Commission Delegated Regulations No. 2015/63 and No. 2015/81. This contribution has been determined by the Single Resolution Board in co-operation with the Bank of Italy. That communication allowed banks the option to pay 85% of the contribution in cash and the remaining 15% by means of an irrevocable commitment backed by cash collateral.

On 19th May 2016 the UBI Banca Group confirmed that it was opting to pay 85% in cash and the remaining 15% by means of a commitment to pay. On the following 14th June it paid the full contribution due.

In view of the above, in application of IFRIC 21, “Levies”, the Group recognised the total contribution, already in the interim financial statements for the period ended 31st March 2016, amounting to €37.55 million²⁰ (€22 million for the full year 2015).

More specifically, in compliance with the provisions of Art. 8 of the above mentioned Commission Delegated Regulation of the European Commission No. 2015/81, an expense of €31.92 million was recognised in the income statement under the item “other administrative expenses”. As concerns the commitment to pay the remaining part of the contribution (amounting to €5.63 million), in compliance with the provisions of the aforementioned Bank of Italy communication and until possible announcements are made by the competent supervisory authorities, that amount was recognised “below the line” within irrevocable commitments to pay funds fully backed by cash collateral.

Adherence to the “Voluntary Scheme” of the Interbank Deposit Protection Fund

- Support for Banca Tercas

The 2015 Consolidated Annual Report gave details of amendments to the articles of association of the Interbank Deposit Protection Guarantee Fund made while waiting for the completion of procedures to implement the DGS Directive (Deposit Guarantee Scheme – 2014/49/EU) into national law. These amendments introduced voluntary procedures (“voluntary scheme”) in addition to those regulated by the aforementioned directive, designed to support banks in extraordinary administration or conditions of great difficulty where concrete turnaround prospects are found and measures adopted by the Bank of

¹⁸ With particular reference to the provisions concerning the treatment for expenses resulting from “restructuring”.

¹⁹ The expenses within the item “staff costs” were recognised against the item “provisions for risks and charges”.

²⁰ The substantial increase in the contribution due for 2016 compared with the previous year is due to a number of contributing causes, the most important of which are as follows:

- a reduction in the time frame, now eight years, within which the Single Resolution Fund must reach its funding target compared with the time frame of 10 years to reach the funding target for the National Resolution Fund;
- an increase in the UBI Banca Group’s contribution to the total deposits against which the target for the funds on which the Fund must be able to draw is measured;
- the assignment of a correction factor for risk, partly on the basis of European positioning.

Italy have been taken designed to reduce and/or convert capital instruments into Common Equity Tier 1 capital.

The commitment signed with adherence to the voluntary scheme – rendered official in December 2015 – for a two-year period and up to a maximum of €300 million for the Italian banking sector as a whole, was called upon because the interventions made to support Banca Tercas in the financial years 2013 and 2014 were classified as “state aid” by the European Commission.

On 26th April 2016, the Interbank Deposit Protection Fund therefore communicated the return of the contribution previously paid and also the charge of an expense at the same time for a final amount of approximately €15.8 million.

In view of the above, proceeds amounting to approximately €1.9 million, equal to the difference between the final actual expense (€15.8 million) and that previously charged (€17.7 million), were recognised within the item 130d) “Net impairment losses on: other financial transactions”.

- Signing of a new adherence commitment

The operation described above seriously depleted the funds of the voluntary scheme. Therefore an Extraordinary General Meeting of the banks adhering to the scheme held on 17th June 2016 approved amendments to the Articles of Association designed to reinforce the possibilities for intervention – by raising the total maximum commitment by the sector to €700 million – and to simplify the decision-making processes.

The decision created the necessary conditions for the coming implementation of an operation to recapitalise Cassa di Risparmio di Cesena, approved by the Management Board of the Voluntary Scheme on 15th June 2016. On that basis, the UBI Banca Group recognised a commitment “below the line” to make a payment of approximately €41 million.

Transformation of UBI Banca into an ordinary joint-stock company

- Impacts on the accounts resulting from the exercise of the right of withdrawal

As described in the Consolidated Management report²¹, following the transformation of UBI Banca from a joint stock co-operative company into an ordinary joint-stock company, the holders of UBI Banca shares and also the registered shareholders of UBI Banca who did not approve the transformation resolution were able to exercise their right of withdrawal.

The amount set for the payment of the shares subject to withdrawal²² was €7.2880 for each UBI Banca share and that right was validly exercised on 35,409,477 shares for total consideration of approximately €258 million. The actual conditions to meet those requests were met for 1,807,220 shares, as provided for by the Illustrative Report to the Shareholders’ Meeting held on 10th October 2015, and published on 9th September 2015.

On 31st March 2016 the European Central Bank issued an authorisation²³ to UBI Banca to proceed with the redemption of 1,807,220 shares.

On 30th June 2016, UBI Banca extinguished that debt, accounted for in compliance with the provisions of IAS 32, for an amount payable of €13.2 million against a corresponding reduction in equity. This debt to shareholders was extinguished on 8th April 2016 by the settlement of the redemption at the above-mentioned payment amount of €7.2880 per share²⁴.

Impairment of available-for-sale securities

The fair value measurement of available-for-sale securities as at 30th June 2016 resulted in the recognition of impairment losses through profit and loss of approximately €49.9 million, of which €29.8 million relating to UBI Banca.

These impairment losses were attributable exclusively to the following:

- €35.0 million to equity instruments of an “investment” nature.
- €14.5 million to debt instruments;
- €0.4 million to investments in UCITS.

Impairment losses on equity instruments²⁵ are recognised, in compliance with Group policy on the impairment of available-for-sale equity instruments, when the fair value of the instruments either remains below the historical cost of purchase for a period of longer than 18 months or falls below that level by more than 35% or in cases of impairment following the recognition of previous impairment losses.

²¹ See in this respect the section “significant events in the first half of 2016” in the interim management report on consolidated operations.

²² A restriction was therefore placed on these shares and since they remained the property of the shareholder on the relative dossiers, they could not be transferred until the end of the “liquidation procedure”.

²³ In accordance with Art. 77 and Art. 78 of Regulation (EU) No. 575/2013.

²⁴ The redeemed shares were recognised within UBI Banca’s treasury share portfolio and the relative purchase was carried out by drawing on available reserves.

²⁵ The reference here is to both equity instruments of an “investment” nature and to investments in UCITS.

For full information we report that in compliance with the provisions of IAS 39, any future recoveries in the value of those instruments are recognised as follows:

- in a separate reserve in equity if they relate to equity instruments;
- through profit or loss if they relate to debt instruments.

Impairment of the network bank brands

Following the merger of Banca Lombarda e Piemontese into BPU Banca, which took effect on 1st April 2007, and the relative process to allocate the purchase price, identifiable intangible assets emerged that were not previously recognised in the accounts of the entity acquired, which included the brands of the banks of the former Banca Lombarda e Piemontese Group)²⁶.

In accordance with IAS 36 finite useful life intangible assets are subject to normal amortisation and they are also subject to impairment tests if trigger events are observed which lead to the assumption that the carrying amount is not accurate.

The implementation of a “Single Bank Project” by means of the merger by acquisition of the network banks into the Parent, UBI Banca, as described in the 2019/2020 Business Plan, will involve the discontinuation of the use of the brands of the single banks, which will continue to be used where appropriate in the distribution network and therefore the economic benefits expected from the use of those brands will no longer be received. Consequently, impairment losses amounting to €62.8 million (before tax and non-controlling interests) relating to the write-off of the aforementioned intangible assets have been recognised in the condensed interim consolidated financial statements for the period ended 30th June 2016 within the item “net impairment losses on intangible assets”.

Impairment tests on goodwill

The provisions of IAS 36 require goodwill and therefore the cash generating units (CGUs) or groups of CGUs to which it was allocated, to be tested for impairment at least annually and also certain qualitative and quantitative indicators of impairment to be monitored continuously to see whether the necessary conditions exist for testing goodwill for impairment more frequently.

It is even more important to monitor the factors which might indicate possible impairment in the current economic environment as fully reported in the Interim Consolidated Management Report.

The importance of impairment tests was also emphasised by supervisory authorities in the Joint Document No. 4 already mentioned, which underlined the need to pay maximum attention to full compliance with IAS 36 in the preparation of financial statements with regard to the following:

- the impairment testing procedures employed;
- the information provided in the notes to the financial statements.

In consideration of the foregoing, since the stock market capitalisation as at 30th June 2016 was lower than the equity recognised on the books, all those elements from internal and external inputs which might lead to a fundamental valuation lower than that recognised as at 31st December 2015 were subject to analysis.

In the first half of 2016 both the stock market capitalisation and the equity value implicit in the target price recorded significant falls (-60.10% and -45.07% respectively), which, moreover, affected the entire banking sector and became more severe following the consultative referendum held to decide Great Britain’s continued presence within the European Union, that occurred at the end of June (“Brexit”).

This fall in values was accompanied by exceptional price volatility, connected not only with the “Brexit” effect already mentioned, but also with the following factors of an exogenous nature:

- 1) uncertainties over the effectiveness of quantitative easing on inflation and growth;
- 2) uncertainties related to bail-ins;
- 3) uncertainties relating to the Banking Union – in terms of the harmonisation of risk-weighted assets – in relation to government bonds (Basel IV) and the deposit insurance scheme for banks adhering to the European Union;
- 4) geopolitical risks;
- 5) uncertainties over possible recapitalisations in relation to the results of the stress tests carried out by the EBA (the results of which were disclosed at the end of July 2016).

In this context of volatility and uncertainty it was decided, for the purposes of analysing presumed impairment factors, to place greater emphasis on examining the fundamental determinants of value consisting of the following:

- i. the cost of equity (cost of own funds) for UBI Banca (and its determinants);

²⁶ In this respect, as already reported, the measurement of impairment on those brands since the financial year 2010 resulted in a change in their useful life from indefinite life to finite life.

ii. projections that can be used to estimate value in use.

As concerns the **cost of equity** (and its determinants), this had recorded an increase as at 30th June 2016 of 0.34%, as shown in the table below.

	a) 30.06.2016	b) 31.12.2015	c) Delta = a) - b)
A) Risk Free (average daily one-month 10Y BTP)	1.37%	1.53%	-0.16%
B) Adjusted 5Y Monthly Beta vs FTSE Italia	1.43x	1.34x	0.09x
C) Equity Risk Premium	5.50%	5.50%	0.00%
D) Cost of equity = A + B x C	9.24%	8.90%	0.34%

The table shows that the estimate of the cost of equity (COE) as at 30th June 2016 was 9.24%, up 34 bp on the estimate carried out as at 31st December 2015 (8.90%). This was the result of an increase in the beta coefficient, which rose from 1.34 to 1.43.

Measurement of the cost of equity²⁷ as at 30th June 2016 (calculated using the same method as that employed as at 31st December 2015) was based on a capital asset pricing model, using the risk free yield to maturity of the Italian ten-year rate, which was 1.37% as at 30th June 2016 (down compared with 1.53% as at 31st December 2015), UBI Banca's adjusted beta (β)²⁸ of 1.43x as at 30th June 2016 (1.34x in December 2015) and an equity risk premium of 5.5%.

The β coefficient as at 30th June 2016 was basically the same as that calculated on the basis of the following:

- (i) historical daily rate of return over one year for the UBI Banca share and the market index (1 year beta = 1.39x);
- (ii) historical weekly rate of return over two years for the UBI Banca share and the market index (2 year beta = 1.38x).

We report that a rise in the cost of equity for the network bank CGU's of 0.34% (based on a sensitivity analysis carried out as at 31st December 2015 and updated to take account of the reduction in the carrying amount that occurred between December 2015 and June 2016, due to the rise in the level of loan coverage), gives recoverable amounts for each bank that are higher than their respective carrying amounts.

As concerns the cash flows used to determine the **value in use**, we report that on 27th June 2016 the Bank approved its new 2019/2020 Business plan, which gives an improvement compared with the projections used for second level impairment tests carried out as at 31st December 2015, due to an overall reduction in costs and to the effects of raising coverage levels in terms of loan losses.

The new projections incorporate a macroeconomic scenario (interest rates and growth in GDP) in line with consensus estimates and with future interest rates. Furthermore, when the Business Plan was announced, the UBI Banca share reacted positively compared with other listed Italian shares operating in the banking sector, which demonstrates that the market approved of the improvement factors contained in the new plan.

On the basis of the analyses reported above, no need was found to repeat the impairment test for the purposes of preparing this interim financial report.

²⁷ The equation for the cost of equity is: $coe = Risk\ Free + (\beta) \times Equity\ Risk\ Premium$

²⁸ UBI Banca's β coefficient is calculated on the basis of historical monthly rates of return of the share over five years and of the FTSE Italia All Share index, using the same method as that employed as at 31.12.2015.

List of the main IFRS standards endorsed by the European Commission

IAS/IFRS	ACCOUNTING STANDARDS	ENDORSEMENT
IAS 1	Presentation of financial statements	Reg. 1274/08, 53/09, 70/09, 494/09, 243/10, 149/11, 475/12, 1254/12, 1255/12, 301/13, 2113/15, 2173/15, 2406/15
IAS 2	Inventories	Reg. 1126/08, 1255/12
IAS 7	Statement of cash flows	Reg. 1126/08, 1274/08, 70/09, 494/09, 243/10, 1254/12, 1174/13
IAS 8	Accounting policies, changes in accounting estimates and errors	Reg. 1126/08, 1274/08, 70/09, 1255/12
IAS 10	Events after the reporting date	Reg. 1126/08, 1274/08, 70/09, 1142/09, 1255/12
IAS 11	Construction contracts	Reg. 1126/08, 1274/08
IAS 12	Income taxes	Reg. 1126/08, 1274/08, 495/09, 475/12, 1254/12, 1255/12, 1174/13
IAS 16	Property, plant and equipment	Reg. 1126/08, 1274/08, 70/09, 495/09, 1255/12, 301/13, 28/15, 2113/15, 2231/15
IAS 17	Leases	Reg. 1126/08, 243/10, 1255/12, 2113/15
IAS 18	Revenue	Reg. 1126/08, 69/09, 1254/12, 1255/12
IAS 19	Employee benefits	Reg. 1126/08, 1274/08, 70/09, 475/12, 1255/12, 29/15, 2343/15
IAS 20	Accounting for government grants and disclosure of government assistance	Reg. 1126/08, 1274/08, 70/09, 475/12, 1255/12
IAS 21	The effects of changes in foreign exchange rates	Reg. 1126/08, 1274/08, 69/09, 494/09, 149/11, 475/12, 1254/12, 1255/12
IAS 23	Borrowing costs	Reg. 1260/08, 70/09, 2113/15
IAS 24	Related party disclosures	Reg. 632/10, 475/12, 1254/12, 1174/13, 28/15
IAS 26	Retirement benefit plans	Reg. 1126/08
IAS 27	Consolidated and separate financial statements	Reg. 1254/12, 1174/13, 2441/15
IAS 28	Investments in associates	Reg. 1254/12, 2441/15
IAS 29	Financial reporting in hyperinflationary economies	Reg. 1126/08, 1274/08, 70/09
IAS 32	Financial instruments: presentation	Reg. 1126/08, 1274/08, 53/09, 70/2009, 495/09, 1293/09, 149/11, 475/12, 1254/12, 1255/12, 1256/12, 301/13, 1174/13
IAS 33	Earnings per share	Reg. 1126/08, 1274/08, 495/09, 475/12, 1254/12, 1255/12
IAS 34	Interim financial reporting	Reg. 1126/08, 1274/08, 70/09, 495/09, 149/11, 475/12, 1255/12, 301/13, 1174/13, 2343/15, 2406/15
IAS 36	Impairment of assets	Reg. 1126/08, 1274/08, 69/09, 70/09, 495/09, 243/10, 1254/12, 1255/12, 1374/13, 2113/15
IAS 37	Provisions, contingent liabilities and contingent assets	Reg. 1126/08, 1274/08, 495/09, 28/15
IAS 38	Intangible assets	Reg. 1126/08, 1274/08, 70/09, 495/09, 243/10, 1254/12, 1255/12, 28/15, 2231/15
IAS 39	Financial instruments: recognition and measurement	Reg. 1126/08, 1274/08, 53/2009, 70/09, 494/09, 495/09, 824/09, 839/09, 1171/09, 243/10, 149/11, 1254/12, 1255/12, 1174/13, 1375/13, 28/15
IAS 40	Investment property	Reg. 1126/08, Reg. 1274/08, Reg. 70/09, 1255/12, 1361/14, 2113/15
IAS 41	Agriculture	Reg. 1126/08, 1274/08, 70/09, 1255/12, 2113/15
IFRS 1	First-time adoption of international financial reporting standards	Reg. 1126/09, 1164/09, 550/10, 574/10, 662/10, 149/11, 475/12, 1254/12, 1255/12, 183/2013, 301/13, 313/13, 1174/13, 2343/15, 2441/15
IFRS 2	Share-based payment	Reg. 1126/08, 1261/08, 495/09, 243/10, 244/10, 1254/12, 1255/12, 28/15
IFRS 3	Business combinations	Reg. 495/09, 149/11, 1254/12, 1255/12, 1174/13, 1361/14, 28/15
IFRS 4	Insurance contracts	Reg. 1126/08, 1274/08, 1165/09, 1255/12
IFRS 5	Non-current assets held for sale and discontinued operations	Reg. 1126/08, 1274/08, 70/09, 494/09, 1142/09, 243/10, 475/12, 1254/12, 1255/12, 2343/15
IFRS 6	Exploration for and evaluation of mineral resources	Reg. 1126/08
IFRS 7	Financial instruments: disclosures	Reg. 1126/08, 1274/08, 53/09, 70/2009, 495/09, 824/09, 1165/09, 574/10, 149/11, 1205/11, 475/12, 1254/12, 1255/12, 1256/12, 1174/13, 2343/15, 2406/15
IFRS 8	Operating segments	Reg. 1126/08, 1274/08, 243/10, 632/10, 475/12, 28/15
IFRS 10	Consolidated financial statements	Reg. 1254/12, 313/13, 1174/13
IFRS 11	Joint arrangements	Reg. 1254/12, 313/13, 2173/15
IFRS 12	Disclosure of interests in other entities	Reg. 1254/12, 313/13, 1174/13
IFRS 13	Fair value measurement	Reg. 1255/12, 1361/14

SIC/IFRIC	INTERPRETATION DOCUMENTS	ENDORSEMENT
IFRIC 1	Changes in existing decommissioning, restoration and similar liabilities	Reg. 1126/08, 1274/08
IFRIC 2	Members' Shares in co-operative entities and similar instruments	Reg. 1126/08, 53/09, 1255/12, 301/13
IFRIC 4	Determining whether an arrangement contains a lease	Reg. 1126/08, 70/09, 1255/12
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	Reg. 1126/08, 1254/12
IFRIC 6	Liabilities arising from participating in a specific market - waste electrical and electronic equipment	Reg. 1126/08
IFRIC 7	Applying the restatement approach under IAS 29 "Financial reporting in hyperinflationary economies"	Reg. 1126/08, 1274/08
IFRIC 9	Reassessment of embedded derivatives	Reg. 1126/08, 495/09, 1171/09, 243/10, 1254/12
IFRIC 10	Interim financial reporting and impairment	Reg. 1126/08, 1274/08
IFRIC 12	Service concession arrangements	Reg. 254/09
IFRIC 13	Customer loyalty programmes	Reg. 1262/08, 149/11, 1255/12
IFRIC 14	Prepayments of a minimum funding requirement	Reg. 1263/08, Reg. 1274/08, 633/10, 475/12
IFRIC 15	Agreements for the construction of real estate	Reg. 636/09
IFRIC 16	Hedges of a net investment in a foreign operation	Reg. 460/09, Reg. 243/10, 1254/12
IFRIC 17	Distributions of non-cash assets to owners	Reg. 1142/09, 1254/12, 1255/12
IFRIC 18	Transfers of assets from customers	Reg. 1164/09
IFRIC 19	Extinguishing financial liabilities with equity instruments	Reg. 662/10, 1255/12
IFRIC 20	Stripping costs in the production phase of a surface mine	Reg. 1255/12
IFRIC 21	Levies	Reg. 634/14
SIC 7	Introduction of the euro	Reg. 1126/08, 1274/08, 494/09
SIC 10	Government assistance – no specific relation to operating activities	Reg. 1126/08, 1274/08
SIC 15	Operating leases – Incentives	Reg. 1126/08, 1274/08
SIC 25	Income taxes – Changes in the tax status of an enterprise or its shareholders	Reg. 1126/08, 1274/08
SIC 27	Evaluating the substance of transactions in the legal form of a lease	Reg. 1126/08
SIC 29	Service concession arrangements: disclosures	Reg. 1126/08, 1274/08, 70/09
SIC 31	Revenue – Barter transactions involving advertising services	Reg. 1126/08
SIC 32	Intangible assets – Website costs	Reg. 1126/08, 1274/08

Information on fair value

No changes have been made in the methods employed to measure fair value in the reporting period and we therefore refer you to the information given in section A.4 “Information on fair value” in the Notes to the Consolidated Financial Statements contained in the 2015 Annual Report.

Transfers between portfolios

The UBI Banca Group made no portfolio reclassifications of financial assets during the reporting period out of assets measured at fair value into assets measured at amortised cost, in relation to the possibilities introduced by EU Regulation No. 1004/2008 of the European Commission.

Fair value hierarchy

No changes were made in the first half to the criteria employed for calculating fair value hierarchies on the basis of the use of observable or non-observable inputs compared to those used for the 2015 Annual Report, which may be consulted for full details.

Assets and liabilities measured at fair value on a recurring basis

Assets/liabilities measured at fair value Figures in thousands of euro	30.6.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	128,224	529,013	24,306	472,012	505,028	17,438
2. Financial assets designated at fair value	117,522	3,000	68,119	120,782	3,000	72,252
3. Available-for-sale financial assets	14,910,271	207,525	300,074	14,959,254	359,910	235,118
4. Hedging derivatives	-	790,273	995	-	594,322	363
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	15,156,017	1,529,811	393,494	15,552,048	1,462,260	325,171
1. Financial liabilities held for trading	516	611,784	14	7	531,773	32
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	1,110,942	-	-	749,725	-
Total	516	1,722,726	14	7	1,281,498	32

Changes in the first half in assets designated at fair value on a recurring basis (level 3)

Figures in thousands of euro	Financial assets held for trading	Financial assets designated at fair value	Available-for-sale financial assets	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balances	17,438	72,252	235,118	363	-	-
2. Increases	8,976	2,718	135,191	632	-	-
2.1. Purchases	251	873	122,705	-	-	-
2.2. Profits recognised in:						
2.2.1. Income statement	909	1,745	7,647	632	-	-
- of which gains	909	1,716	873	632	-	-
2.2.2. Equity	X	X	1,101	-	-	-
2.3. Transfers from other levels	7,816	-	-	-	-	-
2.4. Other increases	-	100	3,738	-	-	-
3. Decreases	(2,108)	(6,851)	(70,235)	-	-	-
3.1. Sales	(250)	-	(9,494)	-	-	-
3.2. Redemptions	-	(29)	-	-	-	-
3.3. Losses recognised in:						
3.3.1. Income statement	(1,316)	(6,647)	(49,149)	-	-	-
- of which losses	(1,119)	(6,647)	(19,138)	-	-	-
3.3.2. Equity	X	X	(667)	-	-	-
3.4. Transfers to other levels	(531)	-	(4,925)	-	-	-
3.5. Other decreases	(11)	(175)	(6,000)	-	-	-
4. Closing balances	24,306	68,119	300,074	995	-	-

Changes in the first half in liabilities designated at fair value on a recurring basis (level 3)

	LIABILITIES FINANCIAL		
	held for trading	designated at fair value	hedges
1. Opening balances	32	-	-
2. Increases	14	-	-
2.1. Issues	-	-	-
2.2. Losses recognised in:			
2.2.1. Income statement	14	-	-
- of which losses	14	-	-
2.2.2. Equity	X	X	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	(32)	-	-
3.1. Redemptions	-	-	-
3.2. Repurchases	-	-	-
3.3. Profits recognised in:			
3.3.1. Income statement	(7)	-	-
- of which gains	(1)	-	-
3.3.2. Equity	X	X	-
3.4. Transfers to other levels	-	-	-
3.5. Other decreases	(25)	-	-
4. Closing balances	14	-	-

Financial assets held for trading

The increases in “financial assets held for trading” are due mainly to transfers from other levels. Approximately €7.8 million of these are the consequence of the impact of credit value adjustments (CVAs) on the fair value of derivatives (reclassified to level three if the CVA is 10% greater than the fair value, a limit set by UBI Banca Group policies).

The decreases are mainly due to €0.6 million of losses recognised through profit and loss as a result of the write-off of hedge funds classified within fair value level three.

Financial assets designated at fair value

Increases in “financial assets designated at fair value” relate mainly to profits recognised through profit or loss as a consequence of gains on shareholdings in the companies Immobiliare Mirasole Spa amounting to €1.1 million (ordinary shares) and to €0.1 million (privileged shares) and Ecas Spa amounting to €0.5 million.

The decreases are mainly the result of impairment losses recognised through profit and loss on positions in hedge funds (-€5.3 million) and on equity investments (-€1.3 million).

Available-for-sale financial assets

Increases in “available-for-sale financial assets” included purchases relating to units in the Atlante Fund amounting to €119.2 million.

Increases recognised through profit and loss consisted of €6 million from the Istituto Centrale Banche Popolari Italiane Spa earn-out – which resulted in an identical decrease in the line item “other decreases” - and a gain of €0.9 million on Creditaccess ASIA NV, while increases recognised in equity mainly regarded the company Sacbo Spa amounting to €0.9 million.

Other increases included €3 million of “profit-sharing equity instruments” (SFP - Strumenti Finanziari di Patrimonializzazione) resulting from the restructuring of the company Ferroli Spa’s loans.

Within the decreases in “available-for-sale financial assets”, the sales involve a gain on the disposal of the investment in VISA amounting to €9.2 million.

Losses recognised through profit and loss amounting to €47.4 million relate to the almost total elimination of residual credit risk connected with financial instruments resulting from non-performing loan positions and to impairment losses on Eurofidi Scarl amounting to €1.3 million.

Transfers to other levels involved shares in Capital For Progress Spa which moved to level one.

Derivatives

The total amount as at 30th June 2016 was €994 thousand, relating to the fair value component of a CCS derivative to hedge a loan denominated in AED, classified in fair value level three on the basis of the degree of liquidity of the currency.

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: distribution by fair value level

Figures in thousands of euro	30.6.2016				31.12.2015			
	BV	Level 1	Level 2	Level 3	BV	Level 1	Level 2	Level 3
1. Held-to-maturity investments	3,452,886	3,600,659	-	-	3,494,547	3,599,957	-	-
2. Loans and advances to banks	3,930,021	-	1,489,305	2,593,512	3,429,937	-	1,222,089	2,209,598
3. Loans and advances to customers	83,906,862	-	38,899,304	46,925,916	84,586,200	-	37,690,187	48,588,797
4. Tangible assets held for investment	167,082	-	-	236,500	171,270	-	-	223,835
5. Non-current assets and disposal groups held for sale	63,883	-	-	-	11,148	-	-	-
Total	91,520,734	3,600,659	40,388,609	49,755,928	91,693,102	3,599,957	38,912,276	51,022,230
1. Due to banks	13,691,017	-	2,579	13,347,396	10,454,303	-	24,123	10,377,626
2. Due to customers	55,460,078	-	1,572,289	53,875,277	55,264,471	-	1,565,999	53,698,673
3. Debt securities issued	32,064,830	15,395,663	17,151,122	59,687	36,247,928	15,426,790	21,295,682	78,172
4. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	101,215,925	15,395,663	18,725,990	67,282,360	101,966,702	15,426,790	22,885,804	64,154,471

Information on “day one profit/loss”

The information relates to paragraph 28 of IFRS 7 which concerns differences between transaction prices and the value obtained by using measurement techniques that emerge on initial recognition and that are not immediately recognised through profit and loss on the basis of paragraph AG76 of IAS 39.

In consideration of the above, we report that the UBI Banca Group has not performed any transactions for which a difference between the purchase price and the value of the instrument obtained using internal measurement techniques has arisen on initial recognition.

The scope of the consolidation

The companies that formed part of the consolidation as at 30th June 2016, are listed below, divided into subsidiaries (fully consolidated) and associates (consolidated using the equity method).

The percentage of control or ownership attributable to the Group (direct or indirect), their headquarters (registered address or operating headquarters) and the share capital are also given for each of them.

Fully consolidated companies (control is by the Parent of the Group where no other indication is given):

- 1. Unione di Banche Italiane Spa – UBI Banca (Parent)**
registered address: Bergamo, Piazza Vittorio Veneto, 8 – share capital: €2,254,371,430
2. Banca Popolare di Bergamo Spa (100% controlled)
registered address: Bergamo, Piazza Vittorio Veneto, 8 – share capital: €1,350,514,252
3. Banco di Brescia San Paolo CAB Spa (100% controlled)
registered address: Brescia, Corso Martiri della Libertà, 13 – share capital: €615,632,230.88
4. Banca Popolare Commercio e Industria Spa (83.7631% controlled)
registered address: Milan, Via Monte di Pietà, 7 – share capital: €934,150,467.60
5. Banca Regionale Europea Spa (74.7846% controlled)¹
registered address: Cuneo, Via Rome, 13 – share capital: €587,892,824.35
6. Banca Popolare di Ancona Spa (99.5851% controlled)
registered address: Jesi (Ancona), Via Don A. Battistoni, 4 – share capital: €147,301,670.32
7. Banca Carime Spa (99.9897% controlled)
registered address: Cosenza, Viale Crati snc – share capital: €1,468,208,505.92
8. Banca di Valle Camonica Spa (89.8867% controlled and BBS holds 8.8387%)
registered address: Breno (Brescia), Piazza Repubblica, 2 – share capital: €3,176,883
9. UBI Banca International Sa (91.1959% controlled and 5.4825% held by BBS, 3.1598% held by BPB and 0.1618% by BRE)
registered address: 37/A, Avenue J.F. Kennedy, L – Luxembourg – share capital: €70,613,580
10. UBI Trustee Sa (100% controlled by UBI Banca International)
registered address: 37/A, Avenue J.F. Kennedy, L – Luxembourg – share capital: €250,000
11. Prestitalia Spa (100% controlled)
registered address: Bergamo, Via A. Stoppani, 15 – share capital: €205,722,715
12. IW Bank Spa (100% controlled)
registered address: Milan, Piazzale F.lli Zavattari, 12 – share capital: €67,950,000
13. Centrobanca Sviluppo Impresa SGR Spa (100% controlled)²
registered address: Milano, Corso Europa, 16 – share capital: €2,000,000
14. UBI Pramerica SGR Spa (65% controlled)
operating headquarters: Milano, Via Monte di Pietà, 5 – share capital: €19,955,465
15. UBI Management Company Sa (100% controlled by UBI Pramerica SGR)
registered address: 37/A, Avenue J.F. Kennedy, L – Luxembourg – share capital: €125,000
16. UBI Leasing Spa (99.6207% controlled)
registered address: Brescia, Via Cefalonia, 74 – share capital: €641,557,806
17. Unione di Banche Italiane per il Factoring Spa - UBI Factor Spa (100% controlled)
registered address: Milan, Via f.lli Gabba, 1 – share capital: €36,115,820

¹ The percentage of control relates to the total share capital held.

² This asset management company manages the Sviluppo Impresa Fund, of which UBI Banca holds 85% of the shares. This fund, which reached the end of the three-year extension made to its original life, was placed in liquidation on 9th November 2015.

18. BPB Immobiliare Srl (100% controlled)
registered address: Bergamo, Piazza Vittorio Veneto, 8 – share capital: €185,680,000
19. Società Bresciana Immobiliare Mobiliare - S.B.I.M. Spa (100% controlled)
registered address: Brescia, Via A. Moro, 13 – share capital: €35,000,000
20. UBI Fiduciaria Spa (100% controlled)
registered address: Brescia, Via Cefalonia, 74 – share capital: €1,898,000
21. Kedomus Srl (100% controlled)
registered address: Brescia, Via Cefalonia, 74 – share capital: €300,000
22. UBI Sistemi e Servizi SCpA³ – Consortium Stock Company (71.8696% controlled and 4.3154% held by BRE; 4.3142% held by IW Bank; 2.8769% held by: BPB, BBS, BPCI, BPA and Banca Carime; 1.4385% held by: Banca di Valle Camonica and UBI Pramerica SGR; 0.7192% held by UBI Factor; 0.0719% held by Prestitalia; and 0.0097% held by UBI Academy)
registered address: Brescia, Via Cefalonia, 62 – share capital: €36,149,948.64
23. UBI Academy SCRL – Limited Consortium Company (68.5% controlled and 3% held by: BPB, BBS, BPCI, BPA, Banca Carime, BRE, IW Bank and UBI.S; 1.5% held by: Banca di Valle Camonica, UBI Pramerica SGR, UBI Leasing, UBI Factor and Prestitalia)
registered address: Bergamo, Via f.lli Calvi, 9 – share capital: €100,000
24. UBI Finance Srl⁴ (60% controlled)
registered address: Milano, Foro Bonaparte, 70 – share capital: €10,000
25. UBI Finance CB 2 Srl⁵ (60% controlled)
registered address: Milano, Foro Bonaparte, 70 – share capital: €10,000
26. 24-7 Finance Srl⁶
27. UBI Lease Finance 5 Srl⁷
28. UBI Finance 2 Srl⁸ - in liquidation
29. UBI Finance 3 Srl⁹
30. UBI SPV BBS 2012 Srl¹⁰
31. UBI SPV BPCI 2012 Srl¹⁰
32. UBI SPV BPA 2012 Srl¹⁰
33. UBI SPV Group 2016 Srl
34. UBI SPV Lease 2016 Srl

3 The Group holds a controlling 98.5615% interest in the share capital of UBI.S; the remaining 1.4385% is held by Cargeas Assicurazioni Spa (the former UBI Assicurazioni Spa).

4 A special purpose entity in accordance with Law No. 130/1999, this company, enrolled on the general list of intermediaries pursuant to Art. 106 of the Consolidated Banking Act, was formed on 18th March 2008 to allow UBI Banca to implement the first programme to issue covered bonds backed by residential mortgages.

5 A special purpose entity in accordance with Law No. 130/1999, this company, enrolled on the general list of intermediaries pursuant to Art. 106 of the consolidated banking act, was formed on 20th December 2011 to allow the UBI Banca to implement a second programme to issue covered bonds backed mainly by commercial non-residential mortgages.

6 A special purpose entity used in compliance with Law No. 130/1999 for the securitisations of the former Banca 24-7 performed in 2008. It was consolidated because this company is in reality controlled, since its assets and liabilities were originated by a Group member company. UBI Banca holds a 10% stake.

7 A special purpose entity formed in accordance with Law No. 130/1999 for the securitisation of performing loans by UBI Leasing in November 2008. It was consolidated because this company is in reality controlled, since its assets and liabilities were originated by a Group member company. UBI Banca holds a 10% stake.

8 A special purpose entity used in accordance with Law No. 130/1999 for the securitisation of a portfolio of Banco di Brescia performing loans at the beginning of 2009. It was consolidated because this company is in reality controlled, since its assets and liabilities were originated by a Group member company. UBI Banca holds a 10% stake.

A Shareholders' Meeting held on 26th February 2015 approved a resolution to put the company into early voluntary liquidation following the close down of the relative securitisation in May 2014 and the intention not to use the special purpose entity for further transactions.

9 A special purpose entity used in accordance with Law No. 130/1999 for the securitisation of a portfolio of performing loans performed by Banca Popolare di Bergamo at the end of 2010. It was consolidated because this company is in reality controlled, since its assets and liabilities were originated by a Group member company. UBI Banca holds a 10% stake.

Following a resolution passed by the Management Board on 7th August 2015 concerning the early close down of the securitisation, on 16th December the repurchase of the remaining loan portfolio (approximately €1.3 billion) was completed by BPB, while redemption of the notes (senior and junior tranches) took place on 17th December.

10 A special purpose entity formed in accordance with Law No. 130/1999 for the securitisation of the performing loans to SMEs of some network banks (Banco di Brescia, Banca Popolare Commercio e Industria and Banca Popolare di Ancona) carried out in the last part of 2012. They were consolidated because they are in reality controlled, since their assets and liabilities were originated by Group member companies. UBI Banca holds a 10% stake in each of them.

Companies consolidated using the equity method (the investment is by the Parent where no other indication is given):

1. Aviva Vita Spa (20% interest held)
registered address: Milan, Via Scarsellini, 14 – share capital: €155,000,000
2. Aviva Assicurazioni Vita Spa (formerly UBI Assicurazioni Vita Spa, 20% interest held)
registered address: Milan, Via Scarsellini, 14 – share capital: €49,721,776
3. Lombarda Vita Spa (40% interest held)
registered address: Brescia, Corso Martiri della Libertà, 13 – share capital: €185,300,000
4. Polis Fondi SGRpA (19.6% interest held)
registered address: Milano, Via Solferino, 7 – share capital: €5,200,000
5. Zhong Ou Asset Management Co. Ltd (formerly Lombarda China Fund Management - 35% interest held)
registered address: 8f Bank of East ASIA Finance Tower, 66 Hua Yuan Shi Qiao Road, Pudong New Area, 200120 Shanghai (China) – share capital: 188,000,000 yuan/renminbi
6. SF Consulting Srl (35% interest held)
operating headquarters: Mantova, Via P.F. Calvi, 40 – share capital: €93,600
7. UFI Servizi Srl (23.1667% interest held by Prestitalia)
registered address: Roma, Via G. Severano, 24 – share capital: €150,000

Changes in the scope of consolidation

There have been no changes to the scope of consolidation compared with 31st December 2015 except for those reported below, relating to marginal changes in the percentages of the control of banks and the entry of new companies:

- **Banca Regionale Europea Spa:** in the first months of the year the Parent acquired 72,457 ordinary shares from non-controlling shareholders to bring its controlling interest in the ordinary share capital up from 79.8951% at the end of December to 79.9043% as at 30th June 2016. The total percentage control of the share capital (consisting of ordinary, privileged and savings shares) rose from 74.7766% to 74.7846%;
- **Banca Popolare di Ancona Spa:** in the first six months of the year 1,680 shares were purchased from small shareholders and from “dormant deposits”, with a slight effect on the percentage control held by UBI Banca, which rose to 99.5851% from 99.5782% at the end of 2015;
- **Banca Carime Spa:** in the same period 15,354 shares were sold to the Parent which caused a further increase in the percentage control, which rose from 99.9886% at the end of the year to 99.9897% as at 30th June 2016;
- **Banca di Valle Camonica Spa:** in the first half UBI Banca purchased 3,017 shares, with a change in the percentage of the share capital held up from 89.7917%, in December 2015 to the current 89.8867%, with no change in the other shareholdings. The control exercised by the Group rose at the same time from 98.6304% to 98.7254%;
- **UBI Lease Finance 5 Srl:** on 16th February, the Management Board of UBI Banca decided to close down this securitisation in advance in consideration of the advanced degree of amortisation of the operation. It was closed down at the end of April with the repurchase of the receivables (effective as of 31st March 2016) and the redemption of the relative notes (29th April for both the senior and junior tranches);
- **special purpose entities (SPEs) for new securitisations:** on 22nd March, the Parent gave a favourable opinion for the formation (in accordance with Law No. 130/1999) of two new SPEs to support securitisation operations. UBI Banca holds a 10% stake in both entities, officially formed on 6th May 2016 with share capital of €10 thousand each, while the remaining capital is held by a Dutch registered foundation (stitching). The two new SPEs will be used as follows:
 - **UBI SPV Lease 2016 Srl** for a self-retained securitisation (designed to increase the availability of assets eligible for use with the ECB) by UBI Leasing for the use of

receivables associated with leasing contracts made available with the unwinding of UBI Lease Finance 5, together with receivables present on the books of the Group's leasing company;

- **UBI SPV Group 2016 Srl** for a self-retained multi-originator securitisation (also designed to increase the availability of assets eligible for use with the ECB), with residential mortgages recognised on the books of Group banks as the underlying;
- **Kedomus Srl**: its formation (officially registered on 15th June 2016) was resolved in a board meeting held on 24th May with share capital of €300,000, fully controlled by UBI Banca. Kedomus is the Group's property company specialised in activities to repossess property collateral. Its purpose is to preserve the value of properties mortgaged to back the bad loan positions of Group banks by taking part directly in judicial auctions with the aim of supporting the price, by stimulating the interest of third parties and consequently accelerating the credit recovery process.

