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SUPPLEMENT DATED 26 JANUARY 2017

TO THE BASE PROSPECTUS APPROVED ON 28 JULY 2016 AS

SUPPLEMENTED ON 12 AUGUST 2016

UNIONE DI BANCHE ITALIANE S.P.A.

(*incorporated as a joint stock company in the Republic of Italy*

and registered at the Companies' Registry of Bergamo under registration number 03053920165)

Euro 15,000,000,000 Debt Issuance Programme

This document constitutes a supplement (the "**Supplement**") to the prospectus dated 28 July 2016, as supplemented on 12 August 2016 (the "**Prospectus**"), which constitutes a base prospectus under Article 5.4 of Directive 2003/71/EC, which includes the amendments made by Directive 2010/73/EU (the "**Prospectus Directive**") and is prepared in connection with the Euro 15,000,000,000 Debt Issuance Programme (the "**Programme**") of Unione di Banche Italiane S.p.A. (the "**Issuer**" or "**UBI Banca**").

This Supplement is supplemental to, and shall be read in conjunction with, the Prospectus and any other supplement to the Prospectus prepared by the Issuer under the Programme. Terms defined in the Prospectus have the same meaning when used in this Supplement, unless they have been specifically defined herein.

This Supplement has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

The Issuer accepts responsibility for the information in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Supplement has been produced to update the following sections of the Prospectus: (a) "*Risk Factors*"; (b) "*UBI Banca and the UBI Banca Group*" and (c) "*Taxation*".

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RISK FACTORS

On pages 16-17, the paragraph headed "*Adverse regulatory developments*", is deleted and replaced as follows:

"***Adverse regulatory developments***

The Issuer conducts its businesses subject to ongoing regulatory and associated risks, including the effects of changes in laws, regulations, and policies in Italy and at a European level. The Issuer's business can therefore be affected by regulatory factors connected with domestic Italian and European Union developments in financial and fiscal matters, including the reform of the "banche popolari" (cooperative banks) system in Italy (see further "UBI Banca and the UBI Banca Group – Recent Developments"). The timing and the form of future changes in regulation are unpredictable and beyond the control of the Issuer, and changes made could materially adversely affect the Issuer's business.

*The Issuer is required to hold a licence for its operations and is subject to regulation and supervision by authorities in Italy and in all other jurisdictions in which it operates, and by the ECB. Extensive regulations are already in place and new regulations and guidelines are introduced relatively frequently. The rules applicable to banks and other entities in banking groups are mainly provided by implementation of measures consistent with the regulatory framework set out by the Basel Committee on Banking Supervision (the "**Basel Committee**") and aim at preserving their stability and solidity and limiting their risk exposure (see below "**Basel III and the CRD IV Package**").*

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and the CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation which is expected to apply as of 3 January 2018, subject to certain transitional arrangements and, as further described in "The Issuer is subject to the Bank Recovery and Resolution Directive" below, the Bank Recovery and Resolution Directive (as defined herein). The Basel Committee has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course. In addition, as further detailed below under "Basel III and the CRD IV Package", the European Commission intends to develop the net stable funding ratio with the aim of introducing it from 1 January 2018.

Moreover, the Basel Committee has embarked on a very significant risk weighted assets (RWA) variability agenda. This includes the Fundamental Review of the Trading Book, revised standardised approaches (credit, market, operational risk), constraints to the use of internal models as well as the introduction of a capital floor. The regulator's primary aim is to eliminate unwarranted levels of RWA variance. The new framework is in the process of being finalized. The new framework will have a significant impact on risk modelling. From a credit risk perspective, an impact is expected both on capital held against those exposures assessed via the standardized approach, and those evaluated via an internal ratings based approach (IRB). In addition, significant changes are expected in relation to operational risk modelling, as the Basel Committee is proposing the elimination of the internal models some banks (including UBI Banca) are currently utilising and the introduction of a more standardised approach. Following the finalisation of the Basel framework, the new rules will need to be transposed into European regulation. Implementation of these new rules on risk models is not expected before end of 2018.

In addition, as mentioned below, the European Commission intends to develop the NSFR (as defined below) with the aim of introducing it from 1 January 2018.

*For the sake of completeness, it must be noted that, on 23 November 2016, the European Commission presented a comprehensive package of reforms to further strengthen the resilience of EU banks ("**CRR/CRD IV Review**"). The proposed new package provides for amendments to the following pieces of legislation:*

(i) *the CRD IV Package (as defined below);*

(ii) *the Bank Recovery and Resolution Directive (as defined below);*

(iii) *regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund.*

Moreover, the European Commission, in the context of the proposed new package, is considering to create a new category of senior class instruments that are eligible for MREL purposes. Such instruments will be subject to bail-in and are supposed to rank between senior unsecured liabilities and capital instruments.

In addition, regulators and supervisory authorities are taking an increasingly strict approach to regulations and their enforcement that may not be to the Issuer's benefit. A breach of any regulations by the Issuer could lead to intervention by supervisory authorities and the Issuer could come under investigation and surveillance, and be involved in judicial or administrative proceedings. The Issuer may also become subject to new regulations and guidelines that may require additional investments in systems and people and compliance with which may place additional burdens or restrictions on the Issuer.

