



COMUNICATO STAMPA

STANDARD & POOR'S CONFERMA I RATING DI UBI BANCA

Bergamo, 19 dicembre 2014 – L'Agenzia internazionale Standard & Poor's, in seguito al recente downgrade del rating sovrano, ha esaminato gli impatti sul sistema bancario dell'accresciuto rischio economico in Italia.

In tale contesto, i rating assegnati a UBI Banca sono stati confermati (BBB- / A-3, in linea con il rating Italia), con outlook negativo.

Alla base della conferma vi è il livello di patrimonializzazione del Gruppo UBI Banca che S&P's ha ritenuto in grado di assorbire gli impatti di uno scenario in ulteriore deterioramento.

Copia del comunicato stampa di S&P's è allegato al presente documento.

PRESS RELEASE

STANDARD & POOR'S CONFIRMS UBI BANCA RATINGS

Bergamo, 19 December 2014 – Following the recent downgrade of the Italian sovereign rating, the international agency Standard & Poor's has examined the impacts on the banking system of the increased economic risk in Italy.

In this context, the ratings assigned to UBI Banca have been affirmed (BBB- / A-3, in line with rating on Italy), with negative outlook.

The action reflects Standard & Poor's view on UBI Banca Group capability to cushion the impact on its solvency position of the higher credit losses they anticipate in a more fragile economic environment.

Copy of S&P's press release is attached here below.

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Copia del presente comunicato è disponibile sul sito www.ubibanca.it

Copy of this press release is available on the website www.ubibanca.it

Research

Research Update:

Unione di Banche Italiane 'BBB-/A-3' Ratings Affirmed Despite Increased Economic Risk In Italy; Outlook Negative

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Overview

- In our view, economic prospects in Italy are likely to be weaker than we had previously anticipated and weak overall in the next couple of years. We believe this will likely continue to dampen Italian banks' asset quality and profitability, and, specifically, lead to high credit losses in the Italian banking system over the next two years significantly exceeding our previous expectations.
- We nevertheless expect Unione di Banche Italiane (UBI) to be able to cushion the impact on its solvency position of the higher credit losses we anticipate.
- We are therefore affirming our 'BBB-/A-3' long- and short-term counterparty credit ratings on UBI.
- The negative outlook reflects the possibility that we could lower the ratings if we anticipate that UBI's capital position could weaken further because of higher-than-expected pressures on its profitability.

Rating Action

On Dec. 18, 2014, Standard & Poor's Ratings Services affirmed its 'BBB-/A-3' long- and short-term ratings on Italy-based Unione di Banche Italiane Scpa (UBI). The outlook remains negative.

Rationale

The affirmation reflects our view that UBI will be able to cushion the impact on its solvency position of the higher credit losses we anticipate in a more fragile economic environment.

Persistently weak economic conditions in Italy are likely, in our opinion, to continue to undermine the creditworthiness of the private sector and, consequently, banks' asset quality and profitability prospects. We therefore believe that Italian banks' credit losses will likely be high over the next couple of years, significantly exceeding our previous expectations, and that they will start to normalize only in the medium-to-long term. In this context, our expectations for losses in the banks' credit portfolios are affected by our view that problematic assets will likely continue to grow and credit recovery processes will remain long. We forecast that cumulative credit losses for the Italian banking sector will account for about 4.0%-4.5% of total loans in 2014-2016, with peak losses of about 1.5%-1.8% on average in both 2014 and

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2015, with a gradual decline from 2016.

We therefore consider that the likely impact of the ongoing economic correction on the Italian banking system will be more severe than anticipated, reflecting higher economic risk for Italian banks than previously.

As a result of the heightened economic risk we now see in the domestic environment for Italian banks, we have revised down our anchor--the starting point for assigning a bank a long-term rating--for banks operating predominantly in Italy, including UBI, to 'bb+' from 'bbb-'.

