PRESS RELEASE

On conclusion of the stress tests, under the adverse scenario, UBI Banca records an impact of -277 basis points, one of the smallest among the European banks participating in the exercise, reaching a fully loaded CET1 ratio of 8.85% (from a fully loaded CET1 of 11.62% as at 31/12/2015)

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Bergamo, 29th July 2016 – UBI Banca was subject to the 2016 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the European Central Bank (ECB) and Bank of Italy, the European Commission (EC) and the European Systemic Risk Board (ESRB). The exercise was carried out across 51 banks[1], of which 5 Italian, covering approx. 70% of total banking assets in Europe.

UBI Banca notes the announcements made today by the EBA on the EU-wide stress test and fully acknowledges the outcomes of this exercise (http://www.eba.europa.eu/risk-analysis-and-data/eu-wide-stress-testing/2016).

The 2016 EU-wide stress test seeks to assess the resilience of European banks to severe shocks and their specific solvency to hypothetical stress events under restrictive conditions. The adverse stress test scenario was set by the ECB/ESRB and covers a three year time horizon (2016-2018). The stress test has been carried out applying a static balance sheet assumption as at December 2015, and therefore does not take into account future business strategies and management actions. It is not a forecast of UBI Banca's profits.

Results of the 2016 EU-wide stress test:

Starting from a fully loaded CET1 ratio of 11.62% as at 31st December 2015, the stress simulations over a three year time horizon (2016-2018) confirmed the overall capital strength of the Group, recording the following:

- in the baseline scenario: an impact of +139 basis points, with a consequent fully loaded CET1 ratio as at 31st December 2018 of 13.01%;
- in the adverse scenario: an impact of -277 basis points, with a consequent fully loaded CET1 ratio as at 31st December 2018 of 8.85%. Approximately 50% of that impact is attributable to the particularly severe hypotheses concerning the write-down of government securities in terms of the AFS reserve, an issue which has already been addressed in the recent 2019/2020 Business Plan, which provides for a reduction and a change in the mix of the proprietary securities portfolio[2]. The remaining part of the impact on the CET1 ratio was mainly due to more restrictive hypotheses concerning DTAs[3] compared to the previous stress test exercise,

[1] At the same time as the EBA stress tests were conducted, the ECB launched a similar exercise for the other banks subject to the SSM. The results of this exercise are not due to be published.

[2] The proprietary portfolio of the Group is expected to reduce from €19 bln at end 2015 to approx. €13 bln at end 2020, with an incidence of Italian Govies down from approx. 95% to approx. 46%.

[3] The losses recorded through profit and loss according to the methodology employed in the adverse scenario caused the generation of DTAs that were fully deducted from the CET1 capital.

to a higher cost of funding and to impairment losses on loans. The stress hypotheses for conduct and operational risks, newly introduced in the 2016 methodology, had completely negligible impacts.

Starting from the phased-in CET1 ratio of 12.08% as at 31st December 2015, the effect of the transition to the fully loaded regime, amounting to -46 basis points, must be added to the above impacts.

ADVERSE SCENARIO	**CET1 ratio as at 31/12/2015**	**Delta to fully loaded as at 31/12/2015**	**Stress test impact**	**Total impact as at 31/12/2018**	**Fully loaded CET1 ratio as at 31/12/2018**
Phased-in CET1 ratio	12.08%	-0.46%	-2.77%	-3.23%	8.85%
Fully loaded CET1 ratio	11.62%		-2.77%	-2.77%	8.85%

BASELINE SCENARIO	**CET1 ratio as at 31/12/2015**	**Delta to fully loaded as at 31/12/2015**	**Stress test impact**	**Total impact as at 31/12/2018**	**Fully loaded CET1 ratio as at 31/12/2018**
Phased-in CET1 ratio	12.08%	-0.46%	1.39%	0.93%	13.01%
Fully loaded CET1 ratio	11.62%		1.39%	1.39%	13.01%

Conclusions

The 2016 EU-wide stress test does not contain a pass fail CET1 ratio threshold and instead is designed to be used as a crucial piece of information for the supervisory review process in 2016 (SREP decision expected by year-end 2016).

On conclusion of the exercise, the high resilience of the Group's capital ratios to particularly severe macroeconomic scenarios was confirmed. The results submitted were subjected to a thorough "Quality Assurance" process by the ECB, confirming the extreme rigour employed by the Group in conducting the exercise and the high quality of the assessment processes and forecast models used by UBI Banca.

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