Pillar 3 Disclosures

as at 30th June 2016

Translation from the Italian original which remains the definitive version

UBI Banca
UNIONE DI BANCHE ITALIANE

Joint Stock Company
Registered office: Bergamo, Piazza Vittorio Veneto 8
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 31st December 2015: €2,254,371,430 fully paid up

www.ubibanca.it

Contents

Introduction

Pillar 3 regulations require compulsory disclosures on capital adequacy, exposure to risks and the general characteristics of systems designed to identify, measure and manage these risks.

Where internal systems are used to calculate capital requirements for credit and operational risks, disclosure of this information constitutes a necessary condition for recognition of these approaches for regulatory purposes.

From 1st January 2014, Pillar 3 Disclosures are regulated by Part Eight and Part Ten (Title I, Chapter 3) of Regulation EU 575/2013 (the "CRR") and by regulatory and implementation provisions issued by the European Commission with regulations for the following:

- standard templates for the public disclosure of information on own funds;

- standard templates for the public disclosure of information on own funds in the period running from 1st January 2014 to 31st December 2021;

- disclosure obligations concerning reserves in equity;

- standard templates for the disclosure of information on indicators of systemic importance;

- disclosures concerning balance sheet assets free from encumbrances;

- standard templates for the disclosure of information on leverage ratios.

The regulation does not require special tables for the other information subject to disclosure in which information that banks must publish is classified.

The CRR also requires intermediaries to disclose information on at least an annual basis jointly with financial statements and to assess the need to publish some of or all the information requested more frequently, in the light of the more important characteristics of their activities. Following on from past practice, the UBI Group intends to make Pillar 3 Disclosures on at least a quarterly basis, providing an update of the information considered most important.

More specifically, this document, which reports the position of the Group as at 30th June 2016, provides an update of quantitative information relating to the following: own funds, capital adequacy, credit and counterparty risk, exposures in capital instruments and interest rate risk. Disclosures are also given of the leverage ratio, both phase-in and fully loaded.

The document Pillar 3 disclosures as at 31st December 2015 may be consulted for information not contained in this document. Furthermore, any significant changes that occurred during the first half of 2016 are reported in this disclosure document.

For full information, the information published relates to the regulatory consolidation, which consists of those entities subject to banking consolidation for regulatory purposes. Any differences with respect to other sources (e.g. the Interim Financial Report prepared as at the same balance sheet date) are therefore attributable to differences in the scope of consolidation considered.

Further information on capital adequacy, own funds and risks to which the Group is exposed is also published in the Interim Financial Report for the period ended 30th June 2016 in the section containing the interim management report on consolidated operations and in the explanatory notes to the condensed consolidated financial statements.

The UBI Banca Group has published this Pillar 3 Disclosures document on its website in the investor relations section (www.ubibanca.it).

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NOTE: all the figures contained in the sections of this disclosure are stated in thousands of euro, unless otherwise stated.

The Scope of application

Qualitative information

There have been no changes to the scope of consolidation compared with 31st December 2015 except for marginal changes in the percentages of the control of banks and those reported below[1]:

- the establishment of special purpose entities to support securitisations (in accordance with Law No. 130/1999), designed primarily to increase the availability of assets eligible for use with the ECB. Both companies fall within the financial accounting consolidation (governed by IFRS standards) and are fully consolidated, but they do not fall within the regulatory consolidation scope (i.e. within the banking Group). In detail:
  - UBI SPV Lease 2016 Srl, a special purpose entity to support a self-retained securitisation project by UBI Leasing for the use of receivables associated with leasing contracts made available with the unwinding of UBI Lease Finance 5[2], together with receivables present on the books of the Group's leasing company;
  - UBI SPV Group 2016 Srl a special purpose entity to support a self-retained multi-originator securitisation, with residential mortgages recognised on the books of Group banks as the underlying.

- Kedomus Srl: a company formed on 15th June 2016, wholly owned by UBI Banca. It falls within the financial accounting scope of consolidation and the scope of the regulatory consolidation. Kedomus is the Group's real estate 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.

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[1]Further information on the scope of the consolidation is given in the section "The consolidation scope" of the Interim Financial Report for the period ended 30th June 2016.

[2] In consideration of the advanced degree of amortisation of the operation, at the end of April the securitisation underlying that special purpose entity was closed down in advance with the repurchase of the receivables (effective as of 31st March 2016) and the relative notes were redeemed (29th April for both the senior and junior tranches);

Capital ratios (Basel 3)

Figures in thousands of euro	30.06.2016	31.12.2015
Common Equity Tier 1 capital before filters and transitional provisions	6,892,511	8,182,013
Effects of transitional provisions provided for by the regulations (minority interests)	117,805	176,599
Effects of transitional provisions provided for by the regulations (AFS reserves)	-40,894	-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 the regulations	-4,563	-3,136
Government securities sterilisation effect	29,514	-190,983
Common Equity Tier 1 capital net of prudential filters	**7,103,857**	**8,105,425**
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	*-57,267*	*-696,531*
Common Equity Tier 1 capital	**7,046,590**	**7,408,894**
Additional Tier 1 capital before deductions	**37,434**	**38,891**
Deductions from Additional Tier 1	37,434	38,891
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	*-19,089*	*-38,891*
Additional Tier 1 capital	**-**	**-**
Tier 1 capital (Common Equity Tier 1 + Additional Tier 1)	**7,046,590**	**7,408,894**
Tier 2 capital before transitional provisions	**1,889,326**	**1,443,464**
Effects of grandfathering provisions on Tier 2 instruments	-	-
Tier 2 capital after transitional provisions	**1,889,326**	**1,443,464**
Deductions from Tier 2 capital	-13,929	-307,341
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	*-19,089*	*-315,181*
Tier 2 capital after specific deductions	**1,875,397**	**1,136,123**
Total own funds	**8,921,987**	**8,545,017**
Credit risk	4,577,486	4,536,654
Credit valuation adjustment risk	17,670	15,519
Market risk	60,009	78,762
Operational risk	278,065	276,654
Total prudential requirements	**4,933,230**	**4,907,589**
Risk weighted assets	**61,665,379**	**61,344,866**
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk-weighted assets)	**11.43%**	**12.08%**
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-weighted assets)	**11.43%**	**12.08%**
Total capital ratio (total own funds/risk-weighted assets)	**14.47%**	**13.93%**

Own funds

Quantitative information

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 regulatory capital as at 30th June 2016 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 element 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. In that respect, we report that following the entry into force of "Regulation (EU) No. 2016/445 of the European Central Bank of 14th March 2016 on the exercise of options and discretions available in Union law (ECB/2016/4)", that option will no longer be available from 1st October 2016.

The impact of exercising that option on own funds amounted to approximately €29.5 million and it was fully sterilised (-€191 million in December 2015).

At the end of June the UBI Banca Group's Common Equity Tier 1 (CET1) capital amounted to approximately €7.046 billion, slightly down compared with €7.409 billion in December 2015, while total own funds stood at almost €8.922 billion (€8.545 billion in December).

The performance of the CET1 capital in the first half was affected significantly by the recognition of the impacts resulting from the implementation of the Business Plan[3]. More specifically this was attributable to the following principal changes:

- +€639 million as a result of the change in the shortfall. The difference between the expected loss and the provisions passed from a total of -€1,050 million at the end of December to -€95 million as a result of the increase in loan provisions recognised during the second quarter in implementation of the provisions of the business plan in order to increase coverage without consuming capital. With account taken of the reduction recorded in the first half and of the amounts included in the CET1 according the transitional provisions[4], in June 2016 the shortfall had an impact of approximately -€57 million compared with -€696 million in December[5];
- +€50 million resulting from lower deductions in relation to other intangible assets. Impairment on brands contributed significantly to that change. They were recognised following discontinuation of their use as provided for by the industrial plan in relation to the "Single Bank" initiative (-€38 million approx.);

[3] Cf. Press release and presentation of 27th June 2016 entitled "UBI Banca: 2019/2020 Business Plan", available on the website at www.ubibanca.it in the Investor Relations section.

[4] On the basis of the transitional provisions applicable in 2016, 60%, 20% and 20% of the shortfall of provisions was deducted from the CET1, T1 and T2 capital respectively compared with 40%, 30%, 30% in 2015.

[5] As opposed to previous quarters, the overall reduction in the shortfall did not result in the insufficiency of the AT1 due to the excess deduction relating to the transitional treatment of that component of capital.

- -€768 million resulting from the transitional treatment of the recognition of a loss for the period of €787 million[6] to which distributable dividends must be added on a pro rata basis included in an amount equal to at least that for 2015;
- -€137 million resulting from the deduction according to the transitional treatment[7] of DTA's on future profits emerging as a result of the tax effect of the action taken to increase non-performing loan coverage without any consumption of capital (absorption of the shortfall) provided for as part of the business plan;
- -€100 million as a result of the reduction in the inclusion of minority interests following changes in the transitional provisions[8] and changes in the period affecting the capital of individual banks.

The Tier 2 capital increased by approximately €739 million to stand at approximately €1.875 billion following greater inclusion of T2 capital instruments by approximately €446 million (+€750 million as result of a new subordinated EMTN issuance finalised in the second quarter, partly offset by the progressive amortisation of other eligible issues in the first half amounting to approximately €304 million) and following the smaller deduction for the shortfall (approximately +€296 million), as a result of the application of the transitional provisions already mentioned and of the reduction in that component as a consequence of the action taken to increase coverage for non-performing loans.

