Pillar 3 Disclosures

as at 31st March 2013

UBI Banca
UNIONE DI BANCHE ITALIANE

Joint stock co-operative 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: €2,254,367,552.50 fully paid up

www.ubibanca.it

Contents

Introduction

In order to strengthen "market discipline", the New regulations for the prudential supervision of banks (Bank of Italy Circular No. 263 of 27th December 2006 and subsequent amendments) make it compulsory for banks to publish disclosures (the document "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.

The contents and the procedures for preparing the disclosure, generally referred to as "Pillar 3" – which accompanies and supplements the regulations for minimum capital requirements (Pillar 1) and the process of prudential monitoring (Pillar 2) – are set out in Title IV, Chapter 1 of the circular mentioned. The document consists of summaries termed "Tables" in which quantitative and qualitative information is classified, which intermediaries must publish, thereby producing comparable data and an assessment of the bank's operations and the related risks.

Supervisory provisions state that the Pillar 3 Disclosures are to be published annually in full (full publication of the qualitative and quantitative parts as at 31st December). Those banks which are authorised to use internal systems to calculate capital requirements for credit or operational risk – as in the case of the UBI Banca Group – are required to publish the quantitative information of the disclosures half yearly (except for that contained in Table 15 on remuneration and incentive schemes) and the quantitative information relating to tables 3 and 4 on regulatory capital and capital adequacy on a quarterly basis.

This document, which reports the position of the UBI Group as at 31st March 2013, therefore provides an update of the quantitative information in tables three and four. The full disclosure document Pillar 3 disclosures as at 31st December 2012 may be consulted for information not contained in this document. Furthermore, any significant changes that occurred during the first quarter of 2013 are reported in this disclosure document.

The UBI Banca Group has defined a process for producing Pillar 3 public disclosures with the following aims:

- to produce adequate information on capital adequacy, exposure to risks and the general characteristics of the systems employed to identify, measure and manage them, which is then included in the Pillar 3 Disclosures;
- to officially establish the processes used by the Group for the preparation and publication of the Pillar 3 Disclosures;
- to allow a structured approach to be taken to verifying the reliability and proper implementation of activities to produce, prepare and disclose the information.

This Pillar 3 Disclosure has been prepared by means of co-operation between the various bodies and units involved in the governance and execution of processes, consistent with their responsibilities as assigned by internal Group regulations. The information thereby obtained has been brought together and validated by the Risk Management Area and by the Chief Risk Officer in this disclosure document, which also includes a declaration by the Senior Office Responsible for preparing the company accounting documents.

For full information, the information published relates to the supervisory consolidation, which consists of those entities subject to banking consolidation for supervisory purposes. Any differences with respect to other sources (e.g. the interim first quarter financial report prepared with the same reporting date) are therefore attributable to differences in the scope of consolidation considered.

The UBI Banca Group has published this Pillar 3 Disclosure on its website in the investor relations section (www.ubibanca.it).

NOTE: all the figures contained in the tables are stated in thousands of euro, unless otherwise stated.

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Capital ratios as at 31st March 2013

Figures in thousands of euro	31.3.2013 BASEL 2 AIRB	31.3.2013 BASEL 2 AIRB (consistent with December 2012)	31.12.2012 BASEL 2 AIRB
Tier 1 capital before filters	8,124,210	8,139,393	8,124,210
Preference shares and savings/privileged shares attributable to non-controlling interests	382,854	382,854	382,854
Tier 1 capital filters	-30,471	-29,531	-30,471
Tier 1 capital after filters	**8,476,593**	**8,492,716**	**8,476,593**
Deductions from tier 1 capital	-324,612	-328,855	-212,873
of which: negative elements for 50% deduction Excess of expected losses over impairment losses (IRB models)	*-104,490*	*-104,490*	*-71,632*
Tier 1 after filters and specific deductions (Tier 1)	**8,151,981**	**8,163,861**	**8,263,720**
Tier 2 capital after filters	**4,236,480**	**4,245,315**	**4,310,534**
Deductions from tier 2 capital	-324,612	-328,855	-212,873
of which: negative elements for 50% deduction Excess of expected losses over impairment losses (IRB models)	*-104,490*	*-104,490*	*-71,632*
Tier 2 capital after filters and specific deductions	**3,911,868**	**3,916,460**	**4,097,661**
Deductions from tier 1+tier 2 capital	**0**	**0**	**-157,762**
Total regulatory capital	**12,063,849**	**12,080,321**	**12,203,619**
Credit and counterparty risk	5,404,984	5,404,984	5,611,624
Market risk	84,603	84,603	78,253
Operational risk	437,271	437,271	437,271
Other prudential requirements			-
Total prudential requirements	**5,926,858**	**5,926,858**	**6,127,149**
Subordinated liabilities tier 3			
Nominal amount	-	-	-
Amount eligible	*60,406*	*60,406*	*55,873*
Risk weighted assets	**74,085,725**	**74,085,725**	**76,589,364**
Core tier 1 ratio after specific deductions from tier 1 capital (tier 1 capital net of preference shares/risk weighted assets)	**10.49%**	**10.50%**	**10.29%**
Tier 1 capital ratio (tier 1 capital/risk weighted assets)	**11.00%**	**11.02%**	**10.79%**
Total capital ratio [(regulatory capital+tier 3 eligible)/risk weighted assets]	**16.37%**	**16.39%**	**16.01%**