Changes in the regulatory framework and in how such regulations are interpreted and/or applied by the supervisory authorities may have a material effect on the Group's business and operations. The manner in which the new framework of banking laws and regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Group."

On pages 17-20, paragraph headed "*Basel III and the CRD IV Package"* is deleted and replaced as follows:

"***Basel III and the CRD IV Package***

*In December 2009, the Basel Committee proposed strengthening the global capital framework, and in December 2010, January 2011 and July 2011, the Basel Committee issued its final guidance on the proposed changes to capital adequacy and liquidity requirements ("**Basel III**"), which envisaged a substantial strengthening of capital rules existing at the time, including by, among other things, raising the quality of the Common Equity Tier 1 Capital base in a harmonised manner (including through changes to the items which give rise to adjustments to that capital base), introducing requirements for Additional Tier 1 and Tier 2 capital instruments to have a mechanism that requires them to be written off or converted into ordinary shares at the point of a bank's non-viability, strengthening the risk coverage of the capital framework, promoting the build up of capital buffers and introducing a new leverage ratio and global minimum liquidity standards for the banking sector.*

*The Basel III framework has been implemented in the EU through new banking requirements: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV Directive**") and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR Regulation**" and together with the CRD IV Directive, the "**CRD IV Package**").*

Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely fully effective by 2019 and some minor transitional provisions provide for phase-in until 2024) but it is possible that in practice implementation under national laws may be delayed. Additionally, it is possible that EU Member States may introduce certain provisions at an earlier date than that set out in the CRD IV Package. National options and discretions that were so far exercised by national competent authorities will be exercised by the SSM (as defined below) in a largely harmonised manner throughout the European banking union. In this respect, on 14 March

2016 the ECB adopted Regulation (EU) 2016/445 on the exercise of options and discretions. Depending on the manner in which these options / discretions were so far exercised by the national competent authorities and on the manner in which the SSM will exercise them in the future, additional / lower capital requirements may result. Moreover, on 10 August 2016, the ECB published an addendum to the ECB Guide on options and discretions available in Union law. The addendum addresses eight options and discretions and complements the existing ECB Guide and Regulation (EU) 2016/445 published on 24 March 2016.

In Italy, the Government approved the Legislative Decree No. 72 of 12 May 2015 implementing the CRD IV Directive. Such legislative decree entered into force on 12 June 2015. This regulation impacts, inter alia, on:

- *proposed acquirers of holdings in credit institutions, requirements for shareholders and Members of the management body (Articles 23 and 91 of the CRD IV Directive);*
- *supervisory measures and powers (Articles 64, 65, 102 and 104 of the CRD IV Directive);*
- *reporting of potential or actual breaches of national provisions (so called whistleblowing, Article 71 of the CRD IV Directive); and*
- *administrative penalties and measures (Article 65 of the CRD IV Directive).*

*The Bank of Italy published the supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 - "**Circular No. 285**") which came into force on 1 January 2014, implementing the CRD IV Package, and setting out additional local prudential rules. Circular No. 285 is subject to continuous updates.*

Starting from 1 January 2015, Italian banks are required to comply with a minimum Common Equity Tier 1 (CET1) Capital ratio of 4.5 per cent., a minimum Tier 1 Capital ratio of 6 per cent., and a minimum Total Capital Ratio of 8 per cent. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- *Capital conservation buffer: set at 2.5 per cent. of risk weighted assets and applies to the Issuer from 1 January 2014 (pursuant to Article 129 of the CRD IV Directive and Title II, Chapter I, Section II of Circular No. 285). In this respect, on 4 October 2016, the Bank of Italy enacted the 18th update to Circular No. 285 in order to align the domestic transitional regime concerning the capital conservation buffer to the provisions set forth in CRD IV. According to such update, banks, both at individual and consolidated level, shall apply a minimum capital conservation buffer equal to: (i) 1.25 per cent. from 1 January 2017 to 31 December 2017, (ii) 1.875 per cent. from 1 January 2018 to 31 December 2018 and (iii) 2.5 per cent. starting from 1 January 2019. Such update entered into force on 1 January 2017;*
- *Counter-cyclical capital buffer: set by the relevant competent authority between 0 per cent. - 2.5 per cent. (but may be set higher than 2.5 per cent. where the competent authority considers that the conditions in the Member State justify this), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national authorities judge credit growth to be excessive (pursuant to Article 130 of the CRD IV Directive and Part I, Title II, Chapter I, Section III of Circular No. 285);*
- *Capital buffers for global systemically important institutions (**G-SIIs**): set as an "additional loss absorbency" buffer ranging from 1.0 per cent. to 3.5 per cent. determined according to specific indicators (size, interconnectedness, substitutability of the services provided, global cross-border activity and complexity), to be phased in from 1 January 2016 (Article 131 of the CRD IV Directive and Part I, Title II, Chapter I, Section IV of Circular No. 285), becoming fully effective on 1 January 2019; and*
- *Capital buffers for other systemically important institutions (**O-SIIs**): up to 2.0 per cent. as set by the relevant competent authority (and must be reviewed at least annually from 1 January 2016), to compensate for the higher risk that such banks represent to the domestic financial system (Article 131 of the CRD IV Directive and Part I, Title II, Chapter I, Section IV of Circular No. 285).*

The Issuer is not currently included in the list of financial institutions of global systemic importance published on 21 November 2016 by the Financial Stability Board. The Bank of Italy has not included the Issuer among the systemically important banks at a domestic level (O-SII) for the year 2017.