As a result of the performance reported above, total own funds increased by approximately €377 million to stand at €8,922 million.

[6] Deduction of 60% of the loss for the year from CET1 and deduction of the remaining 40% from the AT1 (Bank of Italy Circular No. 285, Chapter 14, Section II – Transitional provisions on own funds). In actual fact, in June, as a consequence of the transitional treatment, the loss contributed -€768 million to the CET1 equal to a total of -€787 million net of €18 million absorbed by the AT1 (€37 million – €19 million relating to the deduction of the shortfall from the AT1).

[7] A deduction of 60% of total DTAs which are based on future profits is envisaged for 2016.

[8] As concerns the gradual exclusion of minority interests, no longer eligible under the fully-loaded regime (quota subject to phase-out), this was reduced by a further 20% compared with 2015 (60% of minority interests subject to phase out in 2016 compared with 40% in 2015).

The table below gives details of the items of which own funds were composed as at 30th June 2016.

Capital item	30/6/2016	31/12/2015
Common Equity Tier 1 (CET1) capital instruments	2,254,371	2,254,371
CET1 capital share premium accounts	3,798,430	3,798,430
Reserves	3,510,016	3,556,603
(i) retained earnings	*1,684,628*	*1,729,957*
(ii) other reserves	*1,825,388*	*1,826,646*
Profit (loss) for the period	(768,640)	12,940
(i) Loss for the period eligible for the CET1 as a result of transitional provisions	*(472,191)*	-
(ii) Loss for the period eligible for the Additional Tier 1 that exceeds the Additional Tier 1 of the entity (Excess of deduction from AT1)	*(296,449)*	-
Direct and indirect holdings of own CET1 instruments	(124,395)	(135,086)
Accumulated other comprehensive income (AOCI)	27,240	261,740
Regulatory adjustments relating to unrealised gains or losses	(11,380)	(250,050)
Minority interests	248,514	348,191
(i) amount allowed in consolidated CET1	*130,709*	*171,592*
(ii) amount qualifying under transitional provisions	*117,805*	*176,599*
CET1 prudential filters	(4,563)	(3,136)
Intangible assets (net of related tax liability)	(1,689,027)	(1,738,576)
(i) goodwill	*(1,495,670)*	*(1,495,670)*
(i) other intangible assets	*(193,357)*	*(242,906)*
Negative amounts resulting from the calculation of expected loss amounts (shortfall on IRB positions)	(57,267)	(696,531)
(i) shortfall on IRB positions eligible for inclusion in CET1 under transitional provisions	*(57,267)*	*(420,241)*
(i) shortfall on qualifying AT1 IRB positions that exceed the AT1 capital of the institution (excess of deductions from AT1)	-	*(276,290)*
Deferred tax assets that rely on future profitability, and do not arise from temporary differences	(136,709)	-
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-	-
COMMON EQUITY TIER 1 (CET1) CAPITAL	**7,046,590**	**7,408,894**
Additional Tier 1 instruments and the related share premium accounts	-	-
Instruments issued by subsidiaries included in AT1	37,434	38,891
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	(19,089)	(315,181)
Negative amounts on qualifying IRB positions that exceed the AT1 capital of the institution	-	276,290
Negative amount resulting from transitional provisions applied to the loss for the period	(314,794)	
Negative amounts on the eligible loss for the period, that exceed the Additional Tier 1	296,449	-
ADDITIONAL TIER 1 (AT1) CAPITAL	**-**	**-**
TIER 1 (CET1 + AT1)	**7,046,590**	**7,408,894**
Tier 2 (T2) capital instruments and the related share premium accounts	1,889,326	1,443,464
Amount of qualifying items referred to in Article 484 (5) and the related share premium account subject to phase out from T2	-	-
Instruments issued by subsidiaries included in T2	23,247	16,845
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	(19,089)	(315,181)
Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	(38,535)	(38,539)
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required for pre-CRR treatment	20,447	29,534
TIER 2 (T2)	**1,875,397**	**1,136,123**
TOTAL CAPITAL (TC=T1+T2)	**8,921,987**	**8,545,017**

Capital requirements

Quantitative information

The tables below summarise the fulfilment of capital requirements in terms of capital ratios and they give details of the various capital requirements.

Capital requirements	30.06.2016	31.12.2015
CREDIT AND COUNTERPARTY RISK	**4,577,486**	**4,536,654**
Total credit risk	4,529,922	4,493,547
Total counterparty risk	47,564	43,107
MARKET RISK - Standardised approach	**60,009**	**78,762**
- position risk in debt instruments	42,550	58,957
- position risk in equity instruments	880	2,762
- currency risk	16,579	17,043
- position risk in commodities	-	
OPERATIONAL RISK	**278,065**	**276,654**
Basic indicator approach	3,833	3,833
Standardised approach	44,541	44,541
Advanced measurement approach	229,691	228,280
CREDIT VALUATION ADJUSTMENT RISK	**17,670**	**15,519**
Standardised method	17,670	15,519

Supervisory ratios	30.06.2016	31.12.2015
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk-weighted assets)	**11.43%**	**12.08%**
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-weighted assets)	**11.43%**	**12.08%**
Total capital ratio (total own funds/risk-weighted assets)	**14.47%**	**13.93%**

Credit and counterparty risk	30.06.2016 Amounts not weighted	30.06.2016 Amounts weighted	30.06.2016 Requirement	31.12.2015 Amounts not weighted	31.12.2015 Amounts weighted	31.12.2015 Requirement
A. CREDIT AND COUNTERPARTY RISK						
A.1 Standardised approach	**53,251,463**	**25,235,249**	**2,018,821**	**52,764,337**	**24,649,085**	**1,971,928**
Exposures to or guaranteed by central governments or central banks	22,153,665	2,741,012	219,281	22,671,967	2,487,248	198,980
Exposures to or guaranteed by regional governments or local authorities	520,322	103,721	8,298	568,848	113,495	9,080
Exposures to or guaranteed by public sector entities	406,728	151,298	12,104	385,894	127,663	10,213
Exposures to or guaranteed by multilateral development banks	-	-	-	-	-	-
Exposures to or guaranteed by international organisations	-	-	-	-	-	-
Exposures to or guaranteed by supervised institutions	5,123,320	1,603,157	128,253	4,263,823	1,261,973	100,958
Exposures to or guaranteed by corporates and others	8,174,211	7,672,897	613,832	8,528,708	8,075,878	646,070
Retail exposures	6,717,742	4,746,290	379,703	6,023,934	4,315,234	345,219
Exposures secured by real estate property	3,921,220	1,761,621	140,930	3,940,173	1,792,787	143,423
Exposures in default	2,530,992	3,111,986	248,959	2,603,618	3,239,002	259,120
High-risk exposures	34,191	51,286	4,103	46,789	70,183	5,615
Exposures in the form of covered bonds	-	-	-	14,609	2,922	234
Short-term exposures to corporates or others or to supervised institutions	-	-	-	-	-	-
Exposures to UCITS	201,513	201,513	16,121	30,136	30,136	2,411
Equity exposures	677,535	1,070,768	85,661	708,147	1,086,809	86,945
Other exposures	2,790,024	2,019,700	161,576	2,977,691	2,045,755	163,660
Items which represent positions towards securitisations	-	-	-	-	-	-
A.2 Internal rating based approach - Risk assets	**70,139,303**	**31,983,327**	**2,558,665**	**69,806,100**	**32,059,087**	**2,564,728**
Exposures to or guaranteed by central governments or central banks	-	-	-	-	-	-
Exposures to or guaranteed by supervised institutions, public sector and local entities and	-	-	-	-	-	-
Exposures to or guaranteed by corporates - SMEs	15,229,232	8,162,067	652,965	14,857,755	8,293,520	663,482
Exposures to or guaranteed by corporates - Specialised lending	-	-	-	-	-	-
Exposures to or guaranteed by corporates - Other corporates	23,837,459	17,298,459	1,383,876	23,382,134	16,976,437	1,358,115
Retail exposures secured by real estate property: SMEs	4,854,583	976,986	78,159	4,881,314	1,041,195	83,296
Retail exposures secured by real estate property: private individuals	19,847,738	2,332,119	186,569	20,196,872	2,401,272	192,102
Retail exposures Revolving exposures	-	-	-	-	-	-
Other retail exposures: SMEs	4,352,876	1,331,355	106,508	4,478,082	1,452,839	116,227
Other retail exposures: private individuals	-	-	-	-	-	-
Specialised lending - slotting criteria	2,017,415	1,882,341	150,588	2,009,943	1,893,824	151,506
Items which represent positions towards securitisations	-	-	-	-	-	-
Other activities different from lending		-	-		-	-