Furthermore, with regard to **UBI SPV BBS 2012 Srl**, **UBI SPV BPCI 2012 Srl** and **UBI SPV BPA 2012 Srl**, we report that on 24th May the Management Board approved the early winding up of all three of these securitisations formed in 2012 for the purpose of increasing securities eligible for refinancing with the Eurosystem. That decision was taken with a view to the possible further use of the companies by setting up other securitisations. All the necessary administrative activities required for unwinding the transactions are currently underway.

*As part of the process to rationalise the Group's ownership structure and simplify its operations (see also the section "Significant events in the first half of 2016" contained in the interim consolidated management report for further details), on 1st March the Management Board approved the mergers into the Parent (together with the relative draft terms of merger pursuant to Art. 2505 of the Italian Civil Code) of **UBI Fiduciaria Spa** (planned for the second half of 2016) and **Società Bresciana Immobiliare Mobiliare - S.B.I.M. Spa** (to be completed by the end of the current year). The supervisory authority issued authorisation for both operations on 10th June 2016.*

Information on the accounts

This section contains the principal information relating to the balance sheet, financial position and income statement. The changes in the balance sheet and financial position that occurred in the reporting period (first six months of 2016), and the operating performance for the period January-June 2016, compared with the corresponding first six months of 2015, are commented on in the Interim Management Report on consolidated operations as at and for the period ended 30th June 2016.

Explanatory tables for the consolidated income statement

Interest and similar income: composition (item 10)

Figures in thousands of euro	Debt instruments	Financing	Other transactions	1H 2016	1H 2015
1. Financial assets held for trading	2,800	-	-	2,800	1,944
2. Financial assets designated at fair value	-	-	-	-	-
3. Available-for-sale financial assets	159,442	-	-	159,442	198,305
3. Held-to-maturity investments	22,445	-	-	22,445	22,847
5. Loans and advances to banks	-	4,119	-	4,119	3,112
6. Loans and advances to customers	16	898,932	314	899,262	1,066,584
7. Hedging derivatives	X	X	29,329	29,329	15,870
8. Other assets	X	X	449	449	19
Total	184,703	903,051	30,092	1,117,846	1,308,681

Interest and similar expense: composition (item 20)

Figures in thousands of euro	Borrowings	Securities	Other transactions	1H 2016	1H 2015
1. Due to central banks	(3,652)	X	-	(3,652)	(3,660)
2. Due to banks	(6,233)	X	-	(6,233)	(6,263)
3. Due to customers	(26,945)	X	(24)	(26,969)	(47,927)
4. Debt securities issued	X	(312,864)	-	(312,864)	(402,257)
5. Financial liabilities held for trading	(2,532)	-	-	(2,532)	(1,425)
6. Financial liabilities designated at fair value	-	-	-	-	-
7. Other liabilities and provisions	X	X	(24)	(24)	(1)
8. Hedging derivatives	X	X	-	-	-
Total	(39,362)	(312,864)	(48)	(352,274)	(461,533)

Net interest income

765,572 **847,148**

Commission income: composition (item 40)

Figures in thousands of euro	1H 2016	1H 2015
a) guarantees granted	23,725	25,872
c) management, trading and advisory services	422,379	425,577
1. trading in financial instruments	9,342	11,951
2. foreign exchange trading	3,480	3,616
3. portfolio management	157,834	162,663
3.1. individual	36,597	36,599
3.2. collective	121,237	126,064
4. custody and administration of securities	4,003	4,143
5. depository banking	-	-
6. placement of securities	129,344	124,377
7. receipt and transmission of orders	19,364	24,169
8. advisory activities	3,297	3,204
8.1 on investments	3,297	3,204
8.2 on financial structure	-	-
9. distribution of third party services	95,715	91,454
9.1. portfolio management	11	15
9.1.1. individual	11	15
9.2. insurance products	84,987	78,164
9.3. other products	10,717	13,275
d) collection and payment services	71,884	78,680
f) services for factoring transactions	7,110	8,326
i) current account administration	90,318	94,128
j) other services	136,451	135,602
Total	751,867	768,185

Commission expense: composition (item 50)

Figures in thousands of euro	1H 2016	1H 2015
a) guarantees received	(796)	(909)
c) management and trading services:	(40,938)	(53,154)
1. trading in financial instruments	(5,364)	(5,614)
2. foreign exchange trading	(34)	(1)
3. portfolio management	(4,434)	(5,528)
3.1. own	-	-
3.2. on behalf of third parties	(4,434)	(5,528)
4. custody and administration of securities	(2,593)	(3,019)
5. placement of financial instruments	(2,471)	(3,500)
6. financial instruments, products and services distributed through indirect networks	(26,042)	(35,492)
d) collection and payment services	(21,515)	(23,108)
e) other services	(21,165)	(21,936)
Total	(84,414)	(99,107)
Net fee and commission income	667,453	669,078

Net trading income (item 80)

	Gains (A)	Profits from trading (B)	Losses (C)	Losses from trading (D)	Net income 1H 2016 [(A+B)-(C+D)]	1H 2015
Figures in thousands of euro						
1. Financial assets held for trading	227	25,934	(8,116)	(6,673)	11,372	3,736
1.1 Debt instruments	159	5,405	(48)	(1,553)	3,963	5,545
1.2 Equity instruments	2	50	(971)	(26)	(945)	579
1.3 Units in UCITS	1	7	(578)	(2)	(572)	(10)
1.4 Financing	-	-	-	-	-	-
1.5 Other	65	20,472	(6,519)	(5,092)	8,926	(2,378)
2. Financial liabilities held for trading	-	3,016	-	(1,836)	1,180	845
2.1 Debt instruments	-	3,016	-	(1,836)	1,180	845
2.2 Payables	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	X	X	X	X	(2,976)	401
4. Derivative instruments	228,487	215,681	(286,167)	(170,922)	(4,001)	40,401
4.1 Financial derivatives	228,487	215,681	(286,167)	(170,922)	(4,001)	40,401
- on debt instruments and interest rates	220,869	187,348	(278,957)	(139,258)	(9,998)	15,088
- on equity instruments and share indices	263	3,189	(20)	(6,654)	(3,222)	2,858
- on currencies and gold	X	X	X	X	8,920	23,247
- other	7,355	25,144	(7,190)	(25,010)	299	(792)
4.2 Credit derivatives	-	-	-	-	-	-
Total	228,714	244,631	(294,283)	(179,431)	5,575	45,383

Net hedging income (loss) (item 90)

	1H 2016	1H 2015
Figures in thousands of euro		
Net hedging income (loss)	(1,250)	6,730

Profit from disposal/repurchase (item 100)

	Profits	Losses	Net profit 1H 2016	1H 2015
Figures in thousands of euro				
Financial assets				
1. Loans and advances to banks	-	-	-	-
2. Loans and advances to customers	568	(2,161)	(1,593)	(4,311)
3. Available-for-sale financial assets	101,262	(48)	101,214	65,810
3.1 Debt instruments	76,508	(39)	76,469	58,889
3.2 Equity instruments	15,472	(9)	15,463	36
3.3 Units in UCITS	9,282	-	9,282	6,885
3.4 Financing	-	-	-	-
4. Held-to-maturity investments	-	-	-	-
Total assets	101,830	(2,209)	99,621	61,499
Financial liabilities				
1. Due to banks	-	-	-	-
2. Due to customers	-	-	-	-
3. Debt securities issued	249	(13,368)	(13,119)	(8,058)
Total liabilities	249	(13,368)	(13,119)	(8,058)
Total	102,079	(15,577)	86,502	53,441

Net profit (loss) on financial assets and liabilities designated at fair value (item 110)

	1H 2016	1H 2015
Figures in thousands of euro		
Net profit (loss) on financial assets and liabilities designated at fair value	(8,238)	5,544

Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value

	82,589	111,098
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Other administrative expenses: composition [item 180 b)]

Figures in thousands of euro	1H 2016	1H 2015
A. Other administrative expenses	(306,480)	(287,899)
Rent payable	(24,796)	(26,778)
Professional and advisory services	(48,195)	(44,002)
Rentals hardware, software and other assets	(16,394)	(17,212)
Maintenance of hardware, software and other assets	(21,725)	(22,328)
Tenancy of premises	(21,643)	(22,969)
Property maintenance	(9,011)	(10,353)
Counting, transport and management of valuables	(5,756)	(6,064)
Membership fees	(37,958)	(5,638)
Information services and land registry searches	(4,563)	(5,329)
Books and periodicals	(592)	(644)
Postal	(6,690)	(7,334)
Insurance premiums	(16,175)	(18,232)
Advertising	(11,509)	(10,177)
Entertainment expenses	(729)	(896)
Telephone and data transmission expenses	(21,059)	(22,930)
Services in outsourcing	(22,155)	(24,315)
Travel expenses	(7,510)	(7,824)
Credit recovery expenses	(17,863)	(21,757)
Forms, stationery and consumables	(3,590)	(3,407)
Transport and removals	(2,992)	(3,071)
Security	(3,361)	(3,793)
Other expenses	(2,214)	(2,846)
B. Indirect taxes	(137,523)	(138,529)
Indirect taxes and duties	(12,447)	(10,901)
Stamp duty	(103,359)	(106,002)
Municipal property tax	(10,395)	(9,911)
Other taxes	(11,322)	(11,715)
Total	(444,003)	(426,428)

Explanatory tables for the consolidated balance sheet

ASSETS

Financial assets held for trading: composition by type (asset item 20)

Figures in thousands of euro	30.6.2016				31.12.2015			
	L 1	L 2	L 3	Total	L 1	L 2	L 3	Total
A. On-balance sheet assets								
1. Debt instruments	122,673	186	100	122,959	466,320	157	100	466,577
1.1 Structured instruments	1,698	21	100	1,819	1,714	24	100	1,838
1.2 Other debt instruments	120,975	165	-	121,140	464,606	133	-	464,739
2. Equity instruments	4,059	-	2	4,061	4,614	-	2	4,616
3. Units in UCITS	275	-	-	275	275	-	581	856
4. Financing	-	-	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-	-	-
Total A	127,007	186	102	127,295	471,209	157	683	472,049
B. Derivative instruments								
1. Financial derivatives	1,217	528,827	24,204	554,248	803	504,871	16,755	522,429
1.1 for trading	1,217	528,827	24,204	554,248	803	504,871	16,755	522,429
1.2 connected with fair value options	-	-	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-	-	-
2.2 connected with fair value options	-	-	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-	-	-
Total B	1,217	528,827	24,204	554,248	803	504,871	16,755	522,429
Total (A+B)	128,224	529,013	24,306	681,543	472,012	505,028	17,438	994,478

Financial assets designated at fair value: composition by type (asset item 30)

Figures in thousands of euro	30.6.2016				31.12.2015			
	L 1	L 2	L 3	Total	L 1	L 2	L 3	Total
1. Debt instruments	-	-	-	-	-	-	-	-
1.1 Structured instruments	-	-	-	-	-	-	-	-
1.2 Other debt instruments	-	-	-	-	-	-	-	-
2. Equity instruments	1,567	3,000	68,119	72,686	1,700	3,000	66,852	71,552
3. Units in UCITS	115,955	-	-	115,955	119,082	-	5,400	124,482
4. Financing	-	-	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-	-	-
Total	117,522	3,000	68,119	188,641	120,782	3,000	72,252	196,034
Cost	117,088	2,481	84,736	204,305	117,088	2,481	83,907	203,476

Available-for-sale financial assets: composition by type (asset item 40)

Figures in thousands of euro	30.6.2016				31.12.2015			
	L 1	L 2	L 3	Total	L 1	L 2	L 3	Total
1. Debt instruments	14,879,535	160,628	12,626	15,052,789	14,943,588	313,310	26,370	15,283,268
1.1 Structured instruments	371,048	155,544	12,612	539,204	168,669	313,310	26,356	508,335
1.2 Other debt instruments	14,508,487	5,084	14	14,513,585	14,774,919	-	14	14,774,933
2. Equity instruments	12,646	-	168,249	180,895	3,260	-	208,748	212,008
2.1 At fair value	12,646	-	134,451	147,097	3,260	-	165,442	168,702
2.2 At cost	-	-	33,798	33,798	-	-	43,306	43,306
3. Units in UCITS	18,090	46,897	119,199	184,186	12,406	46,600	-	59,006
4. Financing	-	-	-	-	-	-	-	-
Total	14,910,271	207,525	300,074	15,417,870	14,959,254	359,910	235,118	15,554,282

Held-to-maturity investments: composition by type (asset item 50)

Figures in thousands of euro	Carrying amount	30.6.2016			Carrying amount	31.12.2015		
		Fair Value				Fair Value		
		L 1	L 2	L 3		L 1	L 2	L 3
1. Debt instruments	3,452,886	3,600,659	-	-	3,494,547	3,599,957	-	-
- structured	-	-	-	-	-	-	-	-
- other debt instruments	3,452,886	3,600,659	-	-	3,494,547	3,599,957	-	-
2. Financing	-	-	-	-	-	-	-	-

Hedging derivatives: composition by type of hedge and by level (asset item 80)

Figures in thousands of euro	FV 30.6.2016			NA	FV 31.12.2015			NA
	L 1	L 2	L 3		L 1	L 2	L 3	
A) Financial derivatives	-	790,273	995	16,989,149	-	594,322	363	20,265,752
1) Fair value	-	783,924	-	16,889,949	-	593,014	-	20,166,974
2) Cash flow	-	6,349	995	99,200	-	1,308	363	98,778
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	-	790,273	995	16,989,149	-	594,322	363	20,265,752

Loans and advances to customers: composition by type (asset item 70)

Figures in thousands of euro	30.6.2016						31.12.2015					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	Performing	Non-performing		L 1	L 2	L 3	Performing	Non-performing		L 1	L 2	L 3
		Purchased	Other					Purchased	Other			
Financing	75,387,513	-	8,511,983	-	38,899,304	46,918,803	74,890,291	-	9,688,549	-	37,690,187	48,581,737
1. Current account overdrafts	7,699,499	-	1,171,270	X	X	X	7,576,054	-	1,476,281	X	X	X
2. Reverse repurchase agreements	238,783	-	-	X	X	X	770,503	-	-	X	X	X
3. Mortgages	48,163,386	-	4,820,931	X	X	X	47,095,047	-	5,360,803	X	X	X
4. Credit cards, personal loans and salary-backed loans	2,644,826	-	211,144	X	X	X	2,730,501	-	284,904	X	X	X
5. Finance leases	4,957,183	-	1,172,798	X	X	X	5,064,810	-	1,239,777	X	X	X
6. Factoring	2,065,519	-	280,556	X	X	X	1,959,603	-	300,867	X	X	X
7. Other financing	9,618,317	-	855,284	X	X	X	9,693,773	-	1,025,917	X	X	X
Debt instruments	7,366	-	-	-	-	7,113	7,360	-	-	-	-	7,060
8. Structured securities	6	-	-	X	X	X	3	-	-	X	X	X
9. Other debt instruments	7,360	-	-	X	X	X	7,357	-	-	X	X	X
Total	75,394,879	-	8,511,983	-	38,899,304	46,925,916	74,897,651	-	9,688,549	-	37,690,187	48,588,797

Property, plant and equipment

Property, plant and equipment for functional use: composition of assets measured at cost (asset item 120)

Figures in thousands of euro	30.6.2016	31.12.2015
1. Owned assets	1,462,208	1,542,441
a) land	790,304	835,289
b) buildings	580,326	609,227
c) furnishings	26,515	27,459
d) electronic equipment	32,468	31,851
e) other	32,595	38,615
2. Assets acquired through finance leases	30,537	30,752
a) land	16,546	16,546
b) buildings	13,991	14,206
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total	1,492,745	1,573,193

In the first half of 2016 property plant and equipment used in operations decreased by €80.4 million net of depreciation for the period, in relation mainly to property assets following the reclassification of a property located at 33 Via della Moscova in Milan, which involved both the land and buildings (see in this respect the table “non-current assets and disposal groups held for sale”).

Tangible assets held for investment: composition of assets measured at cost (asset item 120)

Figures in thousands of euro	30.6.2016				31.12.2015			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		L 1	L 2	L 3		L 1	L 2	L 3
1. Owned assets	166,884	-	-	236,300	171,070	-	-	223,635
a) land	109,114	-	-	126,546	110,546	-	-	128,435
b) buildings	57,770	-	-	109,754	60,524	-	-	95,200
2. Assets acquired through finance leases	198	-	-	200	200	-	-	200
a) land	33	-	-	30	33	-	-	30
b) buildings	165	-	-	170	167	-	-	170
Total	167,082	-	-	236,500	171,270	-	-	223,835

Intangible assets

Composition of the item "Goodwill"

Figures in thousands of euro	30.6.2016	31.12.2015
Banco di Brescia Spa	570,392	570,392
Banca Popolare di Ancona Spa	166,364	166,364
Banca Popolare Commercio e Industria Spa	209,258	209,258
Banca Regionale Europea Spa	106,557	106,557
UBI Pramerica SGR Spa	170,284	170,284
Banca Popolare di Bergamo Spa	100,045	100,045
IW Bank Spa	88,754	88,754
Banca di Valle Camonica Spa	43,224	43,224
UBI Factor Spa	8,260	8,260
UBI Sistemi e Servizi SCpA	2,122	2,122
Total	1,465,260	1,465,260

Commitments to purchase property, plant and equipment and intangible assets

Commitments to purchase property, plant and equipment

Assets/amounts	30.6.2016	31.12.2015
A. Assets for functional use		
1.1 owned	7,700	5,656
- land	-	-
- buildings	770	-
- furnishings	592	-
- electronic equipment	2,745	5,656
- other	3,593	-
1.2 In finance leases	-	-
- land	-	-
- buildings	-	-
- furnishings	-	-
- electronic equipment	-	-
- other	-	-
Total A	7,700	5,656
B. Assets held for investment		
2.1 owned	28	-
- land	-	-
- buildings	28	-
2.2 In finance leases	25	-
- land	-	-
- buildings	25	-
Total B	53	-
Total (A+B)	7,753	5,656

services company.

As shown in the table, the largest commitments undertaken by the Group in the first half relate to the purchase of other assets for operational use amounting to €3.6 million (mainly by UBI Sistemi e Servizi), and of buildings and furniture amounting to €1.4 million (relating to all network banks). There was, however, a €2.9 million contraction in commitments to purchase electronic equipment for operational use, attributable to the purchase of installations by UBI Sistemi e Servizi for an amount equivalent to that set aside in 2015.

* * *

Commitments relating to intangible assets amounted to €19 million at the end of June 2016 (€19.4 million in December 2015) and related to the purchase of software by the Group's

Non-current assets/liabilities held for sale

Non current assets and disposal groups held for sale: composition by type of asset (asset item 140)

Figures in thousands of euro	30.6.2016	31.12.2015
A. Single assets		
A.1 Financial assets	-	-
A.2 Equity investments	4,474	4,673
A.3 Property, plant and equipment	59,409	6,475
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	63,883	11,148
<i>of which measured at cost</i>	63,883	11,148
<i>of which measured at fair value level 1</i>	-	-
<i>of which measured at fair value level 2</i>	-	-
<i>of which measured at fair value level 3</i>	-	-
B. Groups of assets (discontinued operating units)		
B.1 Financial assets held for trading	-	-
B.2 Financial assets designated at fair value	-	-
B.3 Available-for-sale financial assets	-	-
B.4 Held-to-maturity investments	-	-
B.5 Loans and advances to banks	-	-
B.6 Loans and advances to customers	-	-
B.7 Equity investments	-	-
B.8 Property, plant and equipment	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
Total B	-	-
<i>of which measured at cost</i>	-	-
<i>of which measured at fair value level 1</i>	-	-
<i>of which measured at fair value level 2</i>	-	-
<i>of which measured at fair value level 3</i>	-	-
C. Liabilities associated with non current assets held for disposal.		
C.1 Borrowings	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	-	-
<i>of which measured at cost</i>	-	-
<i>of which measured at fair value level 1</i>	-	-
<i>of which measured at fair value level 2</i>	-	-
<i>of which measured at fair value level 3</i>	-	-
D. Liabilities associated with assets held for sale		
D.1 Due to banks	-	-
D.2 Due to customers	-	-
D.3 Debt securities issued	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities designated at fair value	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
Total D	-	-
<i>of which measured at cost</i>	-	-
<i>of which measured at fair value level 1</i>	-	-
<i>of which measured at fair value level 2</i>	-	-
<i>of which measured at fair value level 3</i>	-	-

Assets held for sale amounted to €63.9 million, an aggregate increase of €52.7 million due to:

- the reclassification from the item “Tangible assets for operational use” of €59.3 million, referring to the property located at Via della Moscova 33, Milan;
- the sale of properties and land owned by Banca Carime for €6.6 million.

The line item A.2 Equity investments also saw a €0.2 million decrease due to the exchange rate effect on the sale price of the investment in Zhong Ou.

LIABILITIES

Due to customers: composition by type (liability item 20)

Figures in thousands of euro	30.6.2016	31.12.2015
1. Current accounts and deposits	49,076,128	47,702,548
2. Term deposits	298,291	183,042
3. Financing	5,359,544	6,712,891
3.1 repurchase agreements	4,952,927	6,172,495
3.2 other	406,617	540,396
4. Amounts due for commitments to repurchase own equity instruments	-	-
5. Other payables	726,115	665,990
Total	55,460,078	55,264,471
<i>Fair value - level 1</i>	-	-
<i>Fair value - level 2</i>	1,572,289	1,565,999
<i>Fair value - level 3</i>	53,875,277	53,698,673
Total fair value	55,447,566	55,264,672

Securities issued: composition by type (liability item 30)

Figures in thousands of euro	30.6.2016				31.12.2015			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		L 1	L 2	L 3		L 1	L 2	L 3
A. Securities								
1. Bonds	31,727,544	15,395,663	16,828,767	44,756	35,557,943	15,426,790	20,634,404	49,465
1.1 structured	3,611,953	1,688,881	1,835,232	42,754	3,545,499	950,107	2,516,739	47,463
1.2 other	28,115,591	13,706,782	14,993,535	2,002	32,012,444	14,476,683	18,117,665	2,002
2. Other securities	337,286	-	322,355	14,931	689,985	-	661,278	28,707
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	337,286	-	322,355	14,931	689,985	-	661,278	28,707
Total	32,064,830	15,395,663	17,151,122	59,687	36,247,928	15,426,790	21,295,682	78,172

Hedging derivatives: composition by type of hedge and by level (liability item 60)

Type of derivative/Underlying assets	FV 30.6.2016			NA	FV 31.12.2015			NA
	L 1	L 2	L 3		L 1	L 2	L 3	
Figures in thousands of euro								
A) Financial derivatives	-	1,110,942	-	13,733,413	-	749,725	-	15,047,519
1) Fair value	-	1,110,862	-	13,729,011	-	749,122	-	15,016,146
2) Cash flow	-	80	-	4,402	-	603	-	31,373
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	-	1,110,942	-	13,733,413	-	749,725	-	15,047,519

Provisions for risks and charges

Provisions for risks and charges: composition

Figures in thousands of euro	30.6.2016	31.12.2015
1. Company pension funds	73,527	70,237
2. Other provisions for risks and charges	517,941	196,391
2.1 litigation	81,085	84,712
2.2 costs for staff	370,926	60,256
2.3 other	65,930	51,423
Total	591,468	266,628

Total provisions for risks and charges increased by €324.8 million in the first half, reaching €591.5 million.

There was an increase of €310.7 million in “Other provisions for risks and charges for personnel” (line item 2.2), mainly attributable to costs of leaving incentives, as per the 2019/2020 Business Plan of the UBI Banca Group.

Provisions for risks and charges - other provisions

Figures in thousands of euro	30.6.2016	31.12.2015
1. Provision for revocation (clawback) risks	12,550	12,317
2. Provision for bonds and default	2,047	2,328
3. Other provisions for risks and charges	51,333	36,778
Total	65,930	51,423

Contingent liabilities

Contingent liabilities

Figures in thousands of euro	30.6.2016	31.12.2015
for staff litigation	100	115
for revocation risks	-	8,427
for tax litigation	143,228	146,633
for other litigation	294,147	567,190
Total	437,475	722,365

The contraction in contingent liabilities of €284.5 million in the first half of 2016 is mainly attributable to:

- the cancellation of judgments relative to claims for compensation and the clawback action brought against UBI Banca following the bankruptcy of a number of companies in the Burani Group.
- the reduction in the contingent liability relative to the legal dispute brought by a local health service against UBI Factor.

A detailed report on both ordinary litigation and tax litigation, for which provisions were made or for which contingent liabilities were identified, is given in the following sub-sections which may be consulted.

Litigation

Ordinary litigation

Significant litigation (claims of greater than or equal to €5 million) for which the probable risk has been estimated by Group banks and companies are as follows:

1. “revocation” bankruptcy clawback actions against Banca Popolare di Ancona, brought by Napoli Calcio Spa;
2. a “revocation” bankruptcy clawback action against Banca Popolare Commercio e Industria, brought by FDG Spa;
3. a “revocation” bankruptcy clawback action against Banca Carime brought by Società Cooperativa Costruire Srl;
4. two actions brought against UBI Banca for:
 - a claim for damages for contractual liability, resulting from withdrawal from a contract concerning software;
 - an employment action brought against the former Centrobanca, won in the court of first instance and then appealed against UBI Banca;
5. a summons for compounding of interest served on Banca Carime;
6. a claim brought against Banca Popolare di Bergamo by heirs in which both pre-contractual and contractual liability of the bank is claimed for investment transactions carried out by the counterparty;
7. an action brought against Banca Popolare di Ancona disputing various matters concerning loan transactions and damages for contractual and non-contractual liability;
8. an arbitration procedure initiated by a company that operates in the naval sector involving a dispute over a derivatives transaction concluded with Banco di Brescia, with a claim for the return of the negative differentials paid by the customer and the “implicit costs” for a total of approximately \$24 million (equivalent to approximately €21.2 million). The appointment of a board of arbitration is currently in progress.

Significant litigation (claims of greater than or equal to €5 million) for which a possible risk (or contingent liability) has been estimated by Group banks and companies are as follows:

UBI Banca

- a compensation action, at the appeal stage following a ruling in favour of the Bank at the court of first instance, originating from the former Centrobanca for claimed damages brought by the official receiver of a company concerning the content of declarations made by the former Centrobanca to third parties regarding the availability of securities held on deposit at that bank. With a ruling of 4th December 2015, the Court of Appeal confirmed the ruling of the court of first instance in favour of the Bank. This ruling may be further appealed in the Supreme Court of Cassation;
- an action brought by a beneficiary of public contributions in relation to which UBI Banca (which took the place of Centrobanca Spa in arrangements the latter had entered into with authorities that grant subsidised loans to manage formalities connected with processing subsidy applications) has been summoned jointly and severally with those authorities in its capacity as the “concessionary bank” appointed by those same authorities. More specifically, this is a case pending before the Civil Court of Rome in which the other party has applied for the annulment of a ministerial provision revoking subsidies granted (due to persistent arrears in the repayment of the loan granted by the Ministry of Economic Development, in compliance with the clearly stated regulations governing the matter) and the consequent commencement of the enforced recovery of the subsidies amounting to €4.3 million in addition to a claim for consequent damages, quantified at €24 million caused by revocation of the presumed credit lines granted by banks to the company. The formalities for the subsidy application contested here were processed by Banca Popolare dell’Emilia Romagna, a member of a “Temporary Grouping of Businesses” led by UBI Banca which should hold the Bank free from any resulting expense and risk;
- three summons, served to UBI Banca by shareholders of the bank, containing claims for compensation regarding the amount for the redemption of the shares subject to withdrawal

as a result of the transformation of UBI Banca into a joint-stock company, which occurred as part of the so-called “Reform of the popular co-operative banks” [pursuant to Art. 28, paragraph 2 ter of the Consolidated Banking Act, introduced by Decree Law No. 3/2015, converted by Law No. 33/2015, which states that “in ‘popular’ banks (...) the right to the redemption of shares in the event of withdrawal, even following transformation (...), is limited according to the provisions made by the Bank of Italy, even as an exception to the provisions of the law, where that is necessary to ensure the inclusion of the shares in the Core Equity Tier 1 regulatory capital of the bank”].

The bank retains that the position taken on the redemption of the shares of withdrawing shareholders is solid, including in the light of opinions from legal counsel. It will therefore appear in court to ask for the claims to be rejected.

Banca Popolare di Bergamo

- claim for damages for alleged failure to perform contractual obligations in relation to a financing transaction;
- the purchase of covered warrants and Olivetti warrants (the latter via internet banking). The counterparty, not only alleges failure to receive proper information on the risks attaching to covered trades, but also disowned the signatures on the contract documents, required by regulations governing financial instruments and on the capital in question. Investigations performed by the internal audit function into the affair found no evidence of liability of the Bank in the transactions in question. Later the counterparty accepted that the signatures were his, but claimed that he had signed blank forms which had then been filled in abusively by the bank. The ruling by the court of first instance, in favour of the Bank, was confirmed on appeal on 27th April 2016.

Banco di Brescia

- a summons served by a company with a bankruptcy case which began in 1999 and is still in progress, which in the person of the receiver has requested the return of amounts drawn/used in the period September 1997-June 1998 by the sole director who ceased to be a director in September 1997 without the Bank being informed. In December 2012 the Judge accepted the objections raised by the bank and dismissed the case. The counterparty resumed the case within the relative time limits. The next hearing is set for 20th April 2017 to clarify the conclusions.

Banca Popolare di Ancona

- two claims for damages relating to alleged irregularities in the credit granting process.

Banca Popolare Commercio e Industria

- claims relating to trading in securities by a corporate counterparty. The case was won by the Bank in the court of first instance in 2011. Following an appeal brought by the counterparty, on 2nd April 2015, the Court of Appeal rejected the application made by the claimant.

UBI Leasing

- a claim for damages brought by a counterparty for alleged failure to perform obligations under finance lease contracts relating to a property under construction;
- litigation relating to ownership of finance leased assets.

UBI Factor

Legal dispute with a local health service relative to receivables collected following a legal injunction made temporarily executive in 2001. In a ruling of the Court of Cassation of 25th November 2015 (the judgment will be reprised in the Court of Appeal), the risk of any losses has been limited to the higher interest received compared to the amount calculated by applying the statutory interest rate, which may be recouped by the originator.

* * *

The following **SIGNIFICANT CASES OF LITIGATION** have been concluded with respect to the information reported in the notes to the consolidated financial statements in the 2015 Annual Report:

1. a claim for damages against UBI Leasing for alleged failure to perform obligations under a

- finance lease contract relating to a property under construction;
2. three legal actions initiated against UBI Banca (as survivor of the Centrobanca merger) **from the bankruptcies of the companies of the Burani Group** – Burani Designer Holding NV (“BDH”) and Mariella Burani Family Holding Spa (“MBFH”) – all before the Court of Milan:
In regard to the latter, the bank has received a letter on behalf of the bankruptcy of Mariella Burani Fashion Group, claiming damages based substantially on arguments already addressed in the aforementioned proceedings.
 3. **shareholder meeting annulment**: with a ruling filed in the court registry on 20th February 2016, the Business Division of the Court of Brescia ruled definitively against the action brought by dott. Giorgio Jannone and by eight other shareholders to render null and void the resolution of 20th April 2013 with which a Shareholders’ Meeting of the Bank appointed the Supervisory Board for the three-year period 2013-2014-2015. With that same ruling, the Court of Brescia ruled against the claim for damages brought by the claimants and ordered them to pay the court costs of the defendant, UBI Banca.

* * *

Finally, three actions which as at 31st December 2015 were classed as a *possible risk* have been reclassified as a *remote risk*: two actions brought by beneficiaries of public contributions for various reasons in relation to which UBI Banca (which took the place of Centrobanca) has been summoned jointly and severally with the authorities that subsidised the loans in its capacity as the “concessionary bank” appointed by those same authorities; and one action relating to the claim for damages against the creditor banks (including Banco di Brescia) from a counterparty that went bankrupt in 2010.

Anti money-laundering notifications

In the first half of 2016, the UBI Banca Group was served two “Written notifications of findings” for failure to report suspect transactions in accordance with “Anti Money-Laundering” law.

In relation to these notifications, during the period in question the Ministry of the Economy and Finance (MEF) imposed administrative fines for a total €57 thousand on a Banco di Brescia branch manager in relation to one charge of failure to make reports, notified by the Brescia Finance Police in 2011. Banco di Brescia has been made jointly and severally liable for this fine, which related to transactions totalling €566 thousand, entailing potential fines ranging from a minimum of €28 thousand to a maximum of €283 thousand. An appeal was filed against the fine before the court of Rome by the prescribed deadline.¹

In January, the MEF appealed in the Court of Cassation against the cancellation on appeal by the Court of Macerata in November 2014 of two notifications served by the Ancona Finance Police on two branch managers of Banca Popolare di Ancona. The relevant counter-appeals have been submitted.

In February, the Court of Rome rejected the appeal by a Banca Popolare di Ancona branch manager against a €25 thousand fine relating to a notification for failing to submit reports served by the Financial Information Unit (UIF) in 2010. The notice related to transactions totalling €577 thousand, which entailed potential fines ranging from a minimum of €28 thousand to a maximum of €286 thousand. An appeal has been filed, with the first hearing scheduled for November this year.

In April an adverse judgment was issued against a Banca Popolare di Ancona branch manager, reducing the fine to €7 thousand plus legal costs in relation to a notification of failure to report a suspect transaction, served by the Financial Information Unit in 2010 for transactions totalling €144 thousand, entailing fines ranging from a minimum of €1,400 to a maximum of €58 thousand.

During the half year the Rome Court of Appeal rejected two requests to suspend the enforcement of the fines handed down to a Banca Carime branch manager and a Banca Popolare di Ancona branch manager, with the banks held jointly and severally liable,

¹ The appeal was lodged in accordance with the combined provisions of Art. 22 of Law No. 689/1981 and subsequent additions and amendments, Art. 6 of Legislative Decree No. 150/2011 and Art. 60, paragraph 2-bis of Legislative Decree No. 231/2007.

scheduling the hearings for discussion for October and December 2018. Civil proceedings are in progress at the second level of justice regarding these matters.

Finally, in May an appeal was accepted with regard to a notification for failure to submit reports brought in 2010 by the Finance Police against a Banca Popolare di Ancona branch manager, with the associated cancellation of the €163 thousand fine. The notification related to transactions totalling €3.3 million, entailing potential fines of up to €1.6 million.

Tax litigation

Tax inspections and other investigative activities

In 2015, the Finance Police sent a notice of tax assessment to the Luxembourg subsidiary UBI Management Company, whose company objective is collective management of investment portfolios. According to the Finance Police, the company is only formally resident in Luxembourg, so its tax residence would, instead, be in Italy. In 2015, UBI Management Company presented reasoned observations to the tax authorities and is still waiting for the results of an examination from the financial authorities.

With regard to the tax inspection commenced by the Financial Police into UBI Sicav, a Luxembourg collective investment undertaking managed by UBI Management Company, it should be noted that this inspection ended with a notice of tax assessment dated 29th June 2016 concluding that the situation was “in order”. In line with administrative practice, the Finance Police has acknowledged that the tax residence of UBI SICAV should be recognised as the state in which the investment organism was founded (in this case, Luxembourg).

Assessment notices

SUBSTITUTE TAX PURSUANT TO PRESIDENTIAL DECREE NO. 601/1973 ON MEDIUM TO LONG-TERM LOANS

The dispute, essentially found in favour of the UBI Banca Group, concerns the alleged failure to pay a substitute tax on loan contracts stipulated abroad. As a result of litigation constantly finding in favour of the taxpayer, the tax authorities have almost entirely abandoned all its actions on the matter, annulling most payment demands under “internal review” procedures.

All the payment demands notified to the Parent and to the subsidiaries Banca Popolare di Bergamo, Banco di Brescia and Banca Popolare Commercio e Industria have been definitively annulled through internal review actions by the competent offices of the Tax Authorities.

In detail, during the first half:

- **Banca Popolare Commercio e Industria:** on 14th March 2016 a judgment was filed by the Tax Commission of the Province of Milan which declared the proceedings cancelled due to there being no dispute, in light of the annulment under “internal review” procedures by the Tax Authorities of the payment demand (€12 thousand in higher taxes for the year 2010);
- **UBI Banca (former Centrobanca):** on 1 April 2016 a judgment was filed by the Tax Commission of the Province of Milan which declared the proceedings cancelled due to there being no dispute, in light of the annulment under “internal review” procedures by the Tax Authorities of the payment demand (€823 thousand in higher taxes for the year 2010);
- **UBI Banca (former Centrobanca):** on 24th May 2016 a hearing was held regarding a payment demand (€50 thousand in higher taxes for the year 2010) at which the Tax Authorities formally requested the proceedings to be concluded because there was no case to answer. The court accepted the request of the Tax Authorities.

