Pillar 3 Disclosures

Translation from the Italian original which remains the definitive version

as at 31st March 2016

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

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. The Bank of Italy has implemented the EU regulations by publishing Circular No. 285 "Regulations for the prudential supervision of banks".

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 Regulation EU 575/2013 (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. 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 UBI Group as at 31st March 2016 gives an update of quantitative information relating to own funds, capital requirements and financial leverage. The document Pillar 3 Disclosures as at 31st December 2015 may be consulted for information not contained in this document.
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

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

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 sections of this disclosure are stated in thousands of euro, unless otherwise stated.

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Capital ratios as at 31st March 2016

Capital ratios (Basel 3)

Figures in thousands of euro	31.03.2016	31.12.2015
Common Equity Tier 1 capital before filters and transitional provisions	8,127,416	8,182,013
Effects of transitional provisions provided for by the regulations (minority interests)	115,770	176,599
Effects of transitional provisions provided for by the regulations (AFS reserves)	-42,535	-59,068
Adjustments to Common Equity Tier 1 capital due to prudential filters provided for by the regulations	-5,064	-3,136
Government securities sterilisation effect	-105,449	-190,983
Common Equity Tier 1 capital net of prudential filters	**8,090,138**	**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	*-754,370*	*-696,531*
Common Equity Tier 1 capital	**7,335,768**	**7,408,894**
Additional Tier 1 capital before deductions	**38,873**	**38,891**
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	*-38,873*	*-38,891*
Additional Tier 1 capital	-	-
Tier 1 capital (Common Equity Tier 1 + Additional Tier 1)	**7,335,768**	**7,408,894**
Tier 2 capital before transitional provisions	**1,287,160**	**1,443,464**
Effects of grandfathering provisions on Tier 2 instruments	-	-
Tier 2 capital after transitional provisions	**1,287,160**	**1,443,464**
Deductions from Tier 2 capital	-191,904	-307,341
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	*-198,311*	*-315,181*
Tier 2 capital after specific deductions	**1,095,256**	**1,136,123**
Total own funds	**8,431,024**	**8,545,017**
Credit risk	4,523,121	4,536,654
Credit valuation adjustment risk	18,210	15,519
Market risk	44,465	78,762
Operational risk	276,654	276,654
Total prudential requirements	**4,862,450**	**4,907,589**
Risk weighted assets	**60,780,623**	**61,344,866**
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk-weighted assets)	**12.07%**	**12.08%**
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-weighted assets)	**12.07%**	**12.08%**
Total capital ratio (total own funds/risk-weighted assets)	**13.87%**	**13.93%**

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 2016 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 item of own funds[2].

The impact of exercising that option on own funds amounted to approximately €106 million and it was fully sterilised (€191 million in December 2015).

As at 31st March 2016, the Common Equity Tier 1 capital (CET1) of the UBI Banca Group amounted to approximately €7.3 billion and total own funds to approximately €8.4 billion. Compared with December 2015, the CET1 capital decreased by approximately €73 million due to the negative impact – resulting from transitional provisions applicable in 2016 – of the decrease in the amount of minority interests and of the provisions shortfall that qualify which also decreased in absolute terms (approximately -€59 million)[3]. This was partially offset by the positive impact of net positive AFS reserves relating to equity and debt instruments (other than EU member country government securities), 60% of which is now included compared with 40% in 2015, again due to the impact of the transitional provisions already mentioned. The calculation of capital ratios as at 31st March 2016 takes account of profit for the period net of the pro rata provision made for the possible distribution of a dividend.
The Tier 2 capital decreased by approximately €41 million, down to around €1.1 billion, following the progressive amortisation of subordinated securities[4] (-€156 million), partially offset by the smaller 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 €114 million.

The table below gives details of the items of which own funds were composed as at 31st March 2016, compared with 31st December 2015.

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[2] That option was exercised within the time limit set of 31st January 2014 and was applied at separate company and at consolidated level.
[3] 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. 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 exclusion in 2016 compared with 40% in 2015).
[4] The subordinated security with ISIN No. IT0004457187 matured during the quarter.