Credit and counterparty risk	30.06.2016				31.12.2015			
	Credit risk		Counterparty risk		Credit risk		Counterparty risk	
	RWAs	Capital requirement	RWAs	Capital requirement	RWAs	Capital requirement	RWAs	Capital requirement
Standardised approach	**24,825,811**	**1,986,067**	**409,438**	**32,754**	**24,264,839**	**1,941,187**	**384,246**	**30,740**
Exposures to or guaranteed by central governments or central banks	2,741,012	219,281	-	-	2,487,248	198,980	-	-
Exposures to or guaranteed by regional governments or local authorities	103,721	8,298	-	-	113,495	9,079	-	-
Exposures to or guaranteed by public sector entities	151,298	12,104	-	-	127,663	10,213	-	-
Exposures to or guaranteed by multilateral development banks	-	-	-	-	-	-	-	-
Exposures to or guaranteed by international organisations	-	-	-	-	-	-	-	-
Exposures to or guaranteed by supervised institutions	1,527,517	122,202	75,640	6,051	1,198,199	95,856	63,774	5,102
Exposures to or guaranteed by corporates and others	7,394,543	591,564	278,354	22,268	7,818,898	625,512	256,980	20,558
Retail exposures	4,746,267	379,701	23	2	4,315,202	345,216	32	3
Exposures secured by real estate property	1,761,621	140,930	-	-	1,792,787	143,423	-	-
Exposures in default	3,096,433	247,715	15,553	1,244	3,220,470	257,638	18,532	1,483
High-risk exposures	51,286	4,103	-	-	70,183	5,615	-	-
Exposures in the form of covered bonds	-	-	-	-	2,922	234	-	-
Short-term exposures to corporates and other supervised intermediaries	-	-	-	-	-	-	-	-
Exposures to UCITS	201,513	16,121	-	-	30,136	2,411	-	-
Equity exposures	1,030,900	82,472	39,868	3,189	1,041,881	83,350	44,928	3,594
Other exposures	2,019,700	161,576	-	-	2,045,755	163,660	-	-
Items which represent positions towards securitisations	-	-	-	-	-	-	-	-
Internal rating based approach	**31,798,206**	**2,543,855**	**185,121**	**14,810**	**31,904,497**	**2,552,360**	**154,590**	**12,367**
Exposures to or guaranteed by central governments or central banks	-	-	-	-	-	-	-	-
Exposures to or guaranteed by supervised institutions, public sector and local entities and others	-	-	-	-	-	-	-	-
Exposures to or guaranteed by corporates - SMEs	8,162,067	652,965	-	-	8,293,520	663,482	-	-
- to which the support factor is applied	*3,712,612*	*297,009*	-	-	*3,611,778*	*288,942*	-	-
Exposures to or guaranteed by corporates - Specialised lending	-	-	-	-	-	-	-	-
Exposures to or guaranteed by corporates - Other corporates	17,298,459	1,383,876	-		16,976,437	1,358,115	-	
Retail exposures secured by real estate property: SMEs	976,986	78,159	-	-	1,041,195	83,295	-	-
- to which the support factor is applied	*425,162*	*34,013*	-	-	*331,137*	*26,491*	-	-
Retail exposures secured by real estate property: private individuals	2,332,119	186,569	-	-	2,401,272	192,102	-	-
Retail exposures Revolving exposures	-	-	-	-	-	-	-	-
Other retail exposures: SMEs	1,331,355	106,508	-	-	1,452,839	116,227	-	-
- to which the support factor is applied	*1,009,900*	*80,792*	-	-	*802,997*	*64,240*	-	-
Other retail exposures: private individuals	-	-	-	-	-	-	-	-
Specialised lending - slotting criteria	1,697,220	135,778	185,121	14,810	1,739,234	139,139	154,590	12,367
Other activities different from lending	-	-			-	-	-	
TOTAL	**56,624,017**	**4,529,922**	**594,559**	**47,564**	**56,169,336**	**4,493,547**	**538,836**	**43,107**

Following authorisations received from the Supervisory Authority, the UBI Group now uses internal models[9] for the calculation of capital requirements for credit risk – "Corporate" segments ("exposures to businesses") and "Retail" segments (sub-portfolios "retail: exposures backed by residential real estate" and "retail: other exposures[10]") – and operational risks.

With regard to risk weighted assets (up to €61.7 billion from €61.3 billion at the end of 2015), overall, an increase was recorded in the second quarter, 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.

With account taken of those changes, compliance with minimum capital requirements as at 30th June 2016, equal to total capital requirements for credit, counterparty, credit valuation adjustment, market and operational risk, required capital of approximately €4,933 million (€4,908 million in December 2015), against which the Group recorded actual regulatory capital (own funds) of €8,922 million (€8,545 million in December 2015).

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In compliance with the regulations in force, on 29th April the UBI Banca Group submitted its 2015 ICAAP report to the supervisory authority. The results of the capital adequacy assessments contained in those reports confirmed the availability of significant margins, sufficient to maintain the capital position, both current and future and under stress conditions above the requirements requested.

On 29th July[11], the European Banking Authority (EBA) communicated the results of the 2016 EU-wide stress test conducted in co-operation with the European Central Bank and the Bank of Italy, the European Commission (EC) and the European Systemic Risk Board (ESRB), which involved 51 banks of which five Italian, which represent approximately 70% of the total assets of the European banking system. The UBI Group confirmed its high resilience to particularly penalising macroeconomic scenarios by presenting an impact in terms of the fully loaded CET1 under adverse scenarios (-277 bps) that was one of the smallest among the European banks that took part in the test.

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As at 30th June the UBI Group complied with the regulatory limits requested, and in fact the CET1 ratio stood at 11.43% (12.08% in December), the Tier 1 ratio at 11.43% (12.08% in December) and the Total Capital ratio at 14.47% (13.93% in December).

If Basel 3 rules on a full application basis scheduled for 2019 were applied, Group capital ratios would be 11.02% in terms of the Common Equity Tier 1 ratio (11.62% in December), 11.06% in terms of the Tier 1 ratio (11.67% in December) and 14.12% in terms of the total capital ratio (14.03% in December).

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[9] See the Pillar 3 Disclosure document as at 31st December 2015 for further information on internal models.
[10] Limited to the small to medium-size enterprise portfolio comprised within the "Retail" segment ("SME retail").
[11] See the press release of 29th July 2016 "UBI Banca: results of 2016 EU-Wide Stress Test" available on the corporate website www.ubibanca.it in the Investor Relations section.

On 27th November 2015, the UBI Group received a communication containing a specific capital requirement request at consolidated level from the ECB following the Supervisory Review and Evaluation Process (SREP). That requirement set a Common Equity Tier 1 capital ratio of 9.25%, down compared with 9.50% set in February 2015[12]. Furthermore, 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 confirmed the ratio for the anti-cyclical buffer for exposures to counterparties resident in Italy at 0% for the second quarter of 2016. As a consequence, since the UBI Group's exposures are mainly towards domestic counterparties[13], the Group's anti-cyclical buffer is not significant.

In consideration of the ratios achieved as at 30th June 2016 – and on the basis of the simulations carried out for future years according to current regulations and on a "fully loaded" basis – significant margins clearly exist to maintain a strong capital position, higher than that requested by capital requirements.

[12] See the press releases of 27th November and 27th February 2015 respectively in the investor relations section of the corporate website www.ubibanca.it.

[13] The capital requirement for significant exposures to counterparties not resident in Italy is below 5% of the total capital requirement for significant exposures.

Leverage ratio

Qualitative information

A leverage ratio has been introduced to the Basel 3 framework as a requirement that is supplementary to the risk based capital requirements. The introduction of a leverage ratio to the regulatory framework meets the following objectives:

- it limits the expansion of total exposures to the availability of an adequate capital base and during expansionary phases of the economic cycle it contains the level of debt held by banks thereby reducing the risk of deleveraging processes in crisis situations;
- it introduces a control that is additional to the risk based approach by means of a simple and non-risk based measure that acts as a backstop to the risk based capital requirement.

The introduction of a leverage ratio regulatory requirement – as a Pillar 1 requirement – will take effect from the 1st January 2018, subject to approval by the European Council and Parliament of a specific proposal for legislation based on a report which must be submitted to the European Commission by the end of 2016. Disclosure of leverage ratios by banks is scheduled to be compulsory from 1st January 2015.

The leverage ratio is calculated as the ratio between the Tier 1 capital (capital measure) and total Group exposure (the exposure measure). The latter is the sum of all asset exposures and off-balance sheet items not deducted in determining the capital measure[14].

The ratio is expressed as a percentage and is subject to a minimum 3% requirement (the limit set by the Basel Committee)[15]. It is monitored quarterly and is measured both at separate company and at consolidated level.

The leverage ratio is used to monitor the risk of excessive leverage under the heading "other risks" and in addition to the aforementioned minimum regulatory requirement, it is subject to quantitative limits set internally[16].

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[14] More specifically the exposure measure includes the following: derivatives, securities financing transactions (SFT), off-balance-sheet items (liquidity facilities, guarantees and commitments. transactions not yet finalised or awaiting settlement, etc.) and other on-balance sheet assets in addition to derivatives and SFTs.

[15] In this respect, on 3rd August 2016 the EBA published its "EBA report on the Leverage ratio requirements under article 511 of the CRR" in which it recommends the introduction of a minimum leverage ratio requirement in order to mitigate the risk of excessive leverage. The results of the quantitative analysis confirmed the calibration of a minimum LR of 3% as an effective measure of protection, which is in addition to the risk-based regulatory capital requirements set.

[16] See in this respect the section "Risk management objectives and policies" in this document.

Quantitative information

The table below reports summary data on the calculation of the UBI Group leverage ratios as at 30th June 2016. The ratio was calculated according to the provisions of the CRR, as amended by the Delegated Act (EU) No. 62/2015[17].