PREFERENCE SHARES – UBI BANCA AND BANCO DI BRESCIA – AND REGISTRATION DUTIES BRANCH TRANSFER TRANSACTIONS – UBI BANCA, BANCA POPOLARE DI BERGAMO, BANCO DI BRESCIA, BANCA POPOLARE COMMERCIO E INDUSTRIA, BANCA REGIONALE EUROPEA

The dispute has substantially been concluded, subject to administrative activities currently in progress with the competent tax commissions and the Court of Cassation.

Specifically, following the settlement agreement signed on 4th February 2016, which concluded all the litigation concerning the preference share and branch switching affairs, all the settlement agreements concerning the individual assessment notices and payment demands were concluded. All the payments due to the tax authorities in relation to the settlement agreements were made by 31st March 2016.

Administrative activities are currently in progress to wind up the proceedings in progress with the competent tax commissions and before the Court of Cassation. At the date of approval of these Notes, judgments have been obtained reflecting the lack of a case to answer for the ongoing branch switching disputes before the Tax Commission of the Province of Cuneo, together with all the judgements reflecting the lack of a case to answer for the preference shares disputes before the relevant commissions.

VALUE ADDED TAX – LOAN COLLECTION AND MANAGEMENT COMMISSIONS: NETWORK BANKS AND UBI FINANCE

The issue arises from a series of questionnaires set to the network banks in 2014, which subsequently resulted in as many notices of tax assessment. The dispute is in progress at the date of approval of these Notes and only one judgment has been issued by the Tax Commission of the Province of Turin, which found in favour of the UBI Banca Group.

In particular, in the second half of 2015 and the first half of 2016, appeals have been filed against the notices of tax assessment regarding the claimed non-payment of VAT on the commissions paid to the securitisation company UBI Finance Srl for the management and collection of receivables assigned to it as part of the issue of covered bonds. All of the network banks have received equivalent notices of tax assessment relative to the year 2009 and/or subsequent years.

The following events took place in the first half of 2016:

- **Banca Regionale Europea:** on 2nd May 2016 the judgment of the Tax Commission of the Province of Turin was filed, accepting the appeal against the notice of tax assessment relative to 2009 (€61 thousand in additional tax, plus interest and fines). The deadline for the tax authorities to lodge a possible appeal expires on 5th December 2016,
- **Banco di Brescia:** on 10th June 2016 a hearing was held on the appeal against the notice of tax assessment for the year 2009 (€143 thousand in additional tax, plus interest and fines). The Tax Commission of the Province of Milan delayed the hearing until 18th November 2016;
- **Banca Popolare di Bergamo:** on 12th July 2016 a hearing was held on the appeal regarding a notice of assessment for the year 2010 (€136 thousand in additional tax, plus interest and fines). The Tax Commission of the Province of Milan delayed the hearing until 8th November 2016;
- **Banca Popolare di Ancona:** on 3rd June 2016 a notice of tax assessment was served regarding the year 2011 (€50 thousand in additional tax, plus interest and fines);
- **Banca Popolare Commercio e Industria, Banca Popolare di Bergamo e former Banca di Valle Camonica:** starting from 1st July 2016, questionnaires have been served with requests for documentation relative to the tax year 2011.

Finally, on 13th February 2016, UBI Finance Srl submitted its defence pleadings against the fines imposed solely for the tax year 2010 (the Tax Authorities have a year to assess their merit). On 4th March 2016, it filed an appeal against the fines relative to the year 2009.

BANCA REGIONALE EUROPEA: FAILURE TO PAY 2003 IRPEG (FORMER CORPORATE INCOME TAX) PAYMENT ON ACCOUNT

The matter has been concluded by a judgment issued by the Court of Cassation.

In 2007, Equitalia (tax collection agency) in Cuneo issued a payment demand for €1.3 million (of which €1.25 million in fines, plus late-payment interest and collection fees) for alleged partial failure to pay the first IRPEG payment on account for the year 2003.

The dispute originates from a material error by Banca Regionale Europea, which, when preparing its IRPEG declaration for 2003, said that the amount paid on account was around €8.4 million instead of the correct amount of around €15.4 million. Following a fax received in December 2006 from the Tax Authorities in Cuneo, Banca Regionale Europea rectified this material error by submitting an additional declaration showing the correct amount of the payment on account (which was offset against excess IRPEG paid) of €15.4 million. Even though the additional declaration was issued on the specific request of the Tax Authorities in Cuneo, the latter fined Banca Regionale Europea for failure to make the payment on account.

Banca Regionale Europea appealed against the payment order. Rejecting the adverse ruling of the Tax Commission of the Province of Cuneo, the Tax Commission of the Region of Turin accepted the appeal of Banca Regionale Europea, cancelling the payment order on the basis of

the fact that in this specific case the good faith of the taxpayer applied in view of a mere material error, hence the sanction was inapplicable under the Taxpayer's Charter.

The Tax Authorities contested the ruling by appealing to the Court of Cassation in December 2009. In a judgment filed on 15th January 2016, following the hearing of 26th November 2015, the Court of Cassation accepted the appeal of the Tax Authorities, considering the misstatement of the 2003 IRPEG payment on account, at an amount lower than was due, should be seen as a substantive, non-formal violation, without any consideration of the good faith of the taxpayer. As a result of the judgment, on 30th May 2016 a payment order was issued for €1.3 million (of which €1.25 million in fines, plus late-payment interest and collection fees), which Banca Regionale Europea will pay according to the legal deadlines.

UBI LEASING: VAT

On 10th December 2015, UBI Leasing received a tax assessment report which concluded a tax inspection conducted by the Guardia di Finanza Brescia tax unit concerning the tax year 2010. More specifically, the Authorities contested the illegitimate deduction of VAT (additional VAT of €396 thousand) and consequent filing of an inaccurate annual VAT return for an undue deduction of VAT, in relation to a transaction objectively presumed to be non-existent (purchase of various items of industrial equipment subject to a finance lease).

Fully convinced of its grounds, on 8th February 2016 UBI Leasing submitted its reasoned observations to the tax authorities of the Milan, the authority responsible for the possible issue of a tax assessment and the consequent imposition of fines on the matter.

Segment Reporting

Distribution by business segment: income statement for the period ended 30th June 2016

Figures in thousands of euro

item/business segment	Banking (Aggregate)	Non-banking financial (Aggregate)	Corporate Centre (UBI, UBI.S, Property companies and UBI Academy + all the intercompany and consolidation entries)	TOTAL
Net interest income	625,467	80,658	59,447	765,572
Net fee and commission income	598,936	61,506	7,011	667,453
Other expense/income	18,283	27	72,878	91,188
Gross income	1,242,686	142,191	139,336	1,524,213
Net impairment losses on loans and financial assets	-1,021,191	-76,028	-159,621	-1,256,840
Net financial income	221,495	66,163	-20,285	267,373
Administrative expenses	-1,194,179	-64,020	-148,919	-1,407,118
Net provisions for risks and charges	-9,317	-18,391	1,051	-26,657
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	-88,170	-1,616	-42,691	-132,477
Other net operating income/expense	145,337	6,364	9,867	161,568
Operating expenses	-1,146,329	-77,663	-180,692	-1,404,684
Profits of equity investments	-	-	11,950	11,950
Profits (losses) on disposal of investments	1,138	-2	467	1,603
Pre-tax loss from continuing operations	-923,696	-11,502	-188,560	-1,123,758
Taxes on income for the period from continuing operations	249,891	4,278	51,965	306,134
(profit) loss for the period attributable to non-controlling interests	36,203	-10,307	4,743	30,639
Loss for the period	-637,602	-17,531	-131,852	-786,985

Distribution by business segment: balance sheet as at 30th June 2016

Figures in thousands of euro

item/business segment	Banking (Aggregate)	Non-banking financial (Aggregate)	Corporate Centre (UBI, UBI.S, Property companies and UBI Academy + all the intercompany and consolidation entries)	TOTAL
Loans and advances to banks	2,152,157	-	-	2,152,157
Due to banks	-	9,106,538	2,806,615	11,913,153
Net financial assets	157,111	15,791	18,699,907	18,872,809
Loans and advances to customers	62,938,518	10,220,527	10,747,817	83,906,862
Due to customers	49,695,047	194,685	5,570,346	55,460,078
Debt securities issued	8,148,534	110,076	23,806,220	32,064,830
Equity-accounted investees	-	35	253,684	253,719
Non-controlling interests	482,422	40,996	-47,778	475,640

The banking segment comprises the seven network banks of the Group, IW Bank Spa and UBI Banca International.

The non-banking financial segment mainly comprises UBI Leasing Spa, UBI Factor Spa, UBI Pramerica SGR Spa, Prestitalia Spa and UBI Fiduciaria Spa.

The "Corporate Centre" segment comprises UBI Banca Spa, UBI Sistemi e Servizi Spa, all the property companies of the Group and UBI Academy Scrl. That segment also includes all the consolidation entries including all the intercompany eliminations with the exception of those relating to the purchase price allocations and those relating to goodwill made to the relative individual segments.

The algebraic sum of the three segments identified in this manner represents the income statement and balance sheet of the UBI Banca Group as at and for the period ended 30th June 2016.

The items "loans and advances to banks" and "due to banks" have been stated in the three segments on the basis of the prevailing balance.

The item "non-controlling interests" in the "Banking" and "Non-banking financial" segments relates only to the portion of equity and of the profit for the period of the companies not wholly owned. It does not include non-controlling interests and the part of consolidated items attributable to non-controlling interests which have been attributed to the "corporate centre".

Absolute amounts are reported for liability items.

Transactions with related parties pursuant to IAS 24

In compliance with IAS 24, information is provided below on balance sheet and income statement transactions between related parties of UBI Banca and Group member companies, as well as those items as a percentage of the total for each item in the consolidated financial statements.

According to IAS 24, a related party is a person or entity that is related to the entity that is preparing its financial statements (the “reporting entity”).

- (a) A person or close family member of that person is related to the reporting entity if that person:
- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions apply:
- (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group to which it belongs, performs management services with strategic responsibilities for the reporting entity or the parent of the reporting entity.

In compliance with the regulations in force, we report that all transactions carried out by Group member companies with related parties were conducted in observance of correct principles both in substance and form, under conditions analogous to those applied for transactions with independent parties.

More specifically, the Parent and its subsidiary UBI Sistemi e Servizi ScpA provide Group member companies with a series of services, governed by intragroup contracts drawn up in accordance with the principles of consistency, transparency and uniformity in line with the organisational model of the Group. Under this model, strategic, and management activities are centralised at UBI Banca and technical and operational activities in UBI Sistemi e Servizi SCpA.

The prices agreed for the services provided under the contracts were determined on the basis of market prices or, where appropriate reference parameters could not be found in the marketplace, in accordance with the particular nature of the services provided and also in relation to the service contracts signed by UBI.S with its consortium shareholders, on the basis of the costs incurred for the services provided.

The main intercompany contracts existing at the end of the first half included those which implement the centralisation of activities in the Governance and Business Areas of the Parent and they involved the Parent, the banks in the Group (Banca Popolare di Bergamo Spa, Banca Popolare Commercio e Industria Spa, Banca Popolare di Ancona Spa, Banca Carime Spa, Banco di Brescia Spa, Banca Regionale Europea Spa, Banca di Valle Camonica Spa, IW Bank and also contracts to implement the “national tax consolidation”, in accordance with articles 117 to 129 of Presidential Decree No. 917/1986, the consolidated law on income tax) concluded by the Parent. There were also all the intercompany contracts which implement the centralisation in UBI Sistemi e Servizi of support activities for the principal companies in the Group.

We report with regard to transactions between companies in the Group and all of its related parties, that no atypical and/or unusual transactions were performed; furthermore, no transactions of that type were even performed with counterparties that were not related parties.

Atypical and/or unusual transactions, in compliance with Consob Communications No. 98015375 of 27th February 1998 and No. 1025564 of 6th April 2001, are intended to mean all

those transactions which, because of their significance/importance, the nature of the counterparties, the content of the transaction (even in relation to ordinary operations), the way in which the transfer price is decided and the timing of the event (close to the end of the financial year) might give rise to doubts concerning: the correctness/completeness of the information in the accounts, a conflict of interests, the security of the company's assets and the rights of non-controlling shareholders.

The information pursuant to article 5, paragraph 8 of Consob Resolution 17221/2010 on transactions of "greater importance" concluded with related parties in the first of 2016, is reported in the consolidated Interim Management Report on Operations, which may be consulted.

Principal transactions with related parties in the balance sheet

Figures in thousands of euro	Financial assets held for trading	Available-for-sale financial assets	Financial assets designated at fair value	Loans and advances to banks	Loans and advances to customers	Due to banks	Due to customers	Debt securities issued	Financial liabilities held for trading	Guarantees granted
Associates	24	15,186	-	-	66,612	-	172,555	-	27	-
Senior managers ⁽¹⁾	-	-	-	-	3,072	-	4,409	100	-	-
Other related parties	-	-	-	-	78,798	-	68,686	-	-	27,134
Total	24	15,186	-	-	148,482	-	245,650	100	27	27,134

(1) A "Senior manager" is defined as "a manager with strategic responsibilities of the entity or of its parent, where a manager with strategic responsibility is intended to mean those who have power and responsibility for the planning, management and control of the activities of the entity including its directors";

Percentage of related-party transactions in the consolidated balance sheet

Figures in thousands of euro	Financial assets held for trading	Available-for-sale financial assets	Financial assets designated at fair value	Loans and advances to banks	Loans and advances to customers	Due to banks	Due to customers	Debt securities issued	Financial liabilities held for trading	Guarantees granted
With related-parties (a)	24	15,186	-	-	148,482	-	245,650	100	27	27,134
Total (b)	681,543	15,417,870	188,641	3,930,021	83,906,862	13,691,017	55,460,078	32,064,830	612,314	6,453,263
Percentage (a/b*100)	0.00%	0.10%	-	-	0.18%	-	0.44%	0.00%	0.00%	0.42%

Principal transactions with related parties in the income statement

Figures in thousands of euro	Net interest income	Dividends and similar income	Net fee and commission income	Staff costs	Operating income/expenses	Other administrative expenses
Associates	12	-	71,169	-4	21	-1,647
Senior managers ⁽¹⁾	34	-	112	-5,613	1	-13
Other related parties	699	-	318	-236	6	-22
Total	745	-	71,599	-5,853	28	-1,682

(1) A "Senior manager" is defined as "a manager with strategic responsibilities of the entity or of its parent, where a manager with strategic responsibility is intended to mean those who have power and responsibility for the planning, management and control of the activities of the entity including its directors";

Percentage of related-party transactions in the consolidated income statement

Figures in thousands of euro	Net interest income	Dividends and similar income	Net fee and commission income	Staff costs	Operating income/expenses	Other administrative expenses
With related-parties (a)	745	-	71,599	-5,853	28	-1,682
Total (b)	765,572	8,599	667,453	-963,115	161,568	-444,003
Percentage (a/b*100)	0.10%	-	10.73%	0.61%	0.02%	0.38%

Principal balance sheet items with associate companies subject to significant influence

	Financial assets held for trading	Available-for-sale financial assets	Loans and advances to customers	Due to banks	Due to customers	Debt securities issued	Financial liabilities held for trading	Guarantees granted
Figures in thousands of euro								
Aviva Assicurazioni Vita Spa	24	-	17,461	-	48,459	-	27	-
Aviva Vita Spa	-	-	23,921	-	109,672	-	-	-
Lombarda Vita Spa	-	-	24,570	-	11,912	-	-	-
Polis Fondi SGRpA	-	15,186	-	-	59	-	-	-
SF Consulting Srl	-	-	660	-	2,453	-	-	-
UFI Servizi Srl	-	-	-	-	-	-	-	-
Zhong Ou Asset Management Co. Ltd	-	-	-	-	-	-	-	-
Total	24	15,186	66,612	-	172,555	-	27	-

Principal income statement items with associate companies subject to significant influence

	Net interest income	Dividends and similar income	Net fee and commission income	Staff costs	Operating income/expenses	Other administrative expenses
Figures in thousands of euro						
Aviva Assicurazioni Vita Spa	37	-	4,385	-4	-	-
Aviva Vita Spa	-27	-	41,840	-	-	-
Lombarda Vita Spa	-	-	25,055	-	18	-1,646
Polis Fondi SGRpA	-	-	-167	-	-	-
SF Consulting Srl	2	-	56	-	3	-
UFI Servizi Srl	-	-	-	-	-	-1
Zhong Ou Asset Management Co. Ltd	-	-	-	-	-	-
Total	12	-	71,169	-4	21	-1,647

Events occurring after the end of the first half

No events of importance that might affect the operating and financial position presented occurred after 30th June 2016, the balance sheet date of this half year financial report, and until 5th August 2016, the date of its approval by the Management Board of UBI Banca Spa.

The following is nevertheless reported for your information:

- 28th July 2016: issue of the new securitisation UBI SPV Lease 2016 Srl. All of the senior and junior² tranches are recorded in the accounts of UBI Leasing through UBI Banca's Monte Titoli brokerage portfolio. Eligibility of the senior tranches is scheduled for the third week of August 2016 and, once the requirement has been met, the tranche will be acquired in a reverse repo by the Parent Company and becomes eligible for refinancing operations. For further information, refer to the section "Scope of consolidation" in these Notes;
- On 29th July 2016 the results of the 2016 EU-wide stress tests conducted by the European Banking Authority (EBA) were published.³ In an adverse scenario, UBI Banca would see an impact of -277 basis points, one of the lowest among the European banks participating in the exercise, with its "fully-loaded" CET1 ratio falling to 8.85% (from 11.62% on 31/12/2015). Further details are given in the section "Significant events occurring in the first half of 2016" in the Interim Consolidated Management Report;

² The senior tranche – Class A – is equal to €2,100,000,000 and has been assigned the following ratings: Moody's A1 and DBRS A (low). The junior tranche – Class B – is equal to €1,000,900,000 and has not been assigned ratings.

³ The test was conducted by the EBA in collaboration with the European Central Bank (ECB) and the Bank of Italy, the European Commission (EC) and the European Systemic Risk Board (ESRB).

**STATEMENT OF THE CHIEF
EXECUTIVE OFFICER AND OF THE
SENIOR OFFICER RESPONSIBLE FOR
PREPARING THE COMPANY
ACCOUNTING DOCUMENTS**

Statement on the condensed interim financial report pursuant to article 81-ter of Consob Regulation No. 11971 of 14th May 1999 and subsequent amendments and additions

1. The undersigned Victor Massiah, Chief Executive Officer, and Elisabetta Stegher, Senior Officer Responsible for preparing the company accounting documents of UBI Banca Spa, having taken account of the provisions of paragraphs 3 and 4 of article 154 *bis* of Legislative Decree No. 58 of 24th February 1998, hereby certify to:

- the adequacy in relation to the characteristics of the company and
- the effective application of

the administrative and accounting procedures for the preparation of the half year condensed financial statements, during the first half of 2016.

2. The model employed

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the condensed interim financial report as at and for the half year ended 30th June 2016 was based on an internal model defined by UBI Banca SpA, developed in accordance with the framework drawn up by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and with the framework Control Objectives for IT and related technology (COBIT) which represent the generally accepted international standards for internal control systems.

3. They also certify that:

3.1 the condensed interim financial report:

- a) was prepared in compliance with the applicable international accounting standards recognised by the European Community in accordance with the Regulation No. 1606/2002 (EC) issued by the European Parliament on 19th July 2002;
- b) corresponds to the records contained in the accounting books of the company;
- c) provides a true and fair view of the capital, operating and cash flow position of the issuer and the companies included in the scope of the consolidation.

3.2 The half year management report comprises a reliable analysis of the important events that occurred in the first six months of the year and of their impact on the half year condensed financial statements, together with a description of the main risks and uncertainties relating to the remaining six months of the year. The half year management report also comprises a reliable analysis of information on significant related party transactions.

Bergamo, 5th August 2016

Victor Massiah

Chief Executive Officer
(signed on the original)

Elisabetta Stegher

Senior Officer Responsible for preparing
the company accounting documents
(signed on the original)

INDEPENDENT AUDITORS' REPORT

REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**To the Shareholders of
UNIONE DI BANCHE ITALIANE S.p.A.**

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Unione di Banche Italiane S.p.A. and its subsidiaries (the "Unione di Banche Italiane Group"), which comprise the balance sheet as of June 30, 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the six-month period then ended and the related explanatory notes. The parent's Management Board is responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Unione di Banche Italiane Group as at June 30, 2016 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy
August 9, 2016

This report has been translated into the English language solely for the convenience of international readers.



**REPORT ON THE
PERFORMANCE OF THE
PARENT, UBI BANCA Spa
IN THE FIRST HALF OF 2016**

Reclassified financial statements, reclassified income statement net of the most significant non-recurring items and reconciliation schedules

Reclassified balance sheet

Figures in thousands of euro		30.6.2016	31.12.2015	Changes	% changes	30.6.2015	Changes	% changes
		A	B	A-B	A/B	C	A-C	A/C
ASSETS								
10.	Cash and cash equivalents	96,905	138,226	-41,321	-29.9%	107,492	-10,587	-9.8%
20.	Financial assets held for trading	759,433	1,088,262	-328,829	-30.2%	1,463,279	-703,846	-48.1%
30.	Financial assets designated at fair value	188,641	196,034	-7,393	-3.8%	197,223	-8,582	-4.4%
40.	Available-for-sale financial assets	15,237,453	15,357,571	-120,118	-0.8%	16,309,111	-1,071,658	-6.6%
50.	Held-to-maturity investments	3,452,886	3,494,547	-41,661	-1.2%	3,535,692	-82,806	-2.3%
60.	Loans and advances to banks	15,098,186	15,489,215	-391,029	-2.5%	15,026,560	71,626	0.5%
70.	Loans and advances to customers	21,083,165	21,901,390	-818,225	-3.7%	21,854,404	-771,239	-3.5%
80.	Hedging derivatives	783,965	592,409	191,556	32.3%	544,207	239,758	44.1%
90.	Fair value change in hedged financial assets (+/-)	-	4,637	-4,637	-100.0%	4,804	-4,804	-100.0%
100.	Equity investments	9,658,120	9,657,401	719	0.0%	9,625,683	32,437	0.3%
110.	Property, plant and equipment	606,219	615,661	-9,442	-1.5%	624,701	-18,482	-3.0%
120.	Intangible assets	410	410	-	-	410	-	-
130.	Tax assets	1,741,161	1,529,553	211,608	13.8%	1,536,122	205,039	13.3%
140.	Non-current assets and disposal groups held for sale	2,032	2,032	-	-	2,036	-4	-0.2%
150.	Other assets	1,065,765	699,982	365,783	52.3%	745,198	320,567	43.0%
	Total assets	69,774,341	70,767,330	-992,989	-1.4%	71,576,922	-1,802,581	-2.5%
LIABILITIES AND EQUITY								
10.	Due to banks	18,501,016	15,845,354	2,655,662	16.8%	13,199,889	5,301,127	40.2%
20.	Due to customers	6,059,117	7,357,586	-1,298,469	-17.6%	10,254,377	-4,195,260	-40.9%
30.	Debt securities issued	33,682,533	36,265,240	-2,582,707	-7.1%	36,831,103	-3,148,570	-8.5%
40.	Financial liabilities held for trading	671,678	608,600	63,078	10.4%	754,027	-82,349	-10.9%
60.	Hedging derivatives	1,051,455	700,871	350,584	50.0%	736,087	315,368	42.8%
80.	Tax liabilities	112,046	265,926	-153,880	-57.9%	243,599	-131,553	-54.0%
100.	Other liabilities	1,089,102	881,275	207,827	23.6%	765,959	323,143	42.2%
110.	Post-employment benefits	39,995	39,975	20	0.1%	39,701	294	0.7%
120.	Provisions for risks and charges:	82,093	43,557	38,536	88.5%	56,092	26,001	46.4%
	a) pension and similar obligations	1,047	1,035	12	1.2%	1,029	18	1.7%
	b) other provisions	81,046	42,522	38,524	90.6%	55,063	25,983	47.2%
130.+160. +170.+ 180.+190.	Share capital, share premiums, reserves, valuation reserves and treasury shares	8,432,419	8,635,523	-203,104	-2.4%	8,518,872	-86,453	-1.0%
200.	Profit for the period/year	52,887	123,423	n.s.	n.s.	177,216	-124,329	-70.2%
	Total liabilities and equity	69,774,341	70,767,330	-992,989	-1.4%	71,576,922	-1,802,581	-2.5%

Reclassified quarterly balance sheets

Figures in thousands of euro		30.6.2016	31.3.2016	31.12.2015	30.9.2015	30.6.2015	31.3.2015
ASSETS							
10.	Cash and cash equivalents	96,905	110,712	138,226	133,039	107,492	112,426
20.	Financial assets held for trading	759,433	1,060,456	1,088,262	760,790	1,463,279	1,654,371
30.	Financial assets designated at fair value	188,641	194,738	196,034	195,490	197,223	198,365
40.	Available-for-sale financial assets	15,237,453	15,502,253	15,357,571	14,767,754	16,309,111	17,405,247
50.	Held-to-maturity investments	3,452,886	3,445,469	3,494,547	3,486,873	3,535,692	3,528,010
60.	Loans and advances to banks	15,098,186	15,172,792	15,489,215	16,343,837	15,026,560	15,073,014
70.	Loans and advances to customers	21,083,165	21,271,288	21,901,390	20,942,260	21,854,404	22,625,687
80.	Hedging derivatives	783,965	712,624	592,409	611,992	544,207	673,536
90.	Fair value change in hedged financial assets (+/-)	-	-	4,637	4,707	4,804	5,349
100.	Equity investments	9,658,120	9,657,740	9,657,401	9,656,107	9,625,683	9,624,090
110.	Property, plant and equipment	606,219	610,576	615,661	620,736	624,701	629,089
120.	Intangible assets	410	410	410	410	410	410
130.	Tax assets	1,741,161	1,528,054	1,529,553	1,497,100	1,536,122	1,623,234
140.	Non-current assets and disposal groups held for sale	2,032	2,032	2,032	2,036	2,036	3
150.	Other assets	1,065,765	562,618	699,982	552,551	745,198	639,077
Total assets		69,774,341	69,831,762	70,767,330	69,575,682	71,576,922	73,791,908
LIABILITIES AND EQUITY							
10.	Due to banks	18,501,016	16,894,824	15,845,354	14,675,513	13,199,889	17,798,453
20.	Due to customers	6,059,117	7,862,398	7,357,586	6,357,264	10,254,377	6,598,990
30.	Debt securities issued	33,682,533	33,639,442	36,265,240	37,356,497	36,831,103	37,080,038
40.	Financial liabilities held for trading	671,678	685,980	608,600	614,788	754,027	844,803
60.	Hedging derivatives	1,051,455	942,825	700,871	820,178	736,087	1,163,274
80.	Tax liabilities	112,046	219,693	265,926	292,254	243,599	448,391
100.	Other liabilities	1,089,102	664,701	881,275	550,167	765,959	784,573
110.	Post-employment benefits	39,995	39,866	39,975	39,275	39,701	43,409
120.	Provisions for risks and charges:	82,093	37,527	43,557	57,229	56,092	45,666
	a) pension and similar obligations	1,047	1,023	1,035	1,016	1,029	1,135
	b) other provisions	81,046	36,504	42,522	56,213	55,063	44,531
130.+160.+170.+180.+190.	Share capital, share premiums, reserves, valuation reserves and treasury shares	8,432,419	8,668,154	8,635,523	8,674,932	8,518,872	8,781,902
200.	Profit for the period	52,887	176,352	123,423	137,585	177,216	202,409
Total liabilities and equity		69,774,341	69,831,762	70,767,330	69,575,682	71,576,922	73,791,908

Reclassified income statement

Figures in thousands of euro		1H 2016	1H 2015	Changes	% changes	2nd Quarter	2nd Quarter	Changes	% changes	FY 2015
		A	B	A-B	A/B	2016	2015	C-D	C/D	E
10.-20.	Net interest income (expense)	16,522	7,092	9,430	133.0%	10,262	(3,211)	13,473	n.s.	(13,593)
70.	Dividends and similar income	239,015	244,406	(5,391)	(2.2%)	19,247	14,035	5,212	37.1%	249,430
40.-50.	Net fee and commission income	23,858	26,347	(2,489)	(9.4%)	9,791	13,507	(3,716)	(27.5%)	48,979
80.+90. +100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	66,108	96,482	(30,374)	(31.5%)	55,305	45,410	9,895	21.8%	278,605
190.	Other net operating income/expense	56,662	54,549	2,113	3.9%	27,688	27,108	580	2.1%	109,087
	Operating income	402,165	428,876	(26,711)	(6.2%)	122,293	96,849	25,444	26.3%	672,508
150.a	Staff costs	(81,805)	(84,690)	(2,885)	(3.4%)	(40,747)	(42,158)	(1,411)	(3.3%)	(169,417)
150.b	Other administrative expenses	(102,145)	(83,751)	18,394	22.0%	(45,899)	(44,531)	1,368	3.1%	(210,847)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(9,671)	(10,190)	(519)	(5.1%)	(4,824)	(5,073)	(249)	(4.9%)	(21,581)
	Operating expenses	(193,621)	(178,631)	14,990	8.4%	(91,470)	(91,762)	(292)	(0.3%)	(401,845)
	Net operating income	208,544	250,245	(41,701)	(16.7%)	30,823	5,087	25,736	n.s.	270,663
130.a	Net impairment losses on loans	(132,812)	(56,247)	76,565	136.1%	(123,174)	(28,418)	94,756	n.s.	(104,166)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(26,794)	(4,000)	(22,794)	n.s.	(29,490)	(1,535)	27,955	n.s.	(15,847)
160.	Net provisions for risks and charges	1,341	(12,545)	13,886	n.s.	1,443	(12,601)	14,044	n.s.	6,955
210.+240.	Profits (losses) from the disposal of equity investments	130	(2)	132	n.s.	-	12	(12)	(100.0%)	1,594
250.	Pre-tax profit (loss) from continuing operations	50,409	177,451	(127,042)	(71.6%)	(120,398)	(37,455)	82,943	221.4%	159,199
260.	Taxes on income for the period/year from continuing operations	39,012	57	38,955	n.s.	34,659	12,262	22,397	182.7%	(26,619)
	Profit (loss) for the period/year before the impact of the Business Plan	89,421	177,508	(88,087)	(49.6%)	(85,739)	(25,193)	60,546	n.s.	132,580
150.a	Redundancy expenses net of taxes	(32,993)	(292)	(32,701)	n.s.	(34,185)	-	(34,185)	-	(9,157)
150.b	Single Bank Project expenses net of taxes	(3,541)	-	(3,541)	-	(3,541)	-	(3,541)	-	-
290.	Profit (loss) for the period/year	52,887	177,216	(124,329)	(70.2%)	(123,465)	(25,193)	98,272	n.s.	123,423

Quarterly reclassified income statements

Figures in thousands of euro	2016		2015			
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
10.-20. Net interest income (expense)	10,262	6,260	(7,507)	(13,178)	(3,211)	10,303
70. Dividends and similar income	19,247	219,768	1,573	3,451	14,035	230,371
40.-50. Net fee and commission income	9,791	14,067	9,967	12,665	13,507	12,840
80.+90. Net income from trading, hedging and disposal/repurchase activities and from +100. assets/liabilities designated at fair value +110.	55,305	10,803	161,625	20,498	45,410	51,072
190. Other net operating income/expense	27,688	28,974	26,725	27,813	27,108	27,441
Operating income	122,293	279,872	192,383	51,249	96,849	332,027
150.a Staff costs	(40,747)	(41,058)	(44,866)	(39,861)	(42,158)	(42,532)
150.b Other administrative expenses	(45,899)	(56,246)	(90,358)	(36,738)	(44,531)	(39,220)
170.+180. Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(4,824)	(4,847)	(6,351)	(5,040)	(5,073)	(5,117)
Operating expenses	(91,470)	(102,151)	(141,575)	(81,639)	(91,762)	(86,869)
Net operating income (loss)	30,823	177,721	50,808	(30,390)	5,087	245,158
130.a Net impairment losses on loans	(123,174)	(9,638)	(28,278)	(19,641)	(28,418)	(27,829)
130. Net impairment losses on other financial assets and b+c+d liabilities	(29,490)	2,696	(8,282)	(3,565)	(1,535)	(2,465)
160. Net provisions for risks and charges	1,443	(102)	21,825	(2,325)	(12,601)	56
210.+240. Profits (losses) from the disposal of equity investments	-	130	1,340	256	12	(14)
250. Pre-tax profit (loss) from continuing operations	(120,398)	170,807	37,413	(55,665)	(37,455)	214,906
260. Taxes on income for the period/year from continuing operations	34,659	4,353	(42,710)	16,034	12,262	(12,205)
Profit (loss) for the period/year before the impact of the Business Plan	(85,739)	175,160	(5,297)	(39,631)	(25,193)	202,701
150.a Redundancy expenses net of taxes	(34,185)	1,192	(8,865)	-	-	(292)
150.b Single Bank Project expenses net of taxes	(3,541)	-	-	-	-	-
290. Profit (loss) for the period	(123,465)	176,352	(14,162)	(39,631)	(25,193)	202,409

Reclassified income statement net of the most significant non-recurring items

	1H 2016 <i>net of non-recurring items</i>	1H 2015 <i>net of non-recurring items</i>	Changes	% changes
<i>Figures in thousands of euro</i>				
Net interest income	16,522	7,092	9,430	133.0%
Dividends and similar income	239,015	244,406	(5,391)	(2.2%)
Net fee and commission income	23,858	26,347	(2,489)	(9.4%)
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	47,630	96,482	(48,852)	(50.6%)
Other net operating income/expense	56,662	54,549	2,113	3.9%
Operating income	383,687	428,876	(45,189)	(10.5%)
Staff costs	(81,805)	(84,690)	(2,885)	(3.4%)
Other administrative expenses	(102,145)	(83,751)	18,394	22.0%
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(9,671)	(10,190)	(519)	(5.1%)
Operating expenses	(193,621)	(178,631)	14,990	8.4%
Net operating income	190,066	250,245	(60,179)	(24.0%)
Net impairment losses on loans	(132,812)	(56,247)	76,565	136.1%
Net impairment losses on other financial assets and liabilities	(26,038)	2,824	(28,862)	n.s.
Net provisions for risks and charges	1,341	(12,545)	13,886	n.s.
Profits (losses) from the disposal of equity investments	130	(2)	132	n.s.
Pre-tax profit from continuing operations	32,687	184,275	(151,588)	(82.3%)
Taxes on income for the period from continuing operations	42,929	(1,818)	44,747	n.s.
Profit for the period	75,616	182,457	(106,841)	(58.6%)

Reclassified income statement net of the most significant non-recurring items: details

	2019/2020 Business Plan					Other non-recurring items		Non-recurring items			
	1H 2016	Redundancy expenses	Single Bank Project expenses	Profit on AFS equity investments	Impairment losses on equity instruments, bonds and units of UCITS (AFS)	1H 2016 net of non-recurring items	1H 2015	Impairment losses and reversals on shares, bonds and units in UCITS (AFS)	Redundancy expenses (pursuant to 4th February 2015 Agreement)	1H 2015 net of non-recurring items	
Figures in thousands of euro											
Net interest income	16,522					16,522	7,092			7,092	
Dividends and similar income	239,015					239,015	244,406			244,406	
Net fee and commission income	23,858					23,858	26,347			26,347	
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	66,108			(18,478)		47,630	96,482			96,482	
Other net operating income/expense	56,662					56,662	54,549			54,549	
Operating income	402,165	-	-	(18,478)	-	383,687	428,876	-	-	428,876	
Staff costs	(81,805)					(81,805)	(84,690)			(84,690)	
Other administrative expenses	(102,145)					(102,145)	(83,751)			(83,751)	
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(9,671)					(9,671)	(10,190)			(10,190)	
Operating expenses	(193,621)	-	-	-	-	(193,621)	(178,631)	-	-	(178,631)	
Net operating income	208,544	-	-	(18,478)	-	190,066	250,245	-	-	250,245	
Net impairment losses on loans	(132,812)					(132,812)	(56,247)			(56,247)	
Net impairment losses on other financial assets and liabilities	(26,794)				756	(26,038)	(4,000)	6,824		2,824	
Net provisions for risks and charges	1,341					1,341	(12,545)			(12,545)	
Profits (losses) from the disposal of equity investments	130					130	(2)			(2)	
Pre-tax profit from continuing operations	50,409	-	-	(18,478)	756	32,687	177,451	6,824	-	184,275	
Taxes on income for the period from continuing operations	39,012			4,035	(118)	42,929	57	(1,875)		(1,818)	
Profit for the period before the impact of the Business Plan	89,421	-	-	(14,443)	638	75,616	177,508	4,949	-	182,457	
Redundancy expenses net of taxes	(32,993)	32,993				-	(292)	292		-	
Single Bank Project expenses net of taxes	(3,541)		3,541			-	-			-	
Profit for the period	52,887	32,993	3,541	(14,443)	638	75,616	177,216	4,949	292	182,457	

Reconciliation schedule for the period ended 30th June 2016

RECLASSIFIED INCOME STATEMENT		1H 2016	Reclassifications				1H 2016
Items	Separate mandatory financial statement		Tax recoveries	Depreciation for leasehold improvements	Redundancy expenses (2019/2020 Business Plan and adjustments pursuant to Agreement of 23.12.2015)	Single Bank Project expenses (2019/2020 Business Plan)	Reclassified financial statement
Figures in thousands of euro							
10.-20.	Net interest income	16,522					16,522
70.	Dividends and similar income	239,015					239,015
40.-50.	Net fee and commission income	23,858					23,858
80.+90.+100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	66,108					66,108
190.	Other net operating income/expense	61,023	(4,424)	63			56,662
	Operating income	406,526	(4,424)	63	-	-	402,165
150.a	Staff costs	(131,100)			49,295		(81,805)
150.b	Other administrative expenses	(111,815)	4,424			5,246	(102,145)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(9,608)		(63)			(9,671)
	Operating expenses	(252,523)	4,424	(63)	49,295	5,246	(193,621)
	Net operating income	154,003	-	-	49,295	5,246	208,544
130.a	Net impairment losses on loans	(132,812)					(132,812)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(26,794)					(26,794)
160.	Net provisions for risks and charges	1,341					1,341
210.+240.	Profits from the disposal of equity investments	130					130
250.	Pre-tax profit (loss) from continuing operations	(4,132)	-	-	49,295	5,246	50,409
260.	Taxes on income for the period from continuing operations	57,019			(16,302)	(1,705)	39,012
	Profit for the period before the impact of the Business Plan	52,887	-	-	32,993	3,541	89,421
150.a	Redundancy expenses net of taxes	-			(32,993)		(32,993)
150.b	Single Bank Project expenses net of taxes	-				(3,541)	(3,541)
290.	Profit for the period	52,887	-	-	-	-	52,887

Reconciliation schedule for the period ended 30th June 2015

RECLASSIFIED INCOME STATEMENT		1H 2015	Reclassifications				1H 2015
Items	Separate mandatory financial statement		Tax recoveries	Depreciation for leasehold improvements	Redundancy expenses (pursuant to 4th February 2015 Agreement)	Single Bank Project expenses (2019/2020 Business Plan)	Reclassified financial statement
Figures in thousands of euro							
10.-20.	Net interest income	7,092					7,092
70.	Dividends and similar income	244,406					244,406
40.-50.	Net fee and commission income	26,347					26,347
80.+90.+100.+110.	Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	96,482					96,482
190.	Other net operating income/expense	58,623	(4,137)	63			54,549
	Operating income	432,950	(4,137)	63	-	-	428,876
150.a	Staff costs	(85,093)			403		(84,690)
150.b	Other administrative expenses	(87,888)	4,137				(83,751)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(10,127)		(63)			(10,190)
	Operating expenses	(183,108)	4,137	(63)	403	-	(178,631)
	Net operating income	249,842	-	-	403	-	250,245
130.a	Net impairment losses on loans	(56,247)					(56,247)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(4,000)					(4,000)
160.	Net provisions for risks and charges	(12,545)					(12,545)
210.+240.	Losses from the disposal of equity investments	(2)					(2)
250.	Pre-tax profit from continuing operations	177,048	-	-	403	-	177,451
260.	Taxes on income for the period from continuing operations	168			(111)		57
	Profit for the period before redundancy expenses	177,216	-	-	292	-	177,508
150.a	Redundancy expenses net of taxes	-			(292)		(292)
290.	Profit for the period	177,216	-	-	-	-	177,216

Reconciliation for the year ended 31st December 2015

RECLASSIFIED INCOME STATEMENT		FY 2015 Separate mandatory financial statement	Reclassifications			FY 2015 Reclassified financial statement
Items	Figures in thousands of euro		Tax recoveries	Depreciation for leasehold improvements	Redundancy expenses (pursuant to 4 2 2015 Agreement and to 23 12 2015 Agreement)	
10.-20.	Net interest expense	(13,593)				(13,593)
70.	Dividends and similar income	249,430				249,430
40.-50.	Net fee and commission income	48,979				48,979
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	278,605				278,605
190.	Other net operating income/expense	117,590	(8,630)	127		109,087
	Operating income	681,011	(8,630)	127	-	672,508
150.a	Staff costs	(183,099)			13,682	(169,417)
150.b	Other administrative expenses	(219,477)	8,630			(210,847)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(21,454)		(127)		(21,581)
	Operating expenses	(424,030)	8,630	(127)	13,682	(401,845)
	Net operating income	256,981	-	-	13,682	270,663
130.a	Net impairment losses on loans	(104,166)				(104,166)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(15,847)				(15,847)
160.	Net provisions for risks and charges	6,955				6,955
210.+240.	Profits from the disposal of equity investments	1,594				1,594
250.	Pre-tax profit from continuing operations	145,517	-	-	13,682	159,199
260.	Taxes on income for the year from continuing operations	(22,094)			(4,525)	(26,619)
	Profit for the year before redundancy expenses	123,423	-	-	9,157	132,580
150.a	Redundancy expenses net of taxes	-			(9,157)	(9,157)
290.	Profit for the year	123,423	-	-	-	123,423

Notes to the financial statements

The mandatory financial statements have been prepared on the basis of Bank of Italy Circular No. 262 of 22nd December 2005 and subsequent updates. Therefore for the purposes of the preparation of these financial statements, the provisions of the fourth update of that circular dated 15th December 2015 have been observed.

