Pillar 3 Disclosures

as at 30th September 2015

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 30th September 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 the prudential supervision of banks", which implements the 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 (regulatory capital);

- 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 this respect, the EBA (European Banking Authority) has provided further recommendations on the frequency with which Pillar three disclosures should be published in the document *"Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) NO 575/2013 (EBA/GL/2014/14)"* last December.

In continuity with past practice, the UBI Group publishes Pillar 3 Disclosures on at least a quarterly basis, providing an update of the information considered most important.

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

More specifically, this document, which reports the position of the Group as at 30th September 2015, provides an update of quantitative information relating to own funds, capital adequacy and the leverage ratio.

The documents Pillar 3 Disclosures as at 31st December 2014 and as at 30th June 2015 may be consulted for information not contained in this document. Furthermore, any significant changes that occurred during the third quarter of 2015 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.

Further information on capital adequacy, own funds and risks to which the Group is exposed is published in the Interim Financial Report for the period ended 30th September 2015.

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 30th September 2015

	30.09.2015	30.06.2015	31.12.2014
Common Equity Tier 1 capital before filters and transitional provisions	8,319,132	8,163,139	8,029,856
Effects of transitional provisions provided for by the regulations (minority interests)	180,328	191,880	258,088
Effects of transitional provisions provided for by the regulations (AFS reserves)	-97,140	-95,988	-92,457
Adjustments to Common Equity Tier 1 capital due to prudential filters provided for by the regulations	-2,644	-3,225	-1,896
Government securities sterilisation effect	-168,661	-14,081	-59,989
Common Equity Tier 1 capital net of prudential filters	**8,231,015**	**8,241,725**	**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	*-673,103*	*-536,085*	*-518,337*
Common Equity Tier 1 capital	**7,557,912**	**7,705,640**	**7,615,265**
Additional Tier 1 capital before deductions	**38,359**	**39,150**	**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	*-38,359*	*-39,150*	*-37,627*
Additional Tier 1 capital	-	-	-
Tier 1 capital (Common Equity Tier 1 + Additional Tier 1)	**7,557,912**	**7,705,640**	**7,615,265**
Tier 2 capital before transitional provisions	**1,622,965**	**1,813,160**	**2,187,759**
Effects of grandfathering provisions on Tier 2 instruments	-	-	-
Tier 2 capital after transitional provisions	**1,622,965**	**1,813,160**	**2,187,759**
Deductions from Tier 2 capital	-279,487	-220,978	-361,426
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	*-304,912*	*-246,529*	*-370,643*
Tier 2 capital after specific deductions	**1,343,478**	**1,592,182**	**1,826,333**
Total own funds	**8,901,390**	**9,297,822**	**9,441,598**
Credit risk	4,290,861	4,362,820	4,572,697
Credit valuation adjustment risk	14,340	14,606	14,721
Market risk	44,499	84,056	56,539
Operational risk	300,624	300,624	297,050
Total prudential requirements	**4,650,324**	**4,762,106**	**4,941,007**
Risk weighted assets	**58,129,050**	**59,526,325**	**61,762,588**
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk-weighted assets)	**13.00%**	**12.94%**	**12.33%**
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-weighted assets)	**13.00%**	**12.94%**	**12.33%**
Total capital ratio (total own funds/risk-weighted assets)	**15.31%**	**15.62%**	**15.29%**

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 September 2015 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.

At the end of September the UBI Banca Group's Common Equity Tier 1 (CET1) capital stood at €7.56 billion, slightly down compared with €7.62 billion at the end of December 2014, while total own funds amounted to €8.9 billion (€9.4 billion in December).
As already reported, on the basis of supervisory regulations, the calculation of capital ratios as at 30th September 2015 does not include profit for the third quarter.

The Tier 2 capital contracted to €1.3 billion from €1.8 billion in December due to the progressive amortisation of subordinated securities.

As a result of the performance reported above, on aggregate total own funds fell by approximately €540 million.

The table below gives details of the items of which own funds were composed as at 30th September 2015.