Both versions of the Tier 1 capital at the end of the period were used, as the capital measure, to calculate the ratio as follows:

- Tier 1 capital in the transitional regime that is calculated making reference to the calculation rules applicable from time to time in the transition period, during which the new rules are applied to a proportionately increasing degree;
- the "fully loaded" Tier 1 capital that is calculated using the rules that must be used when the regime is fully phased-in.

Leverage ratio as at 30th June 2016

	30.06.2016	31.12.2015
fully loaded Tier 1 capital	6,820,429	7,161,942
fully phased-in exposure	123,420,769	123,308,170
fully phased in leverage ratio	**5.53%**	**5.81%**
transition Tier 1 capital	7,046,590	7,408,894
transition exposure	123,519,617	123,412,192
transition leverage ratio	**5.70%**	**6.00%**

[17] The Delegated Act brings the rules for calculating the ratio into line with the provisions of the Basel Committee - cf. "Basel III Leverage ratio framework and disclosure requirements", January 2014.

Credit risk: general disclosures and impairment for all banks

Quantitative information

This section contains tables which show the distribution of gross credit exposures by type, credit quality, geographical area, economic sector and residual contractual maturity. They also give changes in total net impairment losses for non-performing exposures. The figures given, which were calculated according to statutory accounting rules, take no account of credit mitigation techniques and they are based on positions in both the banking and the trading books.

Quantitative information

Gross credit exposures and averages, by principal types of exposure

	Banking group														
	Bad loans			Unlikely to pay loans			Non-performing past-due exposures			Other performing assets			**TOTAL**		
	Gross	Net	Gross averages (*)	Gross	Net	Gross averages (*)	Gross	Net	Gross averages (*)	Gross	Net	Gross averages (*)	**Gross**	**Net**	**Gross averages**
1. Available-for-sale financial assets	-	-	-	29,081	12,612	28,721	-	-	-	15,040,177	15,040,177	15,148,577	**15,069,258**	**15,052,789**	**15,177,298**
2. Held-to-maturity investments	-	-	-	-	-	-	-	-	-	3,452,886	3,452,886	3,473,717	**3,452,886**	**3,452,886**	**3,473,717**
3. Loans and advances to banks	-	-	-	-	-	-	128	128	64	3,929,901	3,929,893	3,679,931	**3,930,029**	**3,930,021**	**3,679,995**
4. Loans and advances to customers	7,215,552	3,848,817	7,101,658	5,861,659	4,469,623	6,020,829	202,946	193,543	234,736	75,805,925	75,394,879	75,560,058	**89,086,082**	**83,906,862**	**88,917,280**
5. Financial assets designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
6. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
30/06/2016	**7,215,552**	**3,848,817**	**7,101,658**	**5,890,740**	**4,482,235**	**6,049,550**	**203,074**	**193,671**	**234,800**	**98,228,889**	**97,817,835**	**97,862,281**	**111,538,255**	**106,342,558**	**111,248,288**
31/12/2015	**6,987,763**	**4,287,929**	**6,769,949**	**6,208,360**	**5,173,391**	**6,076,582**	**266,525**	**253,521**	**410,080**	**97,495,673**	**97,079,111**	**99,543,161**	**110,958,321**	**106,793,952**	**112,799,770**

(*) annual average

Distribution by geographical areas of exposures to customers, by principal types of exposure

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD		TOTAL	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On-balance sheet exposure												
A.1 Bad loans	7,148,528	3,822,876	66,811	25,901	197	39	-	-	16	1	7,215,552	3,848,817
A.2 Unlikely to pay exposures	5,774,642	4,410,463	116,081	71,760	15	11	-	-	2	1	5,890,740	4,482,235
A.3 Non-performing past-due exposures	202,644	193,249	302	294	-	-	-	-	-	-	202,946	193,543
A.4 Performing loans	90,390,306	89,984,704	2,066,667	2,061,649	1,329,210	1,329,122	235,946	235,612	48,537	48,533	94,070,666	93,659,620
TOTAL	**103,516,120**	**98,411,292**	**2,249,861**	**2,159,604**	**1,329,422**	**1,329,172**	**235,946**	**235,612**	**48,555**	**48,535**	**107,379,904**	**102,184,215**
B. Off-balance sheet exposures												
B.1 Bad loans	18,610	15,766	1,150	1,009	-	-	-	-	-	-	19,760	16,775
B.2 Unlikely to pay exposures	224,513	213,896	1,791	1,701	-	-	-	-	-	-	226,304	215,597
B.3 Other non-performing assets	2,397	2,387	-	-	-	-	-	-	-	-	2,397	2,387
B.4 Performing loans	10,014,623	9,976,340	351,135	351,030	46,901	46,894	2,232	2,231	1,176	1,175	10,416,067	10,377,670
TOTAL	**10,260,143**	**10,208,389**	**354,076**	**353,740**	**46,901**	**46,894**	**2,232**	**2,231**	**1,176**	**1,175**	**10,664,528**	**10,612,429**
30.06.2016	**113,776,263**	**108,619,681**	**2,603,937**	**2,513,344**	**1,376,323**	**1,376,066**	**238,178**	**237,843**	**49,731**	**49,710**	**118,044,432**	**112,796,644**
31.12.2015	**115,429,568**	**111,312,143**	**2,048,078**	**1,963,126**	**243,170**	**242,810**	**79,688**	**79,522**	**31,773**	**31,721**	**117,832,277**	**113,629,322**

Distribution by geographical areas of exposures to banks, by principal types of exposure

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD		TOTAL	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On-balance sheet exposure												
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	128	128	-	-	-	-	-	-	128	128
A.4 Performing loans	2,092,148	2,092,148	1,426,166	1,426,164	666,814	666,813	88,040	88,036	8,014	8,013	4,281,182	4,281,174
TOTAL	**2,092,148**	**2,092,148**	**1,426,294**	**1,426,292**	**666,814**	**666,813**	**88,040**	**88,036**	**8,014**	**8,013**	**4,281,310**	**4,281,302**
B. Off-balance sheet exposures												
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay exposures	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Performing loans	244,957	244,777	336,549	336,500	4,462	4,459	81,460	81,393	47,358	47,324	714,786	714,453
TOTAL	**244,957**	**244,777**	**336,549**	**336,500**	**4,462**	**4,459**	**81,460**	**81,393**	**47,358**	**47,324**	**714,786**	**714,453**
30.06.2016	**2,337,105**	**2,336,925**	**1,762,843**	**1,762,792**	**671,276**	**671,272**	**169,500**	**169,429**	**55,372**	**55,337**	**4,996,096**	**4,995,755**
31.12.2015	**2,133,239**	**2,131,249**	**1,402,212**	**1,402,166**	**518,159**	**518,153**	**117,535**	**117,492**	**62,334**	**62,294**	**4,233,479**	**4,231,354**

Distribution by residual contractual maturity of the entire portfolio, by type of exposure

	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate maturity	TOTAL EURO
On-balance sheet assets	**15,266,052**	**1,138,044**	**955,942**	**2,088,248**	**4,817,024**	**4,323,993**	**7,950,970**	**32,084,699**	**36,473,627**	**420,800**	**105,519,399**
A.1 Government securities	2,449	602	-	-	266,204	156,607	1,251,577	5,521,660	8,091,359	-	15,290,458
A.2 Other debt instruments	16,129	10,915	-	-	2,673	29,489	40,097	678,990	384,372	12,612	1,175,277
A.3 Units in UCITS	300,415	-	-	-	-	-	-	-	-	-	300,415
A.4 Financing	14,947,059	1,126,527	955,942	2,088,248	4,548,147	4,137,897	6,659,296	25,884,049	27,997,896	408,188	88,753,249
- Banks	2,304,390	7,580	25,618	12,630	72,620	58,003	68,094	975,484	-	408,188	3,932,607
- Customers	12,642,669	1,118,947	930,324	2,075,618	4,475,527	4,079,894	6,591,202	24,908,565	27,997,896	-	84,820,642
On-balance sheet liabilities	**55,497,577**	**560,007**	**579,273**	**531,993**	**2,846,336**	**2,805,425**	**3,824,716**	**29,851,227**	**4,280,175**	**-**	**100,776,729**
B.1 Deposits and current accounts	50,506,043	33,342	25,655	28,426	220,247	18,024	23,382	489	-	-	50,855,608
- Banks	1,415,090	20,614	-	-	39,990	-	-	-	-	-	1,475,694
- Customers	49,090,953	12,728	25,655	28,426	180,257	18,024	23,382	489	-	-	49,379,914
B.2 Debt instruments	85,565	125,082	35,566	257,924	2,248,823	2,593,436	3,552,428	18,778,135	3,940,419	-	31,617,378
B.3 Other liabilities	4,905,969	401,583	518,052	245,643	377,266	193,965	248,906	11,072,603	339,756	-	18,303,743
Off-balance sheet transactions	**(3,051,054)**	**95,895**	**(5,601)**	**38,615**	**52,460**	**733,972**	**319,926**	**1,329,272**	**136,375**	**7,534**	**(342,606)**
C.1 Financial derivatives with exchange of principal	(2,745)	(7,793)	112	(218)	(3,941)	1,871	66	(219,137)	(74,633)	-	(306,418)
- Long positions	6,557	537,724	43,913	2,998,583	665,036	353,776	362,436	80,475	84,859	-	5,133,359
- Short positions	9,302	545,517	43,801	2,998,801	668,977	351,905	362,370	299,612	159,492	-	5,439,777
C.2 Financial derivatives without exchange of principal	(172,124)	(753)	(3,762)	(2,131)	369	32,853	23,457	-	-	-	(122,091)
- Long positions	469,947	89	1,125	2,440	31,830	88,380	108,196	-	-	-	702,007
- Short positions	642,071	842	4,887	4,571	31,461	55,527	84,739	-	-	-	824,098
C.3 Deposits and financing to be received	4,384	-	(4,384)	-	-	-	-	-	-	-	-
- Long positions	4,384	-	-	-	-	-	-	-	-	-	4,384
- Short positions	-	-	4,384	-	-	-	-	-	-	-	4,384
C.4 Irrevocable commitments to disburse funds	(3,128,047)	104,441	1,972	33,887	53,135	693,004	293,539	1,541,803	203,449	-	(202,817)
- Long positions	268,596	104,441	1,972	33,887	53,135	693,004	293,539	1,541,803	203,449	-	3,193,826
- Short positions	3,396,643	-	-	-	-	-	-	-	-	-	3,396,643
C.5 Financial guarantees issued	12,816	-	461	7,077	2,897	6,244	2,864	6,606	7,559	7,534	54,058
C.6 Financial guarantees received	234,662	-	-	-	-	-	-	-	-	-	234,662
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-