The following rules are applied to the [reclassified financial statements](#) to allow a vision that is more consistent with a management accounting style:

- the tax recoveries recognised within item 190 of the mandatory income statement (other net operating income) are reclassified as a reduction in indirect taxes included within other administrative expenses;
- the item net impairment losses on property, plant and equipment and intangible assets includes items 170 and 180 in the mandatory financial statements and the instalments relating to the depreciation of costs incurred for improvements to leased assets classified within item 190;

- expenses resulting from the approval of the new 2019/2020 Business Plan have been separated and stated on individual lines (net of taxes) at the foot of the statements as follows:
 - expenses for redundancy schemes partially include item 150a in the mandatory financial statements;
 - expenses incurred for the Single Bank Project contain part of item 150b in the mandatory financial statements;
- redundancy expenses (net of taxes), present in the first and fourth quarter of 2015, partially include item 150a in the mandatory financial statements.

The reconciliation of the items in the reclassified financial statements with the figures in the mandatory financial statements has been facilitated, on the one hand, with the insertion in the margin against each item of the corresponding number of the item in the mandatory financial statements with which it is reconciled and, on the other hand, with the preparation of specific [reconciliation schedules](#).

The comments on the performance of the main balance sheet and income statement items are made on the basis of the reclassified financial statements and of the reclassified financial statements for the comparative periods, and the tables providing details included in the following section of this financial report have also been prepared on that same basis.

In order to facilitate analysis of UBI Banca's operating performance and in compliance with Consob Communication No. DEM/6064293 of 28th July 2006¹, 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](#) – since the relative effects on capital and cash flow, being closely linked, are not significant – which are summarised as follows:

- [First half 2016:](#)
- expenses connected with the approval of the new 2019/2020 Business Plan (redundancy expenses, IT expenses and legal and corporate affairs expenses connected with the Single Bank Project);
 - profit on the disposal/redemption of AFS equity instruments;
 - impairment losses on equity instruments, bonds and units of UCITS (AFS).

- [First half 2015:](#)
- impairment losses and recoveries in value on shares, bonds and units in UCITS in the AFS portfolio
 - redundancy expenses charged to the income statement in relation to the Trade Union Agreement of 4th February 2015.

¹ Following the entry into force (on 3rd July 2016) of ESMA guidelines 2015/1415 which the Consob (Italian securities market authority) incorporated in its issuer and supervisory and monitoring practices, the UBI Banca Group policy on the identification of non-recurring items (reported in the normalised statements) is currently undergoing revision.

Performance in the period

The income statement figures commented on are based on the reclassified financial statements (the income statement, the quarterly income statements and the income statement net of the principal non-recurring items – in brief and detailed versions) contained in the preceding section of this report and the tables furnishing details presented below are also based on those statements. The notes that follow those reclassified financial statements may be consulted as may the reconciliation schedules for a description of the reclassification. Furthermore, the commentary examines changes that occurred in the first half of 2016 compared with the first half of 2015 and also those occurring in the second quarter of 2016 compared with the preceding first quarter of 2016 (in the latter case the comments are highlighted with a slightly different background colour).

The income statement

The first six months of the year ended with a **net profit** of €52.9 million for UBI Banca, down compared with €177.2 million recorded in the same first half of the previous year¹.

Profit for the period was affected on the one hand by falling revenues (dividends, fees and commissions, but above all the result for finance activities, penalised by uncertainty generated by the Brexit referendum right at the end of period), which were only partially offset by an increase in net interest income, and on the other hand also by growth in operating expenses, in the presence of greater recognition of impairment and provisions.

As concerns quarterly performance, in consideration of the recognition of expenses to implement the new Business Plan, the Parent incurred a loss of €123.5 million in the **second quarter of 2016** (a loss of €25.2 million in the same quarter of 2015), compared with a profit of €176.4 million generated in the first three months of the year (which had benefited from the receipt of dividends from Group companies).

In the first half of the year ordinary operations generated **operating income** of €402.2 million, down €26.7 million on the first half of 2015, the reasons for which are reported below.

*Dividends*² came to €239 million (-€5.4 million) and related almost entirely to investments in Group companies.

The total amount received included €164.3 million from the network banks (of which €118.4 million from BPB), €52.8 million from the product companies (of which €41.3 million from the asset management company) and €2.2 million from real estate business.

The changes compared with the first six months of last year were as follows:

- a decrease of over €24 million for the network banks, attributable to result performance in 2015;
- an increase of €13.4 million from the Group product companies, in relation mainly to UBI Pramerica SGR and to the Chinese company, Zhong Ou Fund Management, that manages local funds;

Dividends and similar income

Figures in thousands of euro	1H 2016	1H 2015
Banca Popolare di Bergamo Spa	118,359	133,512
UBI Pramerica SGR Spa	41,274	28,199
Banca Popolare Commercio e Industria Spa	27,305	28,221
Banca Popolare di Ancona Spa	15,251	7,467
Zhong Ou Fund Management Co	9,019	-
Banca di Valle Camonica Spa	2,809	-
UBI Factor Spa	2,486	5,722
Banca Regionale Europea Spa	540	10,704
Banco di Brescia Spa	-	8,411
IW Bank Spa	-	5,492
Lombarda Vita Spa	12,600	8,597
Other equity investments (item 100)	2,205	4,221
Dividends received from item 100 equity investments	231,848	240,546
Dividends received from item 40 AFS	2,881	2,332
Dividends received from item 20 for trading and item 30 fair value options	4,286	1,528
Total	239,015	244,406

¹ Non-recurring expenses were recognised in both periods consisting of €22.7 million in 2016 (the result of the recognition of redundancy expenses and expenses for the Single Bank Project, both relating to the new Business Plan, partially offset by profits on securities, funds and equity investments) and €5.2 million in 2015 (generated by impairment losses on financial assets and redundancy expenses). Net of those items profit for the first half of the year came to €75.6 million compared with €182.5 million in 2015.

² It must always be considered that on the basis of the organisational configuration of the Group, UBI Banca fills the role of a holding company and holds equity investments in all the main consolidated companies. It follows that the profits that they distribute constitute its primary source of income.

- a total increase of €2 million by the insurance companies due to a large distribution by Lombarda Vita;
- a more or less unchanged contribution from the real estate property companies;
- an extraordinary dividend of €2.5 million from a private equity company present in the FVO portfolio;
- an increase of €0.7 million in dividends received on securities held in the AFS and HFT portfolios.

Net trading income (loss)

Figures in thousands of euro	Gains (A)	Income from trading (B)	Losses (C)	Losses from trading (D)	Net income 1H 2016 [(A+B)-(C+D)]	1H 2015
1. Financial assets held for trading	116	14,929	(1,559)	(2,733)	10,753	9,058
1.1 Debt instruments	113	4,914	(17)	(1,219)	3,791	5,249
1.2 Equity instruments	2	35	(965)	(3)	(931)	579
1.3 Units in UCITS	1	-	(577)	(1)	(577)	(6)
1.4 Financing	-	-	-	-	-	-
1.5 Other	-	9,980	-	(1,510)	8,470	3,236
2. Financial liabilities held for trading	-	3,016	-	(1,836)	1,180	845
2.1 Debt instruments	-	3,016	-	(1,836)	1,180	845
2.2 Payables	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	X	X	X	X	(3,207)	235
4. Derivative instruments	171,697	175,785	(226,346)	(135,480)	(16,578)	14,809
4.1 Financial derivatives	171,697	175,785	(226,346)	(135,480)	(16,578)	14,809
- on debt instruments and interest rates	167,699	160,303	(222,591)	(116,535)	(11,124)	10,362
- on equity instruments and share indices	263	3,189	(20)	(6,652)	(3,220)	2,878
- on currencies and gold	X	X	X	X	(2,234)	1,544
- other	3,735	12,293	(3,735)	(12,293)	-	25
4.2 Credit derivatives	-	-	-	-	-	-
Total	171,813	193,730	(227,905)	(140,049)	(7,852)	24,947

Net hedging income

Figures in thousands of euro	1H 2016	1H 2015
Net hedging income	541	6,357

Profit from disposal or repurchase

Figures in thousands of euro	Profits	Losses	Net profit 1H 2016	1H 2015
Financial assets				
1. Loans and advances to banks	-	-	-	-
2. Loans and advances to customers	181	(1,353)	(1,172)	1,574
3. Available-for-sale financial assets	95,274	(48)	95,226	65,765
3.1 Debt instruments	76,508	(39)	76,469	58,887
3.2 Equity instruments	9,484	(9)	9,475	(7)
3.3 Units in UCITS	9,282	-	9,282	6,885
3.4 Financing	-	-	-	-
4. Held-to-maturity investments	-	-	-	-
Total assets	95,455	(1,401)	94,054	67,339
Financial liabilities				
1. Due to banks	-	-	-	-
2. Due to customers	-	-	-	-
3. Debt securities issued	106	(12,503)	(12,397)	(7,705)
Total liabilities	106	(12,503)	(12,397)	(7,705)
Total	95,561	(13,904)	81,657	59,634

Net profit (loss) on financial assets and liabilities designated at fair value

Figures in thousands of euro	1H 2016	1H 2015
Net profit (loss) on financial assets and liabilities designated at fair value	(8,238)	5,544

Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	66,108	96,482
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The net result for *financial activities* was heavily affected by the result of the consultative referendum held on 23rd June in Great Britain, with an immediate effect on financial markets and a large drop in share prices in particular. The result came to €66.1 million, down from €96.5 million before, and included the following performances:

- -€7.9 million from *trading* (+€24.9 million in 2015), the aggregate result of the following: +€5 million from debt instruments (of which €4.9 million from profit-taking and €1.2 million from net profits on uncovered short positions, all closed at the end of June); -€4.2 million from equity instruments and the relative derivatives (almost all listed on regulated markets and with equity indices as the underlying); +€3 million from business in foreign currency³; -€0.6 million from units in UCITS; and + €11.1 million from derivatives on debt instruments and interest rates (profits, gains and accruals). The latter were due to fair value movements in the derivatives themselves which were affected (i) by a sharper fall in medium to long-term interest rate swaps (approximately 80 basis points in the first half), against a temporary, but not so sharp reduction (also in consideration of the levels they had reached) in interest rate swaps on shorter maturities and (ii) also by the relative differentials accrued;
- +€0.5 million from *hedging*, related mainly to fair value movements in derivatives on bonds issued, mostly offset on the other hand by the negative impacts which affected derivatives on assets, AFS securities and mortgages (+€6.4 million in 2015 primarily in relation to AFS derivatives);
- +€81.7 million from the *disposal/repurchase of financial assets/liabilities*, of which:
 - ◆ +€75.8 million from the sale of Italian government securities;
 - ◆ +€0.7 million from the total/partial disposal of corporate bonds and bonds issued by banks;
 - ◆ +€3.3 million (normalised) from Visa Europe Ltd shares;
 - ◆ +€6 million (normalised) from the adjustment to the sales price of ICBPI (sold in the December 2015). The adjustment is the result of the disposal of Visa Europe shares held in portfolio by ICBPI, consideration for which was paid by contract to the seller UBI Banca;
 - ◆ +€9.2 million (normalised) from the redemption of units in UCITS in relation to the Sviluppo Impresa Fund (currently in liquidation) managed by Centrobanca Sviluppo Impresa SGR;
 - ◆ -€1.2 million from the disposal of bad loans mainly relating to the former Centrobanca;
 - ◆ -€12.4 million from the repurchase of debt securities issued as part of normal direct business with customers in a context of interest rates that are again falling.

The result achieved in the first six months of 2015 was +€59.6 million, of which +€56 million from the sale of Italian government securities, +€2.9 million from bonds (issued mainly by banks), +€6.9 million from the disposal of units in UCITS (ETFs), +€1.5 million from the disposal of former Banca 24-7 bad loans together with a former Centrobanca position and -€7.7 million from the repurchase of debt securities issued;

- -€8.2 million from *fair value movements* in investments in Tages Funds and in a residual position in hedge funds (completely written down by €5 million) and also from the exchange translation effect accruing on the latter, only partly offset by good performance by private equity stakes (a profit of €5.5 million on the FVO portfolio in 2015, supported mainly by Tages Funds and private equity investments).

The item *other operating income and costs* rose to €56.7 million (up €2.1 million on the comparative period) as a result of good performance by income and in particular by “other income and prior year income”

Other net operating income

Figures in thousands of euro	1H 2016	1H 2015
Other operating income	59,966	56,303
Recovery of expenses and other income on current accounts	2	1
Recovery of other expenses	4,673	4,840
Recoveries of taxes	4,424	4,137
Rents and other income for property management	15,744	16,622
Income for services to Group member companies	34,070	32,703
Other income and prior year income	5,477	2,137
Reclassification of "tax recoveries"	(4,424)	(4,137)
Other operating expenses	(3,304)	(1,754)
Depreciation of leasehold improvements	(63)	(63)
Costs relating to finance lease contracts	-	-
Other expenses and prior year expense	(3,304)	(1,754)
Depreciation on improved leaseholds for rented assets	63	63
Total	56,662	54,549

³ Since no speculative trading is carried out, the amounts shown in the table under items 1.5, 3 and 4.1 must be interpreted jointly, because they relate to the results of spot and forward currency trading carried out by the Parent on its own behalf or for customers, balanced operationally on the market. Following the large fluctuations in currencies that occurred in 2015, which had driven the increase in customer business, the first half of the year confirmed the arrival of a new period of high volatility (partly due to the Brexit effect).

(+€3.3 million), in relation in part to tax litigation for the tax years 1983 and 1984 relating to the former BPB and in part to the closure in the second quarter of debtor items not due relating to an equity investment that had been disposed of in the meantime. The performance of income was only partially reduced by growth in the corresponding expense item (+€1.6 million), which also included expenses for the issuance and management of social bonds.

“Income for services to Group companies” increased (+€1.4 million), a reflection both of action to centralise outsourced activities at the Parent (management of litigation and Financial Banking Arbitrator activity in the legal affairs unit) and the effect of the formation of the new IW Bank as well as the expansion of some specialist units in the commercial, compliance and credit recovery area.

Interest and similar income: composition

Figures in thousands of euro	Debt instruments	Financing	Other transactions	1H 2016	1H 2015
1. Financial assets held for trading	2,626	-	-	2,626	1,938
2. Available-for-sale financial assets	157,998	-	-	157,998	194,696
3. Held-to-maturity investments	22,445	-	-	22,445	22,847
4. Loans and advances to banks	30,067	9,363	-	39,430	42,483
5. Loans and advances to customers	1,253	142,830	-	144,083	181,241
6. Financial assets designated at fair value	-	-	-	-	-
7. Hedging derivatives	X	X	31,055	31,055	18,376
8. Other assets	X	X	12	12	13
Total interest income	214,389	152,193	31,067	397,649	461,594

Interest and similar expense: composition

Figures in thousands of euro	Borrowings	Securities	Other liabilities	1H 2016	1H 2015
1. Due to central banks	(3,647)	X	-	(3,647)	(3,660)
2. Due to banks	(18,830)	X	-	(18,830)	(20,375)
3. Due to customers	(6,546)	X	-	(6,546)	(6,267)
4. Debt securities issued	X	(349,442)	-	(349,442)	(422,612)
5. Financial liabilities held for trading	(2,532)	-	-	(2,532)	(1,424)
6. Financial liabilities designated at fair value	-	-	-	-	-
7. Other liabilities and provisions	X	X	(130)	(130)	(164)
8. Hedging derivatives	X	X	-	-	-
Total interest expense	(31,555)	(349,442)	(130)	(381,127)	(454,502)
Net interest income				16,522	7,092

*Net interest income*⁴ - which was naturally affected by structural movements in interest rates that descended into negative territory for the shorter maturities⁵ - rose to +€16.5 million from +€7.1 million in 2015⁶, as a result of the following contributions⁷:

- the **securities portfolio** generated a flow of interest income of +€116.2 million (+€154.6 million in 2015), in the presence of investments in debt securities which were down over twelve months by €1.9 billion. While income from the trading portfolio (which is now negligible) and the held-to-maturity portfolios remained basically stable, the contribution from AFS securities reduced (down €36.7 million compared with the first half of 2015), due, amongst other things, to profit-taking carried out during that time. This business also incorporated the costs of uncovered short positions (-€2.5 million) and of partial hedges on fixed-rate bonds (the differentials paid on derivatives were €64.4 million, almost unchanged in the two six month periods);
- business on the interbank market**, which focused mainly on intragroup activities, generated a positive result of approximately €17 million (€18.4 million in the comparative period). This

⁴ The commentary given here reports the contribution to net interest income by area of business, although it must be considered that the Parent's operations continue to involve movements across different business areas (e.g. funding from customers or from the network banks used for loans to the product companies).

⁵ The average one month Euribor rate has become progressively negative since the second quarter of 2015 standing at -0.305% in the first six months of the current year compared with -0.024% in the comparative period.

⁶ Net interest income used to be negative because it incorporated the financing expense that UBI Banca incurred for its investments in Group subsidiaries, while the relative financial revenues were recognised within the item dividends. Lending activity to customers acquired in recent years from merged banks has resulted in positive income.

⁷ The calculation of net balances was performed by allocating interest income and expense on hedging derivatives and interest expense on financial liabilities held for trading within the different areas of business (financial, with banks, with customers).

downward performance is explained by growth in funding from banks (+€5.3 billion over twelve months), but nevertheless in a context of a further fall in the structure of interbank interest rates, driven by ECB monetary policy decisions which, with effect from 16th March 2016, reduced the interest rate on principal refinancing operations to zero (down from 0.05% applied since 10th September 2014);

- **business with customers** recorded net interest expense of €116.5 million, but nevertheless recorded a sharp reduction compared with -€165.8 million in 2015. While it was affected by lower interest on lending (-€37.2 million), the result more than benefited from the fall in interest expense on debt securities issued (-€73.2 million, down 17.3% in the presence of a reduction in total securities of €3.1 billion in over twelve months). The net result includes the differentials received on hedges of own issue bonds which, as a result of the interest rate conditions described above, rose to €95.4 million, (€81.8 million in the six comparative months).

Fee and commission income: composition

Figures in thousands of euro	1H 2016	1H 2015
a) guarantees granted	4,318	4,250
c) management, trading and advisory services:	7,402	10,884
1. trading in financial instruments	3,442	6,000
2. foreign exchange trading	-	323
3. portfolio management	-	-
4. custody and administration of securities	580	385
5. depository banking	-	-
6. placement of securities	-	357
7. receipt and transmission of orders	1	(6)
8. advisory activities	2,679	3,204
8.1 on investments	2,679	3,204
9. distribution of third party services	700	621
9.2. insurance products	136	174
9.3 other products	564	447
d) collection and payment services	6,408	9,153
i) current account administration	11	10
j) other services	24,466	22,530
Total fee and commission income	42,605	46,827

Fee and commission expense: composition

Figures in thousands of euro	1H 2016	1H 2015
a) guarantees received	(184)	(176)
c) management and trading services:	(11,511)	(11,448)
1. trading in financial instruments	(3,425)	(1,414)
2. foreign exchange trading	(34)	(1)
3. portfolio management	-	-
4. custody and administration of securities	(1,164)	(855)
5. placement of financial instruments	-	-
6. financial instruments, products and services distributed through indirect networks	(6,888)	(9,178)
d) collection and payment services	(1,636)	(1,433)
e) other services	(5,416)	(7,423)
Total fee and commission expense	(18,747)	(20,480)
Net fee and commission income	23,858	26,347

Net fee and commission income totalled €23.9 million, down €2.5 million compared with 2015, also affected by the uncertainty generated on financial markets. The income component fell on aggregate by €4.2 million, of which €3.5 million relating to management, trading and advisory services and to the trading item in particular. Income from collection and payment services fell at the same time (-€2.7 million), a reflection of lower volumes of payment card business, which was only partially offset by the expansion of other services (+€1.9 million), driven partly by corporate financing activity in the former Centrobanca business perimeter, and also by returns on credit card business (with a total increase of €2 million).

On the expense side (down €1.7 million), on the one hand costs relating to “management and trading services” remained substantially unchanged, while within the item although expenses (+€2 million) paid for trading in financial instruments with institutional intermediaries and for business in listed derivatives and securities on various markets increased, these were offset by lower costs (down €2.3 million) relating to the distribution through indirect networks of financial instruments (mainly credit cards) originated by the network banks. On the other hand, the downward trend for fees and commissions on other services was also confirmed (-€2 million), as a consequence of weak volumes of business.

In quarterly terms, in the second quarter **operating income** fell to €122.3 million (€96.8 million in the same quarter of 2015), compared with €279.9 million recorded in the first three months of the year, which had incorporated the receipt of dividends from the main banks and companies in the Group. A summary of the performance of individual items compared with the first three months of 2016 is given here:

- **dividends** – €19.2 million – were composed of €12.6 million from Lombarda Vita, €2.4 million from the AFS portfolio, €4.2 million from securities classified as designated at fair value (of which €2.5 million relating to an extraordinary distribution from a private equity company) and the remaining part from

instruments held for trading. The amount received compares with €219.8 million received in the period January-March from subsidiary banks and companies;

- *financial activities* – €55.3 million – were driven by the disposal of financial instruments and more specifically Italian government securities (€51.2 million) and the aforementioned non-recurring items (the Centrobanca Sviluppo Impresa SGR redemptions, the disposal of Visa Europe and the ICBPI earn-out). As a result of the growing uncertainty that spread in relation to the British referendum, the other items that contributed to the total net result had negative impacts: -€3 million for trading; -€6.9 million for fair value movements in FVO financial instruments (of which €5 million in relation to the complete write down of hedge funds classified in fair value level three); and -€6 million euro for the ordinary repurchase of financial liabilities from customers in a context of continuously falling interest rates.

In the first three months of the year financial activities totalled €10.8 million, the aggregate result of disposals and repurchases amounting to €17.1 million (of which €24.6 million relating to the sale of Italian government securities), a loss on trading in all business areas (except for forex trading) and losses on fair value movements in the FVO portfolio and also on hedging;

Quarterly performance by financial activities

Figures in thousands of euro	2016		2015			
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Net trading income (loss)	(3,029)	(4,823)	(3,247)	4,202	5,781	19,166
Net hedging income (loss)	711	(170)	3,893	828	8,927	(2,570)
Financial assets	70,610	23,444	165,496	20,017	33,834	33,505
Financial liabilities	(6,045)	(6,352)	(5,062)	(2,816)	(3,434)	(4,271)
Profit from disposal or repurchase	64,565	17,092	160,434	17,201	30,400	29,234
Net income (loss) on financial assets and liabilities designated at fair value	(6,942)	(1,296)	545	(1,733)	302	5,242
Net income	55,305	10,803	161,625	20,498	45,410	51,072

- *other net operating income and expenses* – €27.7 million compared with €29 million before – mainly reflect the reduction in income and in particular in rental and property management income partly following the disposal of real estate properties. This item which due to the varied and non-structural nature of the items of which it is composed, in any case incorporates highly diversified phenomena and trends within prior year income and expense. In the second quarter prior year income included recognition of debtor items not due relating to an equity investment that had been disposed of in the meantime;
- *net interest income* – €10.3 million compared with €6.3 million before – benefited firstly from interest income from the securities portfolio and from AFS classified debt instruments in particular, which maintained their contribution to this item unchanged (€78.7 million compared with €79.3 million in the first quarter), while hedging costs also remained unchanged in the two periods. At the same time, the negative balance on general banking business with customers improved as a result of an appreciable reduction in the cost of debt securities issued (notwithstanding the issuance of a Lower Tier 2 subordinated bond in May), the result of monetary policy decisions taken by the ECB⁸. As concerns activity on the interbank market, the fall in this contribution (-€1.8 million) is entirely attributable to trends for interest rates, in view of the increase from funding from banks at the end of June as a result of the subscription of the new TLTRO II operations for €10 billion and the total repayment at the same time of previous financing allotted (€8.1 billion);

Quarterly net interest income

Figures in thousands of euro	2016		2015			
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Banking business with customers	(54,887)	(61,600)	(81,588)	(91,955)	(86,613)	(79,215)
Financial activities	57,618	58,556	62,825	67,754	73,787	80,836
Interbank business	7,587	9,366	11,201	11,092	9,689	8,759
Other items	(56)	(62)	55	(69)	(74)	(77)
Net interest income (expense)	10,262	6,260	(7,507)	(13,178)	(3,211)	10,303

- *net fee and commission income* – €9.8 million compared with €14.1 million in the first three months of the year – was affected primarily by the trend for general banking services and more particularly for

⁸ The average one month Euribor rate fell from -0.258% recorded in the first quarter of 2016 to -0.353% in the period April-June 2016.

the item which includes other services (-€4 million) resulting from financing business with customers from the former Centrobanca perimeter. Management, trading and advisory services, which include commissions paid to the network banks for Parent products that they distribute, were slightly more negative in the second quarter, partly due to the effect of a lower contribution from advisory services.

Quarterly net fee and commission income

Figures in thousands of euro	2016		2015			
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Management, trading and advisory services (net of the corresponding expense items):	(2,281)	(1,828)	(3,512)	(3,500)	(828)	264
trading in financial instruments	(55)	72	161	(312)	1,806	2,780
foreign exchange trading	(6)	(28)	(11)	(83)	54	268
custody and administration of securities	(317)	(267)	(270)	(82)	(265)	(205)
placement of securities	-	-	3	260	157	200
receipt and transmission of orders	-	1	3	2	(3)	(3)
advisory activities	1,236	1,443	1,382	1,349	1,753	1,451
distribution of third party services	340	360	343	320	355	266
financial instruments, products and services distributed through indirect networks	(3,479)	(3,409)	(5,123)	(4,954)	(4,685)	(4,493)
Banking services (net of the corresponding expense items):	12,072	15,895	13,479	16,165	14,335	12,576
guarantees	2,072	2,062	1,587	1,519	1,640	2,434
collection and payment services	2,482	2,290	3,822	4,104	4,065	3,655
current account administration	6	5	5	6	5	5
other services	7,512	11,538	8,065	10,536	8,625	6,482
Net fee and commission income	9,791	14,067	9,967	12,665	13,507	12,840

On the costs front, **operating expenses** totalled €193.6 million in the first half of the year (€178.6 million in the same period of 2015), an increase of €15 million, the result of the following:

- ♦ **staff costs** (net of redundancy expenses) reduced to €81.8 million. This reduction (-€2.9 million) is the aggregate result on the one hand of a fall in employee expenses (-€4.4 million), largely the result of the trend for the variable component of wages (incentive schemes), notwithstanding the growth in staff numbers at UBI Banca (+47 in terms of end of period figures over twelve months, consisting of new recruits to partially replace those leaving under previous redundancy schemes) and, on the other hand, an increase in reimbursements for employees on secondment at the Parent (+€2.2 million, as a consequence of the centralisation of activities and the expansion of units in some specialist areas, already mentioned, which caused an increase over twelve months from 429 to 491, in the number of staff on secondment);

Staff costs: composition

Figures in thousands of euro	1H 2016	1H 2015
1) Employees	(102,587)	(106,966)
a) Wages and salaries	(72,424)	(74,546)
b) Social security charges	(19,325)	(20,318)
c) Post-employment benefits	(4,001)	(4,008)
d) Pension expense	-	-
e) Provision for post-employment benefits	(115)	(826)
f) Pensions and similar obligations	(8)	(6)
- defined benefit	(8)	(6)
g) Payments to external supplementary pension plans:	(3,250)	(3,381)
- defined contribution	(3,250)	(3,381)
i) Other employee benefits	(3,464)	(3,881)
2) Other staff in service	(150)	(190)
- Expenses for agency staff on staff leasing contracts	-	-
- Other expenses	(150)	(190)
3) Directors	(3,118)	(3,324)
4) Expenses for retired staff	-	-
5) Recoveries of expenses for staff on secondment to other companies	43,611	43,168
6) Reimbursements of expenses for staff on secondment at the Bank	(19,561)	(17,378)
Total	(81,805)	(84,690)

- ♦ **other administrative expenses** came to €102.1 million, an increase of €18.4 million, of which €0.3 million attributable to indirect taxation. While they continued to be subject to rigorous monitoring action, current expenses grew by €18.1 million, following the

recognition within membership fees of €19.5 million in the first quarter for the ordinary contribution to the Resolution Fund for the year 2016⁹.

As shown in the table, this performance included some increases (+€1.1 million for legal advice and +€0.2 million for rent payable, in connection above all with the opening of new representative offices abroad) and numerous reductions, the most significant of which were as follows: credit recovery expenses (-€1.2 million for lower expenses paid to outside companies and lower expenses for property repossessions), outsourced services (-€0.9 million from lower costs for the 2016 shareholders meeting Shareholders' Meeting and from lower volumes of business for payment cards), the tenancy and maintenance of properties (-€0.5 million, due, amongst other things, to lower condominium expenses) and telephone and data transmission expenses (€0.4 million);

Other administrative expenses: composition

Figures in thousands of euro	1H 2016	1H 2015
A. Other administrative expenses	(98,133)	(80,066)
Rent payable	(4,020)	(3,772)
Professional and advisory services	(12,678)	(11,605)
Rentals on hardware, software and other assets	(1,545)	(1,655)
Maintenance of hardware, software and other assets	(287)	(260)
Tenancy of premises	(3,091)	(3,523)
Property and equipment maintenance	(945)	(1,058)
Counting, transport and management of valuables	-	(5)
Membership fees	(22,003)	(2,485)
Information services and land registry searches	(260)	(292)
Books and periodicals	(207)	(223)
Postal	(269)	(347)
Insurance premiums	(1,998)	(2,163)
Advertising	(1,723)	(1,874)
Entertainment expenses	(391)	(537)
Telephone and data transmission expenses	(5,038)	(5,467)
Services in outsourcing	(3,955)	(4,809)
Travel expenses	(1,596)	(1,695)
Fees for services provided by Group companies (UBI.S)	(33,687)	(32,680)
Credit recovery expenses	(3,055)	(4,256)
Forms, stationery and consumables	(138)	(153)
Transport and removals	(103)	(116)
Security	(709)	(634)
Other expenses	(435)	(457)
B. Indirect taxes	(4,012)	(3,685)
Indirect taxes and duties	(497)	(317)
Stamp duty	(3,649)	(3,468)
IMU/ICI (Municipal Property Taxes)	(3,136)	(3,060)
Other taxes	(1,154)	(977)
Reclassification of "tax recoveries"	4,424	4,137
Total	(102,145)	(83,751)

- ♦ *depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets* remained on an ordinary basis at €9.7 million compared with €10.2 million in the same period of 2015.

In quarterly terms, **operating expenses**, which totalled €91.5 million (€91.8 million in the same quarter of 2015) were down €10.7 million compared with the first three months of the year (€102.2 million), the result of the following:

- ♦ *staff costs* were almost unchanged at €40.7 million (-€0.3 million), notwithstanding normal growth in staff numbers in end of period terms (+15 over three months), benefiting from trends for variable components of wages for employee staff and a reduction in fees paid to board members;
- ♦ *other administrative expenses* were down €10.3 million, primarily as a result of the recognition in the first quarter of the estimate for the ordinary contribution to the Resolution Fund (€19.4 million). Greater expenses were incurred on the other hand from April to June for advisory services (legal in nature), advertising (for the periodic institutional "Quality in the bank" campaign), outsourced services (for the management and organisation of the annual Shareholders' Meeting) and for service fees paid to UBI.S;
- ♦ *depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets* remained unchanged compared with the previous three months standing again at €4.8 million.

As a result of the performance reported above **net operating income** came to €208.5 million, down from €250.2 million in the first half of 2015.

On a quarterly basis, **net operating income** totalled €30.8 million (up from €5.1 million in the same quarter of 2015), as against €177.7 million earned in the first three months of the current year.

The following items were also recognised in the first half of the year:

- €132.8 million (compared with €56.2 million in 2015) of *net impairment losses on loans* relating to the retail and corporate portfolios of the merged banks. As shown in the table, €132.2 million is the result of net specific write-downs (which benefited from reversals –

⁹ In the first quarter of the year an estimate of the ordinary quota due for the current year amounting to €19,415 thousand was recognised within other administrative expenses; the final contribution now recognised, on the other hand, amounted to €19,468 thousand.

The estimate of the annual quota due for 2015 (€11.8 million) was recognised in the second quarter of 2015 within provisions for risks and charges.

other than for present value discounts – of €19.6 million) and €0.6 million is the result of impairment losses on the performing portfolio (for which no reversals were recognised after recognition of approximately €14 million in the comparative first half). As anticipated in the 2019/2020 Business Plan, the overall change in the item, which results from changes in specific write-downs, incorporates a significant increase in provisions for non-performing exposures classified as bad or unlikely to pay loans;

Net impairment losses on loans: composition

Figures in thousands of euro	Impairment losses/reversals of impairment losses, net		1H 2016	Impairment losses/reversals of impairment losses, net		2nd Quarter 2016
	Specific	Portfolio		Specific	Portfolio	
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	(132,158)	(654)	(132,812)	(124,369)	1,195	(123,174)
Total	(132,158)	(654)	(132,812)	(124,369)	1,195	(123,174)

Figures in thousands of euro	Impairment losses/reversals of impairment losses, net		1H 2015	Impairment losses/reversals of impairment losses, net		2nd Quarter 2015
	Specific	Portfolio		Specific	Portfolio	
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	(70,199)	13,952	(56,247)	(31,844)	3,426	(28,418)
Total	(70,199)	13,952	(56,247)	(31,844)	3,426	(28,418)

- €26.8 million of *net impairment losses on other financial assets/liabilities* (€4 million during the comparative period¹⁰). The aggregate is composed of item 130 b) amounting to €29.8 million – of which €0.8 million (non-recurring) consisting of write-downs of instruments held in the AFS portfolio (mainly units in UCITS) and €29 million of impairment losses on bonds and equity instruments resulting from non-performing loan positions – and of item 130d) amounting to +€3 million of reversals on unsecured guarantees relating almost entirely to the former Centrobanca (€1.3 million) and reversals of sundry commitments amounting to €1.7 million;
- €1.3 million of releases of *net provisions for risks and charges*, relating mainly to legal defence action against different types of counterparty, for which the grounds are no longer valid, and also to provisions (+€0.3 million) for clawback revocation actions¹¹;
- €0.1 million of *net profit on the disposal of investments* earned on the disposal of owned real estate assets made in the first quarter.

Net provisions for risks and charges

Figures in thousands of euro	1H 2016	1H 2015
Net provisions for revocation clawback risks	(319)	-
Net provisions for litigation	1,239	(552)
Other net provisions for risks and charges	421	(11,993)
Total	1,341	(12,545)

The following items were recognised in the income statement in the second quarter of 2016:

- €123.2 million within item 130a *net impairment losses on loans*, attributable primarily to the increase in non-performing loan provisions as described above (impairment of €9.6 million recognised in the first quarter of the year);
- €29.5 million of *net impairment losses on other financial assets/liabilities*, of which €0.4 million relating to impairment losses on AFS instruments (non-recurring) and to impairment on unsecured guarantees amounting to €0.1 million. The remaining €29 million consist of the aforementioned impairment losses on bonds and equity instruments resulting from non-performing loan positions;
- €1.4 million of releases of net provisions for risks and charges, relating to defence action for which the grounds are now no longer valid.