Capital item	31.03.2016	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	**3,554,600**	**3,556,603**
(i) retained earnings	1,742,484	1,729,957
(ii) other reserves	1,812,116	1,826,646
Profit for the period	**17,193**	**12,940**
Direct and indirect holdings of own CET1 instruments	**-119,859**	**-135,086**
Accumulated other comprehensive income (AOCI)	**175,212**	**261,740**
Regulatory adjustments relating to unrealised gains or losses	**-147,984**	**-250,050**
Minority interests	**292,385**	**348,191**
(i) amount allowed in consolidated CET1	176,615	171,592
(ii) amount qualifying under transitional provisions	115,770	176,599
Cet1 prudential filters	**-5,064**	**-3,136**
Intangible assets (net of related tax liability)	**-1,729,146**	**-1,738,576**
(i) goodwill	-1,495,670	-1,495,670
(i) other intangible assets	-233,476	-242,906
Negative amounts resulting from the calculation of expected loss amounts (shortfall on IRB positions)	**-754,370**	**-696,531**
(i) shortfall on IRB positions eligible for inclusion in CET 1 under transitional provisions	-594,932	-420,241
(i) shortfall on qualifying AT1 IRB positions that exceed the AT1 capital of the institution (excess of deductions from AT1)	-159,438	-276,290
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	**7,335,768**	**7,408,894**

Capital item	31.03.2016	31.12.2015
COMMON EQUITY TIER 1 (CET1) CAPITAL	**7,335,768**	**7,408,894**
Additional Tier 1 instruments and the related share premium accounts	**0**	**0**
Instruments issued by subsidiaries included in AT1	**38,873**	**38,891**
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	**-198,311**	**-315,181**
Negative amounts on qualifying IRB positions that exceed the AT1 capital of the institution	**159,438**	**276,290**
ADDITIONAL TIER 1 (AT1) CAPITAL	**0**	**0**
TIER 1 (CET1 + AT1)	**7,335,768**	**7,408,894**
Tier 2 (T2) capital instruments and the related share premium accounts	**1,287,160**	**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	**0**	**0**
Instruments issued by subsidiaries included in T2	**23,735**	**16,845**
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	**-198,311**	**-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)	**-38,595**	**-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	**21,268**	**29,534**
TIER 2 (T2) CAPITAL	**1,095,256**	**1,136,123**
TOTAL CAPITAL (TC=T1+T2)	**8,431,024**	**8,545,017**

Capital requirements

Quantitative information

The tables below give details of regulatory capital requirements and capital ratios. The following tables contain details of the credit risk requirement for the regulatory portfolios.

	Capital requirement 31.03.2016	Capital requirement 31.12.2015
CREDIT AND COUNTERPARTY RISK		
Total credit risk	4,477,564	4,493,547
Total counterparty risk	45,557	43,107
Total credit and counterparty risk	**4,523,121**	**4,536,654**
MARKET RISK - Standardised approach		
- position risk in debt instruments	43,427	58,957
- position risk in equity instruments	1,037	2,762
- currency risk	1	17,043
- position risk in commodities	-	-
Total market risk	**44,465**	**78,762**
OPERATIONAL RISK		
Basic indicator approach	3,833	3,833
Standardised approach	44,541	44,541
Advanced measurement approach	228,280	228,280
Total operational risk	**276,654**	**276,654**
CREDIT VALUATION ADJUSTMENT RISK		
Standardised method	18,210	15,519
Total credit valuation adjustment risk	**18,210**	**15,519**

SUPERVISORY RATIOS	31.03.2016	31.12.2015
Common Equity Tier 1 ratio (Common Equity Tier 1 capital / Risk weighted assets)	**12.07%**	**12.08%**
Tier 1 ratio (Tier 1 capital/Risk weighted assets)	**12.07%**	**12.08%**
Total capital ratio (Total own funds / Risk weighted assets)	**13.87%**	**13.93%**