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Distribution by economic sector of non-performing exposures and impairment losses

Exposures/Counterparties	Governments and Central Banks				Other public authorities				Financial companies				Insurance companies			
	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure
A. On-balance sheet exposure																
A.1 Bad loans	-	-	X	-	10,141	(3,495)	X	6,646	146,735	(83,755)	X	62,980	97	(21)	X	76
- of which: forborne exposures	-	-	X	-	-	-	X	-	9,339	(1,497)	X	7,842	-	-	X	-
A.2 Unlikely to pay loans	44	(21)	X	23	4,566	(2,712)	X	1,854	97,955	(37,056)	X	60,899	5	(3)	X	2
- of which: forborne exposures	-	-	X	-	-	-	X	-	43,937	(12,600)	X	31,337	-	-	X	-
A.3 Non-performing past-due exposures	-	-	X	-	25,325	(377)	X	24,948	299	(15)	X	284	-	-	X	-
- of which: forborne exposures	-	-	X	-	-	-	X	-	44	(2)	X	42	-	-	X	-
A.4 Performing loans	17,537,619	-	(2)	17,537,617	634,812	-	(3,420)	631,392	4,618,662	-	(13,800)	4,604,862	160,157	-	(1)	160,156
- of which: forborne exposures	-	-	-	-	-	-	-	-	24,187	-	(256)	23,931	-	-	-	-
TOTAL A	**17,537,663**	**(21)**	**(2)**	**17,537,640**	**674,844**	**(6,584)**	**(3,420)**	**664,840**	**4,863,651**	**(120,826)**	**(13,800)**	**4,729,025**	**160,259**	**(24)**	**(1)**	**160,234**
B. Off-balance sheet exposures																
B.1 Bad loans	-	-	X	-	-	-	X	-	741	(67)	X	674	-	-	X	-
B.2 Unlikely to pay loans	-	-	X	-	-	-	X	-	2,377	(17)	X	2,360	-	-	X	-
B.3 Other non-performing assets	-	-	X	-	-	-	X	-	-	-	X	-	-	-	X	-
B.4 Performing loans	2	X	-	2	1,183,885	X	(2,480)	1,181,405	1,542,666	X	(13,533)	1,529,133	6,943	X	(11)	6,932
TOTAL B	**2**	**-**	**-**	**2**	**1,183,885**	**-**	**(2,480)**	**1,181,405**	**1,545,784**	**(84)**	**(13,533)**	**1,532,167**	**6,943**	**-**	**(11)**	**6,932**
30.06.2016	**17,537,665**	**(21)**	**(2)**	**17,537,642**	**1,858,729**	**(6,584)**	**(5,900)**	**1,846,245**	**6,409,435**	**(120,910)**	**(27,333)**	**6,261,192**	**167,202**	**(24)**	**(12)**	**167,166**
31.12.2015	**18,593,642**	**-**	**(1)**	**18,593,641**	**1,734,557**	**(3,734)**	**(3,572)**	**1,727,251**	**5,875,962**	**(89,121)**	**(16,928)**	**5,769,913**	**188,381**	**(19)**	**(68)**	**188,294**

Exposures/Counterparties	Non-financial companies				Other				T o t a l			
	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure
A. On-balance sheet exposure												
A.1 Bad loans	5,038,279	(2,357,791)	X	2,680,488	2,020,300	(921,673)	X	1,098,627	7,215,552	(3,366,735)	X	3,848,817
- of which: forborne exposures	330,151	(125,128)	X	205,023	111,589	(37,058)	X	74,531	451,079	(163,683)	X	287,396
A.2 Unlikely to pay loans	4,322,624	(1,045,562)	X	3,277,062	1,465,546	(323,151)	X	1,142,395	5,890,740	(1,408,505)	X	4,482,235
- of which: forborne exposures	2,204,922	(492,214)	X	1,712,708	532,416	(77,615)	X	454,801	2,781,275	(582,429)	X	2,198,846
A.3 Non-performing past-due exposures	141,446	(6,792)	X	134,654	35,876	(2,219)	X	33,657	202,946	(9,403)	X	193,543
- of which: forborne exposures	20,545	(1,184)	X	19,361	8,309	(529)	X	7,780	28,898	(1,715)	X	27,183
A.4 Performing loans	42,216,508	-	(302,370)	41,914,138	28,902,908	-	(91,453)	28,811,455	94,070,666	-	(411,046)	93,659,620
- of which: forborne exposures	1,441,198	-	(30,429)	1,410,769	1,009,535	-	(10,118)	999,417	2,474,920	-	(40,803)	2,434,117
TOTAL A	**51,718,857**	**(3,410,145)**	**(302,370)**	**48,006,342**	**32,424,630**	**(1,247,043)**	**(91,453)**	**31,086,134**	**107,379,904**	**(4,784,643)**	**(411,046)**	**102,184,215**
B. Off-balance sheet exposures												
B.1 Bad loans	17,713	(2,893)	X	14,820	1,306	(25)	X	1,281	19,760	(2,985)	X	16,775
B.2 Unlikely to pay loans	217,034	(10,302)	X	206,732	6,893	(388)	X	6,505	226,304	(10,707)	X	215,597
B.3 Other non-performing assets	2,248	(7)	X	2,241	149	(3)	X	146	2,397	(10)	X	2,387
B.4 Performing loans	6,914,316	X	(15,347)	6,898,969	768,255	X	(7,026)	761,229	10,416,067	X	(38,397)	10,377,670
TOTAL B	**7,151,311**	**(13,202)**	**(15,347)**	**7,122,762**	**776,603**	**(416)**	**(7,026)**	**769,161**	**10,664,528**	**(13,702)**	**(38,397)**	**10,612,429**
30.06.2016	**58,870,168**	**(3,423,347)**	**(317,717)**	**55,129,104**	**33,201,233**	**(1,247,459)**	**(98,479)**	**31,855,295**	**118,044,432**	**(4,798,345)**	**(449,443)**	**112,796,644**
31.12.2015	**57,682,165**	**(2,527,739)**	**(323,717)**	**54,830,709**	**33,757,570**	**(1,139,121)**	**(98,935)**	**32,519,514**	**117,832,277**	**(3,759,734)**	**(443,221)**	**113,629,322**

Changes in total net impairment losses for non-performing exposures to customers

Description/categories	Bad loans	Unlikely to pay loans	Non-performing past-due exposures
	Total	Total	Total
A. Total initial net impairment	**(2,699,834)**	**(1,034,969)**	**(13,004)**
- of which: exposures transferred not derecognised	-	-	-
B. Increases	**(995,248)**	**(597,147)**	**(10,228)**
B.1 impairment losses	(888,677)	(560,144)	(5,833)
B.2 losses on the disposal	(2,049)	-	-
B.3 transfers from other classes of non-performing exposure	(92,877)	(13,915)	(31)
B.4 other increases	(11,645)	(23,088)	(4,364)
C. Decreases	**328,347**	**223,611**	**13,829**
C.1 unrealised reversals of impairment losses	111,236	53,904	555
C.2 realised reversals of impairment losses	25,269	48,138	1,675
C.3 profits on the disposal	568	-	-
C.4 write-offs	184,704	12,188	6
C.5 transfers to other categories of impaired exposures	4,182	91,111	11,530
C.6 other decreases	2,388	18,270	63
D. Total closing net impairment	**(3,366,735)**	**(1,408,505)**	**(9,403)**
- of which: exposures transferred not derecognised	-	-	-

Credit risk: disclosures for portfolios subject to the standardised approach and the use of ECAIs

Quantitative information

Distribution of exposures by credit quality class and by supervisory class of activity: standardised approach[18].