¹⁰ The amount resulted from item 130 b) of which -€6.8 million (entirely non-recurring) consisting of impairment losses on AFS financial instruments, mainly bonds issued by banks and units in UCITS to a marginal extent and +€2.8 million consisting of reversals of impairment losses on unsecured guarantees, relating mainly to a former Centrobanca position reclassified out of unsecured guarantees loans and into receivables during the year.

¹¹ In the first half of 2015 provisions stood at €12.5 million, of which €11.8 million relating to an estimate of the annual quota due from UBI Banca to the Resolution Fund; the remaining part included a provision for legal defence actions and also the release of a former B@nca 24-7 provision.

Profit on continuing operations before tax therefore reached only €50.4 million compared with €177.4 million in the first half of 2015.

On a quarterly basis, **continuing operations before tax** gave rise to a **loss** of €120.4 million (-€37.5 million in the second quarter of 2015), which compares with a before tax profit of €170.8 million in the period January-March 2016.

In the first six months of the year *income was recorded for taxes on income for the period from continuing operations* amounting to €39 million (€57 thousand in 2015), attributable to the gross result for the period which included the item dividends, partially “non-taxed” for tax purposes.

Net of that component, taxation was conditioned for IRES purposes by the partial non-deductibility of interest expense (4%) and by non-deductible expenses on write-downs and provisions. These impacts were partly cushioned by the effect of the *Aiuto alla crescita economica* (ACE – Aid to economic growth) concessions. The percentage of IRAP taxation, on the other hand, which was nil due to the effect of the result for the period and to the full deductibility of costs for staff appointed on permanent contracts introduced with effect from 2015 by Art. 1, paragraphs 20 to 25 of Law No. 190/2014 (the 2015 *Legge di stabilità* – “stability law” – annual finance law).

Finally, the impacts on the half-year income statement of the 2019/2020 Business Plan are stated under separate items net of taxes. In detail:

- *redundancy expenses* (€34.2 million net of taxes of €16.9 million) in relation to planned generation turnover.

These amounts were partially offset by recoveries recognised in the first quarter (+€1.2 million net of taxes, +€1.8 million gross) relating to adjustments to provisions already set aside, made necessary on the basis of the actual applications for redundancy received. These expenses had been charged in the fourth quarter of 2015 on the basis of a trade union agreement signed on 23rd December 2015;

- *other administrative expenses* (€3.5 million net of taxes of €1.7 million) for project expenses connected with the development and implementation of the Single bank Project. That amount represents a portion of the estimated cost of other administrative expenses (€30 million approx.), while the remaining part will be recognised in the second half of 2016.

Redundancy expenses amounting to €0.3 million net (€0.4 million gross, normalised) had been charged in the first quarter of 2015 on the basis of an agreement with trade unions signed on 4th February 2015 relating to the merger of IW Bank into UBI Banca Private Investment. The amount had been recognised by the Parent because it related to staff on the payroll of UBI Banca, but “on secondment” at the companies involved in the operation.

The balance sheet

The comments that follow are based on items in the balance sheet contained in the reclassified financial statements on which the relative tables furnishing details are also based.

The **direct funding** from customers of UBI Banca as at 30th June 2016, totalled €39.7 billion, down year-on-year (-€7.3 billion), in the first half (-€3.9 billion) and in the quarter (-€1.8 billion).

The trend was affected primarily by the downward performance for short-term funding (conditioned by repurchase agreements with the *Cassa di Compensazione e Garanzia* – CCG – a central counterparty clearing house), but also by medium to long-term funding, due to the progressive and significant fall in funding from ordinary customers who, faced with increasingly less attractive offers from the Bank in a context of interest rates now close to zero, are moving their available liquidity into more remunerative forms of investment. Funding from securities issued on wholesale markets recorded small increases, because the issuances made were almost totally offset by maturities.

Direct funding from customers

Figures in thousands of euro	30.6.2016 A	%	31.12.2015 B	%	Changes A/B amount	%	30.6.2015 C	%	Changes A/C amount	%
Current accounts and deposits	816,315	2.0%	850,206	1.9%	-33,891	-4.0%	690,261	1.5%	126,054	18.3%
Term deposits	-	-	-	-	-	-	-	-	-	-
Financing	5,234,908	13.2%	6,496,627	14.9%	-1,261,719	-19.4%	9,547,913	20.3%	-4,313,005	-45.2%
- repurchase agreements	4,894,055	12.3%	6,107,667	14.0%	-1,213,612	-19.9%	9,095,672	19.3%	-4,201,617	-46.2%
of which: repos with the CCG	4,660,289	11.7%	6,107,667	14.0%	-1,447,378	-23.7%	9,095,672	19.3%	-4,435,383	-48.8%
- other	340,853	0.9%	388,960	0.9%	-48,107	-12.4%	452,241	1.0%	-111,388	-24.6%
Other payables	7,894	0.0%	10,753	0.1%	-2,859	-26.6%	16,203	0.0%	-8,309	-51.3%
Total amounts due to customers (item 20 liabilities)	6,059,117	15.2%	7,357,586	16.9%	-1,298,469	-17.6%	10,254,377	21.8%	-4,195,260	-40.9%
Bonds	33,671,100	84.8%	36,250,054	83.1%	-2,578,954	-7.1%	36,811,084	78.2%	-3,139,984	-8.5%
- bonds subscribed by institutional customers	12,888,781	32.4%	12,444,968	28.5%	443,813	3.6%	12,829,874	27.2%	58,907	0.5%
of which: EMTNs (*)	3,337,270	8.4%	2,539,326	5.8%	797,944	31.4%	3,105,637	6.6%	231,633	7.5%
Covered bonds	9,551,511	24.0%	9,905,642	22.7%	-354,131	-3.6%	9,724,237	20.6%	-172,726	-1.8%
- bonds subscribed by ordinary customers	17,400,011	43.9%	20,851,481	47.8%	-3,451,470	-16.6%	21,589,955	45.9%	-4,189,944	-19.4%
of which: non-captive customers (former Centrobanca)	1,770,441	4.5%	2,771,202	6.4%	-1,000,761	-36.1%	3,227,392	6.9%	-1,456,951	-45.1%
- bonds subscribed by Group banks (intragroup)	3,382,308	8.5%	2,953,605	6.8%	428,703	14.5%	2,391,255	5.1%	991,053	41.4%
Other certificates	11,433	0.0%	15,186	0.0%	-3,753	-24.7%	20,019	0.0%	-8,586	-42.9%
Total debt securities issued (item 30 liabilities)	33,682,533	84.8%	36,265,240	83.1%	-2,582,707	-7.1%	36,831,103	78.2%	-3,148,570	-8.5%
Total funding from customers	39,741,650	100.0%	43,622,826	100.0%	-3,881,176	-8.9%	47,085,480	100.0%	-7,343,830	-15.6%
of which:										
subordinated liabilities	3,281,593	8.3%	2,851,838	6.5%	429,755	15.1%	3,252,667	6.9%	28,926	0.9%
of which: subordinated securities	3,281,593	8.3%	2,851,838	6.5%	429,755	15.1%	3,252,667	6.9%	28,926	0.9%
of which: subordinated EMTNs	759,126	1.9%	-	-	-	-	-	-	-	-

(*) The corresponding nominal amounts were €3,274 million as at 30th June 2016 (of which €759 million subordinated), €2,464 million as at 31st December 2015 and €3,044 million as at 30th June 2015.

The details reported in the table show €6.1 billion of **amounts due to customers** (€7.9 billion in March, and €7.4 billion at the end of 2015 and €10.3 billion in the previous June) composed as follows:

- **repurchase agreements with the *Cassa di Compensazione e Garanzia*** amounting to €4.7 billion¹², the use of which, which varied from quarter to quarter, was affected both by the size of the securities portfolio and of the exposure to the central bank, which increased to €10 billion from €8.1 billion previously, right at the end of June;
- **current accounts** amounting to €816 million, were largely unchanged in the first half but were up compared with €690 million in June 2015. The year-on-year increase was affected by an equal increase in intragroup deposits (up from €61 million to €124 million) and those

¹² As opposed to previous periods, repurchase agreements with institutional counterparties other than the CCG existed as at 30th June 2016, amounting to €234 million (€91.5 million in March 2016).

with foreign counterparties (up from €629 million to €692 million), while a slight contraction in the first half was caused by a decrease in intragroup funding that was only partially offset by that from counterparties outside the Group;

- **term deposits** fell to zero: deposits of €300 million were generated at the end of March, in connection with operations for the temporary investment of liquidity, which were then withdrawn in the weeks that followed, attributable to counterparties both inside and outside the Group;
- **financing – other**, amounting to €341 million (falling over twelve months), consisted almost totally of funds made available by the *Cassa Deposito e Prestiti* (CDP – a state controlled fund and deposit institution) as part of anti-crisis initiatives to support small to medium-sized businesses;
- **other payables** amounting to €7.9 million: this item which is residual in nature because it contains very marginal positions, included €13.2 million at the end of March, a debt relating to shares subject to withdrawal which UBI Banca had been authorised to redeem (the redemption took place on 8th April).

Direct funding from customers

Figures in thousands of euro	30.6.2016		31.3.2016		Changes A/D	
	A	%	D	%	amount	%
Current accounts and deposits	816,315	2.0%	860,018	2.1%	-43,703	-5.1%
Term deposits	-	-	300,052	0.7%	-300,052	-100.0%
Financing	5,234,908	13.2%	6,656,596	16.0%	-1,421,688	-21.4%
- repurchase agreements	4,894,055	12.3%	6,254,134	15.0%	-1,360,079	-21.7%
of which: repos with the CCG	4,660,289	11.7%	6,162,636	14.8%	-1,502,347	-24.4%
- other	340,853	0.9%	402,462	1.0%	-61,609	-15.3%
Other payables	7,894	0.0%	45,732	0.1%	-37,838	-82.7%
Total amounts due to customers (item 20 liabilities)	6,059,117	15.2%	7,862,398	18.9%	-1,803,281	-22.9%
Bonds	33,671,100	84.8%	33,625,929	81.1%	45,171	0.1%
- bonds subscribed by institutional customers	12,888,781	32.4%	11,694,280	28.2%	1,194,501	10.2%
of which: EMTNs (*)	3,337,270	8.4%	2,485,083	6.0%	852,187	34.3%
Covered bonds	9,551,511	24.0%	9,209,197	22.2%	342,314	3.7%
- bonds subscribed by ordinary customers	17,400,011	43.9%	18,794,081	45.3%	-1,394,070	-7.4%
of which: non-captive customers (former Centrobanca)	1,770,441	4.5%	1,781,266	4.3%	-10,825	-0.6%
- bonds subscribed by Group banks (intragroup)	3,382,308	8.5%	3,137,568	7.6%	244,740	7.8%
Other certificates	11,433	0.0%	13,513	0.0%	-2,080	-15.4%
Total debt securities issued (item 30 liabilities)	33,682,533	84.8%	33,639,442	81.1%	43,091	0.1%
Total funding from customers	39,741,650	100%	41,501,840	100.0%	-1,760,190	-4.2%
of which:						
subordinated liabilities	3,281,593	8.3%	2,735,464	6.6%	546,129	20.0%
of which: subordinated securities	3,281,593	8.3%	2,735,464	6.6%	546,129	20.0%
of which: subordinated EMTNs	759,126	1.9%	-	-	-	-

(*) The corresponding nominal amounts were €3,274 million as at 30th June 2016 (of which €759 million Subordinated investments) and €2,423 million as at 31st March 2016.

Debt securities issued, amounting to €33.7 billion, were unchanged in the quarter, but down significantly over both six and twelve months (-€2.6 billion and -€3.1 billion respectively).

The item included €12.9 billion of *institutional funding* composed of the following:

- **EMTN securities** amounting to €3.3 billion, (€2.5 billion in March and at year-end and €3.1 billion at the end of 2015), issued as part of a programme for a maximum issuance of €15 billion listed in Dublin.

Issuances in the form of “private placements” were made over the twelve months totalling €784 million nominal (€388 million nominal issued in the fourth quarter of 2015 and €396 million in the first six months of 2016) and a subordinated public issuance was completed in May destined to institutional investors consisting of a subordinated bond for €750 million. Maturities on the other hand amounted to €1,065 billion nominal (of which €965 million concentrated in 2015 and €100 million in 2016) and total repurchases amounted to €238 million nominal (carried out almost totally in 2016 and €230 million of which relating to puttable issuances made in the fourth quarter of last year);

- **covered bonds** amounting to €9.6 billion (€9.9 billion in December and €9.7 billion in June 2015).

Over the twelve month period a placement for €750 million nominal was made in October 2015, reopened for €250 million in June 2016, offset by the maturity in the same period of bonds amounting to €1.25 billion nominal (of which €750 million in the period January-March 2016) and by the recognition of amortisation instalments amounting to €50.5 million on two “amortising” securities. The total outstanding also incorporates the effects of accounting adjustments on the securities.

UBI Banca has ten covered bonds in issue under the first “multioriginator” programme backed by residential mortgages at the date of this report with a €15 billion ceiling for a nominal amount of €8.8 billion (net of amortisation instalments totalling €210.9 million)¹³, against a segregated portfolio which stood at €14.9 billion¹⁴.

A second programme, again “multioriginator”, is also operational with a ceiling of €5 billion, backed by commercial mortgages and by residential mortgages not used in the first programme (a segregated portfolio of €3.3 billion at the end of period). So far this programme has only been used for self-retained issuances¹⁵.

The bonds issued under the two programmes are listed on the Dublin Stock Exchange.

Funding from bonds issued to ordinary customers – now consisting almost totally of bonds sold to network bank customers, the issuance of which has been centralised at the Parent since 2013 – amounted to €17.4 billion (-€4.2 billion year-on-year, -€3.5 billion since December and -€1.4 billion since March), composed as follows:

- €15.6 billion (-€2.7 billion year-on-year and -€2.5 billion over six months) from bonds issued by the Parent: over twelve months new issuances amounted to €4.2 billion nominal (of which €2.1 billion issued in the period January-March 2016, consisting of 43 issuances), offset by maturities amounting to €6.1 billion nominal (of which approximately €4 billion in 2016) and by repurchases amounting to €898.7 million nominal (of which €568 million in 2016). In view of market conditions consisting of zero or negative interest rates, the appetite for bonds issued by banks and recourse by banks to this form of funding has reduced;
- €1.8 billion of the remaining outstanding bonds issued by the former Centrobanca which recorded a progressive reduction over twelve months following maturities for €1.4 billion nominal (of which €992 million nominal concentrated in 2016) and marginal repurchases (€2.4 million nominal).

Intragroup funding from bonds, consisting of bonds subscribed by some Group banks to invest their liquidity, recorded growth in the first half to €3.4 billion. Year-on-year the outstanding total increased by approximately €1 billion, the aggregate result of new issuances amounting to €1.5 billion nominal (of which €730 million issued in 2016), against maturities for €420 million nominal (of which €300 million maturing in 2016).

¹³ Four self-retained issuances for €2.95 billion nominal also exist under that same programme, one for €0.7 billion nominal made in March 2014, a second for €0.5 billion made in December 2015, a third for €1 billion finalised at the end of March 2016 and a fourth for €750 million concluded in June 2016. Because these were repurchased by UBI Banca, these liabilities have not been recognised, in accordance with IFRS.

¹⁴ Detailed information on the composition of the segregated portfolio of residential mortgages held by UBI Finance is given in the Interim consolidated management report on operations, which may be consulted.

¹⁵ Two issuances in 2012 for a total of €1.22 billion nominal (net of the amortisation instalments falling due in the meantime), a €0.2 billion issuance in March 2014, a fourth for €0.65 billion completed in July 2015 and a fifth for €300 million concluded in June 2016. Because these were repurchased by UBI Banca, these liabilities have not been recognised, in accordance with IFRS. Information on the composition of the segregated portfolio held by UBI Finance CB 2 is reported in the Interim consolidated management report on operations, which may be consulted.

At the end of the first half of 2016, **lending** by the Parent stood at €21.1 billion, down €0.8 billion both compared with December and in the comparison with June 2015, of which -€0.6 billion relating to the first quarter.

Composition of loans to customers

Figures in thousands of euro	30.6.2016 A	%	of which non-performing	31.12.2015 B	%	of which non-performing	Changes A/B		30.6.2015 C	%	of which non-performing	Changes A/C	
							amount	%				amount	%
Current account overdrafts	978,747	4.7%	337	833,582	3.8%	464	145,165	17.4%	1,043,187	4.8%	401	-64,440	-6.2%
Reverse repurchase agreements	238,783	1.1%	-	1,169,090	5.3%	-	-930,307	-79.6%	719,660	3.3%	-	-480,877	-66.8%
Mortgage loans and other medium to long-term financing	9,533,198	45.2%	958,405	10,323,298	47.2%	1,098,689	-790,100	-7.7%	10,383,543	47.5%	1,119,495	-850,345	-8.2%
Credit cards, personal loans and salary-backed loans	545,531	2.6%	80,572	662,284	3.0%	85,907	-116,753	-17.6%	731,571	3.3%	94,163	-186,040	-25.4%
Factoring	-	-	-	6,054	0.0%	-	-6,054	-100.0%	6,117	0.0%	-	-6,117	-100.0%
Other transactions	9,675,563	45.9%	22,828	8,795,738	40.2%	29,774	879,825	10.0%	8,858,970	40.6%	35,142	816,593	9.2%
Debt instruments	111,343	0.5%	-	111,344	0.5%	-	-1	0.0%	111,356	0.5%	-	-13	0.0%
of which: structured securities	110,083	0.5%	-	110,091	0.5%	-	-8	0.0%	110,090	0.5%	-	-7	0.0%
other debt instruments	1,260	0.0%	-	1,253	0.0%	-	7	0.6%	1,266	0.0%	-	-6	-0.5%
Total loans and advances to customers	21,083,165	100.0%	1,062,142	21,901,390	100.0%	1,214,834	-818,225	-3.7%	21,854,404	100.0%	1,249,201	-771,239	-3.5%
of which: intragroup	9,928,522	47.1%	-	10,349,932	47.3%	-	-421,410	-4.1%	10,608,734	48.5%	-	-680,212	-6.4%
to counterparties external to the Group	11,154,643	52.9%	-	11,551,458	52.7%	-	-396,815	-3.4%	11,245,670	51.5%	-	-91,027	-0.8%

Composition of loans to customers

Figures in thousands of euro	30.6.2016 A	%	of which non-performing	31.3.2016 D	%	of which non-performing	Changes A/D	
							amount	%
Current account overdrafts	978,747	4.7%	337	981,620	4.6%	467	-2,873	-0.3%
Reverse repurchase agreements	238,783	1.1%	-	340,538	1.6%	-	-101,755	-29.9%
Mortgage loans and other medium to long-term financing	9,533,198	45.2%	958,405	10,579,217	49.8%	1,079,896	-1,046,019	-9.9%
Credit cards, personal loans and salary-backed loans	545,531	2.6%	80,572	573,256	2.7%	83,352	-27,725	-4.8%
Factoring	-	-	-	-	-	-	-	-
Other transactions	9,675,563	45.9%	22,828	8,685,313	40.8%	28,189	990,250	11.4%
Debt instruments	111,343	0.5%	-	111,344	0.5%	-	-1	0.0%
of which: structured securities	110,083	0.5%	-	110,087	0.5%	-	-4	0.0%
other debt instruments	1,260	0.0%	-	1,257	0.0%	-	3	0.2%
Total loans and advances to customers	21,083,165	100.0%	1,062,142	21,271,288	100.0%	1,191,904	-188,123	-0.9%
of which: intragroup	9,928,522	47.1%	-	10,253,191	48.2%	-	-324,669	-3.2%
to counterparties external to the Group	11,154,643	52.9%	-	11,018,097	51.8%	-	136,546	1.2%

The performance of the portfolio reflects the following:

- a significant reduction in lending to Group companies (-€0.4 billion in the first half of 2016, of which -€0.3 billion concentrated in the second quarter; -€0.7 billion over twelve months). *More specifically, at the end of June UBI Leasing and UBI Factor held outstanding loans amounting to €5.9 billion and €2.2 billion¹⁶ respectively, accounting for 38.5% of lending – unchanged on aggregate in the quarter, but still down year-on-year and in the first half. Loans amounting to €6.1 billion and €2 billion respectively existed to the two companies in March (€6.1 billion and €2.1 billion in December; €6.4 billion and €1.9 billion in June 2015). The loans granted to Prestitalia – a company which specialises in salary and pension backed lending business – fell to €1.2 billion (€1.5 billion in March and December; €1.6 billion a year before) consisting of €0.7 billion of “Mortgage loans and other medium to long-term financing” and €0.5 billion of short-term transactions¹⁷. The reduction that occurred in the second quarter (-€0.3 billion) reflects a change in the mix of financing out of medium to long-term loans into shorter term lending in line with the expected development of lending to the Company’s customers.*

¹⁶ Support for UBI Leasing is provided mainly in the form of “other short-term transactions” and to a residual extent with mortgage loans and current accounts. Until December 2015, UBI Banca also entered into reverse repurchase agreements with UBI Leasing using as the underlying securities issued as part of an internal securitisation which was closed down in advance in the second quarter. Financing to UBI Factor is all short-term (current accounts and other transactions).

¹⁷ With the exception of €200 million granted by the former Centrobanca, consisting of loans previously granted to former B@nca 24-7 line of business.

- a progressive reduction in the former Banca 24-7 portfolio in view of the residual nature of the business (-€0.3 billion in the first half; -€0.6 billion year-on-year).
At the end of June volumes of business relating to the former Banca 24-7 stood at €4.5 billion, consisting of “Mortgage loans and other medium to long-term financing” amounting to €3.9 billion and of various forms of consumer credit amounting to €0.6 billion;
- a recovery in former Centrobanca corporate business (+€0.3 billion in the first half, concentrated primarily in the first quarter; +€0.3 billion year-on-year).
Loans to the former Centrobanca perimeter stood at €5 billion¹⁸ at the end of the first half, attributable to “mortgage loans and other medium to long-term financing” amounting to €4.7 billion and to “other transactions” amounting to €0.3 billion;
- the trend for some exposures of a technical nature, such as those to the Cassa di Compensazione e Garanzia (“CCG” - a central counterparty clearing house), subject to a degree of variation during the year because of their nature.
At the end of the period, ordinary business with the CCG totalled €0.8 billion, up €0.2 billion in the quarter, but down compared both with December and over twelve months (-€0.5 billion; -€0.3 billion). In terms of the type of lending, the change over both three and six months was caused by the performance of reverse repurchase agreements with Italian government securities as the underlying entered into as an investment for liquidity. After falling practically to zero between January and March (-€758 million), this business saw a recovery in the Spring (+€226 million), while changes in the margin deposits requested to back repurchase agreements on Italian government securities¹⁹ included within “other transactions” were completely marginal. The reduction in this business compared with 2015 was concentrated in the aforementioned margin deposits (-€394 million), only partially offset by a slight increase in reverse repurchase agreements (+€67 million).
- the loan of €0.5 billion granted at the end of November to the Resolution Fund²⁰.
As described in detail in the 2015 Annual Report which may be consulted²¹, the purpose of this loan, together with grants by two other major banks, was to provide the fund with the liquidity needed to subscribe the share capital of the new joint stock companies (bridge-banks) established under the resolution programme for four Italian banks in extraordinary administration.

Non-performing assets gross of write-downs amounted to €1.8 billion at the end of the first half, almost unchanged compared with March and December, but down compared with June 2015 (-€104.5 million; -5.5%), partly as a result of disposals of non-performing loans by the Parent over twelve months (a total book value of over €79 million).

As shown in the table, movements in gross non-performing exposures in the first half of the year compared with the same quarter of 2015, recorded a substantial decrease (mainly for the unlikely-to-pay category) in new entrances from performing status (which more than halved in terms of the total, -€75.3 million), while outflows to performing status reduced (-€19 million). Total transfers between the various categories of non-performing loans also reduced by over 50%. In detail:

- bad loans, which saw marginal new entries from performing status, continued to be driven mainly by transfers from other categories of exposures (unlikely-to-pay), even though they had reduced significantly (-59%). Reductions also occurred for payments received and write-offs;
- “unlikely-to-pay” loans saw a sharp fall in new entries from performing status (-68.4%) and also a reduction in transfers from other categories of non-performing exposures (past due exposures) and in transfers to other non-performing categories (bad loans). Outflows to performing status also reduced;
- exposures past due and/or in arrears recorded reductions in terms of both inflows from performing loans and transfers to other categories of non-performing exposures.

¹⁸ Excluding the €200 million from the Centrobanca merger, already included in loans to Prestitalia.

¹⁹ The margin deposits required relate directly to the average volumes of repurchase business used for financing.

²⁰ The loan will have a term of 18 months less one day.

²¹ See the sub-section “The resolution and rescue of four Italian banks” contained in the section entitled “The European Banking Union” of the consolidated Management Report.

Loans and advances to customers as at 30th June 2016

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(8.24%)	1,802,903	740,761	(5.04%)	1,062,142	41.09%
- Bad loans	(3.24%)	707,994	416,386	(1.38%)	291,608	58.81%
- "Unlikely to pay" loans	(4.91%)	1,074,229	322,935	(3.57%)	751,294	30.06%
- Past due loans	(0.09%)	20,680	1,440	(0.09%)	19,240	6.96%
Performing loans	(91.76%)	20,067,922	46,899	(94.96%)	20,021,023	0.23%
Total		21,870,825	787,660		21,083,165	3.60%

The item as a percentage of the total is given in brackets.

Loans and advances to customers as at 31st March 2016

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(8.28%)	1,815,985	624,081	(5.60%)	1,191,904	34.37%
- Bad loans	(3.18%)	698,369	389,314	(1.45%)	309,055	55.75%
- "Unlikely to pay" loans	(5.00%)	1,094,987	233,498	(4.05%)	861,489	21.32%
- Past due loans	(0.10%)	22,629	1,269	(0.10%)	21,360	5.61%
Performing loans	(91.72%)	20,128,426	49,042	(94.40%)	20,079,384	0.24%
Total		21,944,411	673,123		21,271,288	3.07%

The item as a percentage of the total is given in brackets.

Loans and advances to customers as at 31st December 2015

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(8.14%)	1,838,363	623,529	(5.55%)	1,214,834	33.92%
- Bad loans	(3.13%)	706,017	386,556	(1.46%)	319,461	54.75%
- "Unlikely to pay" loans	(4.90%)	1,107,340	235,638	(3.98%)	871,702	21.28%
- Past due loans	(0.11%)	25,006	1,335	(0.11%)	23,671	5.34%
Performing loans	(91.86%)	20,734,329	47,773	(94.45%)	20,686,556	0.23%
Total		22,572,692	671,302		21,901,390	2.97%

The item as a percentage of the total is given in brackets.

Loans and advances to customers as at 30th June 2015

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(8.45%)	1,907,384	658,183	(5.72%)	1,249,201	34.51%
- Bad loans	(3.29%)	743,422	406,067	(1.54%)	337,355	54.62%
- "Unlikely to pay" loans	(5.07%)	1,145,235	251,181	(4.09%)	894,054	21.93%
- Past due loans	(0.09%)	18,727	935	(0.09%)	17,792	4.99%
Performing loans	(91.55%)	20,673,768	68,565	(94.28%)	20,605,203	0.33%
Total		22,581,152	726,748		21,854,404	3.22%

The item as a percentage of the total is given in brackets.

(*) The coverage is calculated as the ratio of impairment losses to gross exposure. For bad loans only, impairment losses and gross exposures are given net of write-offs of positions subject to bankruptcy proceedings.

Net of impairment losses, non-performing loans, of which 90.2% relating to "mortgage loans and other medium to long-term financing", amounted to approximately €1.1 billion, down €129.8 million compared with March (-€152.7 million since December; -€187.1 million over twelve months). This reduction is the result above all of greater impairment losses recognised in the second quarter, in line with the provisions of the 2019/2020 Business Plan.

Notwithstanding the downward trend for the loan portfolio since the beginning of the year, the non-performing loans as a percentage of the total stood at 8.24% in gross terms (8.28% in March; 8.14% in December, 8.45% in June 2015) and at 5.04% in net terms (5.60%; 5.55%; 5.72%).

Coverage for non-performing exposures improved as a consequence over three months from 34.37% to 41.09% (33.92% in December; 34.51% in June 2015), a reflection of a general increase for all categories (primarily unlikely-to-pay and bad loans), while coverage for performing loans, structurally lower than the Group average in consideration of the specific nature of UBI Banca's business, remained unchanged since December at 0.23% (0.33% in June 2015).

Forborne exposures as at 30th June 2016

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(64.46%)	515,979	157,879	(56.09%)	358,100	30.60%
- Bad loans	(2.63%)	21,077	12,182	(1.39%)	8,895	57.80%
- "Unlikely to pay" loans	(61.52%)	492,400	145,508	(54.33%)	346,892	29.55%
- Past due loans	(0.31%)	2,502	189	(0.37%)	2,313	7.55%
Performing loans	(35.54%)	284,462	4,070	(43.91%)	280,392	1.43%
Total		800,441	161,949		638,492	20.23%

The item as a percentage of the total is given in brackets.

Forborne exposures as at 31st March 2016

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(66.82%)	508,912	115,784	(61.20%)	393,128	22.75%
- Bad loans	(2.81%)	21,438	10,051	(1.77%)	11,387	46.88%
- "Unlikely to pay" loans	(63.59%)	484,262	105,572	(58.96%)	378,690	21.80%
- Past due loans	(0.42%)	3,212	161	(0.47%)	3,051	5.01%
Performing loans	(33.18%)	252,755	3,548	(38.80%)	249,207	1.40%
Total		761,667	119,332		642,335	15.67%

The item as a percentage of the total is given in brackets.

Forborne exposures as at 31st December 2015

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(68.08%)	485,425	111,409	(62.50%)	374,016	22.95%
- Bad loans	(2.75%)	19,620	9,317	(1.72%)	10,303	47.49%
- "Unlikely to pay" loans	(64.74%)	461,561	101,879	(60.11%)	359,682	22.07%
- Past due loans	(0.59%)	4,244	213	(0.67%)	4,031	5.02%
Performing loans	(31.92%)	227,575	3,200	(37.50%)	224,375	1.41%
Total		713,000	114,609		598,391	16.07%

The item as a percentage of the total is given in brackets.

Forborne exposures as at 30th June 2015

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Non-performing exposures	(70.65%)	476,875	125,042	(64.24%)	351,833	26.22%
Performing loans	(29.35%)	198,083	2,223	(35.76%)	195,860	1.12%
Total		674,958	127,265		547,693	18.86%

The item as a percentage of the total is given in brackets.

(*) Coverage is calculated as the ratio of impairment losses to gross exposure.

Forborne exposures gross of impairment losses totalled €800.4 million at the end of June, up €125.5 million (+18.6%) over twelve months of which €87.4 million in the first half of 2016 (+12.3%).

As already reported, the performance of the item and its composition are also affected by the introduction of forbearance²² regulations in September 2014.

Non-performing positions must pass a minimum period of one year (cure period), after which the return of the customer's credit quality is assessed before it can be reclassified among performing positions. On the other hand forborne positions classified as performing must pass a minimum period of two years ("probation period") before a position can be released from its forborne status and therefore be eliminated from the category in supervisory reports.

Net forborne exposures, amounting to €638.5 million at the end of the first half, decreased on the other hand in the second quarter (+€40.1 million over six months; +€90.8 million over twelve months), especially with regard to the non-performing component (-€35 million) due to the impact of the aforementioned greater provisions recognised in the period.

²² This term is used to indicate a situation in which a debtor is not considered able to meet due dates and comply with contractual terms and conditions as a result of financial difficulties. Because of those difficulties the creditor decides to modify the due date and the terms and conditions of the contract in order to allow the debtor to honour the debt or to refinance it, either fully or partially.

Loans to customers: changes in gross non-performing exposures in the first half of 2016 (*)

Figures in thousands of euro	Bad loans	Unlikely to pay loans	Past-due exposures	Total
Initial gross exposure as at 1st January 2016	706,017	1,107,340	25,006	1,838,363
Increases	41,081	75,714	24,654	141,449
transfers from performing exposures	396	32,717	24,285	57,398
transfers from other classes of non-performing exposures	38,623	21,612	7	60,242
other increases	2,062	21,385	362	23,809
Decreases	-39,104	-108,825	-28,980	-176,909
transfers into performing exposures	-593	-21,640	-2,384	-24,617
write-offs	-15,883	-4,159	-	-20,042
payments received	-19,101	-44,434	-5,105	-68,640
disposals	-2,015	-	-	-2,015
losses on the disposal	-1,353	-	-	-1,353
transfers to other classes of non-performing exposure	-159	-38,592	-21,491	-60,242
other decreases	-	-	-	-
Final gross exposure as at 30th June 2016	707,994	1,074,229	20,680	1,802,903

Loans to customers: changes in gross non-performing exposures in the first quarter of 2016 (*)

Figures in thousands of euro	Bad loans	Unlikely to pay loans	Past-due exposures	Total
Initial gross exposure as at 1st January 2016	706,017	1,107,340	25,006	1,838,363
Increases	13,089	35,088	8,958	57,135
transfers from performing exposures	192	18,455	8,807	27,454
transfers from other classes of non-performing exposures	12,086	8,496	2	20,584
other increases	811	8,137	149	9,097
Decreases	-20,737	-47,441	-11,335	-79,513
transfers into performing exposures	-259	-9,192	-1,866	-11,317
write-offs	-6,882	-3,173	-	-10,055
payments received	-10,243	-23,017	-1,069	-34,329
disposals	-1,875	-	-	-1,875
losses on the disposal	-1,353	-	-	-1,353
transfers to other classes of non-performing exposure	-125	-12,059	-8,400	-20,584
other decreases	-	-	-	-
Final gross exposure as at 31st March 2016	698,369	1,094,987	22,629	1,815,985

Loans to customers: changes in gross non-performing exposures in the first half of 2015 (*)

Figures in thousands of euro	Bad loans	Unlikely to pay loans	Past-due exposures	Total
Initial gross exposure as at 1st January 2015	706,974	1,174,899	32,423	1,914,296
Increases	100,486	163,438	27,277	291,201
transfers from performing exposures	3,204	103,434	26,056	132,694
transfers from other classes of non-performing exposures	94,597	36,439	9	131,045
other increases	2,685	23,565	1,212	27,462
Decreases	-64,038	-193,102	-40,973	-298,113
transfers into performing exposures	-213	-40,388	-3,044	-43,645
write-offs	-38,137	-9,489	-	-47,626
payments received	-22,903	-48,835	-1,362	-73,100
disposals	-2,543	-	-	-2,543
losses on the disposal	-154	-	-	-154
transfers to other classes of non-performing exposure	-88	-94,390	-36,567	-131,045
other decreases	-	-	-	-
Final gross exposure as at 30th June 2015	743,422	1,145,235	18,727	1,907,384

(*) The movements for 2016 (first half and first quarter) have been restated by customer relationships. Therefore the table for the first half of 2015, reported for comparison, is different from that published in the interim financial report for the period ended 31st March 2016 which had been stated by counterparties. The movements for the first half of 2015 reported for comparison, published in the interim financial report for the period ended 30th June 2015 have been restated by counterparties. Therefore the figures are not fully consistent with those reported in the tables for the first half and first quarter of 2016.

The **net interbank position** of UBI Banca as at 30th June 2016 was one of debt of €3.4 billion (-€356 million at the end of 2015), the result of a positive intragroup balance of €7.3 billion (marginally down €342 million in the first half) and a balance on net business on the market that was negative by €10.7 billion (up €2.7 billion in the period inclusive of refinancing operations with the ECB, which grew to €10 billion from €8.1 billion before).

As shown in the table, if the balances with the central bank and those for business with subsidiary banks are not considered, UBI Banca's net interbank position was one of debt of €1.1 billion, compared with -€304 million at the end of the year.

On the basis of the organisational structure in which UBI Banca plays a role of policy-making and co-ordination for the entire banking group, intragroup transactions are of strategic importance in the context of overall activities as they ensure proper centralised liquidity management and the settlement of intercompany cash flows. The regulations to implement the Financial Risk Management Policy document require the composition of the asset and liability positions of Group banks and companies with banking counterparties to consist exclusively of relationships with the Parent. Only the Parent may enter into positions on the market with institutional counterparties. As an exception to that rule, liquidity management is not exclusively by the Parent for UBI Leasing, UBI Factor and UBI Banca International (the disposal of which, however, has been announced). The Management Board of the Parent is responsible for defining specific liquidity management procedures for the aforementioned companies.

Interbank market

Figures in thousands of euro	30.6.2016 A	31.3.2016 B	Changes A/B		31.12.2015 C	Changes A/C		30.6.2015 D
			amount	%		amount	%	
Loans and advances to banks	15,098,186	15,172,792	-74,606	-0.5%	15,489,215	-391,029	-2.5%	15,026,560
of which:								
- loans to central banks	408,188	225,616	182,572	80.9%	375,735	32,453	8.6%	282,899
- intragroup	13,405,431	13,850,450	-445,019	-3.2%	14,234,999	-829,568	-5.8%	13,912,056
of which: intragroup securities	6,219,535	6,235,274	-15,739	-0.3%	6,302,326	-82,791	-1.3%	6,345,702
Due to banks	18,501,016	16,894,824	1,606,192	9.5%	15,845,354	2,655,662	16.8%	13,199,889
of which:								
- due to central banks	9,999,873	8,108,273	1,891,600	23.3%	8,106,441	1,893,432	23.4%	6,102,991
- intragroup	6,068,782	6,794,213	-725,431	-10.7%	6,556,577	-487,795	-7.4%	5,259,231
of which: subordinated deposits	-	-	-	-	-	-	-	-
Net interbank position	-3,402,830	-1,722,032	1,680,798	97.6%	-356,139	3,046,691	n.s.	1,826,671
of which: intragroup	7,336,649	7,056,237	280,412	4.0%	7,678,422	-341,773	-4.5%	8,652,825
non-Group banks	-10,739,479	-8,778,269	1,961,210	22.3%	-8,034,561	2,704,918	33.7%	-6,826,154
Net interbank position excluding central banks and intragroup business	-1,147,794	-895,612	252,182	28.2%	-303,855	843,939	277.7%	-1,006,062

In detail, loans and advances to banks amounted to €15.1 billion, down from €15.5 billion in December 2015, and was composed as follows:

- liquidity of €408 million held on a centralised compulsory reserve account (€376 million at year-end), on the basis of management strategies with account taken of constraints concerning the average deposit to be maintained;
- loans to other banks amounting to €14.7 billion, slightly down from €15.1 billion at year-end (€15 billion in March).