In addition to the above listed capital buffers, under Article 133 of the CRD IV Directive each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 Capital for the financial sector or one or more subsets of that sector in order to prevent and mitigate long term non-cyclical systemic or macroprudential risks not covered by the CRD IV Package, in the sense of a risk of disruption in the financial system with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State. At this stage no provision is included on the systemic risk buffer under Article 133 of the CRD IV Directive as the Italian level 1 rules for the implementation of the CRD IV Directive on this point have not been enacted yet.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140 and 141 of the CRD IV Directive and Part I, Title II, Chapter I, Section V of Circular No. 285).

As part of the CRD IV Package transitional arrangements, as implemented by Circular No. 285, regulatory capital recognition of outstanding instruments which qualified as Tier 1 and Tier 2 capital instruments under the framework which the CRD IV Package has replaced EU Directive 2009/111/EC, which was part, together with Directives 2009/27/EC and 2009/83/EC, of the second legislative package aimed at ensuring the financial soundness of banks and investment firms, that no longer meet the minimum criteria under the CRD IV Package will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 31 December 2012, their recognition was capped at 80 per cent. in 2014, with this cap decreasing by 10 per cent. in each subsequent year (see, in particular, Part Two, Chapter 14, Section 2 of Circular No. 285).

*The new liquidity requirements introduced under the CRD IV Package are the Liquidity Coverage Ratio and the Net Stable Funding Ratio (the "**NSFR**"). The Liquidity Coverage Ratio Delegated Regulation (EU) 2015/61 was adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015. The Liquidity Coverage Ratio is subject to a gradual phase-in, beginning at 60 per cent. in 2015 and increasing by 10 per cent. each year in order to reach 100 per cent. in 2019. On the other hand, the CRR/CRD Review include a proposal aimed at establishing a binding detailed NSFR which will require credit institutions and systemic investment firms to finance their long-term activities with stable sources of funding with a view to increasing banks' resilience to funding constraints.*

The CRD IV Package also introduced a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution's assets are in line with its capital. The Leverage Ratio Delegated Regulation (EU) 2015/62 was adopted on 10 October 2014 and was published in the Official Journal of the European Union in January 2015, amending the calculation of the leverage ratio compared to the current text of the CRR Regulation. Institutions have been required to disclose their leverage ratio from 1 January 2015. Full implementation of the leverage ratio as a Pillar 1 measure and European harmonisation, however, is not expected until 1 January 2018 following the European Commission's review in 2016. In this context, it is worth noting that the CRR/CRD Review contains a proposal to implement a binding leverage ratio of 3 per cent. which is designed to prevent institutions from excessively increasing leverage (e.g. to compensate for low profitability).

*The CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports related to liquidity coverage ratio and leverage ratio in order to enhance regulatory harmonisation in Europe through the EBA single supervisory rulebook applicable to EU Member States (the "**EBA Single Supervisory Rule Book**"). Specifically, the CRD IV Package tasks the EBA with advising on appropriate uniform definitions of liquid assets for the Liquidity Coverage Ratio buffer. In addition, the CRD IV Package states that the EBA shall report to the European Commission on the operational requirements for the holdings of liquid assets. The CRD IV Package also tasks the EBA with advising on the impact of the liquidity coverage requirement, on the business and risk profile of institutions established in the European*

Union, on the stability of financial markets, on the economy and on the stability of the supply of bank lending..

Should the Issuer not be able to implement the approach to capital requirements it considers optimal in order to meet the capital requirements imposed by the CRD IV Package, it may be required to maintain levels of capital which could potentially impact its credit ratings, funding conditions and limit the Issuer's growth opportunities.

*In addition, the Issuer notes that it is subject to the Pillar 2 requirements for banks imposed under the CRD IV Package, which will be impacted, on an on-going basis, by the Supervisory Review and Evaluation Process ("**SREP**"). The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. The key purpose of the SREP is to ensure that institutions have adequate arrangements as well as capital and liquidity to ensure sound management and coverage of the risks to which they are or might be exposed, including those revealed by stress testing, as well as risks the institution may pose to the financial system.*"

On pages 20-21, the paragraph headed "ECB Single Supervisory Mechanism" is deleted and replaced as follows:

"***ECB Single Supervisory Mechanism***

*On 15 October 2013, the Council of the European Union adopted Regulation (EU) No. 1024/2013 establishing a single supervisory mechanism (the "**ECB Single Supervisory Mechanism**" or "**SSM**") for all banks in the Banking Union (euro area banks and banks of any EU member state that joins the Banking Union), which have, beginning in November 2014, given the ECB, in conjunction with the national competent authorities of the Eurozone states, direct supervisory responsibility over "significant credit institutions" established in the Banking Union. The SSM framework regulation (Regulation (EU) No. 468/2014 of the ECB) setting out the practical arrangements for the SSM was published in April 2014 and entered into force in May 2014. Banks directly supervised by the ECB include any Eurozone bank that (i) has assets greater than €30 billion or – unless the total value of its assets is below €5 billion – greater than 20% of national gross domestic product;(ii) is one of the three most significant credit institutions established in a Member State; (iii) has requested, or is a recipient of, direct assistance from the European Financial Stability Facility or the European Stability Mechanism; (iv) is considered by the ECB to be of significant relevance where it has established banking subsidiaries in more than one participating Member State and its cross-border assets/liabilities represent a significant part of its total assets/liabilities. Notwithstanding the fulfilment of these criteria, the SSM may declare an institution significant to ensure the consistent application of high-quality supervisory standards.*

The ECB is also exclusively responsible for key tasks concerning the prudential supervision of credit institutions, which includes, inter alia, the power to: (i) authorise and withdraw the authorisation of all credit institutions in the Euro-zone; (ii) assess acquisition and disposal of holdings in other banks; (iii) ensure compliance with all prudential requirements laid down in general EU banking rules; (iv) set, where necessary, higher prudential requirements for certain banks to protect financial stability under the conditions provided by EU law; (v) ensure compliance with robust corporate governance practices and internal capital adequacy assessment controls; and (vi) intervene at the early stages when risks to the viability of a bank exist, in coordination with the relevant resolution authorities. The ECB also has the right to impose pecuniary sanctions.

National competent authorities will continue to be responsible for supervisory matters not conferred on the ECB, such as consumer protection, money laundering, payment services, and branches of third country banks, besides supporting ECB in day-to-day supervision. In order to foster consistency and efficiency of supervisory practices across the Euro-zone, the EBA is developing a single supervisory handbook applicable to EU Member States.

The Issuer is a "significant supervised entity" subject to direct supervision by the ECB for prudential supervisory purposes. Following the Supervisory Review and Evaluation Process (SREP), the ECB has set the following requirements for 2017 that the Group has to comply with on a consolidated basis:

- *a Common Equity Tier 1 ratio of 7.50 per cent.; and*
- *a Total Capital Ratio of 11.0 per cent.*

The ECB could introduce higher prudential requirements including higher requirements on the Group capital buffer, should the ECB consider the Group's capital as inadequate.

The Group is also subject to stress tests carried out by regulators. As a consequence of such tests the Group could be required to increase its capital or to take other appropriate actions to address matters raised in the assessments."

On pages 21-25, the paragraph "*The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of any Notes and/or the rights of Noteholders*" is deleted and replaced as follows:

"***The Issuer is subject to the provisions of the Bank Recovery and Resolution Directive***

*On 2 July 2014, Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") entered into force. It has been applied by Member States from 1 January 2015, except for the general bail-in tool (as defined below) which has been applied from 1 January 2016. The BRRD provides competent authorities with comprehensive arrangements to deal with failing banks at national level, as well as cooperation arrangements to tackle cross-border banking failures. The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of any Notes and/or the rights of Noteholders.*

The BRRD sets out the rules for the resolution of banks and large investment firms in all EU Member States. Banks are required to prepare recovery plans to overcome financial distress. Authorities are also granted a set of powers to intervene in the operations of banks to avoid them failing. If banks do face failure, authorities are equipped with comprehensive powers and tools to restructure them, allocating losses to shareholders and creditors following a specified hierarchy. Resolution authorities have the powers to implement plans to resolve failing banks in a way that preserves their most critical functions and avoids taxpayers having to bail them out.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe and (c) a resolution action is in the public interest: (i) sale of business - which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a bridge institution"(an entity created for this purpose that is wholly or partially in public control); (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power, inter alia, to write down certain claims of unsecured creditors of a failing institution and/or to convert certain unsecured debt claims (including Senior Notes and Subordinated Notes) into shares or other instruments of ownership (i.e. other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other

*instruments of ownership) (the "**general bail-in tool**"). Such shares or other instruments of ownership could also be subject to any future application of the BRRD. Pursuant to the general bail-in-tool, resolution authorities also have the power, inter alia, to amend or alter the maturity and/or the amount or timing of interest payable under certain debt instruments including Senior Notes and Subordinated Notes.*

*A Single Resolution Fund ("**SRF**") was set up under the control of the Single Resolution Board ("**SRB**"). It will ensure the availability of funding support while the bank is resolved. It is funded by contributions from the banking sector. The SRF can only contribute to resolution if at least 8 per cent. of the total liabilities and own funds of the bank have been bailed-in.*

The BRRD requires all Member States to create a national, prefunded resolution fund, reaching a level of at least 1 per cent. of covered deposits within 10 years. The national resolution fund for Italy was created in November 2015 and required both ordinary and extraordinary contributions to be made by Italian banks and investment firms, including the Issuer. In the European banking union, the national resolution funds set up under the BRRD were replaced by the SRF as of 1 January 2016 and those funds will be pooled together gradually. Therefore, as of 2016, the Single Resolution Board, will calculate, in line with a Council implementing act, the annual contributions of all institutions authorised in the Member States participating in the SSM and the SRM (as defined below). The SRF is financed by the European banking sector. The total target size of the Fund will equal at least 1 per cent. of the covered deposits of all banks in Member States participating in the European banking union. The SRF is to be built up over eight years, beginning in 2016, to the target level of €55 billion (the basis being 1 per cent. of the covered deposits in the financial institutions of the European banking union). Once this target level is reached, in principle, the banks will have to contribute only if the resources of the SRF are used up in order to deal with resolutions of other institutions.