Portfolios	30.06.2016		31.12.2015	
	Exposure WITH credit risk mitigation	Exposure WITHOUT credit risk mitigation	Exposure WITH credit risk mitigation	Exposure WITHOUT credit risk mitigation
Exposures to or guaranteed by central governments and central banks	**22,289,172**	**20,983,383**	**22,797,022**	**21,639,764**
0%	19,840,032	18,547,248	20,596,342	19,467,644
20%	48,540	48,540	-	-
50%	165,405	152,400	29,163	603
100%	1,957,410	1,957,410	1,966,054	1,966,054
250%	277,785	277,785	205,463	205,463
Exposures to or guaranteed by regional governments or local authorities	**1,090,422**	**1,054,060**	**1,170,624**	**1,131,506**
20%	1,089,911	1,053,549	1,170,086	1,130,968
50%	511	511	538	538
Exposures to or guaranteed by public sector entities	**926,899**	**925,973**	**930,415**	**927,699**
0%	2,459	2,459	1,287	1,287
20%	811,541	811,269	834,188	833,779
50%	25,924	25,924	36,271	36,271
100%	86,975	86,321	58,669	56,362
Exposures to or guaranteed by multilateral development banks	-	-	-	-
Exposures to or guaranteed by international organisations	-	-	-	-
Exposures to or guaranteed by supervised institutions	**6,684,164**	**12,760,241**	**6,277,146**	**13,318,046**
0%	206	206	270	270
20%	5,646,042	11,624,078	5,459,777	12,386,356
50%	392,890	390,516	277,770	275,152
100%	645,026	745,441	539,329	656,268
Exposures to or guaranteed by corporates and others	**15,288,828**	**15,419,390**	**18,660,104**	**18,856,046**
20%	26,676	26,676	49,772	49,882
50%	1,084,603	1,084,603	1,023,697	1,022,838
100%	14,036,877	14,167,439	17,416,363	17,613,054
150%	140,672	140,672	170,272	170,272
Retail exposures	**12,067,362**	**12,357,569**	**9,634,431**	**9,910,949**
75%	12,067,362	12,357,569	9,634,431	9,910,949
Exposures secured by real estate property	**3,946,726**	**3,951,914**	**3,967,177**	**3,978,501**
35%	934,515	935,587	930,581	933,671
50%	3,002,026	3,004,650	3,034,569	3,037,770
100%	10,185	11,677	2,027	7,060
Exposures in default	**2,662,538**	**2,667,246**	**2,771,420**	**2,776,930**
100%	1,373,558	1,374,753	1,337,780	1,338,700
150%	1,288,980	1,292,493	1,433,640	1,438,230
High-risk exposures	**43,581**	**43,581**	**57,081**	**57,081**
Exposures in the form of covered bonds	-	-	**14,609**	**14,609**
20%	-	-	14,609	14,609
Short-term exposures to corporates and others or institutions	-	-	-	-
Exposures to UCITS	**243,302**	**243,302**	**30,136**	**30,136**
100%	243,302	243,302	30,136	30,136
Equity exposures	**677,535**	**677,535**	**708,147**	**708,147**
100%	415,380	415,380	455,706	455,706
250%	262,155	262,155	252,441	252,441
Other exposures	**2,790,024**	**2,790,024**	**2,977,691**	**2,977,691**
0%	434,212	434,212	514,711	514,711
20%	420,140	420,140	521,532	521,532
100%	1,935,672	1,935,672	1,941,448	1,941,448
On-balance sheet exposures subject to credit risk	**51,432,042**	**50,404,128**	**51,056,384**	**50,132,057**
Off-balance sheet exposures subject to credit risk	**16,674,801**	**16,677,266**	**18,380,023**	**18,278,068**
Securities Financing Transactions	**52,015**	**5,875,989**	**26,662**	**7,056,733**
Derivatives and exposures with long-term settlement	**551,695**	**916,835**	**532,934**	**860,247**
Exposures resulting from cross-product netting agreements	-	-	-	-
General total	**68,710,552**	**73,874,218**	**69,996,006**	**76,327,108**

[18] The table gives banking group exposures subject to credit risk – standardised approach. The exposures are given by credit quality step and by supervisory step and they are determined in accordance with prudential supervisory rules.

Credit risk: use of the IRB approach

Qualitative information

With Provision No. 689988 of 19th July 2013, the Bank of Italy authorised the UBI Banca Group to use the advanced internal rating based (AIRB) approach to calculate capital requirements to meet credit risk for the regulatory segments: “retail: exposures backed by residential real estate” and “retail: other exposures (SME-retail)” as of the supervisory report as at 30th June 2013. The authorisation allows the use of internal estimates for probability of default (PD) and loss given default (LGD) parameters for the RRE (Residential Real Estate - Individuals and Retail Businesses) and Retail Other (Retail Businesses) portfolio.
For the corporate segment, the UBI Banca Group has already been authorised by the Supervisory Authority, with Provision No. 423940 of 16th May 2012, to use advanced internal rating based (AIRB) systems as of the supervisory report as at the 30th June 2012.
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.

The output of the models consists of nine rating classes that correspond to the relative PDs, updated to include defaults up to December 2014 for exposures to businesses and for retail exposures. 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.

Master Scale	PD THRESHOLDS		UBI INTERNAL RATING MODELS						Master Scale	EXTERNAL RATINGS
	Min PD	Max PD	Specialised lending		Corporate and Large Corporate	Small Business	Retail Businesses	Private individuals		*Moody's 2014*
			Rating	*class*	*class*	*class*	*class*	*class*		*class*
MS1	0.030%	0.049%			1			1	MS1	Aaa Aa1 Aa2 Aa3
MS2	0.049%	0.084%				1	1	2	MS2	A1 A2 A3
MS3	0.084%	0.174%			2		2		MS3	Baa1 Baa2
MS4	0.174%	0.298%				2			MS4	Baa3
MS5	0.298%	0.469%			3	3	3	3	MS5	Baa3 /Ba1
MS6	0.469%	0.732%	High	4	4				MS6	Ba1 Ba2
MS7	0.732%	1.102%				4	4	4	MS7	Ba2/Ba3
MS8	1.102%	1.867%	Good	5	5				MS8	Ba3
MS9	1.867%	2.968%			6	5	5	5	MS9	B1
MS10	2.968%	5.370%				6	6	6	MS10	B2 B3
MS11	5.370%	9.103%	Sufficient	7	7				MS11	Caa1
MS12	9.103%	13.536%				7	7	7	MS12	Caa1/Caa2
MS13	13.536%	19.142%			8	8			MS13	Caa2
MS14	19.142%	99.999%	Poor	9	9	9	8-9	8-9	MS14	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.

Quantitative information

Amounts of the exposures by supervisory portfolio

SUPERVISORY PORTFOLIO	EXPOSURES	
	FOUNDATION IRB	ADVANCED IRB
Exposures to or guaranteed by corporates:		
Specialised lending		-
SMEs		15,229,232
Other corporates		23,837,459
Retail exposures		
-Exposures secured by residential real estate: SMEs		4,854,583
-Exposures secured by residential real estate: private individuals		19,847,737
-Qualified revolving retail exposures		-
-Other retail exposures: SMEs		4,352,876
-Other retail exposures: private individuals		-

Distribution of exposures by supervisory class of activity and by PD class (exposures to corporates)

Exposure class	Credit quality step	30.06.2016				
		Amount of exposure	Average weighting factor	Average weighted LGD	Undrawn credit	Average weighted EAD
Exposures to or guaranteed by corporates - SMEs	1st class	307,373	16.49	49.72	57,353	10.09
	2nd class	105,740	17.04	42.22	14,514	9.52
	3rd class	820,252	34.89	47.95	78,984	8.61
	4th class	497,942	29.30	39.03	36,353	9.79
	5th class	2,206,594	44.77	41.95	141,693	11.03
	6th class	1,429,066	62.84	43.39	54,625	9.81
	7th class	1,233,913	52.14	36.61	45,320	12.08
	8th class	1,329,645	75.20	39.93	44,245	11.76
	9th class	2,124,478	78.73	38.65	59,491	12.47
	10th class	994,403	78.30	33.97	12,966	10.47
	11th class	475,513	109.16	37.73	9,466	13.56
	12th class	398,999	106.26	31.32	6,257	21.22
	13th class	515,243	122.32	30.69	9,042	25.12
	14th class	85,389	126.18	29.11	962	16.64
	Default	2,704,682	-	40.12	43,140	44.57
Exposures to or guaranteed by corporates - Other corporates	1st class	380,054	21.31	49.66	41,480	4.48
	2nd class	9,640	19.72	33.87	43	0.68
	3rd class	3,717,193	51.16	52.76	1,062,414	21.05
	4th class	65,885	46.02	39.05	5,702	10.80
	5th class	5,001,699	73.44	49.40	1,268,099	24.46
	6th class	4,284,552	87.59	46.81	552,624	23.37
	7th class	220,934	90.16	37.97	13,948	20.65
	8th class	3,025,068	111.71	45.09	302,344	23.70
	9th class	1,639,916	128.23	43.11	121,301	22.35
	10th class	100,683	111.58	31.11	688	7.10
	11th class	875,832	155.66	40.28	53,118	33.54
	12th class	29,322	160.07	32.55	558	35.32
	13th class	302,377	177.64	34.59	8,833	44.07
	14th class	50,940	228.65	39.29	609	8.68
	Default	4,133,364	-	49.66	85,519	30.78

(*) Master Scale, cf. Qualitative information.