In accordance with supervisory regulations, supervisory reporting as at 31st March 2013 requires an update on the regulatory capital at the end of each half consisting only of events of particular importance. These include, for example, changes in the share capital and any losses on loans of a significant amount relating to single companies included in the consolidation, with no account taken of profit for the period and the relative probable dividend, as well as any changes in capital filters and deductions.

In order to ensure a proper interpretation of changes in Group capital, the position is also given – relating to 31st March 2013 – restated in terms consistent with the position in December 2012. The data for the regulatory capital reported in tables three and four, published below, relates to the latter position.

Table 3 – Regulatory capital structure

Quantitative information

Use was made by the UBI Banca Group in the calculation of supervisory capital as at 31st March 2013 – in compliance with provisions issued by the Bank of Italy in May 2010[1] – of the possibility of completely neutralising the impacts on regulatory capital of gains and losses recognised in the valuation reserves relating to government securities issued by EU member states held in the "available-for-sale financial assets" portfolio. This approach is in addition to that already contained in regulations, which requires losses to be deducted entirely from regulatory capital and gains to be only partially included. The option in question has been applied across the board by all members of the banking group from 30th June 2010.

The table on the following page gives details of the items of which the regulatory capital was composed as at 31st March 2013, restated on a basis consistent with that in December 2012.

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[1] With a provision of 18th May 2010 and a later communication of 23rd June 2010 ("Clarification of supervisory measures concerning regulatory capital – prudential filters"), the Bank of Italy issued new instructions for the treatment of valuation reserves relating to debt instruments held in the "available-for-sale financial assets" portfolio for the purposes of calculating regulatory capital (prudential filters). More specifically, as an alternative to the "asymmetric approach" (full deduction of net losses from the tier one capital and partial inclusion of net gains in the tier two capital) already provided for by Italian regulations, it is now permitted – in compliance with 2004 CEBS guidelines –, limited to securities issued by the central governments of countries belonging to the European Union, to completely neutralise gains and losses in the reserves mentioned ("symmetrical approach"). The measure is designed to prevent unjustified volatility in regulatory capital, caused by sudden changes in the prices of securities that are not related to changes in the credit ratings of the issuers.

COMPOSITION OF THE REGULATORY CAPITAL	31.03.13 consistent with June/December	31.12.12
TIER 1 CAPITAL		
- Positive elements		
- Share capital	2,718,282	2,719,788
- Share premiums	4,772,367	4,772,715
- Reserves and profit for the period	3,564,692	3,552,906
- Innovative capital instruments and non innovative capital instruments with maturity	-	-
- Non-innovative capital instruments:	-	-
- non-innovative capital instruments eligible up to 35%	-	-
- non-innovative capital instruments eligible up to 50%	-	-
- Instruments subject to transition provisions (grandfathering) - (*)	382,854	382,854
- Prudential filters: increases in tier 1 capital		-
- Fair value option: changes in its creditworthiness		-
- Redeemable shares		-
- Capital resources subject to forward pledge of purchase eligible for inclusion in tier 1 capital	-	-
- Other positive prudential filters	240	240
- Total positive elements of tier one capital	**11,438,435**	**11,428,503**
- Negative elements:		
- Treasury shares or quotas	6,121	4,375
- Goodwill	2,574,144	2,574,144
- Other intangible assets	335,682	342,679
- Loss for the period	-	-
- Other negative elements:	-	-
- Net impairment losses on loans	-	-
- Net impairment of supervisory amounts relating to the "trading portfolio for supervisory purposes "	-	-
- Other	-	-
- Prudential filters: deductions from tier 1 capital	-	-
- Fair value option: changes in its creditworthiness	-	-
- Negative reserves for available-for-sale securities	-	-
- Equity instruments and units in O.I.C.R (collective investment instruments).	-	-
- Debt instruments	29,772	30,711
- Cumulative net gains on property, plant and equipment	-	-
- Capital elements subject to forward pledge of purchase eligible for inclusion in tier 1 capital	-	-
- Other negative filters	-	-
- Total negative elements of tier one capital	**2,945,719**	**2,951,909**
- Tier 1 capital before items to be deducted	**8,492,716**	**8,476,594**
TIER 1 CAPITAL – ELEMENTS TO BE DEDUCTED		
- Shares held in banks and financial companies equal to or greater than 20% of the share capital of the investee	-	-
- Shareholdings	4,666	4,531
- Non-innovative capital instruments	-	-
- Innovative capital instruments and non-innovative capital instruments with maturity	-	-
- Hybrid capital instruments	-	-
- Subordinated instruments	-	-
- Shares held in banks and financial companies greater than 10% but less than 20% of the share capital of the investee	-	-
- Shareholdings	4,518	4,508
- Non-innovative capital instruments	-	-
- Innovative capital instruments and non-innovative capital instruments with maturity	-	-
- Hybrid capital instruments	-	-
- Subordinated instruments	-	-
- Shares held in banks and financial companies equal to or less than 10% of the share capital of the investee	-	-
- Shareholdings	-	-
- Non-innovative capital instruments	-	-
- Innovative capital instruments and non-innovative capital instruments with maturity	-	-