Under the BRRD, the target level of the national resolution funds is set at national level and calculated on the basis of deposits covered by deposit guarantee schemes. Under the SRM, the target level of the SRF is European and is the sum of the covered deposits of all institutions established in the participating Member States. This results in significant variations in the contributions by the banks under the SRM as compared to the BRRD. As a consequence of this difference, when contributions will be paid based on a joint target level as of 2016, contributions of banks established in Member States with a lot of covered deposits will sometimes abruptly decrease, while contributions of those banks established in Member States with fewer covered deposits will sometimes abruptly increase. In order to prevent such abrupt changes, the draft proposal of the European Commission for a Council Implementing Act provides for an adjustment mechanism to remedy these distortions during the transitional period by way of a gradual phasing in of the SRM methodology.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools (including the general bail-in tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirements of the EU state aid framework and the BRRD.

*In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to write-down permanently or convert into equity capital instruments such as Subordinated Notes at the point of non-viability and before any other resolution action is taken with losses taken in accordance with the priority of claims under normal insolvency proceedings ("**Non-Viability Loss Absorption**"). Any shares issued to holders of Subordinated Notes upon any such conversion into equity capital instruments may also be subject to any future application of the BRRD.*

For the purposes of the application of any Non-Viability Loss Absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution or, in certain circumstances, its group will no longer be viable unless the relevant capital instruments (such as Subordinated Notes) are written-down or converted or extraordinary public support is to be provided.

In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of certain debt instruments (such as the Senior Notes and Subordinated Notes) issued by an institution under resolution or amend the amount of interest payable under such instruments, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

*The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely, Legislative Decrees No. 180/2015 and 181/2015 (together, the "**BRRD Decrees**"), both of which were published in the Italian Official Gazette (Gazzetta Ufficiale) on 16 November 2015. Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing Banking Law (Legislative Decree No. 385 of 1 September 1993, as amended) and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Decrees entered into force on the date of publication on the Italian Official Gazette (i.e. 16 November 2015), save that: (i) the general bail-in tool applied from 1 January 2016; and (ii) a "depositor preference" granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will apply from 1 January 2019.*

It is important to note that, pursuant to article 49 of Legislative Decree No. 180/2015, resolution authorities may not exercise the write down/conversion powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments) that exceeds the value of the assets, pledge, lien or collateral against which it is secured.

In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the general bail-in tool and (ii) the BRRD provides, at Article 44(3), that the resolution authority may, in specified exceptional circumstances, partially or fully exclude certain further liabilities from the application of the general bail-in tool, the BRRD specifically contemplates that pari passu ranking liabilities may be treated unequally. Accordingly, holders of Senior Notes and Subordinated Notes of a Series may be subject to write-down or conversion upon an application of the general bail-in tool while other Series of Senior Notes or, as appropriate, Subordinated Notes (or, in each case, other pari passu ranking liabilities) are partially or fully excluded from such application of the general bail-in tool. Further, although the BRRD provides a safeguard in respect of shareholders and creditors upon application of resolution tools, Article 75 of the BRRD sets out that such protection is limited to the incurrence by shareholders or, as appropriate, creditors, of greater losses as a result of the application of the relevant tool than they would have incurred in a winding up under normal insolvency proceedings. It is therefore possible not only that the claims of other holders of junior or pari passu liabilities may have been excluded from the application of the general bail-in tool and therefore the holders of such claims receive a treatment which is more favourable than that received by holders of Senior Notes or Subordinated Notes, but also that the safeguard referred to above does not apply to ensure equal (or better) treatment compared to the holders of such fully or partially excluded claims because the safeguard is not intended to address such possible unequal treatment but rather to ensure that shareholders or creditors do not incur greater losses in a bail-in (or other application of a resolution tool) than they would have received in a winding up under normal insolvency proceedings. It should be noted also that certain categories of liability are subject to the mandatory exclusions from bail-in foreseen in Article 44(2) of the BRRD. For instance, most forms of liability for taxes, social security contributions or to employees benefit from privilege under Italian law and as such are preferred to ordinary senior unsecured creditors in the context of liquidation proceedings.