CAPITAL ITEM	30.09.2015	31.12.2014
Common Equity Tier 1 (CET1) capital instruments	**2,254,371**	**2,254,371**
CET1 capital share premium accounts	**3,798,430**	**4,716,866**
Reserves	**3,555,360**	**3,378,061**
(i) retained earnings	1,728,714	1,540,891
(ii) other reserves	1,826,646	1,837,170
Profit for the period	**87,850**	**-725,767**
Direct and indirect holdings of own CET1 instruments	**-121,007**	**-119,961**

CAPITAL ITEM	30.09.2015	31.12.2014
Accumulated other comprehensive income (AOCI)	**309,680**	**111,356**
Regulatory adjustments relating to unrealised gains or losses	**-265,801**	**-152,446**
Minority interests	**346,882**	**427,275**
(i) amount allowed in consolidated CET1	166,554	169,187
(ii) amount qualifying under transitional provisions	180,328	258,088
CET1 prudential filters	**-2,644**	**-1,896**
Intangible assets (net of related tax liability)	**-1,732,107**	**-1,754,257**
(i) goodwill	-1,495,670	-1,495,670
(i) other intangible assets	-236,437	-258,587
Negative amounts resulting from the calculation of expected loss amounts (shortfall on IRB positions)	**-673,103**	**-518,337**
(i) shortfall on IRB positions eligible for inclusion in CET1 under transitional provisions	-406,550	-185,321
(i) shortfall on qualifying AT1 IRB positions that exceed the AT1 capital of the institution (excess of deductions from AT1)	-266,553	-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	**7,557,912**	**7,615,265**
Additional Tier 1 instruments and the related share premium accounts	**0**	**0**
Instruments issued by subsidiaries included in AT1	**38,359**	**37,627**
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	**-304,912**	**-370,643**
Negative amounts on qualifying IRB positions that exceed the AT1 of the institution	**266,553**	**333,016**
ADDITIONAL TIER 1 (AT1) CAPITAL	**0**	**0**
TIER 1 (CET1 + AT1) CAPITAL	**7,557,912**	**7,615,265**

CAPITAL ITEM	30.09.2015	31.12.2014
Tier 2 (T2) capital instruments and the related share premium accounts	1,622,965	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	15,453	10,784
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	-304,912	-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)	-38,598	-38,550
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR treatment	48,570	36,983
TIER 2 (T2) CAPITAL	1,343,478	1,826,333
TOTAL CAPITAL (TC=T1+T2)	8.901.390	9.441.598

Capital requirements

Quantitative information

The table below summarises the fulfilment of capital requirements in terms of capital ratios and it gives details of the various capital requirements.

	Capital requirement 30.09.2015	Capital requirement 31.12.2014
CREDIT AND COUNTERPARTY RISK		
Total credit risk	4.245.354	4.516.743
Total counterparty risk	45.507	55.954
Total credit and counterparty risk	**4.290.861**	**4.572.697**
MARKET RISK - Standardised approach		
- position risk in debt instruments	42.529	54.131
- position risk in equity instruments	1.706	1.258
- foreign exchange risk	264	1.150
- position risk in commodities	-	-
Total market risk	**44.499**	**56.539**
OPERATIONAL RISK		
Basic indicator approach	4.558	4.558
Standardised approach	45.813	45.813
Advanced measurement approach	250.253	246.679
Total operational risk	**300.624**	**297.050**
CREDIT VALUATION ADJUSTMENT RISK		
Standardised method	14.340	14.721
Total credit valuation adjustment risk	**14.340**	**14.721**

CAPITAL RATIOS	30.09.2015	31.12.2014
Common Equity Tier 1 ratio	**13,00%**	**12,33%**
Tier 1 ratio	**13,00%**	**12,33%**
Total capital ratio	**15,31%**	**15,29%**

