Pillar 3 Disclosures

as at 31st March 2015

UBI Banca
UNIONE DI BANCHE ITALIANE

Joint stock co-operative 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 March 2015: €2,254,371,430 fully paid up

www.ubibanca.it

Contents

Introduction

The prudential rules for banks and investment companies have been contained in EU Regulation 575/2013 (the Capital Requirements Regulation, known as the CRR) and in the EU Directive 2013/36/EU (the Capital Requirements Directive, known as CRD IV) since 1st January 2014. They transpose standards defined by the Basel Committee on Banking Supervision (known as the Basel 3 framework) into European Union regulations.

On conclusion of a public consultation process started in November 2013, on the following 17th December the Bank of Italy published Circular No. 285 "Regulations for prudential supervision of banks", which implements the new EU regulations.

In order to strengthen "market discipline", the regulations make it compulsory for banks to publish disclosures (the "Pillar 3 Disclosures") that provide an adequate degree of transparency with regard to risk exposure, monitoring and management and which therefore give particular importance to capital adequacy.

More specifically the Pillar 3 Disclosures are regulated directly by Part Eight and Part Ten (Title I, Chapter 3) of the CRR and by regulatory and implementation provisions issued by the European Commission[1], to regulate 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 than once a year, in the light of the more important characteristics of their activities. In continuation with past practice, the UBI Group intends to continue 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 UBI Group as at 31st March 2015 gives an update of quantitative information relating to own funds and capital requirements.
The document Pillar 3 Disclosures as at 31st December 2014 may be consulted for information not contained in this document. Furthermore, any significant changes that occurred during the first quarter of 2015 are reported in this disclosure document.

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[1] The "Regulatory Technical Standard" – RTS and "Implementing Technical Standard" – ITS respectively.

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 first quarter financial report prepared with the same reporting date) are therefore attributable to differences in the scope of consolidation considered.

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

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

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Capital ratios as at 31st March 2015

Figures in thousands of euro	31.03.2015	31.12.2014
Common Equity Tier 1 capital before filters and transitional provisions	8,248,002	8,029,856
Effects of transitional provisions provided for by the regulations (minority interests)	192,504	258,088
Effects of transitional provisions provided for by the regulations (AFS reserves)	-57,889	-92,457
Adjustments to Common Equity Tier 1 capital due to prudential filters provided for by the regulatior	-5,275	-1,896
Government securities sterilisation effect	-272,847	-59,989
Common Equity Tier 1 capital net of prudential filters	**8,104,495**	**8,133,602**
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	*-546,567*	*-518,337*
Common Equity Tier 1 capital	**7,557,928**	**7,615,265**
Additional Tier 1 capital before deductions	**39,381**	**37,627**
Deductions from Additional Tier 1 capital in relation to negative items for shortfall of provisions to expected losses, inclusive of the application of transitional measures	*-39,381*	*-37,627*
Additional Tier 1 capital	**-**	**-**
Tier 1 capital (Common Equity Tier 1 + Additional Tier 1)	**7,557,928**	**7,615,265**
Tier 2 capital before transitional provisions	**2,001,563**	**2,187,759**
Effects of grandfathering provisions on Tier 2 instruments	-	-
Tier 2 capital after transitional provisions	**2,001,563**	**2,187,759**
Deductions from Tier 2 capital	-244,387	-361,426
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	*-251,121*	*-370,643*
Tier 2 capital after specific deductions	**1,757,176**	**1,826,333**
Total own funds	**9,315,104**	**9,441,597**
Credit risk	4,485,056	4,572,697
Credit valuation adjustment risk	16,895	14,721
Market risk	59,099	56,539
Operational risk	297,050	297,050
Total prudential requirements	**4,858,100**	**4,941,007**
Risk weighted assets	**60,726,250**	**61,762,588**
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk-weighted assets)	**12.45%**	**12.33%**
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-weighted assets)	**12.45%**	**12.33%**
Total capital ratio (total own funds/risk-weighted assets)	**15.34%**	**15.29%**

Own funds

Quantitative information

In compliance with transitional measures concerning own funds contained in Part II, Chapter 14 of Bank of Italy Circular No. 285 of 17th December 2013, advantage was taken in the calculation of regulatory capital as at 31st March 2015 of the option to not include unrealised profits 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 individual company and at consolidated level.

As at 31st March 2015, the Common Equity Tier 1 (CET1) capital of the UBI Banca Group amounted to approximately €7.6 billion and total own funds to approximately €9.3 billion. Compared with December 2014, the CET1 capital decreased by approximately €57 million due to the negative impact – resulting from transitional provisions applicable in 2015 – of the decrease in the amount of minority interests and of the provisions shortfall that qualify which also decreased in absolute terms. This was partially offset by the impact of net positive AFS reserves relating to equity and debt instruments (other than EU member country government securities), 40% of which is now included compared with the complete sterilisation applied in 2014.
As already reported, on the basis of supervisory regulations, the calculation of capital ratios as at 31st March 2015 does not include profit for the period and the consequent changes in filters and deductions.

