PRESS RELEASE

UBI Banca passes the Comprehensive Assessment with capital levels well above the minimum thresholds required in all scenarios, which confirms the solidity and quality of the Group's assets, and positions UBI Banca among the best at Italian system level without having to resort to any capital strengthening measures

- AQR impact: -44 bps: a post-AQR CET1 of 11.82%[1]
- CET1 ratio in 2016 (inclusive of AQR impact) in the baseline scenario of the stress test: **10.88% (compared with a minimum of 8%)**
- CET1 ratio in 2016 (inclusive of AQR impact) in the adverse scenario of the stress test: 8.20% **(compared with a minimum of 5.5%)**

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Bergamo, 26th October 2014 – UBI Banca took part, together with another 129 European institutions, in the Comprehensive Assessment carried out by the European Central Bank (ECB) in co-operation with the National Competent Authorities. This assessment, commenced in November 2013, is preparatory to the introduction of the Single Supervisory Mechanism to which UBI Banca will also be subject and which will come into force on 4th November 2014.

The Comprehensive Assessment is based on two key pillars:

1) an Asset Quality Review (AQR) designed to enhance the transparency of bank balance sheets, including an analysis of the adequacy of asset and collateral valuation and of the relative provisions;
2) a stress test to examine the resilience of banks' balance sheets to stress scenarios, performed in close co-operation with the European Banking Authority (EBA). The stress tests are based on a common methodology and common simplifying assumptions (e.g. the assumption of a balance sheet static as at December 2013)[2] and "baseline" and "adverse" scenarios were elaborated. Consequently, the results of these tests are not to be considered actual or forecast figures for the Group's economic, financial or capital situation.

Detailed information on the results of the Comprehensive Assessment exercise are available on the websites of the ECB, EBA (stress test) and the Bank of Italy.

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[1] Starting from a pro-forma CET1 as at 1/1/2014 – estimated according to Basel 3 rules and with the application of the comprehensive assessment methodology – of 12.25%

[2] See the EBA methodology by following the link: https://www.eba.europa.eu/-/eba-publishes-common-methodology-and-scenario-for-2014-eu-banks-stress-test

All the stages of the Comprehensive Assessment showed capital for UBI to be significantly <u>greater than the thresholds</u> set for the exercise as follows:

<table>
<tr><th colspan="2"></th><th>Millions of euro</th><th>Bps</th></tr>
<tr><td colspan="2">Excess CET1[3] after the AQR with respect to the threshold of 8%</td><td>2,432</td><td>382</td></tr>
<tr><td rowspan="2">Excess CET1[4] after the stress test and the AQR</td><td>Baseline scenario + AQR (with respect to the 8% threshold)</td><td>1,848</td><td>288</td></tr>
<tr><td>Adverse scenario + AQR (with respect to the 5.5% threshold)</td><td>1,743</td><td>270</td></tr>
</table>

The main results of the AQR

The review was conducted on end of 2013 consolidated balance sheet figures, in a period of heavy recession.

The quality of UBI Banca's assets allowed the impact of the AQR on the CET1 ratio to be limited to just 44 bps (reflecting aggregated adjustments to provisions of €261.2 million net of taxes and an increase in RWAs of €129.1 million), leading to a CET1 ratio of 11.82% from 12.25% (the pro-forma CET1 as at 1/1/2014, estimated according to Basel 3 rules and with the application of the Comprehensive Assessment methodology).

Details of the AQR impact on CET1 are as follows:

a) Credit File Review: 21 bps (provision adjustments of €133 million net of taxes). <u>As a consequence of provisions already made, of the valuation made within the AQR and on the basis of information currently available, the indications given in the "Business outlook" are unchanged: the total loan losses in absolute terms for 2014 are expected to be slightly lower than in 2013.</u>
b) Projection of the Findings of the credit file review to the unsampled component of the portfolios: 18 bps
c) Collective Provisioning: 2 bps
d) increase in RWAs (due to additional DTAs as a result of greater AQR provisioning): 3 bps
e) Credit Value Adjustment (value adjustments to the credit components of OTC derivatives): 0 bps, confirming the low level of risk of UBI Banca's derivative activity, mainly designed to provide hedging services to customer loans.

The outcome of the AQR also reflects UBI Banca's correct valuation of collateral. The adequacy over time of the levels of impairment recognised are therefore <u>confirmed</u> together, as a consequence, with the level of coverage for Group assets.