*On 1 June 2016, the Commission Delegated Regulation (EU) 2016/860 of 4 February 2016 ("**Delegated Regulation (EU) 2016/860**") specifying further the circumstances where exclusion from the application of write-down or conversion powers is necessary under Article 44(3) of BRRD was published on the Official Journal of the European Union. In particular this regulation lays down rules specifying further the exceptional circumstances provided for in Article 44(3) of BRRD, where the resolution authority may exclude, or partially exclude, certain liabilities from the application of the write down or conversion powers where the bail-in tool is applied. The Delegated Regulation (EU) 2016/860 entered into force on 21 June 2016.*

*Also, in respect of Senior Notes, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU (the "***Deposit Guarantee Schemes Directive***") have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors, such as holders of Senior Notes. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to liquidation proceedings (and therefore the hierarchy which will apply in order to assess claims pursuant to the safeguard provided for in Article 75 of the BRRD as described above), by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs (which benefit from the super-priority required under Article 108 of the BRRD) will benefit from priority over senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which under the national insolvency regime currently in force in Italy rank pari passu with Senior Notes, will rank higher than Senior Notes in normal insolvency proceedings and therefore that, on application of the general bail-in tool, such creditors will be written-down or converted into equity capital instruments only after Senior Notes. Therefore the safeguard set out in Article 75 of the BRRD (referred to above) would not provide any protection against this result since, as noted above, Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.*

Legislative Decree No. 181/2015 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under Italian insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary. Since each holder of Subordinated Notes and, in circumstances where the waiver is selected as applicable in the relevant Final Terms, the holders of the Senior Notes will have expressly waived any rights of set-off, counterclaim, abatement or other similar remedy which they might otherwise have, under the laws of any jurisdiction, in respect of such Senior Notes or Subordinated Notes, it is clear that the statutory right of set-off available under Italian insolvency laws will likewise not apply.

As the BRRD has only recently been implemented in Italy and other Member States, there is material uncertainty as to the effects of any application of it in practice.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of Senior Notes and Subordinated Notes may be subject to write-down or conversion into equity capital instruments on any application of the general bail-in tool and, in the case of Subordinated Notes, Non-Viability Loss Absorption, which may result in such holders losing some or all of their investment. The exercise of these, or any other power under the BRRD or any suggestion or perceived suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

The legislative decree intended to implement the revised Deposit Guarantee Schemes Directive in Italy – namely, Legislative Decree no. 30 of 15 February 2016 – has been published in the Italian Official Gazette No. 56 of 8 March 2016. The Decree came into force on 9 March 2016, except for Article 1 comma 3, let. A), which will come into force on 1 July 2018. Amongst other things, the Decree amends Consolidated Banking Act and: (i) establishes that the maximum amount of reimbursement to depositors is EUR 100,000 (this level of coverage has been harmonised by the Directive and is applicable to all deposit guarantee schemes); (ii) lays down the minimum financial budget that national guarantee schemes should have; (iii) details intervention methods of the national deposit guarantee scheme; and (iv) harmonises the methods of reimbursement to depositors in case of insolvency of a credit institution.

The BRRD also requires institutions to meet at all time robust minimum requirements of own funds and liabilities eligible for bail-in expressed as a percentage of the total liabilities and own funds of the institution *(i.e. "Minimum Requirement for Own Funds and Eligible Liabilities"* ***MREL****)*. This MREL requirement should ensure that shareholders and creditors bear losses regardless of which resolution tool is applied. *The resolution authority of an institution, after consultation with the relevant competent authority, will set the MREL for the institution based on the criteria to be identified by the EBA in its regulatory technical standards. In particular, the resolution authority may determine that a part of the MREL is to be met through "contractual bail-in instruments". The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not being part of the Banking Union) or to the Single Resolution Board (the "****SRB****") for banks being part of the Banking Union. Differently to the current discussions on the Total Loss Absorbing Capacity ("****TLAC****"), MREL includes senior unsecured debt without ex-ante limitations. On 3 July 2015, the European Banking Authority ("****EBA****") has adopted and submitted to the European Commission its Regulatory Technical Standards (the "****RTS****") which shall further define the way in which resolution authorities or the SRB shall calculate MREL.*

On 23 May 2016, the European Commission published a delegated regulation on MREL according to Article 45, par. 18 of the BRRD, which entered into force on 23 September 2016.

As from 1 January 2016, the resolution authority for the Issuer is the SRB and the Issuer will be subject to the authority of the SRB for the purposes of determination of its MREL requirement."

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UBI BANCA AND THE UBI BANCA GROUP

On page 90, the paragraph headed "*The Issuer's share capital*" is deleted and replaced as follows:

"***The Issuer's share capital***

As at 30 November 2016, the issued share capital of the Issuer amounted to Euro 2,440,750,987.50 consisting of 976,300,395 ordinary shares with no nominal value."

On page 93, at the end of the paragraph headed "*Recent developments*", the following new paragraphs are added:

"***Merger of Banca Regionale Europea and Banca Popolare Commercio e Industria***

*On 14 October 2016, the extraordinary shareholders' meeting of UBI Banca approved the merger by incorporation in UBI Banca (the "**Merger**") of the following Network Banks: Banca Regionale Europea ("**BRE**"), Banca Popolare Commercio e Industria ("**BPCI**"), Banca Carime ("**CARIME**"), Banca Popolare di Ancona ("**BPA**"), Banca Popolare di Bergamo ("**BPB**"), Banco di Brescia ("**BBS**") and Banca di Valle Camonica ("**BVC**"). The Merger has also been approved by the competent bodies of the Networks Banks.*

On 15 November 2016, UBI Banca executed two merger deeds relating respectively to the merger by incorporation of BPCI and BRE into UBI Banca. As provided by such merger deeds, the mergers of BRE and BPCI became effective for legal purposes from 21 November 2016 and from 1 January 2016 for accounting and tax purposes.