Distribution of exposures by supervisory class of activity and by PD class (retail exposures)

Exposure class	Credit quality step	30.06.2016				
		Amount of exposure	Average weighting factor	Average weighted LGD	Undrawn credit	Average weighted EAD
Retail exposures secured by real estate property: SMEs	1st class	558	1.26	11.71	-	-
	2nd class	168,476	2.25	16.28	2,712	61.46
	3rd class	791,131	5.14	15.14	10,199	71.25
	4th class	-	-	-	-	-
	5th class	715,246	10.16	15.39	5,040	67.59
	6th class	-	-	-	-	-
	7th class	469,769	19.16	16.02	3,106	70.26
	8th class	-	-	-	-	-
	9th class	329,227	33.18	16.24	2,763	72.78
	10th class	407,470	49.74	15.81	1,376	74.91
	11th class	-	-	-	-	-
	12th class	208,587	70.74	15.67	872	74.97
	13th class	-	-	-	-	-
	14th class	375,318	82.71	15.58	647	68.41
	Default	1,388,801	-	39.17	369	51.78
Retail exposures secured by real estate property: private individuals	1st class	757,276	1.14	10.48	1,449,923	75.00
	2nd class	3,620,070	2.30	10.49	2,542,405	75.00
	3rd class	-	-	-	-	-
	4th class	-	-	-	-	-
	5th class	6,057,386	6.35	10.67	5,496,522	75.00
	6th class	-	-	-	-	-
	7th class	4,902,843	13.68	11.08	2,898,324	75.00
	8th class	-	-	-	-	-
	9th class	1,565,545	23.37	10.97	1,140,048	75.00
	10th class	521,080	37.84	10.91	413,598	75.00
	11th class	-	-	-	-	-
	12th class	512,772	57.02	11.04	264,448	75.00
	13th class	-	-	-	-	-
	14th class	478,441	68.98	11.30	44,700	75.00
	Default	1,432,324	-	23.39	6,075	75.00
Other retail exposures: SMEs	1st class	-	-	-	-	-
	2nd class	184,255	6.29	36.83	12,709	4.79
	3rd class	527,741	13.51	37.07	23,601	6.08
	4th class	-	-	-	-	-
	5th class	682,865	24.24	39.51	22,691	5.79
	6th class	-	-	-	-	-
	7th class	618,193	38.88	42.00	16,454	5.50
	8th class	-	-	-	-	-
	9th class	565,890	50.52	42.79	10,612	5.37
	10th class	442,377	54.69	41.84	9,332	8.50
	11th class	-	-	-	-	-
	12th class	207,288	66.15	42.49	2,280	6.73
	13th class	-	-	-	-	-
	14th class	209,007	84.99	40.06	2,210	9.79
	Default	915,260	-	67.66	9,191	40.36

(*) Master Scale, cf. Qualitative information.

Distribution of specialised lending exposures by credit quality step

Residual maturity/Rating	Amount of exposure as at 30.06.2016				
	Regulatory classes				
	1 - High	2 - Good	3 - Sufficient	4 - Poor	5 - Default
Residual maturity less than 2.5 years	44,603	67,720	-	-	-
Residual maturity equal to or greater than 2.5 years	483,136	1,033,364	216,091	118,363	54,138
Total specialised lending	**527,739**	**1,101,084**	**216,091**	**118,363**	**54,138**

Residual maturity/Rating	Amount of exposure as at 31.12.2015				
	Regulatory classes				
	1 - High	2 - Good	3 - Sufficient	4 - Poor	5 - Default
Residual maturity less than 2.5 years	33,540	105,712	-	-	-
Residual maturity equal to or greater than 2.5 years	469,092	989,167	251,096	118,272	43,064
Total specialised lending	**502,632**	**1,094,879**	**251,096**	**118,272**	**43,064**

Comparison between estimates and actual results

The comparison of estimates of risk parameters and empirical data is carried out by internal audit functions at least once annually by means of a set of codified, structured and automated procedures. Periodic monitoring of statistical tests is also carried out by units which include the development function in order to promptly identify, where necessary, the most effective solutions to ensure the robustness of the models over time.

With specific reference to the probability of default (PD), the analyses conducted by the internal audit functions focus on "out-of-sample" application portfolios and are designed in particular to assess (i) the performance of the models, in terms of their ability to maintain their discriminating capacity and predictive power over time, and (ii) the dynamic rating properties also with respect to the development samples. As concerns loss given default (LGD), the analyses performed on the most recent out-of-sample data regard the stability of the sample and performances with respect to the long-term period sample which determined the estimate of the parameter.

In view of the results of the tests and with account taken of the current phase in the business cycle, overall robustness in the accuracy and ordering capacities as well as the dynamic rating properties was found in the most recent out-of-sample data for all the authorised PD models. Correct calibration of PD measured by using binomial tests and also considering correlation between defaults was also found to be generally satisfactory overall.

With regard to LGD, the analyses conducted on the last most recent out-of-sample window showed good stability for the empirical loss values and for estimates of the parameter. Furthermore, further prudential elements were introduced during the validation process which led to the authorisation to use IRB models for the following counterparties: "retail: exposures backed by residential real estate" and "retail: other exposures (SME-retail)". The downturn intervention was of particular importance. It was based on an analysis of recovery rates observed during the downturn in the economic cycle, which were further worsened in line with the trend for some macroeconomic indicators which were considered significant.

Exposure to counterparty risk

Quantitative information

Counterparty risk constitutes a particular type of credit risk. It is the risk that a counterparty to a transaction involving determined types of financial instruments defaults (credit and financial derivatives sold “over the counter” – OTC, securities financing transactions and transactions with long term settlement) before the transaction itself is settled.

Financial derivatives - Supervisory trading portfolio: notional end of period figures

Underlying assets/type of derivative	30.06.2016		31.12.2015	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	**19,086,865**	**-**	**19,949,897**	**111,385**
a) Options	3,628,987	-	3,507,985	1,612
b) Swaps	14,812,650	-	16,441,912	-
c) Forwards	-	-	-	-
d) Futures	645,228	-	-	109,773
e) Other	-	-	-	-
2. Equity instruments and share indice	**7,291**	**-**	**1**	**60,271**
a) Options	5	-	1	6
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	7,286	-	-	60,265
e) Other	-	-	-	-
3. Currencies and gold	**5,837,891**	**-**	**5,966,079**	**-**
a) Options	2,570,905	-	2,231,840	-
b) Swaps	-	-	-	-
c) Forwards	3,266,986	-	3,734,239	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**43,956**	**-**	**45,494**	**-**
5. Other underlying	**-**	**-**	**-**	**-**
Total	**24,976,003**	**-**	**25,961,471**	**171,656**

Financial derivatives – Banking portfolio: notional end of period figures

For hedging

Underlying assets/type of derivative	30.06.2016		31.12.2015	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	**31,957,156**	**-**	**36,564,544**	**-**
a) Options	3,834,471	-	5,467,699	-
b) Swaps	28,122,685	-	31,096,845	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	**103,602**	**-**	**130,151**	**-**
a) Options	-	-	-	-
b) Swaps	103,602	-	130,151	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying	**-**	**-**	**-**	**-**
Total	**32,060,758**	**-**	**36,694,695**	**-**

Financial derivatives – Banking portfolio: notional end of period figures

Other derivatives

Underlying assets/type of derivative	30.06.2016		31.12.2015	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indices	**607,834**	**-**	**589,018**	**-**
a) Options	607,834	-	589,018	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-		-	
c) Forwards	-		-	
d) Futures	-		-	
e) Other	-		-	
4. Commodities	**-**		**-**	
5. Other underlying	**-**		**-**	
Total	**607,834**	**-**	**589,018**	**-**

Financial derivatives - gross positive fair value: by type of product

Portfolio/type of derivative	Positive fair value			
	30.06.2016		31.12.2015	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading portfolio	**554,248**	**-**	**521,625**	**804**
a) Options	23,864	-	28,847	611
b) Interest rate swaps	512,572	-	452,842	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	13,382	-	35,059	-
f) Futures	186	-	-	193
f) Other	4,244	-	4,877	-
B. Banking portfolio - for hedging	**791,268**	**-**	**594,685**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	783,924	-	593,014	-
c) Cross currency swaps	994	-	363	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
f) Other	6,350	-	1,308	-
C. Banking portfolio - other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-		-	
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
f) Other	-	-	-	-
Total	**1,345,516**	**-**	**1,116,310**	**804**

Financial derivatives - gross negative fair value: by type of product

Portfolio/type of derivative	Negative fair value			
	30.06.2016		31.12.2015	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading portfolio	**612,314**	**-**	**531,805**	**7**
a) Options	18,904	-	23,549	-
b) Interest rate swaps	572,965	-	469,221	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	16,034	-	34,380	-
f) Futures	452	-	-	7
f) Other	3,959	-	4,655	-
B. Banking portfolio - for hedging	**1,110,942**	**-**	**749,725**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	1,110,862	-	749,122	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
f) Other	80	-	603	-
C. Banking portfolio - other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
f) Other	-	-	-	-
Total	**1,723,256**	**-**	**1,281,530**	**7**

Over the counter financial derivatives: supervisory trading portfolio – notional amounts, gross positive and negative fair values by counterparty
contracts not covered by clearing agreements