Our assessment of heightened economic risk in Italy and our view that the prolonged recession will heighten UBI's credit losses also have a negative impact on our view of UBI's capitalization. That said, we expect UBI to mitigate the effect on capitalization by loan deleveraging and divesting its noncore insurance business, which we consider consumes capital. As a result, our assessment of UBI's capital and earnings remains "moderate". In line with our criteria, this counterbalances the impact of a lower anchor on our assessment of UBI's stand-alone credit profile (SACP).

We now expect our risk-adjusted capital (RAC) ratio for UBI to be 5.0%-5.5% during 2014-2016 (compared with our previous RAC forecast of 6.0%-6.5% for end-2015). As a result of the increased economic risk we expect in Italy, we lowered our RAC ratio estimates (our measure of a bank's solvency) for UBI by about 100 basis points (bps).

Our forecast for UBI's RAC before diversification adjustments for year-end 2016 incorporates our expectation that the costs savings generated by the network and staff's downsizing will likely support a gradual increase in UBI's preprovision earnings from 2014 onward, but that UBI's profitability prospects will likely remain modest overall amid the still-difficult economic conditions. UBI has announced that in the last quarter of 2014, it will recognize the entire amount of the one-off costs related to staff redundancies (roughly €110 million before taxes). We anticipate that this will partially offset the benefits of some extraordinary capital gains, including about €84 million of income--net of taxes--that UBI gained on the disposal of its 100% stake in UBI Assicurazioni and of 30% of its stake in Aviva Assicurazioni and Aviva Vita.

Our RAC forecast also takes into account the negative effect of still-high credit losses on UBI's organic capital generation over the next 18-24 months in the context of the heightened economic risk we now see for Italian banks.

In 2014-2016, we anticipate that UBI will likely accumulate net new nonperforming assets of about a cumulative 5% of customer loans as of end-2013. We also estimate that in 2014-2016, UBI's cumulative credit losses will be about 4% of its average customer loans in 2012-2013. Although still high, these levels remain somewhat below our expectations for the Italian banking sector average. We therefore continue to assess UBI's risk position as "adequate."

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Our view of other stand-alone rating factors, and therefore UBI's 'bbb-' stand-alone credit profile (SACP), are unchanged. We continue to assess UBI's business position as "strong," funding profile as "average," and liquidity as "adequate."

Outlook

The negative outlook reflects the possibility that we could lower the ratings if we anticipate that UBI's internal capital generation over the next few quarters will not be sufficient to maintain our RAC ratio before diversification adjustments sustainably above 5%. Higher-than-expected pressures on UBI's already modest profitability could negatively affect our view of its ability to sustain a "moderate" capital position.

We do not currently expect to revise the outlook on UBI to stable. However, we could do so if we expected an easing in the downside risk we currently see in UBI's internal capital generation capacity, and therefore in its solvency position.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	BBB-/Negative/A-3	BBB-/Negative/A-3
SACP	bbb-	bbb-
Anchor	bb+	bbb-
Business Position	Strong (+1)	Strong (+1)
Capital and Earnings	Moderate (0)	Moderate (-1)
Risk Position	Adequate (0)	Adequate (0)
Funding and	Average and	Average and
Liquidity	Adequate (0)	Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0
Sovereign Support	0	0
Additional Factors	0	0

Related Criteria And Research

Related Criteria

- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Sept. 18, 2014
- Group Rating Methodology, Nov. 19, 2013
- Quantitative Metrics For Rating Banks Globally: Methodology And

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Assumptions, July 17, 2013

- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Ratings On Italian Banks Lowered On Rising Economic Risk And Sovereign Downgrade, Dec. 18, 2014
- Ratings On Italy Lowered To 'BBB-/A-3'; Outlook Stable, Dec. 5, 2014

Ratings List

Ratings Affirmed

Unione di Banche Italiane Scpa

Counterparty Credit Rating	BBB-/Negative/A-3
Certificate Of Deposit	BBB-/A-3
Senior Unsecured	BBB-

UBI Banca International S.A.

Certificate Of Deposit*	A-3
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*Guaranteed by Unione di Banche Italiane Scpa.

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Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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