The Merger of all other Network Banks is expected to be fully completed by the end of February 2017.

Moody's reviews UBI Banca's ratings

On 17 November 2016, the rating agency Moody's announced that it had changed the ratings assigned to UBI Banca. The main changes made are as follows:

Baseline Credit Assessment: to "ba2" from "ba1"

Long-term Bank Deposits: to "Baa2" from "Baa1"

Long-term Senior Debt Rating: to "Baa3" from "Baa2"

Subordinated debt: to "Ba3" from "Ba2"

Commercial Paper Programme: to "Prime-3" from "Prime-2"

Long-term Counterparty Risk Assessment: to "Baa2(cr)" from "Baa1(cr)"

The outlook on Long-Term Bank Deposits and Long-Term Senior Debt ratings remained stable.

The rating on short-term deposits and the Short-Term Counterparty Risk Assessment, on the other hand, were affirmed at "Prime-2" and "Prime-2(cr)" respectively.

While acknowledging the steps taken by management to improve the bank's position - as part of its

multi-year Business Plan - and the Bank's 2016 third quarter results, the revision reflects the fact that, in the current context of a weak Italian economy, some of the bank's fundamentals, notably its capital and profitability, have become, in comparison with its reference peers (which include international banks), no longer compatible with a Baseline Credit Assessment of "ba1".

Purchase of Nuova Banca delle Marche, Nuova Banca dell'Etruria e del Lazio and Nuova Cassa di Risparmio di Chieti

*Following the binding offer presented on 11 January 2017 by UBI Banca to the National Resolution Fund, as seller of the Nuova Banca delle Marche, Nuova Banca dell'Etruria e del Lazio and Nuova Cassa di Risparmio di Chieti ("**Target Bridge Institutions**"), on 18 January 2017 the contract for the acquisition of 100% of the share capital of that Target Bridge Institutions was signed. The closing of the transaction is indicatively expected in the first of half of 2017, once the necessary conditions have been satisfied and the required authorisations obtained."*

On pages 94-97, the paragraph headed "*Supervisory Board*" is deleted and replaced as follows:

"***Supervisory Board***

According to Article 36 of UBI Banca's Articles of Association, the Supervisory Board is composed of 15 members with a three-year term of office. All its members must possess the qualities of integrity, professionalism and independence required by the legislation currently in force and at least three of them must be chosen from among persons enrolled in the Registro dei Revisori Legali (register of auditors) who have practised as legal certifiers of accounts for a period of not less than three years.

Furthermore, the Articles of Association require strengthened professional standards in respect to those envisaged by current regulations and an age limit for the assumption of office. The members of the Supervisory Board cannot be appointed as members of the Management Board as long as they continue to hold that office.

Persons who have occupied the position of Chairman or Senior Deputy Chairman for three preceding terms of office may not be appointed to the relative position.

The current Supervisory Board of UBI Banca is composed as follows:

Name	***Position***	***Principal activities performed outside the UBI Banca Group***
Andrea Moltrasio	*Chairman*	*Chair of the Board of Directors of Clinica Castelli S.p.A.* *Chair of the Board of Directors of ICRO Didonè S.p.A.* *Member of the Board of Icro Coating S.p.A.* *Member of the Board of Associazione Bancaria Italiana* *Member of the Board of Fondazione Banca Popolare di Bergamo Onlus* *Member of the Board of Associazione BergamoScienza*
Mario Cera	*Senior Deputy Chairman*	*N/A*

Pietro Gussalli Beretta	*Deputy Chairman*	*Chairman and CEO of Beretta Holding S.p.A.* *Deputy Chairman and CEO of Fabbrica d'Armi Pietro Beretta S.p.A.* *Deputy Chairman and CEO of Benelli Armi S.p.A.* *Deputy Chairman of Beretta U.S.A. Corp.* *Chairman of Benelli U.S.A. Corp.* *CEO of Arce Gestioni S.p.A.* *Member of the Board of Lucchini RS S.p.A.*
Armando Santus	*Deputy Chairman*	*N/A*
Francesca Bazoli	*Board Member*	*Member of the Board of Editoriale Bresciana S.p.A.* *Chair of the Board of Alba S.p.A. (*)*
Letizia Bellini Cavalletti	*Board Member*	*N/A*
Pierpaolo Camadini	*Board Member*	*Member of the Board of Editoriale Bresciana S.p.A.* *Member of the Board of Finanziaria di Valle Camonica S.p.A.* *Member of the Board of ANSA – Agenzia Nazionale Stampa Associata Soc. Coop.* *Member of the Board of Gold Line S.p.A.*
Alessandra Del Boca	*Board Member*	*N/A*
Giovanni Fiori	*Board Member*	*Special Commissioner of Alitalia LAI S.p.A, Alitalia Servizi S.p.A, Alitalia Express S.p.A, Alitalia Airport S.p.A e Volare S.p.A.* *Special Commissioner of Ilva Pali Dalmine S.p.A.(in special administration), Ilva Pali Dalmine design Community srl e Sidercomit Centro Meridionale S.r.l.* *Special Commissioner of La Scala S.p.A.(in*