Different types of lending performed as follows:

- an aggregate decrease of approximately €0.9 billion for the items current accounts and term deposits, which involved both quarters, caused by a significant reduction in intercompany deposits (-€1.2 billion), only partially offset by an increase in liquidity on accounts held with external counterparties;
- progressive growth to €5.7 billion for other financing (+€556 million in the first half), attributable primarily to activity carried out by the Parent on behalf of the network banks with regard to loans to customers drawn from the TLTRO loan pool (+€687 million) and to moderate growth in transactions with external counterparties (+€68 million), against a fall in reverse repurchase agreements (-€199 million), almost all of which of an intragroup nature;

- essentially no change for debt securities, which represent the largest component totalling €6.2 billion, consisting of notes issued by the network banks and subscribed by the Parent to channel liquidity acquired through the centralisation of bond issuances.

Funding from banks, on the other hand, totalled €18.5 billion at the end of June, recording an increase of €2.7 billion, caused primarily by exposure to the European Central Bank (+€1.9 billion) of €10 billion. The previously existing financing amounting to €8.1 billion (acquired in the TLTRO auctions of: 17th December 2014 for €3.2 billion; 25th March 2015 for €2.9 billion; and 24 September 2015 for €2 billion) were in fact totally repaid in advance with value date 29th June and at the same time UBI Banca was allotted new funds amounting to €10 billion maturing on 24th June 2020 in the first TLTRO II auction.

Although marginally down in the quarter, amounts due to other banks amounting to €8.5 billion (€8.8 billion before) were up €762 million in the comparison with December, the aggregate result of the following:

- a modest increase in current accounts to €2.3 billion (+€89 million). Within the item the progressive reduction in intragroup funding (-€733 million) was offset by growth in balances with external counterparties (+€822 million), due partly to an overnight relationship with an institutional counterparty (amounting to €397 million at the end of June but subject to volatility according to the business) and partly to an end of period increase in amounts with the credit transfer clearing house;
- an equally marginal change in term deposits at €4.5 billion (+€63 million), almost entirely of an intragroup nature;
- growth in financing to €1.6 billion (+€600 million) concentrated mainly in the first quarter, due to an increase of €672 million in repurchase agreements which were both intragroup (+€165 million) and with external counterparties (+€507 million) used to structure transactions with new investments in US Treasuries and government securities in emerging countries as the underlying. Within the item, medium to long-term financing received from the EIB, to be seen in relation to lending activity to support SMEs, fell to €497 million after repayments for the period (€543 million in March, €570 million at the end of 2015).

Finally, as concerns disclosures on liquidity reserves, consisting of assets eligible for refinancing with the European Central Bank, details are given in the interim management report on the consolidated operations, contained in another part of this publication.

Financial assets held by UBI Banca amounted to €19.6 billion as at 30th June 2016 (€19 billion if calculated net of financial liabilities), moderately down compared with both €20.1 billion at year-end and €21.5 billion in June 2015. Action was taken in the first half to change the mix of the investments which involved the AFS portfolio in particular, by means of the following:

- a significant decrease in investments in Italian government securities (-€2.2 billion);
- purchases of US Treasuries for a nominal amount of €1.1 billion (partially offset by a sale for \$200 million nominal in the trading portfolio);
- new investments in government securities of emerging countries for \$200 million nominal and in corporate securities for €350 million nominal.

Financial assets/liabilities

Figures in thousands of euro	30.6.2016					31.12.2015					Changes (A) / (B)		30.6.2015	
	L 1	L 2	L 3	Carrying amount (A)	%	L 1	L 2	L 3	Carrying amount (B)	%	amount	%	Carrying amount (C)	%
Financial assets held for trading	127,200	623,634	8,599	759,433	3.9%	470,999	612,464	4,799	1,088,262	5.4%	-328,829	-30.2%	1,463,279	6.8%
of which: financial derivatives contracts	1,050	623,629	8,499	633,178	3.2%	647	612,461	4,118	617,226	3.1%	15,952	2.6%	638,174	3.0%
Financial assets designated at fair value	117,522	3,000	68,119	188,641	1.0%	120,782	3,000	72,252	196,034	1.0%	-7,393	-3.8%	197,223	0.9%
Available-for-sale financial assets	14,806,572	191,645	239,236	15,237,453	77.6%	14,855,619	347,987	153,965	15,357,571	76.3%	-120,118	-0.8%	16,309,111	75.8%
Held-to-maturity investments	-	-	-	3,452,886	17.5%	-	-	-	3,494,547	17.3%	-41,661	-1.2%	3,535,692	16.5%
Financial assets (a)	15,051,294	818,279	315,954	19,638,413	100.0%	15,447,400	963,451	231,016	20,136,414	100.0%	-498,001	-2.5%	21,505,305	100.0%
of which:														
- debt instruments	14,898,232	160,632	8,531	18,520,281	94.3%	15,306,397	313,313	17,740	19,131,997	95.0%	-611,716	-3.2%	20,421,294	95.0%
of which: Italian government securities	12,621,438	-	-	16,074,324	81.9%	14,585,146	154,582	-	18,234,275	90.6%	-2,159,951	-11.8%	20,061,779	93.3%
- equity instruments	17,692	3,000	179,725	200,417	1.0%	8,593	3,000	203,177	214,770	1.1%	-14,353	-6.7%	266,988	1.2%
- Units in UCITS	134,320	31,018	119,199	284,537	1.5%	131,763	34,677	5,981	172,421	0.8%	112,116	65.0%	178,849	0.8%
Financial liabilities held for trading (b)	516	671,162	-	671,678	100.0%	7	608,582	11	608,600	100.0%	63,078	10.4%	754,027	100.0%
of which: financial derivatives contracts	516	671,162	-	671,678	100.0%	7	608,582	11	608,600	100.0%	63,078	10.4%	634,881	84.2%
Net financial assets (a-b)	15,050,778	147,117	315,954	18,966,735		15,447,393	354,869	231,005	19,527,814		-561,079	-2.9%	20,751,278	

The fair value has not been shown for held-to-maturity investments, because they are recognised at amortised cost.

Financial assets/liabilities

Figures in thousands of euro	30.6.2016					31.3.2016					Changes (A) / (D)	
	L 1	L 2	L 3	Carrying amount (A)	%	L 1	L 2	L 3	Carrying amount (D)	%	amount	%
Financial assets held for trading	127,200	623,634	8,599	759,433	3.9%	409,170	641,840	9,446	1,060,456	5.2%	-301,023	-28.4%
of which: financial derivatives contracts	1,050	623,629	8,499	633,178	3.2%	454	641,836	8,778	651,068	3.2%	-17,890	-2.7%
Financial assets designated at fair value	117,522	3,000	68,119	188,641	1.0%	118,334	3,000	73,404	194,738	1.0%	-6,097	-3.1%
Available-for-sale financial assets	14,806,572	191,645	239,236	15,237,453	77.6%	15,150,919	194,768	156,566	15,502,253	76.7%	-264,800	-1.7%
Held-to-maturity investments	-	-	-	3,452,886	17.5%	-	-	-	3,445,469	17.1%	7,417	0.2%
Financial assets (a)	15,051,294	818,279	315,954	19,638,413	100.0%	15,678,423	839,608	239,416	20,202,916	100.0%	-564,503	-2.8%
of which:												
- debt instruments	14,898,232	160,632	8,531	18,520,281	94.3%	15,539,531	160,996	17,979	19,163,975	94.9%	-643,694	-3.4%
of which: Italian government securities	12,621,438	-	-	16,074,324	81.9%	14,143,907	-	-	17,589,376	87.1%	-1,515,052	-8.6%
- equity instruments	17,692	3,000	179,725	200,417	1.0%	7,672	3,000	207,107	217,779	1.1%	-17,362	-8.0%
- Units in UCITS	134,320	31,018	119,199	284,537	1.5%	130,766	33,776	5,552	170,094	0.8%	114,443	67.3%
Financial liabilities held for trading (b)	516	671,162	-	671,678	100.0%	17	685,963	-	685,980	100.0%	-14,302	-2.1%
of which: financial derivatives contracts	516	671,162	-	671,678	100.0%	17	685,963	-	685,980	100.0%	-14,302	-2.1%
Net financial assets (a-b)	15,050,778	147,117	315,954	18,966,735		15,678,406	153,645	239,416	19,516,936		-550,201	-2.8%

The fair value has not been shown for held-to-maturity investments, because they are recognised at amortised cost.

A description of the main movements in the different classes of financial assets in the first half of the year is given below.

Available-for-sale financial assets amounted to €15.2 billion, slightly down (-€120 million), as a result of the following movements:

- in the first quarter:
 - a reduction in *Italian government securities*, down from €14.3 billion to €13.9 billion, following sales for €650 million nominal (BTPs for €500 million nominal and a Republic of Italy security, classified within fair value level two, for €150 million nominal), partially offset by an increase in the fair value of the securities held in portfolio.
A switch operation was also carried out in the period regarding securities with a nominal value of €1 billion. More specifically BTPs maturing in the two-year period 2021-2022 were sold and securities of the same type maturing in 2023 were purchased;
 - an increase in other debt instruments, from €0.85 billion to €1.4 billion resulting from the purchase of a U.S. Treasury security for \$600 million nominal (fair value level one);
- in the second quarter:
 - a net decrease of €1.3 billion nominal (following sales for €1.7 billion nominal and purchases for €400 million nominal) in Italian government securities (BTPs) with a book value which fell from €13.9 billion to €12.5 billion;
 - an increase in *other debt instruments* following the purchase of: US Treasuries for \$500 million nominal; corporate investment grade securities for €350 million nominal and government securities of emerging countries for \$200 million that are highly diversified and fragmented in terms of amount. We report that a write-down was recognised in the period of a convertible bond relating to the conversion of non-performing loans;
 - recognition within fair value level three of *equity instruments*, amongst others, of a write-down for €19.3 million of profit-sharing instruments resulting from the partial conversion of receivables held by UBI Banca, in compliance with a restructuring agreement;
 - *units in UCITS*, which rose from €47.3 million (€47.1 million at the end of 2015) to €168.3 million at the end of the first half included the recognition within fair value level three of €119.2 million relating to the subscription of stakes in the Atlante Fund²³. We also report that Sviluppo Impresa Fund is currently at the liquidation stage (having completed the disposal of the investments held in its portfolio): as at 30th June the fund had a book value of €850 thousand compared with €2.5 million at the end of March and €3.3 million at the end of 2015. Details of the P&L impacts of the operation are given in the commentary on the income statement.

Held-to-maturity investments, amounting to €3.45 billion recorded no changes (except for the effects of accounting valuations) and continue to consist of BTPs amounting to €3.05 billion nominal with maturities between 2020 and 2022.

Financial assets held for trading amounted to €759.4 million, down €328.8 million in the first half (almost totally attributable movements recognised in the period April-June). Changes that occurred were as follows:

- in the first quarter:
 - a decrease in *Italian government securities*, down to €222 million from €419 million before, the net balance on sales and maturities of BTPs for €350 million nominal and purchases for €170 million nominal, partially offset by an investment, recognised within *other debt securities*, in a U.S. Treasury for \$150 million nominal;
- in the second quarter:
 - a further fall in *Italian government securities*, down to €120 million from €222 million before, following sales and redemptions of BTPs and BOTs for €100 million nominal;
 - a decrease in *other debt instruments* due to the sale of US Treasuries for \$200 million nominal (\$50 million purchased in the fourth quarter of 2015 and \$150 million purchased in the first quarter of the current year);
 - finally, in relation to the *UCITS* class, we report that two hedge funds which as at 31st March had previously been recognised within fair value level three at €568 thousand had been completely written down as at 30th June. At the end of the period the amount recognised in this class had therefore fallen to €275 thousand from €856 thousand in December 2015.

²³ For further details see the section “significant events in the first half of 2016” in the interim management report on consolidated operations.

Financial assets designated at fair value amounting to €188.6 million, were marginally down in the first half and were composed as follows:

- *equity instruments*, held as part of merchant banking and private equity business, amounting to €72.7 million (€71.6 million at year end);
- *units in UCITS* amounting to €116 million. Only two Tages funds classified within fair value level one were recognised within the item as at 30th June, all the other hedge funds (€5 million), previously classified within fair value level three, having been written down in the second quarter.

Financial liabilities held for trading, consisting exclusively of financial derivatives, totalled €671.7 million, performing in the six month period in a manner consistent with the trend for the corresponding item recognised within financial assets held for trading (€633 million).

Separate interim financial statements as at and for the period ended 30th June 2016

Balance sheet

Figures in thousands of euro	30.6.2016	31.12.2015	30.6.2015
ASSETS			
10. Cash and cash equivalents	96,905	138,226	107,492
20. Financial assets held for trading	759,433	1,088,262	1,463,279
30. Financial assets designated at fair value	188,641	196,034	197,223
40. Available-for-sale financial assets	15,237,453	15,357,571	16,309,111
50. Held-to-maturity investments	3,452,886	3,494,547	3,535,692
60. Loans and advances to banks	15,098,186	15,489,215	15,026,560
70. Loans and advances to customers	21,083,165	21,901,390	21,854,404
80. Hedging derivatives	783,965	592,409	544,207
90. Fair value change in hedged financial assets (+/-)	-	4,637	4,804
100. Equity investments	9,658,120	9,657,401	9,625,683
110. Property, plant and equipment	606,219	615,661	624,701
120. Intangible assets	410	410	410
130. Tax assets	1,741,161	1,529,553	1,536,122
a) current	294,838	364,734	301,641
b) deferred	1,446,323	1,164,819	1,234,481
- of which pursuant to Law No. 214/2011	1,126,610	1,127,174	1,119,815
140. Non-current assets and disposal groups held for sale	2,032	2,032	2,036
150. Other assets	1,065,765	699,982	745,198
TOTAL ASSETS	69,774,341	70,767,330	71,576,922

Figures in thousands of euro	30.6.2016	31.12.2015	30.6.2015
LIABILITIES AND EQUITY			
10. Due to banks	18,501,016	15,845,354	13,199,889
20. Due to customers	6,059,117	7,357,586	10,254,377
30. Debt securities issued	33,682,533	36,265,240	36,831,103
40. Financial liabilities held for trading	671,678	608,600	754,027
60. Hedging derivatives	1,051,455	700,871	736,087
80. Tax liabilities	112,046	265,926	243,599
a) current	284	93,132	83,984
b) deferred	111,762	172,794	159,615
100. Other liabilities	1,089,102	881,275	765,959
110. Post-employment benefits	39,995	39,975	39,701
120. Provisions for risks and charges:	82,093	43,557	56,092
a) pension and similar obligations	1,047	1,035	1,029
b) other provisions	81,046	42,522	55,063
130. Valuation reserves	91,456	304,389	189,173
160. Reserves	2,298,778	2,283,488	2,282,238
170. Share premiums	3,798,430	3,798,430	3,798,430
180. Share capital	2,254,371	2,254,371	2,254,371
190. Treasury shares (-)	-10,616	-5,155	-5,340
200. Profit (loss) for the period/year (+/-)	52,887	123,423	177,216
TOTAL LIABILITIES AND EQUITY	69,774,341	70,767,330	71,576,922

Income statement

	1H 2016	1H 2015	FY 2015
Figures in thousands of euro			
10. Interest and similar income	397,649	461,594	874,726
20. Interest and similar expense	(381,127)	(454,502)	(888,319)
30. Net interest income (expense)	16,522	7,092	(13,593)
40. Fee and commission income	42,605	46,827	93,412
50. Fee and commission expense	(18,747)	(20,480)	(44,433)
60. Net fee and commission income	23,858	26,347	48,979
70. Dividends and similar income	239,015	244,406	249,430
80. Net trading income (loss)	(7,852)	24,947	25,902
90. Net hedging income	541	6,357	11,078
100. Income from disposal or repurchase of:	81,657	59,634	237,269
a) loans and receivables	(1,172)	1,574	(4,250)
b) available-for-sale financial assets	95,226	65,765	257,102
d) financial liabilities	(12,397)	(7,705)	(15,583)
110. Net income (loss) on financial assets and liabilities designated at fair value	(8,238)	5,544	4,356
120. Gross income	345,503	374,327	563,421
130. Net impairment losses on:	(159,606)	(60,247)	(120,013)
a) loans and receivables	(132,812)	(56,247)	(104,166)
b) available-for-sale financial assets	(29,750)	(6,824)	(15,556)
d) other financial transactions	2,956	2,824	(291)
140. Net financial income	185,897	314,080	443,408
150. Administrative expenses	(242,915)	(172,981)	(402,576)
a) staff costs	(131,100)	(85,093)	(183,099)
b) other administrative expenses	(111,815)	(87,888)	(219,477)
160. Net provisions for risks and charges	1,341	(12,545)	6,955
170. Depreciation and net impairment losses on property, plant and equipment	(9,608)	(10,127)	(21,454)
190. Other net operating income/expense	61,023	58,623	117,590
200. Operating expenses	(190,159)	(137,030)	(299,485)
210. Profits (losses) of equity investments	-	(14)	1,551
240. Profits on disposal of investments	130	12	43
250. Pre-tax profit (loss) from continuing operations	(4,132)	177,048	145,517
260. Taxes on income for the period/year from continuing operations	57,019	168	(22,094)
290. Profit for the period/year	52,887	177,216	123,423

Statement of comprehensive income

	1H 2016	1H 2015	FY 2015
Figures in thousands of euro			
10. PROFIT FOR THE PERIOD/YEAR	52,887	177,216	123,423
Other comprehensive income, net of taxes, without transfer to the income statement			
40. Defined benefit plans	(1,744)	1,862	1,291
Other comprehensive income, net of taxes, with transfer to the income statement			
90. Cash flow hedges	184	-	(102)
100. Available-for-sale financial assets	(211,373)	22,360	138,249
130. Total other comprehensive income (loss) net of taxes	(212,933)	24,222	139,438
140. COMPREHENSIVE INCOME (LOSS) (item 10 + 130)	(160,046)	201,438	262,861

Statement of changes in equity for the period ended 30th June 2016

	Balances as at 31.12.2015	Restatement of opening balances	Balances as at 1.1.2016	Allocation of prior year profit		Changes January - June 2016							Equity as at 30.6.2016
				Reserves	Dividends and other uses	Changes in reserves	Equity transactions					Comprehensive income	
							New share issues	Repurchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares		
Figures in thousands of euro													
Share capital:	2,254,371	-	2,254,371	-	-	-	-	-	-	-	-	-	2,254,371
a) ordinary shares	2,254,371	-	2,254,371	-	-	-	-	-	-	-	-	-	2,254,371
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	3,798,430	-	3,798,430	-	-	-	-	-	-	-	-	-	3,798,430
Reserves	2,283,488	-	2,283,488	22,841	-	-7,551	-	-	-	-	-	-	2,298,778
a) retained earnings	1,606,029	-	1,606,029	22,841	-	-7,710	-	-	-	-	-	-	1,621,160
b) other	677,459	-	677,459	-	-	159	-	-	-	-	-	-	677,618
Valuation reserves	304,389	-	304,389	-	-	-	-	-	-	-	-	-212,933	91,456
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-5,155	-	-5,155	-	-	7,710	-	-13,171	-	-	-	-	-10,616
Profit for the period	123,423	-	123,423	-22,841	-100,582	-	-	-	-	-	-	52,887	52,887
Equity	8,758,946	-	8,758,946	-	-100,582	159	-	-13,171	-	-	-	-160,046	8,485,306

Statement of changes in equity for the period ended 30th June 2015

	Balances as at 31.12.2014	Restatement of opening balances	Balances as at 1.1.2015	Allocation of prior year profit		Changes January - June 2015							Equity as at 30.6.2015
				Reserves	Dividends and other uses	Changes in reserves	Equity transactions					Comprehensive income	
							New share issues	Repurchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares		
Figures in thousands of euro													
Share capital:	2,254,371	-	2,254,371	-	-	-	-	-	-	-	-	-	2,254,371
a) ordinary shares	2,254,371	-	2,254,371	-	-	-	-	-	-	-	-	-	2,254,371
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	4,716,866	-	4,716,866	-918,437	-	-	-	-	-	-	-	-	3,798,430
Reserves	2,354,285	-	2,354,285	-	-72,021	-26	-	-	-	-	-	-	2,282,238
a) retained earnings	1,678,049	-	1,678,049	-	-72,021	-	-	-	-	-	-	-	1,606,028
b) other	676,236	-	676,236	-	-	-26	-	-	-	-	-	-	676,210
Valuation reserves	164,951	-	164,951	-	-	-	-	-	-	-	-	24,222	189,173
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-5,340	-	-5,340	-	-	-	-	-	-	-	-	-	-5,340
Profit (loss) for the period	-918,437	-	-918,437	918,437	-	-	-	-	-	-	-	177,216	177,216
Equity	8,566,696	-	8,566,696	-	-72,021	-26	-	-	-	-	-	201,438	8,696,088

Statement of Cash flows (indirect method)

	1H 2016	1H 2015
Figures in thousands of euro		
A. OPERATING ACTIVITIES		
1. Ordinary activities	-209.129	-8.493
- profit for the period (+/-)	52.887	177.216
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (+/-)	64.796	-9.069
- gains/losses on hedging activities (-/+)	-541	-6.357
- net impairment losses on loans (+/-)	159.606	60.247
- depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets (+/-)	9.608	10.127
- net provisions for risks and charges and other expense/income (+/-)	-1.341	12.545
- outstanding taxes, duties and tax credits (+/-)	-57.019	-168
- other adjustments (+/-)	-437.125	-253.034
2. Net cash flows from/used by financial assets	979.406	2.198.906
- financial assets held for trading	316.479	91.057
- financial assets designated at fair value	-798	1.488
- available-for-sale financial assets	383.126	1.494.387
- loans and advances to banks	386.866	-971.939
- loans and advances to customers	677.606	1.414.394
- other assets	-783.873	169.519
3. Net cash flows from/used by financial liabilities	-942.006	-2.407.657
- due to banks	2.657.930	-5.838.910
- due to customers	-1.311.373	3.189.236
- debt securities issued	-2.758.552	409.199
- financial liabilities held for trading	63.079	31.733
- other liabilities	406.910	-198.915
Net cash flows from/used in operating activities	-171.729	-217.244
B. INVESTING ACTIVITIES		
1. Cash flows from	231.849	240.552
- disposals of equity investments	-	-
- dividends received on equity investments	231.848	240.547
- disposals of held-to-maturity investments	-	-
- disposals of property, plant and equipment	1	5
- disposals of intangible assets	-	-
2. Cash flows used in	-858	-4.125
- purchases of equity investments	-693	-3.705
- purchases of held-to-maturity investments	-	-
- purchases of property, plant and equipment	-165	-420
- purchases of intangible assets	-	-
- purchases of lines of business	-	-
Net cash flows from/used in investing activities	230.991	236.427
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-	-
- distribution of dividends and other uses	-100.583	-72.021
Net cash flows from/used in financing activities	-100.583	-72.021
NET CASH GENERATED/USED DURING THE PERIOD	-41.321	-52.838

Reconciliation

	1H 2016	1H 2015
Figures in thousands of euro		
Cash and cash equivalents at beginning of period	138.226	160.330
Business combination transactions	-	-
Total liquidity generated/used	-41.321	-52.838
Cash and cash equivalents at the end of the period	96.905	107.492

DE JURE AND DELEGATED POWERS OF THE CORPORATE BODIES

(Consob - Italian securities market authority - recommendation No. 97001574 of 20th February
1997)

- j) it formulates opinions and proposals on the corporate governance and regulatory policies of the Parent Bank and the Group which fall within the exclusive scope of the remit of the Supervisory Board;
- k) it oversees the update of corporate governance rules and principles of conduct which may be adopted by the Parent Bank and its subsidiaries, even with regard to developments on the matter at national and transnational level;
- l) it assesses the adequacy of commitments made on issues of corporate social responsibility;
- m) it supervises matters of sustainability connected with running a company and with the development of interactions with stakeholders.

Remuneration Committee

The Remuneration Committee is composed of the following members of the Supervisory Board:

- Alessandra Del Boca, as the Chairwoman
- Mario Cera
- Patrizia Michela Giangualano

The committee is governed by special regulations – published on the Bank’s website in the Corporate Governance/Supervisory Board section – which determine its responsibilities and its functioning.

The Committee provides advisory, proposal making and fact-finding activities for the Supervisory Board, making use of outside independent consultants and involving the competent corporate functions. In this context, the Committee carries out those duties assigned to it by the provisions of the Supervisory Authority with regard to the remuneration and incentive policies and practices of banks and banking groups.

In detail, the Committee formulates proposals and opinions:

- for decisions that the Supervisory Board will submit for approval to a shareholders meeting;
- for the remuneration of Governing Bodies;
- for setting Remuneration Policies.

The Committee also formulates opinions for the purpose of verifying whether the following are compliant with remuneration and incentive policies approved by the Supervisory Board:

- possible remuneration and/or incentive schemes based on financial instruments;
- the remuneration of subsidiaries.

The Committee has in any event the duty to make proposals for the remuneration of the General Manager and the Senior Deputy General Manager as well as for any specific remuneration paid to them and for the remuneration of additional personnel for which the methods of remuneration and incentivisation are decided by the Supervisory Board in accordance with the provisions of Circular No. 285 as interpreted in UBI Banca Group’s remuneration and incentive policies. It also provides consultation in relation to determining the criteria for the remuneration of all “Key Personnel”.

It informs the Supervisory Board appropriately in its verifications on at least an annual basis concerning the proper implementation of remuneration and incentive policies.

The Committee also:

- collaborates with other internal committees of the Supervisory Board, co-ordinating in particular with the Risk Committee, which is responsible for ensuring that the incentives underlying remuneration and incentive schemes are consistent with the RAF;
- ensures, in accordance with regulations in force, that the competent corporate functions are involved in the process of drawing up and monitoring remuneration and incentive policies and practices;
- gives an opinion, assisted by information received from the competent corporate functions, on the achievement of the performance objectives to which incentive schemes are linked and on the satisfaction of other conditions set for the payout of remuneration;
- periodically assesses the appropriateness, overall consistency and concrete implementation of the general policy pursued for the remuneration of senior managers and “Key Personnel” of the UBI Banca Group;
- directly oversees the remuneration of the managers of corporate supervisory functions in close co-operation with the Supervisory Board;
- sees to the preparation of the documentation to be submitted to the Supervisory Board for taking the relative decisions;
- makes adequate reports on its activities to corporate bodies, including Shareholders’ Meetings;
- gives an advance assessment to the Supervisory Board on any individual agreements regarding employment termination benefits, in the context of criteria set by Shareholders, relating to “Key Personnel”.

The internal control committee

The Internal Control Committee is composed of the following Supervisory Board Members:

- Giovanni Fiori, as the Chairman (*)
- Pierpaolo Camadini
- Patrizia Michela Giangualano
- Lorenzo Renato Guerini (*)
- Sergio Pivato (*)

(*) Enrolled on the Register of External Statutory Auditors.

The activities of the Committee are governed by special regulations – published on the Bank’s website in the Corporate Governance/Supervisory Board section – which determine its responsibilities and functioning.

According to the contents of those, the purpose of the Committee is to support the Supervisory Board with fact-finding, advisory and proposal making functions in those areas overseen by the Board in its capacity as the supervisory body in accordance with regulatory requirements as may be in force from time to time, in order to increase its effectiveness.

The Committee's duties also include supporting the Supervisory Board with its supervisory functions pursuant to Art. 149, paragraphs one and three, of Legislative Decree No. 58 of 24th February 1998, having regard to the internal control system and to the other activities connected with the functions of the Supervisory Body and the following activities in particular:

- it oversees the functioning of the internal control system as a whole and ascertains the effectiveness of the units and functions involved in the system itself and that they are properly co-ordinated, initiating corrective action for shortcomings and irregularities where they are found;
- assessment of the basic elements of the general architecture of the internal control system (powers, responsibilities, resources, information and management of conflicts of interest);
- it oversees the completeness, adequacy, functionality and reliability of the RAF;
- it oversees the process for calculating internal capital (inclusive of the ICAAP process) and the completeness, adequacy, functionality and reliability of internal risk measurement systems for calculating capital requirements and that they comply with regulatory requirements;
- it provides an opinion on the appointment and removal of the heads of the compliance, risk management and internal audit functions and the senior officer responsible for preparing the corporate accounting documents pursuant to article 154 *bis* of Legislative Decree No. 58 of 24th February 1998, by submitting its assessment of the candidates to the Risk Committee;
- it examines periodic reports on the activities carried out by control functions and also the results of the self-assessment of internal Group adequacy in terms of the principles of the Supervisory Review and Evaluation Process (SREP) of the competent supervisory authorities.
- verification of the proper performance of strategic control and management activities by the Parent in relation to Group companies.
- it oversees compliance with laws, regulations and the Articles of Association, the proper performance of management activities and the adequacy of the Bank’s organisational structure and its accounting systems;
- communication to the Bank of Italy of events or facts which might constitute a management irregularity or an infringement of banking regulations pursuant to article 52 of the Consolidated Banking Act. Should the Committee become aware in the course of its activities of circumstances that may be relevant pursuant to article 52 of the Consolidated Banking Act, it shall inform the Supervisory Board and Management Board of the shortcomings and irregularities found, and it shall request corrective action to be taken and monitor its effectiveness over time;
- verification and study of the causes and remedies for management irregularities, performance problems and shortcomings in organisational structures and accounting systems, with particular attention paid to regulations concerning conflicts of interest and infringements of rules governing the provision of investment services;
- assessment of proposals formulated by the independent auditors for their engagement;
- assessment of reports for Shareholders’ Meetings called in accordance with article 2364-*bis* of the Italian Civil Code, and also for any other Shareholders’ Meetings, ordinary or extraordinary, on its supervisory activities carried out, on omissions and on irregularities observed.

Furthermore, the Committee performs its internal control and audit functions in accordance with Art. 19 of Legislative Decree No. 39 of 27th January 2010, specifically including the following:

- the financial reporting process;
- effectiveness of the system of internal control, internal audit and risk management;
- the external statutory audit of separate and consolidated accounts;
- the independence of auditors particularly with respect to the provision of non-audit services.

The Committee supports the Supervisory Board with its duties connected with assessing the adequacy and functionality of the accounting and tax systems, inclusive of IT systems, in order to ensure accurate recording of corporate events and facts.

The members of the Internal Control Committee are also members of the Supervisory Body of UBI Banca pursuant to Legislative Decree No. 231/2001.

The Committee normally performs its duties using the information provided to the Supervisory Board in compliance with the relevant regulations and information provided by corporate internal control units and functions and the results of activities carried out by the Supervisory Body pursuant to Legislative Decree No. 231/2001. In order to acquire constant information on the principal management events, at least one member of the Committee attends meetings of the Management Board and reports to the Committee and through its Chairman to the Supervisory Board on matters of major importance that are dealt with. Furthermore, in order to carry out its activities to support the Supervisory Board in exercising the supervisory duties assigned to it by Circular No. 285 issued by the Bank of Italy, the Committee co-ordinates with the Risk Committee. More specifically, the regulations require that the Committee and the Risk Committee exchange all information of mutual interest and in order to ensure as much co-ordination as possible, a member of the Internal Control Committee attends meetings of the Risk Committee and they also hold joint meetings.

The Committee, by employing the services of the appropriate organisational units of the Bank, can proceed to inspections and controls at any time and exchange information with the control bodies of the companies of the Group with regard to the management and control systems and to corporate activity. In particular, the Committee, when it considers it necessary, asks the Internal Audit Function to perform checks on specific areas. The Committee also activates the Internal Audit Function in response to extraordinary requests for inspections and/or investigations made by the Chief Executive Officer. The Committee reports on the activities and investigations it has carried out, including the tasks assigned to the Internal Audit Function, at meetings of the Supervisory Board. In order to carry out its activities, the committee may also identify and make use of external consultants, at the Bank's expense.

The Chief Risk Officer and the Chief Audit Executive attend the meetings of the Committee on a regular basis.

Risk Committee

The Risk Committee is composed of the following members of the Supervisory Board:

- Paola Giannotti, as the Chairwoman
- Francesca Bazoli
- Patrizia Michela Giangualano
- Gian Luigi Gola
- Lorenzo Renato Guerini

The purpose of the Committee, whose activities are governed by special regulations published on the Bank's website in the Corporate Governance/Supervisory Board section, is to support the Supervisory Board with fact-finding, advisory and proposal-making functions, in those areas overseen by the Board in its capacity as the strategic supervisory body in accordance with regulatory requirements as may be in force from time to time, on the following matters: risk and the internal control system inclusive of determination of the "risk appetite framework" (RAF) and risk management policies, the approval of the proposed separate and consolidated financial reports and the examination of the half-year financial report and the quarterly financial reports.

More specifically the Committee:

- having first consulted with the Internal Control Committee and received advice from the Appointments Committee, makes proposals for the appointment and removal of the heads of the compliance, risk management and internal audit functions and the senior officer responsible for preparing the corporate accounting documents pursuant to Art. 154 *bis* of Legislative Decree No. 58 of 24th February 1998;
- carries out a prior examination of programmes and activities (including an audit plan) and annual reports prepared by corporate control functions for submission to the Supervisory Board;
- submits assessments and opinions to the Supervisory Board on compliance with the standard principles of the internal control system and corporate organisation and with the requirements that must be observed by corporate control functions, bringing any weaknesses there may be to the attention of the Supervisory Board together with the consequent corrective action to be taken. For this purpose it assesses proposals made by the Management Board;
- assists, by means of assessments and opinions, with Group policy-setting for the outsourcing of corporate control functions;
- verifies that corporate control functions comply properly with Supervisory Board recommendations and guidelines and it assists the latter in the preparation of the co-ordination document required by

Circular No. 285, Title IV, Chapter 3;

- assesses the proper use of accounting policies for the preparation of separate and consolidated financial reports and to this end it co-ordinates with the Senior Officer responsible for the preparation of corporate accounting documents and with the Internal Control Committee.

The Committee also performs functions to support the Supervisory Board, with particular reference to duties concerning risk management and control, on the following: i) the setting and approval of strategic guidelines and risk management policies; ii) monitoring the proper implementation of strategies, risk governance policies and the RAF; iii) the assessment of periodic reports; iv) the assessment of internal capital adequacy and liquidity assessment processes; v) the assessment of documents that the Group prepares and submits to the competent authorities relating to changes to validated internal systems; vi) the assessment of the process for the development and validation of internal systems used to measure risks not used for regulatory purposes; vii) the assessment of non-viability risk in the context of the "Recovery plan"; viii) setting policies and defining assessment processes for corporate activities. In this context, amongst other things, the Committee supports the Supervisory Board in ensuring that the strategic plan, the RAF, the "Internal Capital Adequacy Assessment Process" (ICAAP), the "Internal Liquidity Adequacy Assessment Process" (ILAAP), the budget and the internal control system are all compatible with each other.

With regard to the approval of accounting policies and proposed separate and consolidated financial reports and the examination of the half yearly and quarterly financial reports, the Committee supports the Supervisory Board with fact-finding, advisory and proposal making functions in carrying out its duties as defined by the regulations in force from time to time, furnishing an opinion on the relative matters in order to allow the Board itself to make decisions in a knowledgeable and informed manner. The Committee periodically, and normally at least once each quarter, conducts an examination with the Senior officer responsible for preparing the corporate accounting documents, consulting also with the independent auditors, and in particular it examines Group accounting matters and those of individual companies and looks into issues connected with supervisory regulations and the related supervisory reporting process.

Related and Connected Parties Committee

The Related and Connected Parties Committee is composed of the following Members of the Supervisory Board:

- Armando Santus, as the Chairman;
- Letizia Bellini Cavalletti
- Paola Giannotti

The Related and Connected Parties Committee is required to perform the tasks allocated to it:

- (i) by the "Regulations for UBI Banca Spa Related Party Transactions" adopted in implementation of Art. 2391 *bis* of the Italian Civil Code and Consob requirements with respect to related parties adopted with Resolution No. 17221/2010 and subsequent amendments;
- (ii) by the "Regulations for transactions with parties connected to the UBI Group", adopted in implementation of Title V, Chapter 5 of Bank of Italy Circular No. 263 of 27th December 2006 - 9th amendment of 12th December 2011, and subsequent updates, "New regulations for the prudential supervision of banks", containing measures concerning "risk assets and conflicts of interest with connected parties".

The committee's procedures are governed by the regulations mentioned above, available in the Corporate Governance/Supervisory Board section of the Bank's website.

The "Regulations for UBI Banca Spa related-party transactions" govern rules relating to the identification, approval and implementation of related-party transactions performed by *Unione di Banche Italiane Spa*, either directly or through its subsidiaries, in order to ensure their substantive and procedural fairness.

The Supervisory Board oversees compliance of the Regulations with the principles recommended in the Consob Regulation and also observance of the procedural and substantive rules contained in them and it reports in this respect to shareholders in accordance with Art. 153 of Legislative Decree No. 58 of 24th February 1998 (the "Consolidated Finance Act"). To achieve this, the Management Board provides the Supervisory Board, at least every quarter, with a list of all the related-party transactions completed in the preceding quarter, including those not subject to a prior opinion from the Committee in accordance with these regulations.

The "Regulations for operations with parties connected to the UBI Banca Group" govern procedures for maintaining the integrity of decision-making processes in transactions with connected parties performed by *Unione di Banche Italiane Spa*, and by the members (banking or non-banking) of the banking group controlled by it.

The corporate bodies of UBI Banca Group member companies that perform a strategic supervisory function supervise the proper application of the provisions of the regulations by the respective companies on a separate company basis, with the support of the relevant functions. To achieve this, each of these bodies updates, at least every quarter, the list of all the connected-party transactions completed in the preceding quarter, including those not subject to a prior opinion from the Committee in accordance with these regulations.

Also in order to allow the Parent to constantly comply with the consolidated limit on risk assets, the Supervisory Board of UBI Banca oversees compliance of the Regulations with the principles recommended in the Supervisory Provisions and also observance, at consolidated level, of the procedural and substantive rules contained in them and it reports to shareholders in accordance with Art. 153 of the Consolidated Finance Act. To achieve this the corporate bodies that perform a strategic supervisory function for the other UBI Banca Group member companies send the Supervisory Board of the Parent the lists of all the connected-party transactions completed in the preceding quarter, including those not subject to a prior opinion from the Committee in accordance with these regulations, on a quarterly basis.