The Tier 2 capital fell by approximately €69 million, down from €1.83 billion as at 31st December 2014 to approximately €1.76 billion, primarily due to the amortisation of subordinated securities, partially offset by the lower deduction of the shortfall, following the application of the transitional provisions already mentioned.

As a result of the performance reported above, total own funds fell by approximately €126 million.

The table below gives details of the items of which own funds were composed as at 31st March 2015, compared with 31st December 2014.

Capital item	31.03.2015	31.12.2014
Common Equity Tier 1 (CET1) capital instruments	**2,254,371**	**2,254,371**
CET1 capital share premium accounts	**4,716,866**	**4,716,866**

Capital item	31.03.2015	31.12.2014
Reserves	**2,649,352**	**3,378,061**
(i) retained earnings	812,181	1,540,891
(ii) other reserves	1,837,170	1,837,170
Profit for the period	**0**	**-725,767**
Direct and indirect holdings of own CET1 instruments	**-122,519**	**-119,961**
Accumulated other comprehensive income (AOCI)	**328,451**	**111,356**
Regulatory adjustments relating to unrealised gains or losses	**-330,736**	**-152,446**
Minority interests	**359,936**	**427,275**
(i) amount allowed in consolidated CET1	167,432	169,187
(ii) amount qualifying under transitional provisions	192,504	258,088
CET1 prudential filters	**-5,275**	**-1,896**
Intangible assets (net of related tax liability)	**-1,745,951**	**-1,754,257**
(i) goodwill	-1,495,670	-1,495,670
(i) other intangible assets	-250,281	-258,587
Negative amounts resulting from the calculation of expected loss amounts (shortfall on IRB positions)	**-546,567**	**-518,337**
(i) shortfall on IRB positions eligible for inclusion in CET1 under transitional provisions	-334,828	-185,321
(i) shortfall on qualifying AT1 IRB positions that exceed the AT1 capital of the institution (excess of deductions from AT1)	-211,740	-333,016
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)	**0**	**0**
COMMON EQUITY TIER 1 (CET1) CAPITAL	**7.557.927**	**7.615.265**
Additional Tier 1 instruments and the related share premium accounts	**0**	**0**
Instruments issued by subsidiaries included in AT1	**39,381**	**37,627**

Capital item	31.03.2015	31.12.2014
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	-251,121	-370,643
Negative amounts on qualifying IRB positions that exceed the AT1 of the institution	211,740	333,016
ADDITIONAL TIER 1 (AT1) CAPITAL	0	0
TIER 1 (CET1 + AT1) CAPITAL	7,557,927	7,615,265
Tier 2 (T2) capital instruments and the related share premium accounts	2,001,563	2,187,759
Amount of qualifying items referred to in Article 484 (5) and the related share premium account subject to phase out from T2	0	0
Instruments issued by subsidiaries included in T2	16,395	10,784
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	-251,121	-370,643
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)	-38,606	-38,550
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR treatment	28,945	36,983
TIER 2 (T2) CAPITAL	1,757,176	1,826,333
TOTAL CAPITAL (TC=T1+T2)	9,315,104	9,441,598

Capital requirements

Quantitative information

The tables below reports details of the various capital requirements.

	amount as at 31.03.2015				amount as at 31.12.2014			
	Credit risk		Counterparty risk		Credit risk		Counterparty risk	
	RWA	Capital requirement	RWA	Capital requirement	RWA	Capital requirement	RWA	Capital requirement
Credit and counterparty risk - STANDARDISED APPROACH								
Exposures to or guaranteed by central governments and central banks	2,680,999	214,480	-	-	2,657,027	212,562	-	-
Exposures to or guaranteed by regional governments and local authorities	133,839	10,707	-	-	103,948	8,316	-	-
Exposures to or guaranteed by public sector entities	136,516	10,921	8	1	135,258	10,821	12	1
Exposures to or guaranteed by multilateral development banks		-	-	-	-	-	-	-
Exposures to or guaranteed by international organisations		-	-	-	-	-	-	-
Exposures to or guaranteed by supervised intermediaries	839,525	67,162	81,178	6,494	1,135,066	90,805	83,521	6,682
Exposures to or guaranteed by corporates	7,217,368	577,389	423,784	33,903	7,105,102	568,408	365,232	29,219
Retail exposures	4,642,099	371,368	384	31	4,659,830	372,785	169	14
Exposures secured by real estate property	1,946,916	155,753	-	-	1,957,621	156,610	-	-
Exposures in default	3,343,300	267,464	11,046	884	3,593,392	287,471	12,781	1,022
High-risk exposures	11,553	924	-	-	74,334	5,947	-	-
Exposures in the form of covered bonds		-	-	-	-	-	-	-
Short-term exposures to corporates and supervised intermediaries		-	-	-	-	-	-	-
Exposures to UCITS	44,715	3,577	-	-	9	1	-	-
Equity exposures	1,116,384	89,311	50,109	4,009	1,107,332	88,587	83,014	6,641
Other exposures	2,046,145	163,692	-	-	2,000,436	160,035	-	-
Securitisations		-	-	-	-	-	-	-
Total standardised approach	**24,159,359**	**1,932,748**	**566,509**	**45,322**	**24,529,355**	**1,962,348**	**544,729**	**43,579**