		special administration) *Special Commissioner in Selfin S.p.A, Met Sogeda S.p.A and Met.Fin Sas (in special administration)* *President of the supervisory board of Gamenet S.p.A.* *President of the supervisory board of Italconsult S.p.A.* *Chairman of the Board of Auditors of Fondazione Telecom Italia* *Member of the Board of Auditors SIAE* *Member of the Board of Auditors Fondazione Ericsson*
Michela Patrizia Giangualano	*Board Member*	*N/A*
Paola Giannotti	*Board Member*	*N/A*
Gian Luigi Gola[1]	*Board Member*	*Chairman of the Board of Auditors of Aferpi S.p.A.* *Chairman of the Board of Auditors of Piombino Logistics S.p.A.* *Auditor 2I RETE GAS S.p.A.* *Auditor Sigit S.p.A.* *Auditor 2B Energia S.p.A.* *Chairman of the Supervisory Committee of IAL CISL Piemonte (in special administration)*

[1] *On 22 December 2016 Prof. Gian Luigi Gola resigned from his charge as Member of the Supervisory Board. The new Member of the Supervisory Board will be appointed by the Shareholders' Meeting*

Lorenzo Renato Guerini	*Board Member*	*Deputy Chairman of the Board of Directors of Italcementi Fabbriche Riunite Cemento S.p.A. Bergamo* *Chairman of the Board of Directors of 035 Investimenti S.p.A.* *Chairman of the Board of Directors of Quenza S.r.l.* *Member of the Board of S.a.c.b.o. S.p.A.*
Giuseppe Lucchini	*Board Member*	*Chairman of the Board of Directors Lucchini RS S.p.A* *Chairman of the Board of Directors Sinpar S.p.A.* *Chairman of the Board of Directors of Fondazione Lucchini* *Chairman of the Board of Directors of Gilpar S.p.A.* *Deputy Chairman of the Board of Directors of Lucchini Mamè Forge* *Member of the Presidential Council and General Council of AIB (Associazione Industriale Bresciana)* *Member of the Board of Beretta Holding S.r.l.* *Member of the Board of Fondazione Collegio Universitario di Brescia*
Sergio Pivato	*Board Member*	*Member of the Board of Statutory Auditors Freni Brembo S.p.A.* *Chairman of the Board of Statutory Auditors SMA S.p.A.* *Member of the Board of Statutory Auditors*

		Auchan S.p.A.

The business address of the Supervisory Board is the Issuer's registered office at Piazza Vittorio Veneto 8, 24122 Bergamo.

The present Supervisory Board has been appointed for a term of office expiring at the shareholders' meeting convened to approve the annual financial statements of UBI Banca as at and for the year ending 31 December 2018.

The Supervisory Board establishes from among its members the four committees provided for under Article 41 of UBI Banca's Articles of Association:

- *the Appointments Committee, with the responsibility for selecting and proposing appointments to the Supervisory Board;*
- *the Remuneration Committee, with responsibility for proposing and consulting on remuneration in accordance with applicable law and the Articles of Association;*
- *the Internal Audit Committee, with responsibility for proposing, consulting and enquiring on matters attributed to the Supervisory Board regarding internal controls, risk management and the ICT and accounting system; and*
- *the Risk Committee, for the purpose of supporting the Supervisory Board by performing assessments, furnishing advice and submitting proposals in those areas overseen by the Supervisory Board in its capacity as the strategic supervisory body in accordance with regulatory requirements as may be in force from time to time.*

The Supervisory Board also sets up an internal Related Parties and Related Subjects Committee, made up of three members, who are required to perform the functions assigned to the same by (i) the "Regulations for the discipline of UBI Banca S.p.A. related-party transactions", in compliance with the provisions envisaged by CONSOB Regulation concerning related parties adopted by means of Resolution No. 17221/2010 and (ii) Bank of Italy provisions relating to activities bearing risks and conflicts of interest towards related subjects ("attività di rischio e conflitti di interessi verso soggetti collegati")."

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TAXATION

On page 102, under the section headed "*Italian Resident Noteholders*", the following sentence is added after the first paragraph:

"*Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the imposta sostitutiva, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the "**Finance Act 2017**")."*

On page 104, under the section headed "*Tax treatment of Notes qualifying as atypical securities (titoli atipici)*" the following sentence is added after the third paragraph:

"Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the 26 withholding tax, on interest, premium and other income relating to the Notes qualifying as atypical securities if such Notes are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017."

On page 106, under the section headed "*Capital gains tax*" the following sentence is added after the third paragraph:

"Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity may be exempt from Italian capital gain taxes, including the imposta sostitutiva, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017."

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The language of this Supplement is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them.

Copies of the Prospectus and this Supplement may be obtained from the registered office of the Issuer and on the Issuer's website (*http://www.ubibanca.it*). The contents of the Issuer's website do not form part of this Supplement.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus since the publication of the Prospectus.