In terms of future evolutions, the outcomes of the AQR confirmed the consistency of Processes, Policies and Accounting (PP&A) employed in the UBI Group, which were subject to assessment in preparation for the asset review.

[3] Calculated on RWAs as at 1/1/2014 post AQR
[4] Calculated on RWAs as at 31/12/2016

The main results of the Stress Tests

The stress tests were based on two macroeconomic scenarios, one a "baseline" and the other an "adverse" scenario, including particularly severe assumptions and methodologies[5].

The stress simulations over the three years of the exercise had the following overall impacts on the CET1 ratio (already net of AQR impacts):

a) baseline scenario: -94 bps cumulatively over the three years composed as follows:
   - -4 bps as a result of the stress scenario
   - -80 bps as a result of the progressive application (the "phase-in") of Basel 3 rules[6]
   - -10 bps as a result of the "join up", the projection of the results of the AQR over the three years of the stress test

b) adverse scenario: -362 bps cumulatively over the three years composed as follows:
   - -270 bps as a result of the stress scenario (of which 20%, approximately, due to the impact of greater impairment losses on loans compared to an initial context – in 2013 – which was already unfavourable, approximately 15% to impairment losses on government securities and over half to lower revenues, all resulting from the methodology and the scenario assumed in the stress test)
   - -80 bps as a result of the progressive application (the "phase-in") of Basel 3 rules[6]
   - -12 bps as a result of the "join up", the projection of the results of the AQR over the three years of the stress test.

It should be underlined that the parameters used by the UBI Group in its ordinary processes – and subject to further stress in the Comprehensive Assessment – passed all the prudential tests even with reference to ECB benchmarks set in the Quality Assurance phase, and that consequently no adjustment to parameters used in the exercise was required by the Authorities. This confirms the high degree of discipline normally applied by the Group in its valuation and management processes.

Final considerations

On conclusion of the exercise, the capital ratios were significantly higher than the required minimums. The CET1 ratio in 2016 (inclusive of the AQR) is **10.88% (compared with a minimum of 8%)** in the baseline scenario and **8.20% (compared with a minimum of 5.5%)** in the adverse scenario. This confirms the solidity and resilience of the Group's balance sheet even under the particularly severe assumptions of the simulations, but also the high quality of the Group's valuation and operating processes.

Furthermore, UBI's low risk profile is borne out both by the quality of its credit and financial position, and by its financial leverage, one of the most virtuous among those banks subject to assessment: the fully phased-in (Basel 3 rules at regime) leverage ratio post-AQR is 5.15% (5.35% pre-AQR), while it is 5.77% phased-in (1/1/2014) post-AQR (5.97% pre-AQR).

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[5] See the EBA methodology and assumptions for further details: https://www.eba.europa.eu/-/eba-publishes-common-methodology-and-scenario-for-2014-eu-banks-stress-test

[6] The impacts of the "phase-in" at the end of 2016 are calculated on the basis of the stress test exercise methodology (e.g. static assessment carried out on balances sheet figures as at 31st December 2013 with treatment of available-for-sale sovereign debt reserves harmonised at EU level) and they are therefore different from the methods used by the Group to calculate the CET1 ratios published when periodic results are announced by the Group.

Commenting on the results, Victor Massiah, Group Chief Executive Officer, said that he was *"particularly satisfied with the outcome of an extremely rigorous exercise, which saw full involvement of Group staff, and which finally allows an informed and homogeneous comparison to be made between the various European players. UBI has achieved these results thanks to the long-term pursuit of carefully considered strategic policies designed to constantly combine economic results and capital strength, so as to guarantee their sustainability over time.*

Attachment: table "Results of the Comprehensive Assessment"

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UBI Banca - Results of the Comprehensive Assessment

	Results disclosed by the ECB							Results including other capital strengthening measures	
	Excess after the AQR	Excess after the ST baseline*	Excess after the ST adverse*	Min Excess	Main capital strengthening measures	Excess, including main capital strengthening measures	**Excess after the AQR, including main capital strengthening measures**	Other capital strengthening measures	**Final Excess, including all capital strengthening measures**
Reference	A	B	C	D = min(A,B,C)	E	F = D+E	**G = A+E**	H	**I = D+E+H**
Amounts in € million	2,432	1,848	1,743	1,743	18	1,761	**2,450**	-	**1,761**
Note					Capital impact arising from Bank of Italy equity stake revaluation				

* Including AQR impact