	amount as at 31.03.2015				amount as at 31.12.2014			
	Credit risk		Counterparty risk		Credit risk		Counterparty risk	
	RWA	Capital requirement	RWA	Capital requirement	RWA	Capital requirement	RWA	Capital requirement
Credit and counterparty risk - INTERNAL RATING BASED APPROACH								
Exposures to or guaranteed by corporates								
Specialised lending								
SMEs	8,705,182	696,415			8,600,535	688,043	-	-
SMEs to which the supporting factor is applied (0.7619)	*3,774,323*	*301,946*			*3,661,249*	*292,900*	-	-
Other corporates	15,980,331	1,278,426			16,947,408	1,355,793	-	-
Retail exposures								
Exposures secured by real estate property: SMEs	1,014,562	81,165			1,098,956	87,916	-	-
Exposures guaranteed by real estate property: SMEs to which the supporting factor is applied (0.7619)	*435,491*	*34,839*			*376,771*	*30,142*	-	-
Exposures secured by real estate property: private individuals	2,389,279	191,142			2,422,304	193,784	-	-
Qualified retail revolving exposures		-			-	-	-	-
Other retail exposures: SMEs	1,403,050	112,244			1,421,627	113,730	-	-
Other retail exposures: SMEs to which the supporting factor is applied (0.7619)	*951,421*	*76,114*			*801,567*	*64,125*	-	-
Other retail exposures: private individuals		-			-	-	-	-
Specialised lending - slotting criteria	1,655,260	132,421	189,662	15,173	1,439,108	115,129	154,691	12,375
Total methodology based on internal ratings	**31,147,664**	**2,491,813**	**189,662**	**15,173**	**31,929,938**	**2,554,395**	**154,691**	**12,375**

	Capital requirement 31.03.2015	Capital requirement 31.12.2014
CREDIT AND COUNTERPARTY RISK		
Total credit risk	4,424,562	4,516,743
Total counterparty risk	60,494	55,954
Total credit and counterparty risk	**4,485,056**	**4,572,697**
	Capital requirement 31,03,2015	**Capital requirement 31,12,2014**
MARKET RISK - Standardised approach		
- position risk in debt instruments	55,253	54,131
- position risk in equity instruments	1,085	1,258
- foreign exchange risk	2,761	1,150
- position risk in commodities	-	-
Total market risk	**59,099**	**56,539**
OPERATIONAL RISK		
Basic indicator approach	4,558	4,558
Standardised approach	45,813	45,813
Advanced measurement approach	246,679	246,679
Total operational risk	**297,050**	**297,050**
CREDIT VALUATION ADJUSTMENT RISK		
Standardised method	16,895	14,721
Total credit valuation adjustment risk	**16,895**	**14,721**

SUPERVISORY RATIOS	31,03,2015	31,12,2014
Common Equity Tier 1 ratio	**12.45%**	**12.33%**
Tier 1 ratio	**12.45%**	**12.33%**
Total capital ratio	**15.34%**	**15.29%**

Following authorisations received from the Supervisory Authority, the UBI Group now uses internal models[2] 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[3]") – and operational risks.

Capital ratios as at 31st March 2015 recorded an increase compared with 31st December 2014. The Common Equity Tier 1 ratio and the Tier 1 ratio stood at 12.45% (12.33% in December 2014), while the Total Capital ratio was 15.34% (15.29% recorded in December 2014).

Risk weighted assets (RWAs) fell to €60.7 billion from €61.8 billion at the end of 2014. The decrease, relating to a reduction in capital requirements for credit risk, is attributable to the trend for volumes of lending to customers and also to a change in the composition of lending.

If Basel 3 rules on a full application basis scheduled for 2019 were applied (fully phased-in) Group capital ratios would be 12.20% for the Common Equity Tier 1 ratio and 15.54% for the Total Capital ratio.

On 25th February 2015 specific capital requirements were received requested by the European Central Bank for the Group at consolidated level of 9.5% for the Common Equity Tier 1 ratio and 11% for the Total Capital ratio. In consideration of the ratios achieved as at 31st March 2015 – 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.

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Leverage ratio

The leverage ratio stood at 5.82% as at 31th December 2015, while it is estimated at 5.73%. fully loaded.

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[2] See the full Pillar 3 Disclosure document as at 31st December 2014 for further information on internal models.

[3] Limited to the small to medium-size enterprise portfolio comprised within the "Retail" segment ("SME retail").

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 Scpa, 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 "Pillar 3 Disclosures as at 31st March 2015" is reliably based on the records contained in corporate documents and accounting records.*

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

Brescia, 12th May 2015