	Amount as at 30.09.2015				Amount as at 31.12.2014			
	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	2,480,657	198,453	-	-	2,657,027	212,562	-	-
Exposures to or guaranteed by regional governments or local authorities	118,922	9,514	-	-	103,948	8,316	-	-
Exposures to or guaranteed by public sector entities	135,076	10,806	-	-	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 institutions	1,051,302	84,104	83,438	6,675	1,135,066	90,805	83,521	6,682
Exposures to or guaranteed by corporates	6,680,492	534,439	260,573	20,846	7,105,102	568,408	365,232	29,219
Retail exposures	4,468,598	357,488	47	4	4,659,831	372,786	169	14
Exposures secured by real estate property	1,827,666	146,213	-	-	1,957,621	156,610	-	-
Exposures in default	3,333,391	266,671	20,000	1,600	3,593,392	287,471	12,781	1,022
High-risk exposures	76,021	6,082	-	-	74,334	5,947	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-
Short-term exposures to corporates and supervised institutions	-	-	-	-	-	-	-	-
Exposures to UCITS	18,701	1,496	-	-	9	1	-	-
Equity exposures	1,056,099	84,488	44,926	3,594	1,107,332	88,587	83,014	6,641
Other exposures	2,004,944	160,395	-	-	2,000,436	160,035	-	-
Securitisations	-	-	-	-	-	-	-	-
Total standardised approach	**23,251,869**	**1,860,149**	**408,984**	**32,719**	**24,529,356**	**1,962,349**	**544,729**	**43,579**
Credit and counterparty risk - INTERNAL RATING BASED APPROACH								
Exposures to or guaranteed by corporates								
Specialised lending								
SMEs	8,317,789	665,423	-	-	8,600,535	688,043	-	-
SMEs to which the supporting factor is applied (0.7619)	*3,607,140*	*288,571*	-	-	*3,661,249*	*292,900*	-	-
Other corporates	15,248,883	1,219,911	-	-	16,947,408	1,355,793	-	-
Retail exposures								
Exposures secured by real estate property: SMEs	962,671	77,014	-	-	1,098,956	87,916	-	-
Exposures guaranteed by real estate property: SMEs to which the supporting factor is applied (0.7619)	*464,582*	*37,167*	-	-	*376,771*	*30,142*	-	-
Exposures secured by real estate property: private individuals	2,289,865	183,189	-	-	2,422,304	193,784	-	-
Qualified retail revolving exposures	-	-	-	-	-	-	-	-
Other retail exposures: SMEs	1,222,212	97,777	-	-	1,421,627	113,730	-	-
Other retail exposures: SMEs to which the supporting factor is applied (0.7619)	*964,907*	*77,193*	-	-	*801,567*	*64,125*	-	-
Other retail exposures: private individuals	-	-	-	-	-	-	-	-
Specialised lending - slotting criteria	1,773,635	141,891	159,856	12,788	1,439,108	115,129	154,691	12,375
Total methodology based on internal ratings	**29,815,055**	**2,385,205**	**159,856**	**12,788**	**31,929,938**	**2,554,395**	**154,691**	**12,375**

	30.09.2015			31.12.2014		
	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	22,678,337	2,480,657	198,453	25,822,121	2,657,027	212,562
Exposures to or guaranteed by regional governments or local authorities	591,447	118,922	9,514	521,970	103,948	8,316
Exposures to or guaranteed by public sector entities	427,048	135,076	10,806	441,167	135,270	10,822
Exposures to or guaranteed by multilateral development banks	-	-	-		-	-
Exposures to or guaranteed by international organisations	-	-	-		-	-
Exposures to or guaranteed by supervised institutions	4,240,756	1,134,740	90,779	4,783,699	1,218,587	97,487
Exposures to or guaranteed by corporates	7,366,036	6,941,065	555,285	8,024,883	7,470,334	597,627
Retail exposures	6,218,789	4,468,645	357,492	6,475,286	4,660,000	372,800
Exposures secured by real estate property	4,000,611	1,827,666	146,213	4,357,526	1,957,621	156,610
Exposures in default	2,674,210	3,353,391	268,271	2,840,442	3,606,173	288,493
High-risk exposures	50,680	76,021	6,082	49,556	74,334	5,947
Exposures in the form of covered bonds	-	-	-		-	-
Short-term exposures to corporates and supervised institutions	-	-	-		-	-
Exposures to UCITS	18,701	18,701	1,496	9	9	1
Equity exposures	744,345	1,101,025	88,082	849,348	1,190,346	95,228
Other exposures	2,843,027	2,004,944	160,395	3,008,340	2,000,436	160,035
Securitisations	-	-	-			-
Total standardised approach	**51,853,987**	**23,660,853**	**1,892,868**	**57,174,347**	**25,074,085**	**2,005,928**
Credit and counterparty risk - INTERNAL RATING BASED APPROACH						
Exposures to or guaranteed by corporates						
Specialised lending						
SMEs	15,953,441	8,317,789	665,423	15,551,093	8,600,535	688,043
Other corporates	22,034,032	15,248,883	1,219,911	22,628,630	16,947,408	1,355,793
Retail exposures						
Exposures secured by real estate property: SMEs	4,926,455	962,671	77,014	4,997,446	1,098,956	87,916
Exposures secured by real estate property: private individuals	20,303,306	2,289,865	183,189	20,417,499	2,422,304	193,784
Qualified retail revolving exposures	-	-	-		-	-
Other retail exposures: SMEs	4,574,543	1,222,212	97,777	4,797,827	1,421,627	113,730
Other retail exposures: private individuals	-	-	-		-	-
Specialised lending - slotting criteria	1,996,756	1,933,491	154,679	1,762,820	1,593,799	127,504
Total methodology based on internal ratings	**69,788,533**	**29,974,911**	**2,397,993**	**70,155,315**	**32,084,629**	**2,566,770**
TOTAL	**121,642,520**	**53,635,764**	**4,290,861**	**127,329,662**	**57,158,714**	**4,572,698**