Management Board

The functions of the Management Board are given in Art. 28 of the Articles of Association, according to which the Management Board is responsible for managing the Bank in compliance with the general guidelines and strategic policies approved by the Supervisory Board, with account taken of the proposals made in relation to this by the Management Board itself. To achieve this, it performs all the operations necessary, useful or in any case advisable to implement the company objects, whether of an ordinary or extraordinary nature.

The Chief Risk Officer is present at meetings of the Management Board in a purely advisory capacity, without prejudice to the provisions of the supervisory regulations.

At least one member of the Internal Control Committee shall attend meetings of the Management Board in compliance with regulations in force.

The **Chair** of the Management Board, who acts as the legally authorised representative and authorised signatory of the Bank, performs the tasks that are typically carried out by the Chair of a company's management body, which are performed by liaising appropriately with the other bodies regulated by the articles of association.

The Chair of the Management Board exercises powers pursuant to article 30 of the Articles of Association.

The powers of the **Chief Executive Officer** are conferred and revoked by the Management Board.

The Management Board, in compliance with the Articles of Association, has conferred the following powers on the Chief Executive Officer:

- to supervise the management of the Bank and the Group;
- to perform strategic co-ordination and operational control of the Bank and the Group;
- to supervise the implementation of the organisational, administrative and accounting structure decided by the Management Board and approved by the Supervisory Board;
- to determine the operating guidelines for the General Management;
- to supervise the integration of the Group;
- to submit proposals to the Management Board for the formulation of the general plans and strategic policies of the Bank and the Group and to draw up the business and/or financial plans and budgets of the Bank and the Group to be submitted for the approval of the Supervisory Board and to supervise implementation through the General Management;
- to propose budgetary policy and policies on the optimisation of the use and enhancement of human resources and to submit financial statements and periodic financial reports to the Management Board for approval;
- to propose appointments to the senior operational and executive management of the Bank and Group member companies to the Management Board, in agreement with the Chairman and Deputy Chairman of the Management Board and after consultation with the General Manager;
- to promote integrated risk management.
- to make extraordinary requests for inspections and/or investigations to the internal control function through the Internal Control Committee.

In accordance with the Articles of Association, the Chief Executive Officer reports quarterly to the Management Board on foreseeable developments and on the most important transactions performed by the Bank and its subsidiaries. The Chief Executive Officer reports monthly to the Management Board on the results of the Bank and the main subsidiaries of the Group as a whole.

Finally, the Management Board, consistent with the organisational and management responsibilities assigned to the Chief Executive Officer, granted him specific operating powers, within set limits.

* * *

As concerns the **General Management**, the Articles of Association provide for the appointment, by the Management Board, of a General Manager and, if nominated, one or more Deputy General Managers, in accordance with the organisation chart established by the Management Board itself, which will determine their powers.

The Management Board can assign senior functions to one of the Deputy General Managers.

In compliance with the provisions of the Articles of Association, the Management Board appointed Victor Massiah as General Manager.

The Management Board appointed the, Elisabetta Stegher, who is the current Chief Financial Officer of the Bank, with the favourable opinion of the Supervisory Board, as the Senior Officer Responsible for the preparation of corporate accounting documents pursuant to Article 154-*bis* of the Consolidated Finance Act.

**Branch
Network of the
UBI Banca
Group**

Articolazione territoriale del Gruppo UBI Banca



www.ubibanca.it

Bergamo

Via Crispi, 4
Via Stoppani, 15

Brescia Via Cefalonia, 74

Milano Corso Europa, 16



www.bpb.it

LOMBARDIA

Provincia di Bergamo

Bergamo

Piazza Vittorio Veneto, 8
Via dei Caniana, 2 (c/o Università)
Via Borgo Palazzo, 51
Via Borgo Santa Caterina, 6
Via Gombito, 6
Via Borgo Palazzo, 135
Via Mattioli, 69
Piazza Risorgimento, 15
Piazza Pontida, 39
Via Corridoni, 56
Via San Bernardino, 96
Piazzale della Repubblica, 4
Via Stezzano, 87 (c/o Kilometrorosso)

Adrara San Martino Via Madaschi, 103

Adrara San Rocco P.zza Papa Giovanni XXIII, 6

Albano Sant' Alessandro Via Cavour, 2

Albino

Via Mazzini, 181
Via Lunga, 1 (Fraz. Fiobbio)

Almè Via Torre d'Oro, 2

Almenno San Bartolomeo Via Falcone, 2

Almenno San Salvatore Via Marconi, 3

Alzano Lombardo Piazza Garibaldi, 3

Arcene Corso Europa, 7

Ardesio Via Locatelli, 8

Azzano San Paolo Piazza IV Novembre, 4

Bagnatica Via Marconi, 6 E

Bariano Via A. Locatelli, 12

Barzana Via San Rocco

Berbenno

Via Stoppani, 102 (Fraz. Ponte Giurino)
Piazza Roma, 2

Boltiere Piazza IV Novembre, 14

Bonate Sopra Piazza Vittorio Emanuele II, 20

Bossico Via Capitan Rodari, 2

Brignano Gera d'Adda Via Mons. Donini, 2

Calcinate Via Cocchino, 8/c

Calcio Via Papa Giovanni XXIII, 153

Calusco d'Adda Via Vittorio Emanuele II, 7

Camerata Cornello Via Orbrembo, 23

Capriate San Gervasio Via Trieste, 46

Caprino Bergamasco Via Roma, 10

Caravaggio Piazza G. Garibaldi, 1

Carvico Via Europa Unità, 3

Casazza Via Nazionale del Tonale, 92

Casirate d'Adda Piazza Papa Giovanni XXIII, 1

Castione della Presolana

Via Donizetti, 2 (Fraz. Bratto - Dorga)
Via A. Manzoni, 20

Cazzano Sant'Andrea Via A. Tacchini, 18

Cenate Sopra Via Giovanni XXIII, 16

Cenate Sotto Via Verdi, 5

Cene Via Vittorio Veneto, 9

Cerete Via Moscheni, 44 (Fraz. Cerete Basso)

Chituduno Via Cesare Battisti, 1

Cisano Bergamasco Via Pascoli, 1

Ciserano

Via Borgo San Marco ang. Via Garibaldi, 7
(Fraz. Zingonia)

Cividate al Piano Via Papa Giovanni XXIII, 3

Clusone Via Verdi, 3

Colere

Via Tortola, 58
Via Papa Giovanni XXIII, 33
(Fraz. Dezzo di Scalve)

Comun Nuovo Via Cesare Battisti, 5

Costa Volpino Via Nazionale, 150

Curno Largo Vittoria, 31

Dalmine

Via Buttarò, 2
P.zza Caduti 6 luglio 1944 (c/o Tenaris Spa)

Dossena Via Carale, 9

Entratico Piazza Aldo Moro, 18

Fontanella Via Cavour, 156

Foresto Sparso Via Tremellini, 63

Gandino Via C. Battisti, 5

Gazzaniga Via Marconi, 14

Gorlago Piazza Gregis, 12

Gorle Piazzetta del Donatore, 5

Grassobbio Viale Europa, 8/b

Grumello del Monte

Via Martiri della Libertà, 10

Lefte Via Mosconi, 1

Lovere Via Tadini, 30

Lovere-Lovere Sidermeccanica Spa

Via Paglia, 45

Madone Via Papa Giovanni XXIII, 44

Mapello Piazza del Dordo, 5

Martinengo Via Pinetti, 20

Monasterolo del Castello Via Monte Grappa, 27

Nembro Piazza della Libertà

Onore Via Sant'Antonio, 98

Orio al Serio Via Aeroporto, 13

Osio Sopra Via XXV Aprile, 29

Osio Sotto Via Cavour, 2

Paladina Via IV Novembre, 13

Palosco Piazza A. Manzoni, 16

Parre Via Duca d'Aosta, 20/a

Piaro Via Mazzini, 1/a

Piazza Brembana Via B. Belotti, 10

Ponte Nossa Via Frua, 24

Ponteranica Via Pontesecco, 32

Ponte San Pietro Piazza SS Pietro e Paolo, 19

Pontida Via Lega Lombarda, 161

Presezzo Via Caperseegno, 28

Ranica Piazza Europa, 2

Riva di Solto Via Porto, 24

Romano di Lombardia Via Tadini, 2

Roncola Via Roma, 10

Rota Imagna Via Calchera, 1

Rovetta Via Tosi, 13

San Giovanni Bianco

Via Martiri di Cantiglio, 19

San Pellegrino Terme Via S. Carlo, 3

Sant'Omobono Terme Viale alle Fonti, 8

Sarnico Piazza Umberto I

Scanzorosciate Via Roma, 27

Schilpario Via Torri, 8

Sedrina Via Roma, 14

Selvino Via Monte Rosa - angolo Via Betulle

Seriate Viale Italia, 24

Songavazzo Via Vittorio Veneto

Sovere Via Roma, 36

Spirano Via Dante, 9/b

Stezzano Via Bergamo, 1

Suisio Via Carabello Poma, 31

Taleggio Via Roma, 837 (Fraz. Olda)

Tavernola Bergamasca Via Roma, 12

Telgate Via Morengi, 17

Torre Boldone Via Carducci, 12

Torre de Roveri Piazza Conte Sforza, 3

Trescore Balneario Via Locatelli, 45

Treviglio Viale Filagno, 11

Ubiale Clanezzo Via Papa Giovanni XXIII, 1

Urgnano Via Matteotti, 157

Val Brembilla Via Libertà, 25

Valbrembo Via J.F.Kennedy, 1B

Verdello Via Castello, 31

Vertova Via S. Rocco, 45

Viadanica Via Pietra, 4

Vigolo Via Roma, 8

Villa d'Adda Via Fossa, 8

Villa d'Almè Via Roma - ang. Via Locatelli, 1

Villongo Via Bellini, 20

Vilminore di Scalve Piazza Giovanni XXIII, 2

Zandobbio Via G. Verdi, 2

Zogno Viale Martiri della Libertà, 1

Provincia di Brescia

Brescia Via Gramsci, 39

Chiari Via Bettolini, 6

Concesio Viale Europa, 183

Darfo Boario Terme Piazza Col. Lorenzini, 6

Desenzano del Garda Viale Andreis, 74

Esine Via Manzoni, 97

Manerbio Via Dante, 5

Orzinuovi Piazza Vittorio Emanuele II, 31/33

Ospitaletto Via Martiri della Libertà, 27

Palazzolo sull'Oglio Piazza Roma, 1

Paratico Via Don G. Moioli, 17

Rezzato Via Europa, 5

San Paolo Via Mazzini, 62

San Zeno Naviglio Via Tito Speri, 1

Provincia di Como

Como

Via Giovio, 4
Via Badone, 48 (Fraz. Camerlata)
Via Gallio - ang. Via Bossi
Via Cattaneo, 3
Viale Giulio Cesare, 26/28

Cantù

Piazza Marconi, 9
Via Enrico Toti, 1/a (Fraz. Vighizzolo)

Casinate con Bernate S.S. dei Giovi, 5

Cermenate Via Matteotti, 28

Erba

Via Leopardi, 7/e
Via Mazzini, 12

Guanzate Via Roma, 24

Lomazzo Via Monte Generoso, 11

Lurago D'Erba Via Manara, 4

Lurate Caccivio Via Varesina, 88

Olgiate Comasco Via Roma, 75

Oltrona San Mamette Piazza Europa, 6

Mariano Comense Corso Brianza, 20

Rovellasca Via Volta, 1

Provincia di Lecco**Lecco**

Corso Matteotti, 3
Via Amendola, 6

Bulciago Via Don Canali, 33/35

Calco Via Italia, 8

Calolziocorte Piazza Vittorio Veneto, 18/a

Carenno Via Roma, 36

Casatenovo Via G. Mameli, 16

Cernusco Lombardone Via Spluga, 43

Costa Masnaga Via Cadorna, 18

Erve Via G. Cabaggio, 42

Merate Via Alessandro Manzoni, 56

Monte Marenzo Piazza Municipale, 5

Olginate Via S. Agnese, 38

Valmadrera Via Fatebenefratelli, 23

Provincia di Milano**Milano**

Via Manzoni, 7
Piazza Cinque Giornate, 1
Via Foppa, 26
Corso Italia, 22

Assago Via del Mulino, 6 (c/o Nestlè Spa)

Cassano d'Adda Via Milano, 14

Cornaredo

Via Tolomeo, 1
(c/o St Microelectronics Spa)

Grezzago Piazza Aldo Moro

Trezzo sull'Adda Via A. Sala, 11

Vaprio d'Adda Piazza Caduti, 2

Provincia di Monza-Brianza**Monza**

Via Borgazzi, 83
Piazza Giuseppe Cambiaghi, 1
Via San Rocco, 44
Via Boito, 70
Via Vittor Pisani, 2
Via Manzoni, 22/30
Via Carlo Rota, 50
Piazza Duomo, 5

Agrate Brianza

Via C. Olivetti, 2 (c/o St Microelectronics Spa)
Via Marco d'Agrate, 61

Arcore Via Casati, 45

Bernareggio Via Prinetti, 43

Biassono Via Libertà, 1

Brugherio Via de Gasperi, 58/62/64

Carate Brianza Via Cusani, 49/51

Carnate Via Don Minzoni

Cesano Maderno

Via Conciliazione, 29 (Fraz. Binzago)

Cornate d'Adda

Via Circonvallazione, 10/12/14
Via Silvio Pellico, 10 (Fraz. Colnago)

Desio Via Matteotti, 10

Giussano Via IV Novembre, 80 (Fraz. Brugazzo)

Limbiate Via dei Mille, 32

Lissone Via San Carlo, 4

Meda Via Indipendenza, 111

Mezzago Via Concordia, 22

Muggiò Via Cavour, 11/15

Nova Milanese Via Brodolini, 1

Seregno

Via S. Vitale, 17
Via Medici da Seregno, 29/31

Sulbiate Via Mattavelli, 2

Vedano al Lambro Largo della Repubblica, 7

Villasanta Via Confalonieri, 1

Vimercate

Via B. Cremagnani, 20/a
Via Garibaldi, 12
Via Energy Park, 14

Provincia di Varese**Varese**

Via Vittorio Veneto, 2
Via Dalmazia, 63
Piazza IV Novembre, 1 (Fraz. Biumo Inferiore)
Via Valle Venosta, 4
(Fraz. Biumo Inferiore - c/o Ascom Varese)
Viale Luigi Borri, 155
Viale Borri, 237 (c/o Bassani Ticino Spa)
Via Pasubio, 2
Via Caracciolo, 24
Via Virgilio, 27
Piazza Battistero, 2
Via S. Sanvito, 55

Angera Via M. Greppi, 33

Azzate Via Vittorio Veneto, 23

Besozzo Via XXV Aprile, 77

Biandronno Piazza Cavour, snc

Bisuschio Via Mazzini, 28

Bodio Lomnago Via Risorgimento, 23

Busto Arsizio

Piazza S. Giovanni, 3/a
Corso Italia, 54
Via Magenta, 64
Viale Alfieri, 26
Viale Cadorna, 4 - Via Cattaneo, 9
Via Foscolo, 10

Cairate

Via Mazzini, 13
Via Genova, 1 (Fraz. Bolladello)

Cantello Via Turconi, 1

Caravate Via XX Settembre, 22

Cardano al Campo

Via Gerolamo da Cardano, 19

Caronno Pertusella Via Roma, 190

Casale Litta Via Roma, 4

Casorate Sempione Via Milano, 17

Cassano Magnago Via Aldo Moro, 6

Castellanza

Piazza Soldini (c/o Libero Istituto
Universitario Carlo Cattaneo)

Castelseprio Via San Giuseppe, 14

Castiglione Olona

Via Papa Celestino, 22
Via Cesare Battisti, 13

Castronno Via Roma, 51

Cavaria con Premezzo

Via Scipione Ronchetti, 1318

Cislago Via IV Novembre, 250

Cittiglio Via Valcuvia, 19

Clivio Via Ermizada, 10

Comerio Via al Lago, 2

Cunardo Via Luinese, 1/a

Cuveglia Via Battaglia di S. Martino, 50

Daverio Via Giovanni XXIII, 1

Fagnano Olona Piazza Cavour, 11

Ferno Piazza Dante Alighieri, 7

Gallarate

Via A. Manzoni, 12

Via Buonarroti, 20

Via Marsala, 34

Via Varese, 7/a (Fraz. Cascinetta)

Via Raffaello Sanzio, 2

Gavirate Piazza della Libertà, 2

Gazzada Schianno Via Roma, 47/b

Gemonio Via Giuseppe Verdi, 24

Gerenzano Via G.P. Clerici, 124

Germignaga Piazza XX Settembre, 51

Gorla Maggiore Via Verdi, 2

Gornate Olona Piazza Parrocchetti, 1

Induno Olona Via Porro, 46

Ispra Via Mazzini, 59

Jerago con Orago Via Matteotti, 6

Laveno Mombello Via Labiena, 53

Laveno Ponte Tresa

Piazza A. Gramsci, 8 (Fraz. Ponte Tresa)

Leggiano Via Bernardoni, 9

Lonate Ceppino Via Don Albertario, 3

Lonate Pozzolo Piazza Mazzini, 2

Lozza Piazza Roma, 1

Luino Via Piero Chiara, 7

Malnate P.zza Repubblica - ang. Via Garibaldi

Maccagno Viale Garibaldi, 13

Marchirolo Strada Statale 233, 27

Marnate Via Diaz, 12 - angolo Via Genova

Mercallo Via Prandoni, 1

Mesenzana Via Provinciale, 11

Mornago Via Cellini, 3 - angolo Via Carugo

Olgiate Olona Via G. Mazzini, 56

Origgio Via Repubblica, 10

Porto Ceresio Via Roma, 2

Porto Valtravaglia Piazza Imbarcadero, 17

Saltrio Via Cavour, 27

Samarate Via N. Locarno, 19
(Fraz. Verghera)

Saronno

Via P. Micca, 10
Via Giuseppe Garibaldi, 5
Piazza Borella, 4

Sesto Calende Via XX Settembre, 35

Solbiate Arno Via A. Agnelli, 7

Somma Lombardo

Corso della Repubblica - ang. Via Rebaglia

Sumirago Via Brioschi, 2

Ternate Piazza Libertà, 14

Tradate

Via XXV Aprile, 1
angolo Corso Ing. Bernacchi
Via Vittorio Veneto, 77
(Fraz. Abbiate Guazzone)

Travedona Monate Via Roma, 1

Uboldo Via R. Sanzio, 46

Varano Borghi Via Vittorio Veneto, 6

Vedano Olona Piazza S. Rocco, 8

Venegono Inferiore Via Mauceri, 16

Venegono Superiore Piazza Monte Grappa, 8

Viggiù Via A. Castagna, 1

LAZIO**Provincia di Roma****Roma**

Via dei Crociferi, 44
Corso Vittorio Emanuele II, 295
Via Gregorio VII, 289
Largo Salinari, 24 - ang. Via B. Croce 82/84
Viale Gorizia, 34
Via di Porta Castello, 32
Via Val Maira, 125/131
Via Tiburtina, 604
Via dell'Aeroporto, 14/16
Via Pietro Boccanelli, 30
(c/o Sviluppo Italia Spa - Campo Elba)
Via Calabria, 46 (c/o Sviluppo Italia Spa)

Via Gattamelata, 109
Via Donna Olimpia, 128
Largo di Vigna Stelluti, 25
Via dello Statuto, 20
Ciampino Via Kennedy, 163
Monterotondo Via Salaria, 204
Pomezia Via dei Castelli Romani, 22
Velletri Via U. Mattoccia, 6

SARDEGNA

Provincia di Cagliari

Cagliari Via Mameli, 120



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LOMBARDIA

Provincia di Brescia

Brescia

Piazza della Loggia, 5
Corso Magenta, 73 - ang. Via Tosio
Via Lecco, 1
Via San Martino, 2 - ang. Corso Zanardelli
Contrada del Carmine, 67
Via Valle Camonica, 6/b
Via Santa Maria Crocifissa di Rosa, 67
Piazzale Spedali Civili, 1
Corso Martiri della Libertà, 13
Via Trieste, 8
Via Vittorio Veneto, 73 - ang. Tofane
Via Bettole, 1 (Fraz. San Polo)
Via Repubblica Argentina, 90
- ang. Via Cremona
Via Masaccio, 29 (Fraz. San Polo)
Via Bissolati, 57
Corso Martiri della Libertà, 45
Via Milano, 21/b
Via Indipendenza, 43
Via Solferino, 30/a
Via Trento, 25/27
Viale Duca d'Aosta, 19
Via Ambaraga, 126
Via Chiusure, 333/a
Via Cefalonia, 76
Via Orzinuovi, 9/11
Via Lamarmora, 230 (c/o A2A)
Via Triumplina, 179/b
Acquafredda Via della Repubblica, 52
Adro Via Roma, 1
Bagnolo Mella Via XXVI Aprile, 69/71
Bagolino Via San Giorgio, 66
Bedizzole Via Trento, 3/5
Borgosatollo Via IV Novembre, 140
Botticino
Via Valverde, 1 (Fraz. Botticino Sera)
Bovegno Via Circonvallazione, 5
Bovezzo Via Dante Alighieri, 8/d
Breno Via Giuseppe Mazzini, 72
Calcinato Via Guglielmo Marconi, 51
Calvisano Via Dante Alighieri, 1
Capriano del Colle Via Morari, 26
Carpenedolo Piazza Martiri della Libertà, 1
Castegnato Piazza Dante Alighieri, 1
Castelcovati Via Alcide De Gasperi, 48
Castel Mella Via Caduti del lavoro, 56/a
Castenedolo Piazza Martiri della Libertà, 4
Castrezzato Piazza Mons. Zammarchi, 1

Cedegolo Via Nazionale, 105
Cellatica Via Padre Cesare Bertulli, 8
Chiari Piazza Giuseppe Zanardelli, 7
Collio Piazza Giuseppe Zanardelli, 32
Comezzano - Cizzago
Via Giuseppe Zanardelli, 31
Concesio
Via Europa, 203
Via Europa, 8 (c/o centro comm. Valtrumpino)
Darfo Boario Terme Via Roma, 2
Dello Piazza Roma, 36
Desenzano del Garda
Via G. Marconi, 18
Via G. Marconi, 97
Via G. Di Vittorio, 17 (Fraz. Rivoltella)
Edolo Via G. Marconi, 36/a
Fiesse Via Antonio Gramsci, 25
Flero Via XXV aprile, 110
Gardone Riviera Via Roma, 8
Gardone Val Trompia Via G. Matteotti, 212
Gargnano Piazza Feltrinelli, 26
Gavardo Via Suor Rivetta, 1
Ghedì Piazza Roma, 1
Gottolengo Piazza XX Settembre, 16
Gussago Via IV Novembre, 112/a
Idro Via Trento, 60
Iseo
Via Dante Alighieri, 10
Via Risorgimento, 51/c (Fraz. Clusane)
Isorella Via A. Zanaboni, 2
Leno Via Dossi, 2
Limone del Garda Via Don Comboni, 24
Lograto Piazza Roma, 11
Lonato Via Guglielmo Marconi
Lumezzane
Via Alcide De Gasperi, 91 (Fraz. Pieve)
Via M. D'Azeglio, 4 (Fraz. S. Sebastiano)
Mairano Piazza Europa, 1
Manerba del Garda Via Vittorio Gassman, 17/19
Manerbio Via XX Settembre, 21
Marone Via Roma, 59
Moniga del Garda Piazza San Martino
Monte Isola Via Peschiera Maraglio, 156
Monticelli Brusati Via IV Novembre, 5/a
Montichiari Via Trieste, 71
Nave Piazza Santa Maria Ausiliatrice, 19
Nuvolento Via Trento, 17
Nuvolera Via Italia, 3/a
Odolo Via Praes, 13/bis
Offlaga Via Giuseppe Mazzini, 2
Orzinuovi Piazza Vittorio Emanuele II, 18
Ospitaletto Via Padana Superiore, 56
Paderno Franciacorta Via Roma, 32
Palazzolo sull'Oglio Via XX Settembre, 22
Passirano Via Libertà, 36
Pavone del Mella Piazza Umberto I, 1
Pisogne Piazza Umberto I, 11
Poncarale Via Fiume, 8/a
Ponte di Legno Corso Milano, 34
Pontevedico Piazza Giuseppe Mazzini, 15
Pralboino Via Martiri Libertà, 52
Prevalle Piazza del Comune, 7
Quinzano d'Oglio Via C. Cavour, 29/31
Remedello Via Roma, 60
Rezzato
Via IV Novembre, 98
Via Zanardelli, 5a/b (Fraz. Virle Treponti)
Rodengo Saiano Via Ponte Cigoli, 12
Roè Volciano Via San Pietro, 119
Roncadelle Via Martiri della Libertà, 119/a
Rovato Corso Bonomelli, 52/54
Sabbio Chiese Via XX Settembre, 83

Sale Marasino Via Roma, 23/ Bis
Salò
Via Pietro da Salò - Loc. Rive
Piazza Vittorio Emanuele II, 20
San Felice del Benaco Viale Italia, 9
San Gervasio Bresciano
Piazza Antica Piazzola, 5
San Paolo Piazza Aldo Moro, 9
Sarezzo
Via Roma, 8
Via G. Carducci, 2 (Fraz. Ponte Zanano)
Seniga Via San Rocco, 15
Sirmione
Via Colombare - ang. Via G. Garibaldi
Piazza Castello, 58
Sulzano Via Cesare Battisti, 85
Tavernole sul Mella Via IV Novembre, 40/42
Tignale Piazzale Francesco d'Assisi
Torbole Casaglia Piazza Caduti, 8
Toscolano Maderno
Via Statale Toscolano, 114/a (Fraz. Toscolano)
Travagliato Piazza Libertà
Verolanuova Piazza Libertà, 1
Vestone Via Perlasca, 5
Villa Carcina Via G. Marconi, 39/c
Visano Via Guglielmo Marconi, 11
Vobarno Via Migliorini - ang. Via San Rocco
Zone Via Monte Guglielmo, 44

Provincia di Bergamo

Bergamo

Via Palma il Vecchio, 113
Via Tremana, 13
Via Camozzi, 101
Albano Sant'Alessandro Via Tonale, 29
Alzano Lombardo Via Roma, 31
Brembate Sopra
Via B. Locatelli ang. Via Sorte
Cologno al Serio Via San Martino, 2
Grumello del Monte Via Roma, 63
Seriate Via Paderno, 25
Trescore Balneario Via Lorenzo Lotto, 6/a
Treviolo Piazza Mons. Benedetti, 10

Provincia di Cremona

Cremona

Viale Po, 33/35
Via Dante, 241
Piazza Stradivari, 19
Via Mantova, 137
Casalmaggiore Via Porzio - ang. Via Nino Bixio
Crema Viale Repubblica, 79
Soncino Via IV Novembre, 25

Provincia di Lodi

Lodi

Via Incoronata, 12
Codogno Via Vittorio Emanuele II, 35
Lodi Vecchio Piazza Vittorio Emanuele, 48
S. Angelo Lodigiano Piazza Libertà, 10

Provincia di Mantova

Mantova

V.le Risorgimento, 33 - ang. Valsesia
Via Madonna dell'orto, 6
Piazza Guglielmo Marconi, 7
Bagnolo San Vito
Via Di Vittorio, 35 (Fraz. San Biagio)
Borgofranco sul Po
Via Martiri della Libertà, 64
Castel Goffredo Via Europa, 27
Castiglione delle Stiviere Via C. Cavour, 36
Marmirolo Via Ferrari, 66/d
Moglia Piazza della Libertà, 19

Ostiglia Via Vittorio Veneto, 14
Poggio Rusco Via Trento e Trieste, 9
Quistello Via G. Marconi, 12
Sermide Via Cesare Battisti, 4
Villa Poma Piazza Mazzali, 7

Provincia di Milano

Milano

Piazza XXIV Maggio, 7
Piazza XXV Aprile, 9
Via Antonio Rosmini, 17
Via Ponchielli, 1
Via Giorgio Washington, 96
Via Monte Rosa, 16
Via Mac Mahon, 19
Via Saffi 5/6 - ang. via Monti
Via Silvio Pellico, 10/12
Piazza Sant'Agostino, 7
Via Feltre, 30/32
Via Giovanni da Procida, 8
Piazza Borromeo, 1
Viale Monza, 139/b
Via Lomellina, 14
Via Lecco, 22
Corso Indipendenza, 5
Via Porpora, 65
Largo Scalabrini, 1
Via Bertolazzi, 20 (Zona Lambrate)

Bresso Via Vittorio Veneto, 57

Cernusco sul Naviglio Via Monza, 15

Cologno Monzese Viale Lombardia, 52

Corsico Via G. Di Vittorio, 10

Legnano C.so Magenta, 127 - ang. Via Beccaria

Melegnano Viale Predabissi, 12

Melzo Via Antonio Gramsci, 23

Novate Milanese Via G. Di Vittorio, 22

Paderno Dugnano Via Erba, 36/38

Paullo Piazza E. Berlinguer, 14

Pioltello Via Roma, 92

Rho Viale Europa, 190

Trezzano Rosa Piazza San Gottardo, 14

Trezzo sull'Adda Via Bazzoni

FRIULI VENEZIA GIULIA

Provincia di Pordenone

Pordenone Via Santa Caterina, 4

Fiume Veneto Via Piave, 1 (Fraz. Bannia)

Provincia di Udine

Udine Via F. di Toppo, 87

Ampezzo Piazzale ai Caduti, 3

Majano Piazza Italia, 26

Paularo Piazza Nascimbeni, 5

Prato Carnico Via Pieria, 91/d

Sutrio Piazza XXII Luglio 1944, 13

Tolmezzo Piazza XX Settembre, 2

LAZIO

Provincia di Latina

Latina Via Isonzo, 3

Provincia di Roma

Roma

Via Ferdinando di Savoia, 8
Via Simone Martini, 5
Piazza Eschilo, 67
Via Bevagna, 58/60
Largo Colli Albani, 28
Via Vittorio Veneto, 108/b - Via Emilia
Via Fabio Massimo, 15/17
Via Crescenzo Conte di Sabina, 23
Via Portuense, 718
Via Fucini, 56

Via Boccea, 211/221
Via Camillo Sabatini, 165
Viale Val Padana, 34
Via Ugo Ojetti, 398
Via Aurelia, 701/709
Via A. Pollio, 50 (c/o c.c. Casalbertone)
Viale Guglielmo Marconi, 3/5
Via dei Due Macelli, 50
Piazza dei Tribuni, 58

Provincia di Viterbo

Viterbo

Corso Italia, 36
Via Saragat - ang. Via Polidori
Via Monte San Valentino

Acquapendente Via del Rivo, 34

Bolsena Via Antonio Gramsci, 28

Bomarzo Piazza B. Buozzi, 5

Canepina Via Giuseppe Mazzini, 61

Capodimonte Via Guglielmo Marconi, 84

Civita Castellana Via della Repubblica

Corchiano Via Roma, 45

Fabrica di Roma Viale degli Eroi

Gradoli Piazza Vittorio Emanuele II, 10

Marta Via Laertina, 35/39

Montalto di Castro

Via Aurelia Tarquinia, 5/7
P.za delle mimose, 13 (Fraz. Pescia Romana)

Montefiascone Piazzale Roma

Monterosi Via Roma, 36

Orte Via Le Piane

Soriano nel Cimino Piazza XX Settembre, 1/2

Tarquinia Piazzale Europa, 4

Tuscania Via Tarquinia

Vetralla

Via Roma, 21/23
Via Cassia Cura, 223

Vignanello Via Vittorio Olivieri, 1/a

Vitorchiano Via Borgo Cavour, 10

VENETO

Provincia di Padova

Padova Via G. Matteotti, 23

Camposampiero Piazza Castello, 43

Ponte San Nicolò Via Padre M. Kolbe, 1/a

Provincia di Venezia

Mestre Piazza XXVII Ottobre, 29

Mira Via Nazionale, 193

Provincia di Verona

Verona

Via Città di Nimes, 6
Via XXIV Maggio, 16
Via Albere, 18
Via Campagnol di Tombetta, 30
Corte Farina, 4
Via Galvani, 7

Bussolengo Via Verona, 43

Caldiero Via Strà, 114-114/a

Grezzana Viale Europa, 13

Monteforte d'Alpone Viale Europa, 30

Negrar Via Strada Nuova, 17 (Fraz. S. Maria)

Peschiera del Garda Via Venezia, 16

Sant'Ambrogio Valpolicella

Via Giacomo Matteotti, 2

Villafranca di Verona Via della Pace, 58

Provincia di Vicenza

Vicenza

Viale San Lazzaro, 179
Via IV Novembre, 60

Bassano del Grappa Viale San Pio X 85

Schio Via Battaglion Val Leogra, 6

Provincia di Treviso

Treviso Piazza Vittoria, 14

Castelfranco Veneto Via Forche, 2

Conegliano Via XI Febbraio, 1

Montebelluna Via Dante Alighieri

TRENTINO ALTO ADIGE

Provincia di Trento

Pieve di Bono Via Roma, 28

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LOMBARDIA

Provincia di Milano

Milano

Via della Moscova, 33
Via Salasco, 31
Via Bocchetto, 13
Via Borgogna, 2/4
Via Buonarroti, 22
Via Boccaccio, 2
Via Canonica, 54
Viale Coni Zugna, 71
Corso Lodi, 111
Piazzale de Agostini, 8
Piazza Firenze, 14
Largo Gelsomini, 12
Via G.B. Grassi, 89
Via Gian Galeazzo - ang. Via Aurispa
Corso Indipendenza, 6
Via La Spezia, 1
Viale Lombardia, 14/16
Corso Magenta, 87 - Porta Vercellina
Viale Marche, 40
Via Padova, 21
Corso di Porta Romana, 57
Via del Torchio, 4
Via Eugenio Pellini, 1 - ang. Via Cagliero
Via Vitruvio, 38 - Via Settembrini
Via Solari, 19
Via Spartaco, 12
Viale Monte Santo, 2
Via F. Faruffini, 40N01
Via Pellegrino Rossi, 26
Via Melchiorre Gioia, 45
Piazzale Susa, 2
Via Biondi, 1
Via Friuli, 16/18
Via C. Menotti, 21 - ang. Via G. Modena
Viale delle Rimembranze di Lambrate, 4
Viale L. Sturzo, 33/34
Via A. Trivulzio, 6/8
Via Palestrina, 12 - ang. Viale A. Doria
Via Bignami, 1 (c/o C.T.O.)
Via Macedonio Melloni, 52 (c/o I.O.P.M.)
Via della Commenda, 12 (c/o Istituti Clinici)
Corso Porta Nuova, 23
(c/o Ospedale Fatebenefratelli)
Via Francesco Sforza, 35
(c/o Osp. Maggiore)
Piazza Ospedale Maggiore, 3 (c/o Niguarda)
Via Pio II, 3 (c/o Ospedale San Carlo)
Via Castelvetro, 32 (c/o Ospedale Buzzi)
Corso Italia, 17

Via Lomellina, 50
Via Pisanello, 2
Corso Lodi, 78
Piazza Gasparrini, 4
Via dei Missaglia - angolo Via Boifava
Via Secchi, 2
Via Meda, angolo Via Brunacci, 13
Corso XXII Marzo, 22
Piazzale Lagosta, 6
Via Padova, 175
Viale Certosa, 138
Via Monte di Pietà, 7
Abbiategrosso Piazza Cavour, 11
Artuno Via Piave, 7
Assago Milanofiori
Palazzo Wtc Viale Milanofiori
Bellinzago Lombardo Via delle 4 Marie, 8
Binasco Largo Bellini, 16
Bollate Via Giacomo Matteotti, 16
Bresso Via Roma, 16
Carugate Via Toscana, 10
Cassina de' Pecchi Via Matteotti, 2/4
Cinisello Balsamo
Via Casati, 19
Via Massimo Gorki, 50 (c/o Ospedale Bassini)
Cologno Monzese
Via Indipendenza, 32 - ang. P.zza Castello
Corbetta Corso Garibaldi, 14
Cornaredo
Piazza Libertà, 62
Via Magenta, 34
Corsico
Via Cavour, 45
Viale Liberazione, 26/28
Garbagnate Milanese
Via Kennedy, 2 (Fraz. S. M. Rossa)
Inveruno Via Magenta, 1
Lainate Via Garzoli, 17
Legnano
Corso Sempione, 221
Corso Sempione - angolo Via Toselli
Via Novara, 8
Piazza Don Sturzo, 13
Magenta Piazza Vittorio Veneto, 11
Melegnano Via Cesare Battisti, 37/a
Melzo Piazza Risorgimento, 2
Novate Milanese Via Amendola, 9
Opera Via Diaz, 2
Paderno Dugnano Via Rotondi, 13/a
Parabiago Via S. Maria, 22
Rho
Corso Europa, 209
Via Meda, 47
Via Pace, 165 (Fraz. Mazzo Milanese)
Rozzano
Viale Lombardia, 17
Piazza Berlinguer, 6 (Fraz. Ponte Sesto)
S. Giuliano Milanese
Via Risorgimento, 3
Via S. Pellico, 9 (Fraz. Sesto Ulteriano)
Segrate Piazza della Chiesa, 4
Senago Piazza Matteotti, 10/a
Sesto San Giovanni Via Casiraghi, 167
Settimo Milanese Piazza della Resistenza, 8
Solaro Via Mazzini, 66
Trezzano Rosa Via Raffaello Sanzio, 13/s
Vittuone Via Villorresi, 67

Provincia di Monza-Brianza
Monza Viale G.B. Stucchi, 110
(c/o Roche Boehring Spa)

Provincia di Pavia

Pavia
Via Montebello della Battaglia, 2
Corso Strada Nuova, 61/c
Via dei Mille, 7
Viale Ludovico il Moro, 51/b
Via Taramelli, 20
Via Pavesi, 2
Corso Alessandro Manzoni, 17
Piazzale Gaffurio, 9
Via San Pietro in Verzolo, 4
Via Ferrara, 1 (c/o Università)
Albuzzano Via Giuseppe Mazzini, 92/94
Belgioioso Via Ugo Dozzio, 15
Broni Piazza Vittorio Veneto, 52
Casteggio Viale Giuseppe Maria Giulietti, 10
Garlasco Corso C. Cavour, 55
Giussago Via Roma, 38
Godiasco
Piazza Mercato, 19
Viale delle Terme, 44 (Fraz. Salice Terme)
Landriano Via Milano, 40
Linarolo Via Felice Cavallotti, 5
Maghero Via G. Leopardi, 2
Marcignago Via Umberto I, 46
Montebello della Battaglia
Piazza Carlo Barbieri "Ciro", 1
Mortara Piazza Silvabella, 33
Pinarolo Po Via Agostino Depretis, 84
Rosasco Via Roma, 4
San Martino Siccomario Via Roma, 23
Sannazzaro de' Burgondi Viale Libertà 3/5
Siziano Via Roma, 22
Stradella Via Trento, 85
Torrevecchia Pia Via Molino, 9
Travacò Siccomario
P.zza Caduti e Combattenti d'Italia, 1
Valle Lomellina Piazza Corte Granda, 4
Varzi Via Pietro Mazza, 52
Vigevano
Via Dante, 39
Via Madonna degli Angeli, 1
Corso Genova, 95
Via de Amicis, 5
Voghera Via Giacomo Matteotti, 33