Contracts not covered by clearing agreements	Governments and central banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	10,000	338,118	-	5,935,101	498,147
- positive fair value	-	-	-	9,740	-	398,532	12,095
- negative fair value	-	-	4	3	-	1,353	103
- future exposure	-	-	-	2,140	-	33,376	1,118
2) Equity instruments and share indices							
- notional amount	-	-	-	-	-	-	5
- positive fair value	-	-	-	-	-	-	591
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Currencies and gold							
- notional amount	-	-	21,307	1,248,030	7,194	1,285,828	24,511
- positive fair value	-	-	722	1,883	24	6,492	233
- negative fair value	-	-	702	8,065	27	10,204	179
- future exposure	-	-	-	12,304	72	9,026	249
4) Other securities							
- notional amount	-	-	-	-	-	21,992	98
- positive fair value	-	-	-	-	-	1,593	-
- negative fair value	-	-	-	-	-	2,458	1
- future exposure	-	-	-	-	-	2,185	10

Over the counter financial derivatives: supervisory trading portfolio – notional amounts, gross positive and negative fair values by counterparty
contracts which form part of clearing agreements

Contracts covered by clearing agreements	Governments and central banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	10,967,463	1,338,036	-	-	-
- positive fair value	-	-	96,206	6,176	-	-	-
- negative fair value	-	-	528,113	48,770	-	-	-
2) Equity instruments and share indices							
- notional amount	-	-	7,286	-	-	-	-
- positive fair value	-	-	110	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currencies and gold							
- notional amount	-	-	2,906,707	344,314	-	-	-
- positive fair value	-	-	14,072	3,113	-	-	-
- negative fair value	-	-	10,438	379	-	-	-
4) Other securities							
- notional amount	-	-	21,866	-	-	-	-
- positive fair value	-	-	2,666	-	-	-	-
- negative fair value	-	-	1,515	-	-	-	-

Over the counter financial derivatives: banking portfolio – notional amounts, gross positive and negative fair values by counterparty
contracts not covered by clearing agreements

Contracts not covered by clearing agreements	Governments and central banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2) Equity instruments and share indices							
- notional amount	-	-	31,055	252,966	253,019	67,487	3,307
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	2,484	19,371	20,242	58	198
3) Currencies and gold							
- notional amount	-	-	27,163	-	-	1,838	74,601
- positive fair value	-	-	995	-	-	147	6,203
- negative fair value	-	-	-	-	-	-	79
- future exposure	-	-	1,358	-	-	18	913
4) Other securities							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

Over the counter financial derivatives: banking portfolio – notional amounts, gross positive and negative fair values by counterparty
contracts which form part of clearing agreements

Contracts covered by clearing agreements	Governments and central banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	25,131,812	6,825,344	-	-	-
- positive fair value	-	-	457,440	326,483	-	-	-
- negative fair value	-	-	911,709	199,154	-	-	-
2) Equity instruments and share indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currencies and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4) Other securities							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

Residual maturity of over the counter financial derivatives: notional amounts

Underlying asset/Residual maturity	Up to 1 year	1 year to 5 years	More than 5 years	Total
A. Supervisory trading portfolio	**10,146,430**	**7,944,725**	**6,845,609**	**24,936,764**
A.1 Financial derivatives on debt instruments and interest rates	4,422,298	7,818,958	6,845,609	19,086,865
A.2 Financial derivatives on equity instruments and share indices	7,289	2	-	7,291
A.3 Financial derivatives on exchange rates and gold	5,678,974	119,678	-	5,798,652
A.4 Financial derivatives on other securities	37,869	6,087	-	43,956
B. Banking portfolio	**5,828,326**	**14,014,616**	**12,825,650**	**32,668,592**
B.1 Financial derivatives on debt instruments and interest rates	5,748,589	13,681,718	12,526,849	31,957,156
B.2 Financial derivatives on equities and share indices	3,298	305,735	298,801	607,834
B.3 Financial derivatives on exchange rates and gold	76,439	27,163	-	103,602
B.4 Financial derivatives on other securities	-	-	-	-
Total 30.06.2016	**15,974,756**	**21,959,341**	**19,671,259**	**57,605,356**
Total 31.12.2015	**19,349,087**	**23,430,757**	**20,465,340**	**63,245,184**

Credit derivatives: end of period and average notional amounts

No transactions in credit derivatives were performed in the first half of 2016.

Over the counter credit derivatives - gross negative fair value: by type of product

No outstanding transactions in credit derivatives existed as at 30th June 2016.

Residual maturity of over the counter credit derivatives: notional amounts

No outstanding transactions in credit derivatives existed as at 30th June 2016.

Counterparty risk - credit equivalent

Counterparty risk	EAD 30.06.2016	EAD 31.12.2015
Standardised approach		
- derivatives contracts and long-term settlement transactions	551,694	532,935
- securities financing transactions	52,015	26,662
- cross product netting agreements	-	-
IRB approach	-	-
- derivatives contracts and long-term settlement transactions	199,474	166,812
- securities financing transactions	-	-
- cross product netting agreements	-	-

Exposures to equity instruments not included in the trading portfolio

Quantitative information

The tables on the pages that follow give exposures in equity instruments grouped according to the accounting portfolio in which they are classified. Amounts for equity investments in companies that are fully consolidated for financial reporting purposes are excluded.

Quantitative information

	carrying amount		fair value		market value		profits/losses realised and impairment		unrealised gains/losses recognised in the balance sheet	
	level 1	level 2/3	level 1	level 2/3	level 1	level 2/3	level 1	level 2/3	level 1	level 2/3
Financial assets designated at fair value:										
- equity instruments	1,567	71,119	1,567	71,119	1,567	x	(133)	394	x	x
- units in UCITS	115,955	0	115,955	0	115,955	x	(3,127)	(5,296)	x	x
Available-for-sale financial assets:										
- equity instruments	12,646	168,249	12,646	168,249	12,646	x	(336)	(19,226)	1,418	55,139
- units in UCITS	18,090	166,096	18,090	166,096	18,090	x	-	8,853	9,360	5,016

Exposure to interest rate risk on positions not included in the trading portfolio

Qualitative information

The methods used to determine sensitivity and changes in net interest income have been revised from the first quarter of 2016 onwards and are no longer calculated solely on the basis of parallel scenarios of shifts in the yield curve, but now also on the basis of a set of scenarios. More specifically, the 2016 Policy to Manage Financial Risks defines a system of early warning thresholds on exposure to interest rate risk based on indicators measured in various scenarios of changes in the yield curves, both deterministic and historical, and parallel and non-parallel, assuming rises and falls in interest rates. A negative interest constraint of -75 basis points has been set for downward interest rate shift scenarios.

Furthermore, that same policy also sets a limit on the total exposure, measured in the standard scenario set by the supervisory regulations in force from time to time. The current standard scenario is one of an instantaneous and parallel shock of +/- 200 basis points on all items in the banking book, assuming a non-negative constraint on interest rates. If the economic value of a bank falls by over 20% of its own funds, then the European Central Bank and the Bank of Italy will examine the results and they may decide to take appropriate action.

Quantitative information

The exposure of the UBI Group to interest rate risk as at 30th June 2016, measured in terms of core sensitivity[19] 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. As at that same date, hypotheses of parallel shocks on the yield curve, both downwards (-100 basis points) and upwards (+100 basis points), showed positive sensitivities in both scenarios.

In compliance with the Financial Risks Policy, the exposure includes an estimate of the impact of early repayments and modelling of 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.

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 basis points, was -€49.78 million, a figure which fell 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.

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[19] The component relating to the AFS portfolio is excluded.

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.

PARALLEL SHIFT IN THE YIELD CURVE (figures in millions of euro)

Scenario	Currency	Impact on economic value **	Impact on net interest income ***
+100 BP	EUR	297.24	86.95
	Other currencies not significant*	-1.91	11.81
TOTAL +100 BP		**295.33**	**98.77**
-100 BP	EUR	148.92	-43.47
	Other currencies not significant*	0.51	-6.30
TOTAL -100 BP		**149.44**	**-49.78**

* Non significant currencies are defined as accounting for less than 5 percent of the assets or liabilities in the banking portfolio.

** The AFS portfolio, excluded from that indicator in compliance with the 2016 Policy to Manage Financial Risks, has an impact on economic value of -€79.63 million for a shock of +100 bps and of +€79.84 million for a shock of -100 bps. If that impact is included then the total exposure is +€215.70 million for a positive shock on the yield curve and +€229.28 million for the negative shock scenario.

*** The impact on that 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 table below reports economic value sensitivity, calculated according to a standard scenario defined by supervisory regulations and measured in 2016, in relation to the Tier 1 Capital and to total Own Funds.

RISK INDICATORS

Annual average	
+200 bp	
Impact on economic value/Tier 1 Capital	4.35%
Impact on economic value/Own funds	3.44%
-200 bp	
Impact on economic value/Tier 1 Capital	6.36%
Impact on economic value/Own funds	5.02%

End of period values	
+200 bp	
Impact on economic value/Tier 1 Capital	6.94%
Impact on economic value/Own funds	5.48%
-200 bp	
Impact on economic value/Tier 1 Capital	6.53%
Impact on economic value/Own funds	5.16%

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

The undersigned, Elisabetta Stegher, as the Senior Officer Responsible for preparing the corporate accounting documents of Unione di Banche Italiane Spa, hereby declares, in compliance with the second paragraph of article 154 bis of the "Testo unico delle disposizioni in materia di intermediazione finanziaria" (Consolidated Finance Act), that the information contained in this document "Pillar 3 disclosures as at 30th June 2016" is reliably based on the records contained in corporate documents and accounting records.

Elisabetta Stegher
Dirigente Preposto alla redazione dei
documenti contabili societari

Elisabetta Stegher

Bergamo, 5th August 2016