	31.03.2016			31.12.2015		
	Amounts not weighted	Amounts weighted	Capital requirement	Amounts not weighted	Amounts weighted	Capital requirement
Credit and counterparty risk - STANDARDISED APPROACH						
Exposures to or guaranteed by central governments and banks	22,581,926	2,464,142	197,131	22,671,967	2,487,248	198,980
Exposures to or guaranteed by regional governments or local authorities	555,731	110,792	8,863	568,848	113,495	9,079
Exposures to or guaranteed by public sector entities	345,116	113,297	9,064	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	4,683,433	1,369,198	109,536	4,263,823	1,261,973	100,958
Exposures to or guaranteed by corporates	8,169,851	7,747,883	619,831	8,528,708	8,075,878	646,070
Retail exposures	5,948,039	4,266,516	341,321	6,023,934	4,315,234	345,219
Exposures secured by real estate property	3,945,035	1,798,041	143,843	3,940,173	1,792,787	143,423
Exposures in default	2,616,554	3,247,331	259,787	2,603,618	3,239,002	259,121
High-risk exposures	48,150	72,225	5,778	46,789	70,183	5,615
Exposures in the form of covered bonds	-	-	-	14,609	2,922	234
Short-term exposures to corporates and supervised institutions	-	-	-	-	-	-
Exposures to UCITS	33,123	33,123	2,650	30,136	30,136	2,411
Equity exposures	702,217	1,077,337	86,187	708,147	1,086,809	86,944
Other exposures	2,660,336	1,966,918	157,353	2,977,691	2,045,755	163,660
Securitisations	-	-	-	-	-	-
Total standardised approach	**52,289,511**	**24,266,803**	**1,941,344**	**52,764,337**	**24,649,085**	**1,971,927**
Credit and counterparty risk - INTERNAL RATING BASED APPROACH						
Exposures to or guaranteed by corporates						
Specialised lending						
SMES	15,253,950	8,332,074	666,566	14,857,755	8,293,520	663,482
Other corporates	23,562,368	17,379,796	1,390,384	23,382,133	16,976,437	1,358,115
Retail exposures						
Exposures secured by real estate property: SMEs	4,880,326	991,357	79,309	4,881,314	1,041,195	83,295
Exposures secured by real estate property: private individuals	20,011,448	2,344,224	187,538	20,196,872	2,401,272	192,102
Qualified retail revolving exposures	-	-	-	-	-	-
Other retail exposures: SMEs	4,428,982	1,376,393	110,111	4,478,082	1,452,839	116,227
Other retail exposures: private individuals	-	-	-	-	-	-
Specialised lending - slotting criteria	2,005,299	1,848,356	147,869	2,009,943	1,893,824	151,506
Total methodology based on internal ratings	**70,142,373**	**32,272,200**	**2,581,777**	**69,806,099**	**32,059,087**	**2,564,727**
TOTAL	**122,431,884**	**56,539,003**	**4,523,121**	**122,570,436**	**56,708,172**	**4,536,654**

	Amount as at 31.03.2016				Amount as at 31.12.2015			
	Credit risk		Counterparty risk		Credit risk		Counterparty risk	
	Amount weighted	Capital requirement	Amount weighted	Capital requirement	Amount weighted	Capital requirement	Amount weighted	Capital requirement
Credit and counterparty risk - STANDARDISED APPROACH								
Exposures to or guaranteed by central governments and banks	2,464,142	197,131	-	-	2,487,248	198,980	-	-
Exposures to or guaranteed by regional governments or local authorities	110,792	8,863	-	-	113,495	9,079	-	-
Exposures to or guaranteed by public sector entities	113,297	9,064	-	-	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	1,301,571	104,126	67,627	5,410	1,198,199	95,856	63,774	5,102
Exposures to or guaranteed by corporates	7,485,438	598,835	262,445	20,996	7,818,898	625,512	256,980	20,558
Retail exposures	4,266,491	341,319	25	2	4,315,202	345,216	32	3
Exposures secured by real estate property	1,798,041	143,843	-	-	1,792,787	143,423	-	-
Exposures in default	3,231,246	258,500	16,085	1,287	3,220,470	257,638	18,532	1,483
High-risk exposures	72,225	5,778	-	-	70,183	5,615	-	-
Exposures in the form of covered bonds	-	-	-	-	2,922	234	-	-
Short-term exposures to corporates and supervised institutions	-	-	-	-	-	-	-	-
Exposures to UCITS	33,123	2,650	-	-	30,136	2,411	-	-
Equity exposures	1,037,470	82,998	39,867	3,189	1,041,881	83,350	44,928	3,594
Other exposures	1,966,918	157,353	-	-	2,045,755	163,660	-	-
Securitisations	-	-	-	-	-	-	-	-
Total standardised approach	**23,880,754**	**1,910,460**	**386,049**	**30,884**	**24,264,839**	**1,941,187**	**384,246**	**30,740**
Credit and counterparty risk - INTERNAL RATING BASED APPROACH								
Exposures to or guaranteed by corporates								
Specialised lending								
SMES	8,332,074	666,566	-	-	8,293,520	663,482	-	-
SMEs to which the supporting factor is applied (0.7619)	*3,766,978*	*301,358*	-	-	*3,611,778*	*288,942*	-	-
Other corporates	17,379,796	1,390,384	-	-	16,976,437	1,358,115	-	-
Retail exposures								
Exposures secured by real estate property: SMEs	991,357	79,309	-	-	1,041,195	83,295	-	-
Exposures guaranteed by real estate property: SMEs to which the supporting factor is applied (0.7619)	*389,448*	*31,156*	-	-	*331,137*	*26,491*	-	-
Exposures secured by real estate property: private individuals	2,344,224	187,538	-	-	2,401,272	192,102	-	-
Qualified retail revolving exposures	-	-	-	-	-	-	-	-
Other retail exposures: SMEs	1,376,393	110,111	-	-	1,452,839	116,227	-	-
Other retail exposures: SMEs to which the supporting factor is applied (0.7619)	*946,117*	*75,689*	-	-	*802,997*	*64,240*	-	-
Other retail exposures: private individuals	-	-	-	-	-	-	-	-
Specialised lending - slotting criteria	1,664,950	133,196	183,406	14,673	1,739,234	139,139	154,590	12,367
Total methodology based on internal ratings	**32,088,794**	**2,567,104**	**183,406**	**14,673**	**31,904,497**	**2,552,360**	**154,590**	**12,367**