EMILIA ROMAGNA

Provincia di Bologna

Bologna
Viale della Repubblica, 25/31
Via Murri, 77
Piazza De' Calderini, 6/a
Via Ercolani, 4/e
Via Lombardia, 7/a
San Lazzaro di Savena Via Emilia, 208/210
Zola Predosa Via Risorgimento, 109

Provincia di Ferrara

Cento Via Ferrarese, 3

Provincia di Modena

Modena
Viale Trento e Trieste - ang. Via Emilia Est
Carpi Via Baldassarre Peruzzi, 8/b
Sassuolo Viale Crispi, 24

Provincia di Parma

Parma
Via San Leonardo, 4
Via Emilia est, 17
Via Repubblica, 32
Fidenza Piazza G. Garibaldi, 41
Langhirano Via Roma, 25 - Via Ferrari, 17

Provincia di Piacenza

Piacenza
Via Verdi, 48
Via Manfredi, 7
Via Cristoforo Colombo, 19
Caorso Via Roma, 6/a
Carpaneto Piacentino Via G. Rossi, 42
Gragnano Trebbiense Via Roma, 52
Ponte dell'Olio Via Vittorio Veneto, 75
San Nicolò a Trebbia
Via Emilia Est, 48 (Fraz. Rottofreno)

Provincia di Reggio Emilia

Reggio Emilia
V.le dei Mille, 1A
Via Emilia all'Angelo, 35
Rubiera Viale della Resistenza, 7/a

LAZIO

Provincia di Roma

Roma
Corso Vittorio Emanuele II, 25/27
Via Baldoavinetti, 106/110
Via Boccea 51, a/b/c
Viale dei Colli Portuensi, 298/302
Via F.S. Nitti, 73/75/77
Via Norcia, 1/3
Via Guidubaldo del Monte, 13/15
Viale delle Provincie, 34/46
Via Nizza, 71
Viale Trastevere, 22
Via Sestio Calvino, 57
Via Tiburtina, 544/546 - ang. Via Galla Placidia
Largo Trionfale, 11/12/13/14
Via Cerveteri, 30
Piazza Vescovio, 3 - 3/a - 3/b
- ang. Via Poggio Moiano, 1
Via dei Castani, 133
Via delle Gondole, 90 (Fraz. Ostia)
Via Nomentana, 669/675
Via XX Settembre, 45 - ang. Servio Tullio
Viale dei quattro venti, 83

TOSCANA

Provincia di Firenze

Firenze Piazza Cesare Beccaria, 21

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PIEMONTE

Provincia di Cuneo

Cuneo
Piazza Europa, 1
Via Roma, 13/b
Via della Battaglia, 15
(Fraz. Madonna dell'Olmo)
Corso Antonio Gramsci, 1
Via Savona, 8 - ang. Via Bisalta
Via A. Carle, 2 (Fraz. Confreria)
Via Michele Coppino, 16 (c/o Ospedale)
Alba
Via Teobaldo Calissano, 9
Viale Giovanni Vico, 5
Corso Piave, 74
Via G. Garibaldi, 180 (Fraz. Gallo d'Alba)
Corso Canale, 98/1 (Fraz. Mussotto)
Bagnasco Via Roma, 3

Bagnolo Piemonte

Via Cavalieri di Vittorio Veneto, 12

Barbaresco Via Torino, 16

Barge Viale Giuseppe Mazzini, 1

Barolo Via Roma, 53

Beinette Via Vittorio Veneto, 4

Borgo San Dalmazzo Piazza Liberazione, 8/10

Bossolasco Corso Della Valle, 29

Boves Piazza dell'Olmo, 2

Bra Via Giuseppe Verdi, 10

Brossasco Via Roma, 11/a

Busca Piazza Savoia, 9

Canale Via Roma, 72

Caraglio Piazza Madre Teresa, 8

Carrù P.za V. Veneto, 2 - ang. Via Benevagienna

Castelletto Stura Via Guglielmo Marconi, 6

Castellinaldo Via Roma, 56

Castiglione Tinella Via Circonvallazione, 12

Castino Via XX Settembre, 1

Centallo Piazza Vittorio Emanuele II, 17

Ceva Via Roma, 40

Cherasco Via Vittorio Emanuele II, 34

Chiusa di Pesio Via Roma, 5

Corneliano d'Alba Piazza Cottolengo, 42

Cortemilia Piazza Castello, 1

Costigliole Saluzzo Via Vittorio Veneto, 94

Cravanzana Via XX Settembre, 1

Demonte Via Martiri e Caduti della Libertà, 1

Dogliani Via Divisione Cuneense, 1

Dronero Piazza San Sebastiano, 7

Entracque Via della Resistenza, 5

Farigliano Piazza San Giovanni, 7

Fossano Via Roma, 3

Frabosa Soprana Piazza Guglielmo Marconi, 1

Frabosa Sottana Via IV Novembre, 30

Gareasio Corso Statuto, 15

Genola Via Roma, 32

Govone Piazza Vittorio Emanuele II, 9

Lagnasco Via Roma, 30

La Morra Via Umberto I, 28

Limone Piemonte Via Roma, 62

Magliano Alfieri

Via IV Novembre, 54/a (Fraz. S. Antonio)

Magliano Alpi Via Langhe, 158

Mango Piazza XX Settembre, 6

Monchiero Via Borgonuovo, B/15-1

Mondovì

Piazza G. Mellano, 6

Piazza Maggiore, 8

Piazzale Ellero, 20

Monesiglio Via Roma, 4

Monforte d'Alba Via Giuseppe Garibaldi, 4

Montà Piazza Vittorio Veneto, 31

Monticello d'Alba

Piazza Martiri della Libertà, 2 (Fraz. Borgo)

Moretta Via Torino, 73/bis

Morozzo Via Guglielmo Marconi, 78

Murazzano Via L. Bruno, 6

Murello Via Caduti Murellesi, 39

Narzole Via Pace, 2

Neive Piazza della Libertà, 2

Niella Belbo Piazza Mercato, 12/b

Paesana Via Po, 41

Peveragno Piazza P. Toselli, 1

Piasco Piazza Martiri della Liberazione, 7

Priocca Via Umberto I, 65

Racconigi Piazza Roma, 8

Revello Via Saluzzo, 80

Rocavione Piazza Biagioni, 27

Saliceto Piazza C. Giusta, 1

Saluzzo Via Torino, 38A

Sampeyre Via Vittorio Emanuele II, 22

San Damiano Macra Via Roma, 15

San Michele Mondovì Via Nielli, 15/a

Sanfront Corso Guglielmo Marconi, 14

Santo Stefano Belbo Corso Piave, 82

Savigliano Piazza Schiapparelli, 10

Scarnafigi Piazza Vittorio Emanuele II, 14

Sommariva del Bosco Via Donatori del Sangue, 11/b

Tarantasca Via Carletto Michelis, 3

Valdieri Corso Caduti in Guerra, 13

Valgrana Via Caraglio, 9

Vernante Piazza de l'Ala, 4

Verzuolo Piazza Martiri della Libertà, 13

Vicoforte Via di Gariboggio, 43

Villafalletto Via Vittorio Veneto, 24

Villanova Mondovì Via Roma, 33/a

Vinadio Via Roma, 11

Provincia di Alessandria

Alessandria

Via Dante - ang. Via C. Lamarmora

Via Venezia, 16

(c/o Ospedale Santi Antonio e Biagio)

Acqui Terme Corso Bagni, 54

Arquata Scrivia Via Libarna, 56

Borghetto Borbera Via San Michele, 2

Cabella Ligure Piazza della Vittoria, 7

Casale Monferrato

Viale G. Giolitti, 2 (c/o ASL)

Piazza San Francesco, 10

Casalnoceto Piazza Martiri della Libertà, 10

Castelnuovo Scrivia Via Solferino, 11

Garbagna Via Roma, 21

Isola Sant'Antonio

Piazza del Peso - ang. Via C. Cavour

Monleale Corso Roma, 41/43

Novi Ligure Corso Marengo, 141

Ovada Via Torino, 155

Pontecurone Piazza Giacomo Matteotti, 5

Pozzolo Formigaro Via Roma, 31

Rocchetta Ligure Piazza Regina Margherita

Sale Piazza Giuseppe Garibaldi, 8

Sarezzano Piazza L. Sarzano, 4

Stazzano Via Fossati, 2/a

Tortona

Piazza Duomo, 13

Corso della Repubblica, 2/d

P.zza Felice Cavallotti, 1 (c/o ASL)

Valenza Via Dante, 68

Vignole Borbera Via Alessandro Manzoni, 8

Villalvernia Via Carbone, 69

Villaromagnano Via della Chiesa

Provincia di Asti

Asti C.so Vittorio Alfieri, 137

Canelli Corso Libertà, 68

Nizza Monferrato Piazza G. Garibaldi, 70

Provincia di Biella

Biella Via Nazario Sauro, 2

Cossato Via Lamarmora, 9

Provincia di Novara

Novara Largo Don Luigi Minzoni, 1

Arona Corso Liberazione, 39

Borgomanero Via Garibaldi, 92/94

Oleggio Via Mazzini, 15

Trecale Piazza Dolce, 10

Provincia di Verbania

Verbania Piazza Matteotti, 18 (Fraz. Intra)

Cannobio Via Umberto I, 2

Provincia di Vercelli

Vercelli Piazza Cavour, 23

Borgosesia Via Sesone, 36

Provincia di Torino

Torino

Corso Dante, 57/b

Corso Vittorio Emanuele II, 107

Corso Vercelli, 81/b

Corso Unione Sovietica, 503

Via Madama Cristina, 30 - ang. Lombroso

Corso Orbassano, 236

Via Santa Teresa, 9

Via Alfieri, 17

Corso L. Einaudi, 15/17

Piazza Gran Madre di Dio, 12/a

C.so Inghilterra, 59/g ang. C.so Francia

Via Giolitti, 16

Corso Francia, 262

Bibiana Via C. Cavour, 25

Bricherasio Piazza Castelvecchio, 17

Chieri Piazza Dante, 10

Chivasso Via Po, 5

Collegno Via XXIV Maggio, 1

Ivrea Via Circonvallazione, 7

Moncalieri Strada Villastellone, 2

Nichelino Via Torino, 172

None Via Roma, 23

Pinerolo Via Savoia - ang. Via Trieste

Rivoli Via Rombò, 25/e

Santena Via Cavour, 43

Settimo Torinese Via Petrarca, 9

Villar Perosa Via Nazionale, 39/a

LIGURIA**Provincia di Genova**

Genova

Via C.R. Ceccardi, 13/r

Corso Torino, 61/r

Via Pastorino, 118 (Loc. Bolzaneto)

Via Sestri, 188/190r (Sestri Ponente)

Piazza G. Lerda, 10/r (Loc. Voltri)

Via Cinque Maggio, 101/r (Priaruggia)

Via C. Rolando, 123 (Sampierdarena)

Piazza Leopardi, 6

Borzonasca Via Angelo Grilli, 15

Chiavari Corso Dante Alighieri, 36

Cicagna Via Statale, 8 - angolo Via Dante, 1

Lavagna C.so Buenos Aires, 84 (Fraz. Monleone)

Mezzanego Via Capitan Gandolfo, 138

Rapallo Via A. Diaz, 6

Santo Stefano d'Aveto Via Razzetti, 11

Sestri Levante Via Fascie, 70

Provincia di Imperia

Imperia Viale Giacomo Matteotti, 13

Bordighera

Via Treviso, 1 - ang. Via V. Emanuele II

Sanremo Via Escoffier, 3A

Taggia Via Boselli, 62 (Fraz. Arma)

Ventimiglia Via Ruffini, 8/a

Provincia di La Spezia

La Spezia

Via G. Pascoli, 22

Via Chiodo, 115

Via San Bartolomeo (c/o ASW Research)

Via Fiume, 152

Via del Canaletto, 307

Castelnuovo Magra

Via Aurelia, 129 (Fraz. Molicciara)

Lerici Calata G. Mazzini, 1

Sarzana Via Muccini, 48

Provincia di Savona

Savona Via dei Vegerio 27R

Albenga Piazza Petrarca, 6

Albisola Superiore Corso Giuseppe Mazzini, 189

Andora Piazza Santa Maria, 7

Cairo Montenotte

Corso Marconi, 240 (Fraz. S. Giuseppe)

Loano Via Stella, 34

LOMBARDIA

Provincia di Milano

Milano Via Fabio Filzi, 23

TOSCANA

Provincia di Massa - Carrara

Carrara Via Galileo Galilei, 32

VALLE D'AOSTA

Aosta Via Xavier de Maistre, 8

FRANCIA

Nizza 7, Boulevard Victor Hugo

Mentone Avenue de Verdun, 21

Antibes Avenue Robert Soleau, 15

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MARCHE

Provincia di Ancona

Ancona

Corso Stamira, 14

Viale C. Colombo, 56

Via Brece Bianche, 68/i

Via Umani

Agugliano Contrada Gavone, 2/b (c/o Socopad)

Castelfidardo Via C. Battisti, 5

Chiaravalle Via della Repubblica, 83

Cupramontana Piazza Cavour, 11

Fabriano Piazza Miliani, 16

Falconara Via IV Novembre, 8

Filottrano Via Oberdan, 5

Jesi

Corso Matteotti, 1

Via San Giuseppe, 38

Piazza Ricci, 4

Piazza Vesalio, 5

Via Leone XIII (c/o New Holland Fiat Spa)

Jesi Zipa Via Don Battistoni, 4

Loreto Via Bramante

Maiolati Spontini

Via Risorgimento, 52 (Fraz. Moie)

Montemarciano

Piazza Magellano, 15 (Fraz. Marina)

Monterado Via 8 Marzo, 7 (Fraz. Ponte Rio)

Morro d'Alba Via Morganti, 56

Numana Via Pascoli, 1A

Offagna Via dell'Arengo, 38

Osimo

Piazza del Comune, 4

Via Ticino, 1 (Fraz. Padiglione)

Rosora Via Roma, 132 (Fraz. Angeli)

Santa Maria Nuova

Via Risorgimento, 68 (Fraz. Collina)

Sassoferrato Piazza Bartolo, 17

Senigallia

Via Marchetti, 70

Via R. Sanzio, 288 (Fraz. Cesano)

Serra de' Conti Piazza Leopardi, 2

Provincia di Ascoli Piceno

Ascoli Piceno Viale Indipendenza, 42

Acquasanta Terme Piazza Terme, 6

Castel di Lama Via Salaria, 356

San Benedetto del Tronto

Piazza Matteotti, 6

Piazza Setti Carraro (Fraz. Porto d'Ascoli)

Provincia di Fermo

Fermo

Contrada Campiglione, 20

Via Dante Zeppilli, 56

Falerone

Viale della Resistenza, 168 Y (Fraz. Piane)

Massa Fermana Via Ada Natali, 5

Montegranaro Via Fermana Nord

Monte Urano Via Papa Giovanni XXIII, 37

Petritoli

Contrada S. Antonio, 217 (Fraz. Valmir)

Porto S. Giorgio Via Tasso

Porto Sant'Elpidio Via Mazzini, 115

Sant'Elpidio a Mare Viale Roma, 1

Provincia di Macerata

Macerata

Viale Don Bosco

Corso Cavour, 34

Camerino Piazza Caio Mario, 5

Castelraimondo Piazza della Repubblica, s.n.c.

Civitanova Marche Corso Umberto I, 16

Corridonia Piazzale della Vittoria, 1

Loro Piceno Piazzale G. Leopardi, 8

Matelica Viale Martiri della Libertà, 31

Monte San Giusto Via Verdi, 11

Pollenza Via V. Cento, 6 (Casette Verdini)

Potenza Picena

Piazza Douhet, 23 (Fraz. Porto)

Via Marefoschi, 1

Recanati Via Cesare Battisti, 20

San Ginesio Piazza Gentili, 31

San Severino Marche Viale Europa

Sarnano Piazza della Libertà, 76

Tolentino Piazza dell'Unità

Provincia di Pesaro - Urbino

Pesaro

Piazzale Garibaldi, 22

Via Antonio Fratti, 23

Urbino Viale Comandino

Acqualagna Via Flaminia, 79

Carpegna Via R. Sanzio, 12

Colbordolo Via Nazionale, 143 (Fraz. Morciola)

Fano Via dell'Abbazia, s.n.c.

Fossombrone Piazza Dante, 24

Lunano Corso Roma, 79

Macerata Feltria Via Antini, 22

Montecopiolo

Via Montefeltresca, 37 (Fraz. Villagrande)

Sant'Angelo in Vado Piazza Mar del Plata, 6

Sassofeltrio

Via Risorgimento, 9 (Frazione Fratte)

Urbania Via Roma, 24

ABRUZZO

Provincia di Chieti

Atessa Via Piazzano, 70 (Fraz. Piazzano)

Francavilla al Mare Via della Rinascita, 2

Guardigrele Via Orientale, 17

Lanciano Viale Rimembranze, 16

San Giovanni Teatino

Via Aldo Moro, 8 (Fraz. Sambuceto)

San Salvo Strada Istonia, 13/15

Vasto Via Giulio Cesare, 5

Provincia di Pescara

Pescara

Via Michelangelo, 2

Via Nazionale Adriatica Nord, 126

Viale Marconi, 21

Provincia di Teramo

Teramo Piazza Garibaldi, 143

Alba Adriatica Via Mazzini, 124

Giulianova Via Orsini, 28 (Fraz. Spiaggia)

Roseto degli Abruzzi Via Nazionale, 286

CAMPANIA

Provincia di Avellino

Avellino Via Dante Alighieri, 20/24

Montoro Inferiore Via Nazionale, 161/167

Provincia di Benevento

Benevento Piazza Risorgimento, 11/12

Buonalbergo Viale Resistenza, 3

San Giorgio la Molara Via S. Ignazio, 7/9

Teles Viale Minieri, 143

Provincia di Caserta

Caserta

Via C. Battisti, 42

Via Douhet, 2/a (c/o Scuola Aeron. Milit.)

Alvignano Corso Umberto I, 287

Aversa Via Salvo D'Acquisto

Caiazzo Via Attilio Apulo Caiatino, 23

Piedimonte Matese Via Cesare Battisti

Pietramelara Piazza S. Rocco, 18

Pietravairano Via Padre Cipriani Caruso, s.n.c.

Santa Maria Capua Vetere

Via Pezzella Parco Valentino

Succivo Via De Nicola - angolo Via Tinto

Teano Viale Italia

Vairano Patenora

Via della Libertà, 10 (Fraz. Vairano Scalo)

Vitulazio Via Rimembranze, 37

Provincia di Napoli

Napoli

Corso Amedeo di Savoia, 243

Via Mergellina, 33/34

Via dell'Epomeo, 427/431

Via Cesario Console, 3C

Via Crispi, 2 - ang. Piazza Amedeo

Piazza Vittoria, 7

Galleria Vanvitelli, 42

Via Santa Brigida, 36

Via Santo Strato, 20/d

Piazza Garibaldi, 127

Via Caravaggio, 52

Via Giovanni Manna, 11

Piazza Giovanni Bovio, 6

Afragola Corso Garibaldi, 38

Boscoreale Via Papa Giovanni XXIII, 16

Cardito Piazza S. Croce, 71
Casalnuovo di Napoli
Via Arcora Provinciale, 60
Cercola Via Domenico Ricciardi, 284/286
Forio d'Ischia Corso F. Regine, 24/25
Grumo Nevano Via Cirillo, 78
Ischia Porto Via A. de Luca, 113/115
Melito Via Roma, 33/43
Monte di Procida Corso Garibaldi, 20/22
Nola
Via Mario de Sena, 201
Piazza Giordano Bruno, 26/27
Pozzuoli
Corso Vittorio Emanuele, 60
Via Domiziana
(c/o Accademia Aeronautica)
Qualiano Via S. Maria a Cubito, 146
Quarto Via Campana, 286
San Giuseppe Vesuviano Via Astalonga, 1
Sant'Antimo Via Cardinale Verde, 31
Torre del Greco Corso Vittorio Emanuele, 77/79
Volla Via Rossi, 94/100

EMILIA ROMAGNA

Provincia di Forlì - Cesena

Forlì Viale Vittorio Veneto, 7D/7E
Cesena Via Piave, 27
Cesenatico Viale Roma, 15
Forlimpopoli Viale Giacomo Matteotti, 37

Provincia di Ravenna

Ravenna Piazza Baracca, 22
Cervia Via G. Di Vittorio, 39
Faenza Via Giuliano da Maiano, 34

Provincia di Rimini

Rimini
Via Flaminia, 175
Via Luigi Poletti, 28
Bellaria - Igea Marina Via Uso, 25/c
Cattolica Via Fiume, 37
Novafeltria Piazza Vittorio Emanuele, 1
Riccione Viale Ceccarini, 207
Sant'Agata Feltria
Via Vittorio Emanuele II, 1
Santarcangelo di Romagna Via Braschi, 36

LAZIO

Provincia di Frosinone

Frosinone
Via Maria, 63
Via Armando Fabi, 192 (c/o Aeronautica Mil.)

Provincia di Roma

Roma
Via Nazionale, 256
Viale Buozzi, 78
Via Croce, 10
Via Cipro, 4/a
Via Gasperina, 248
Via L. di Brema, 80
Via Prenestina Polense, 145
(Fraz. Castelverde)
Albano Laziale Via Marconi, 7
Fonte Nuova Via Momentana, 68
Guidonia Montecelio
Via Nazionale Tiburtina, 122 (Fraz. Villalba)
Via Roma, 26
Marcellina Via Regina Elena, 35/c
Marino Piazzale degli Eroi, 4
Palombara Sabina Via Ungheria, 7

San Polo dei Cavalieri Via Roma, 12
Tivoli
Piazza S. Croce, 15
Via di Villa Adriana

MOLISE

Provincia di Campobasso

Campobasso Via Vittorio Veneto, 86
Bojano Corso Amatzio, 86
Larino Via Jovine, 12
Termoli Via Abruzzi

Provincia di Isernia

Isernia Via Dante Alighieri, 25
Venafro Via Campania, 69

UMBRIA

Provincia di Perugia

Perugia
Via Settevalli, 133
Via Deruta (Fraz. San Martino in Campo)
Via P. Soriano, 3
(Fraz. Sant'Andrea delle Fratte)

Bastia Umbra

Via Roma, 25 - angolo Via de Gasperi
Città di Castello Via Buozzi, 22
Deruta Via Tiberina, 184/186
Foligno Viale Arcamone
Giano dell'Umbria

Via Roma, 63 (Fraz. Bastardo)

Magione Via della Palazzetta (loc. Bacanella)

Marsciano Via dei Partigiani, 12

Massa Martana Via Roma, 42

Montecastello di Vibio

Piazza Michelotta di Biorio, 10

Todi

Piazza del Popolo, 27
Via Tiberina, 64
Via Tiberina, 194 (Fraz. Pantalla)

Provincia di Terni

Terni Corso del Popolo, 13
Acquasparta Via Cesare Battisti, 5/d
Avigliano Umbro
Corso Roma - ang. Via S. Maria

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CALABRIA

Provincia di Cosenza

Cosenza
Via Caloprese
Via XXIV Maggio, 45
Corso Mazzini, 117
Via F. Migliori (c/o Ospedale)
Corso Telesio, 1
Acri Via Padula, 95
Amantea Via Elisabetta Noto, 1/3
Aprigliano Via Calvelli, 5
Belvedere Marittimo - Marina Via G. Grossi, 71
Bisignano Via Simone da Bisignano
Cariati Via S. Giovanni, 6
Cassano allo Jonio Corso Garibaldi, 30
Castrovillari Corso Garibaldi, 79/83
Cetraro - Marina Via Lucibello, 10/14
Corigliano Calabro - Scalo
Via Nazionale, 101/103
Crosia Via Nazionale, 74/80 (Fraz. Mirto)

Diamante Via Vittorio Emanuele, 77

Fuscaldo Via Maggiore Vaccari, 14

Lago Via P. Mazzotti, 10/12/14

Lungro Via Skanderberg, 86

Montalto Uffugo

Corso Garibaldi, 25
Via Manzoni, 57 (Fraz. Taverna)

Morano Calabro Via Porto Alegre, 10

Mormanno Via San Biase, 1

Paola Via del Cannone, 34

Praia a Mare Via Telesio, 2

Rende

Via A. Volta, 15 (Fraz. Quattromiglia)
Viale Kennedy, 59/e (Fraz. Roges)

Roggiano Gravina Via Vittorio Emanuele II, 136

Rogliano Via Guarasci, 31

Rossano Via G. Rizzo, 14

Rossano - Scalo Via Nazionale, 9/15

San Demetrio Corone Via D. Alighieri, 10

San Giovanni in Fiore Via Gramsci

Scalea Via M. Bianchi, 2

Spezzano Albanese P.zza della Repubblica, 5/1

Spezzano della Sila

Via del Turismo, 77 (Fraz. Camigliatello Silano)

Torano Castello Strada Provinciale Variante, 4

Trebisacce Via Lutri, 146

Provincia di Catanzaro

Catanzaro

Piazza Indipendenza, 44
Corso Mazzini, 177/179
Via Nazario Sauro, 17 (Fraz. Lido)
Via A. Lombardi - Area Metroquadro

Chiaravalle Centrale Piazza Dante, 8

Girifalco Via Milano

Lamezia Terme Corso Nicotera, 135

Sersale Via A. Greco

Soverato Corso Umberto I, 167/169

Soveria Mannelli Piazza dei Mille, 2

Provincia di Crotone

Crotone Via Mario Nicoletta, 32
Cirò Marina Via Mazzini, 17/19
Cotronei Via Laghi Silani, 40
Petilia Policastro Via Arringa, 178
Strongoli Corso Biagio Miraglia, 115

Provincia di Reggio Calabria

Reggio Calabria

Corso Garibaldi, 144
Viale Calabria, 197/199
Via Argine Destro Annunziata, 81

Bagnara Calabria

Corso Vittorio Emanuele II, 167

Bianco Via Vittoria, 52

Bova Marina Via Maggiore Pugliatti, 2

Cinquefrondi Via Roma, 24

Cittanova Via Roma, 44

Gioia Tauro Via Roma, 52 - ang. Via Duomo

Laureana di Borrello Via IV Novembre, 9

Locri Via Garibaldi, 71

Melito di Porto Salvo Via Papa Giovanni XXIII

Monasterace Marina

Via Nazionale Jonica, 113/114

Palmi Via Roma, 44

Polistena Piazza Bellavista, 1

Rizziconi Via Capitolo, 13

Roccella Jonica Via XXV Aprile, 16

Rosarno Corso Garibaldi, 28

Sant'Eufemia d'Aspromonte

Via Maggiore Cutri, 10/a

Siderno C.so Garibaldi (Fraz. Marina)

Taurianova Piazza Garibaldi, 17

Villa S. Giovanni Viale Italia, 30

Provincia di Vibo Valentia

Vibo Valentia Viale Matteotti 23/25

Pizzo Calabro Via Nazionale

Serra San Bruno Via de Gasperi, 52

Tropea Viale Stazione

BASILICATA**Provincia di Matera****Matera**

Via del Corso, 66

Via Annunziatella, 64/68

Bernalda Corso Umberto, 260

Montalbano Jonico Piazza Vittoria, 3

Pisticci Via M. Pagano, 25

Policoro Via G. Fortunato, 2

Provincia di Potenza**Potenza**

Via Pretoria, 3

Via Angilla Vecchia, 5

Via del Gallitello

Genzano di Lucania

Corso Vittorio Emanuele, 180/184

Lagonegro Via Colombo, 25

Lauria Piazza Plebiscito, 72

Marsicovetere

Via Nazionale, 53 (Fraz. Villa d'Agri)

Melfi Piazza Mancini Abele

Rionero in Vulture Via Galliano

Rotonda Via dei Rotondesi in Argentina, s.n.c.

San Fele Via Costa, 12

Senise Via Amendola, 33/39

Tito Scalo P.zza Nassirya Rione Mancusi, 20

CAMPANIA**Provincia di Salerno****Salerno**

Via S. Margherita, 36

Via G. Cuomo 29

Via Settimio Mobilio, 26

Agropoli Via Risorgimento - ang. Via Bruno

Angri Via Papa Giovanni XXIII, 48

Baronissi Corso Garibaldi, 197

Battipaglia Via Salvator Rosa, 98

Campagna

Via Quadrivio Basso (Fraz. Quadrivio)

Castel San Giorgio Via Guerrasio, 42

Cava dei Tirreni Piazza Duomo, 2

Eboli Via Amendola, 86

Marina di Camerota Via Bolivar, 54

Mercato San Severino

Corso Armando Diaz, 130

Minori Via Vittorio Emanuele, 9

Nocera Inferiore Via Barbarulo, 41

Pontecagnano Piazza Risorgimento, 14

Roccapomonte Piazza Zanardelli, 1

San Cipriano Picentino

Via S. Giovanni, 10 (Fraz. Filetta)

Sant'Egidio del Monte Albino

Via SS. Martiri, 13 (Fraz. San Lorenzo)

Teggiano Via Prov. del Corticato (Fraz. Pantano)

PUGLIA**Provincia di Bari****Bari**

Piazza Umberto I, 85 (Fraz. Carbonara)

Via Napoli, 53/55 (Fraz. Santo Spirito)

Via Bari, 27/c (Fraz. Torre a Mare)

Via Toma, 12

Viale Pio XII, 46-46/a

Viale de Blasio, 18

Via Melo, 151

Corso Mazzini, 138/b

Via Tridente, 40/42

Via Calefati, 112

Piazza Cesare Battisti, 1 (c/o Università)

Acquaviva delle Fonti Piazza Garibaldi, 49/52

Adelfia Via G. Marconi, 11/a

Altamura Via Maggio 1648, 22/b-22/c

Bitonto Piazza della Noce, 14

Capurso Via Torricelli, 23/25

Casamassima Corso Umberto I, 48

Castellana Grotte Piazza della Repubblica, 2

Corato V.le V. Veneto 160/166

- ang. Via Lega Lombarda

Gioia del Colle Corso Garibaldi, 55

Giovinazzo Via G. Gentile, 1

Gravina in Puglia

Corso Vittorio Emanuele, 30/c

Grumo Appula Via G. d'Erasmus, 12

Modugno Piazza Garibaldi, 109

Mola di Bari Piazza degli Eroi, 31

Molfetta Via Tenente Fiorini, 9

Monopoli Via Marsala, 2

Noci Largo Garibaldi, 51

Noicattaro Corso Roma, 8/10/12

Polignano a Mare Piazza Aldo Moro, 1

Putignano Via Tripoli, 98

Rutigliano Piazza XX Settembre, 8

Ruvo di Puglia Via Monsignor Bruni, 14

Sannicandro di Bari Piazza IV Novembre, 15

Santeramo in Colle Via S. Lucia, 78

Terlizzi Via Gorizia, 86/d

Toritto Piazza Aldo Moro, 48

Triggiano Via Carroccio, 5

Turi Via A. Orlandi, 15

Valenzano Via Aldo Moro

Provincia di Barletta-Andria-Trani

Andria Piazza Marconi, 6/10

Barletta Piazza Caduti, 21

Trani Corso Italia, 17/b

Bisceglie Via Aldo Moro, 5

Canosa di Puglia Via Imbriani, 30/34

Margherita di Savoia Corso V. Emanuele, 23

Provincia di Brindisi

Brindisi Corso Roma, 39

Cisternino Via Roma, 57

Erchie Via Grassi, 19

Fasano Via Forcella, 66

Francavilla Fontana Via Roma, 24

Latiano Via Ercole d'Ippolito, 25

Mesagne Via Melissa Bassi, 1

Oria Via Mario Pagano, 151

Ostuni Via L. Tamborrino, 2

San Vito dei Normanni Piazza Vittoria, 13

Torre Santa Susanna Via Roma, 38

Provincia di Foggia**Foggia**

Viale Ofanto, 198/c

Via Salvatore Tugini, 70/74

Cerignola Via Di Vittorio, 83

Ischitella Corso Umberto I, 111/113

Lucera Via IV Novembre, 77

Manfredonia Corso Roma, 22/24

San Giovanni Rotondo Piazza Europa

San Severo Via Carso, 10

Sant'Agata di Puglia Via XXIV Maggio, 119/121

Stornarella Corso Garibaldi, 22

Troia Via Vittorio Emanuele, 1

Vico del Gargano Via S. Filippo Neri, 10

Provincia di Lecce

Lecce Viale Lo Re, 48

Campi Salentina Via Garibaldi, 6/8

Casarano Via F. Bottazzi - ang. Via Alto Adige

Galatina Via Roma, 26

Maglie Piazza O. de Donno

Nardò Via Duca degli Abruzzi, 58

Squinzano Via Nuova, 25

Trepuzzi Corso Umberto I, 114

Tricase Via G. Toma, 30

Veglie Via Parco Rimembranze, 30

Provincia di Taranto**Taranto**

Corso Umberto I, 71

Corso Italia, 202

Castellaneta Piazza Municipio, 7

Fragagnano Via Garibaldi, 14

Ginosa Corso Vittorio Emanuele, 92

Grottaglie Via Matteotti, 72/78

Laterza Piazzale Saragat, 11

Lizzano Via Dante, 78

Manduria Via per Maruggio, 9

Martina Franca Via D'Annunzio, 34

Massafra Corso Italia, 27/29

Palagianello Via Carducci, 11

San Giorgio Jonico Via Cadorna, 11

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LOMBARDIA**Provincia di Brescia****Brescia**

Via Duca degli Abruzzi, 175

Viale Bornata, 2

Angolo Terme Piazza degli Alpini, 4

Artogne Via Geroni, 12

Berzo Demo Via San Zenone, 9

Berzo inferiore Piazza Umberto I, 35/a

Bienno Piazza Liberazione, 2

Borno Piazza Giovanni Paolo II, 13

Breno Piazza della Repubblica, 1/2

Capo di Ponte Viale Stazione, 16

Cazzago S.M. Via del Gallo, 2 (Fraz. Bornato)

Cedegolo Via Roma, 26/28

Ceto Loc. Badetto, 23

Cevo Via Roma, 44

Cividate Camuno Via Cortiglione

Coccaglio Largo Torre Romana, 4

Corte Franca Via Roma, 78

Corteno Golgi Via Roma, 1

Darfo Boario Terme

Via Roma, 12

Viale della Repubblica, 2

Corso Lepetit, 77 (Fraz. Corna)

Edolo Via Porro, 51

Esine Piazza Giuseppe Garibaldi, 4/6

Gianico Via XXV Aprile, 7/9

Malegno Via Lanico, 36

Malonno Via G. Ferraglio, 4

Marone Via Cristini, 49

Niardo Piazza Cappellini, 3
Ome Piazza Aldo Moro, 7
Palazzolo sull'Oglio Via XXV Aprile, 23
Piancogno
Via Vittorio Veneto, 7 (Fraz. Cugno)
Via XI Febbraio, 1 (Fraz. Pianborno)
Pian Camuno Piazza Giuseppe Verdi, 8
Pisogne Via Provinciale, 6 (Fraz. Gratacasolo)
Ponte di Legno Via Cima Cadi, 5/7/9
Provaglio d'Iseo
Via Roma, 12
Via S. Filastro, 18 (Fraz. Provezze)
Rodengo Saiano
Via Guglielmo Marconi, 11/b
Via Moie (c/o Outlet Franciacorta)
Rovato Corso Bonomelli, 13/17
Sonico Via Nazionale (c/o c.c. Italmark)
Temù Via Roma, 71/73
Torbole Casaglia Piazza Repubblica, 25/26
Travagliato Via Brescia, 44
Veza d'Oglio Via Nazionale, 65

Provincia di Bergamo

Ardesio Piazza Alessandro Volta, 8/9
Casazza Piazza della Pieve, 1
Castione della Presolana
P.zza Martiri di Cafalonia, 1
Clusone Viale Gusmini, 47
Costa Volpino Via Cesare Battisti, 34
Lovere Via Gregorini, 43
Rogno Piazza Druso, 1
Sarnico Via Roma, 68
Sovere Via Roma, 20
Villongo Via J. F. Kennedy, 5

Provincia di Como

Dongo Via Statale, 77

Provincia di Sondrio

Sondrio Via Trento, 50 - ang. Via Alessi
Bormio Via Don Peccedi, 11
Chiavenna Via Maloggia, 1
Grosio Via Roma, 1
Livigno Via Botarel, 35
Morbegno Piazza Caduti per la Libertà, 9
Piantedo Via Nazionale, 875
Tirano P.zza Marinoni, 4



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ABRUZZO

L'Aquila Via F. Savini
Pescara Piazza Rinascita, 6/9

CAMPANIA

Napoli Via A. Depretis, 51
Pomigliano d'Arco Via Ercole Cantone, 105
Caserta Corso Trieste, 170
Salerno Via SS. Martiri Salernitani, 25

LIGURIA

Genova Via XX Settembre, 33

LAZIO

Roma
P.zza Giuliano della Rovere, 9-11/a
(Fraz. Lido di Ostia)
Via Vincenzo Bellini, 27

LOMBARDIA

Milano
Via Silvio Pellico, 10/12
Corso Europa, 20
Piazzale Fratelli Zavattari, 12
Cremona Via Rialto, 20
Monza Via Girolamo Borgazzi, 7
PIEMONTE
Torino Corso Re Umberto I, 47

PUGLIA

Bari Via Nicolò dell'Arca, 9-9a

TOSCANA

Firenze Viale G. Matteotti, 42
Arezzo Via XXV Aprile, 28-28/a
Grosseto Via Giacomo Matteotti, 32
Livorno Via Scali d'Azeglio, 46/50
- ang. Via Cadorna
Pisa Via G.B. Niccolini, 8/10

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Monaco Prannerstrasse, 11

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Paseo de la Castellana, 259

UBI Banca calendar of corporate events for 2016

Date	Event
10 th November 2016 ¹	Approval of the interim financial report as at and for the period ended 30 th September 2016 by the Management Board

¹ The date of the approval of the interim financial report as at and for the period ended 30th September 2016 has been put forward with respect to the date given in the corporate calendar published previously.

The presentation of figures to the financial community will be announced in due course.

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