The following capital requirements must be satisfied for 2015, given as percentages of risk-weighted assets:

- the Common Equity Tier 1 capital must be equal to at least 4.5% of total RWA;
- the Tier 1 capital must be equal to at least 6% of total RWA (the threshold was 5.5% in 2014);
- own funds (equal to the sum of the Tier 1 and the Tier 2 capital) must be equal to at least 8% of total RWA.

Additionally, banks are obliged to hold a capital conservation buffer equal to 2.5% of risk-weighted assets. Therefore, the minimum capital ratios required of the UBI Group for 2015 are 7% of the Common Equity Tier 1 capital inclusive of the capital conservation buffer, 8.5% of the Tier 1 capital and 10.5% of total own funds.

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.

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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 30th September 2015 recorded an increase compared with 31st December 2014. The Common Equity Tier 1 ratio and the Tier 1 ratio stood at 13.00% (12.33% in December 2014), while the Total Capital ratio was 15.31% (15.29% recorded in December 2014).

Risk weighted assets (RWA), which had fallen to €58.1 billion from €61.8 billion at the end of December 2014, benefited primarily from a decrease in the credit risk requirement attributable to the trend for volumes of lending.

If Basel 3 rules on a full application basis scheduled for 2019 were applied (fully phased-in), Group capital ratios would be 12.56% for the Common Equity Tier 1 ratio and 15.40% for the Total Capital ratio.

In consideration of the ratios achieved – and on the basis of the simulations carried out for future years according to current regulations and on a "full application" basis – significant margins clearly exist to maintain a strong capital position, higher than that requested by capital requirements.

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[2] See the 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").

Leverage ratio

Quantitative information

The table below reports summary data on the calculation of the UBI Group leverage ratio[4] as at 30th September 2015. The ratio was calculated according to the provisions of the CRR, as amended by the Delegated Act (EU) No. 62/2015. The latter brings the rules for calculating the ratio into line with the provisions of the Basel Committee on the matter, published in January 2014[5].

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 in 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 September 2015

	30.09.2015	30.06.2015
fully loaded Tier 1 capital	7,327,915	7,368,380
fully phased-in exposure	121,399,462	125,274,553
fully phased in leverage ratio	**6.04%**	**5.88%**
transition Tier 1 capital	7,557,912	7,705,639
transition exposure	121,476,932	125,450,163
transition leverage ratio	**6.22%**	**6.14%**

[4] The document Pillar 3 Disclosures as at 30th June 2015 may be consulted for further information on the leverage ratio.
[5] Cf. 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 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 document "Pillar 3 disclosures as at 30th September 2015" is reliably based on the records contained in corporate documents and accounting records.*

Elisabetta Stegher
Dirigente Preposto alla redazione dei
documenti contabili societari

Bergamo 10th November 2015