Following authorisations received from the Supervisory Authority, the UBI Group now uses internal models[5] 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[6]") – and operational risks.

As concerns the decrease in risk weighted assets (down to €60.8 billion from €61.3 billion at the end of 2015), this was mainly attributable to the reduction in exchange rate risk (market risk) to zero as a consequence of the decrease in the net position in foreign currency compared with the significance[7] threshold. With account taken of those changes, compliance with minimum capital requirements as at 31st March 2016, equal to total capital requirements for credit, counterparty, credit valuation adjustment, market and operational risk required capital of approximately €4,862 million (€4,908 million in December 2015), against which the Group recorded actual regulatory capital (own funds) of €8,431 million.

Capital ratios as at 31st March 2016 were more or less unchanged compared with 31st December 2015. The Common Equity Tier 1 ratio and the Tier 1 ratio stood at 12.07% (12.08% in December 2015), while the Total Capital ratio was 13.87% (13.93% recorded in December 2015).

If Basel 3 rules on a full application basis scheduled for 2019 were applied, Group capital ratios would be 11.73% for the Common Equity Tier 1 ratio, 11.78% for the Tier 1 ratio and 13.90% for the Total Capital ratio

In a communication dated 27th November 2015, the UBI Group received a specific capital requirement request at consolidated level from the ECB following the Supervisory Review and Evaluation Process (SREP). That requirement establishes a Common Equity Tier 1 capital ratio of 9.25%, down compared with 9.50% set in February 2015[8]. Furthermore, from 1st January 2016 banks are obliged to hold an anti-cyclical capital buffer. With a communication dated 30th September 2015, the Bank of Italy set the ratio for the anti-cyclical buffer for exposures to counterparties resident in Italy at 0% for the first quarter of 2016. As a consequence, since the Group's exposures are mainly towards domestic counterparties[9], the Group's anti-cyclical buffer is not significant.

In consideration of the ratios achieved as at 31st March 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.

[5] See the full Pillar 3 Disclosure document as at 31st December 2015 for further information on internal models.
[6] Limited to the small to medium-size enterprise portfolio comprised within the "Retail" segment ("SME retail").
[7] The reference is to the threshold of 2% of own funds set for net open positions in foreign exchange.
[8] See the press releases of 27th November and 27th February 2015 respectively in the investor relations section of the corporate website http://www.ubibanca.it/.
[9] 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

The leverage ratio stood at 5.99% as at 31st March 2015, while it is estimated at 5.85% fully loaded.

Quantitative information

The table below reports summary data on the calculation of the UBI Group leverage ratios as at 31st March 2016. The ratio was calculated according to the provisions of the CRR, as amended by the Delegated Act (EU) No. 62/2015[10].

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 transition 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 31st March 2016

	31.03.2016	31.12.2015
fully loaded Tier 1 capital	7,159,433	7,161,942
fully phased-in exposure	122,345,259	123,308,170
fully phased in leverage ratio	**5.85%**	**5.81%**
transition Tier 1 capital	7,335,767	7,408,894
transition exposure	122,434,458	123,412,192
transition leverage ratio	**5.99%**	**6.00%**

[10] The Delegated Act brings the rules for calculating the ratio into line with the provisions of the Basel Committee on the matter, published in January 2014 (Basel III Leverage ratio framework and disclosure requirements, January 2014).

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 "Pillar 3 Disclosures as at 31st March 2016" is reliably based on the records contained in corporate documents and accounting records.

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

Bergamo, 12th May 2016