COMPOSITION OF THE REGULATORY CAPITAL	31.03.13 consistent with June/December	31.12.12
- Hybrid capital instruments	-	-
- Subordinated instruments	-	-
- Equity investments in insurance companies:		-
- Equity investments	194,459	127,191
- Subordinated instruments	20,721	5,011
- Excess of expected losses over total net impairment losses recognised	104,491	71,632
- Expected losses on equity instruments and exposure to OICR (collective investment instruments) where the underlying relates to/is treated as equity instruments	-	-
- Deductions resulting from securitisations	-	-
- Deductions relating to settlement risks on DVP transactions	-	-
- Total elements to be deducted	**328,855**	**212,873**
TIER ONE CAPITAL	**8,163,861**	**8,263,721**
TIER 2 CAPITAL		
- Positive elements		
- Valuation reserves	63,072	63,201
- Innovative capital instruments and non-innovative capital Instruments with maturity not eligible for inclusion in tier one capital	-	-
- Non-innovative capital instruments not eligible for inclusion in tier one capital:	-	-
- non-innovative capital instruments eligible up to 35%	-	-
- non-innovative capital instruments eligible up to 50%	-	-
- Hybrid capital instruments	-	-
- Tier 2 subordinated liabilities	4,246,358	4,238,297
- Excess of total net impairment losses recognised over expected losses	-	74,054
- Net gains on equity investments	-	-
- Other positive elements	-	-
- Prudential filters: increases in the tier two capital:	27,848	23,995
- Total positive elements of the tier two capital	**4,337,278**	**4,399,547**
- Negative elements:		
- Net losses on equity investments	-	-
- Loans and receivables	-	-
- Other negative elements	78,039	77,016
- Prudential filters: deductions from tier two capital	13,924	11,998
- Total negative elements of tier 2 capital	**91,963**	**89,014**
- Tier 2 capital before items to be deducted:	**4,245,315**	**4,310,533**
TIER 2 CAPITAL – ELEMENTS TO BE DEDUCTED		
- Shares held in banks and financial companies equal to or greater than 20% of the share capital of the investee	4,666	4,531
- Shares held in banks and financial companies greater than 10% but less than 20% of the share capital of the investee	4,518	4,508
- Shares held in banks and financial companies equal to or less than 10% of the share capital of the investee	-	-
- Equity investments in insurance companies:	215,180	132,202
- Excess of expected losses over total net impairment losses recognised	104,491	71,632
- Deductions resulting from securitisations	-	-
- Deductions relating to settlement risks on DVP transactions	-	-
- Total elements to be deducted	**328,855**	**212,873**
TIER TWO CAPITAL	**3,916,460**	**4,097,660**
ITEMS TO BE DEDUCTED FROM TIER 1 AND TIER 2 CAPITAL	**-**	**157,762**
REGULATORY CAPITAL	**12,080,321**	**12,203,619**
TIER 3 CAPITAL	**60,406**	**55,873**
REGULATORY CAPITAL INCLUDED IN THE TIER 3 CAPITAL	**12,140,727**	**12,259,492**

(*) Those instruments subject to transitory "grandfathering" provisions include innovative capital instruments issued before 31.12.2010 (€337.747 million) and savings and privileged shares issued by Banca Regionale Europea, recognised within non-controlling interests (amounting to €45.1 million).

Regulatory capital as at 31st March 2013 amounted to €12,080 million (€12,141 million including the tier three capital), down compared to €12,204 million at the end of 2012 (-€123 million), principally due to an increase in deductions for excess expected losses over impairment losses recognised (greater total deductions of approximately €66 million, of which 50% from the tier one capital and 50% from the tier two capital) and a to a decrease in the tier two capital of approximately €74 million (lower positive items relating to the positive difference between total impairment losses recognised and expected losses). These impacts were only partially offset by other increases in the regulatory capital.

We report that from 31st March 2013 shareholdings and subordinated instruments held in insurance companies (until 31st December 2012 these were deducted from the total of the tier one and tier two capital if purchased before 20th July 2006) are now deducted 50% from the tier one capital and 50% from the tier two capital[2]. This change involved a reclassification of the instruments, previously deducted from the total of the tier one and tier two capital, for a total amount of €166 million.

[2] See Circular No. 263/2006, Title I, Chapter 2, paragraph 11

Table 4 – Capital adequacy

Quantitative information

CAPITAL ADEQUACY	Capital requirement 31.03.2013	Capital requirement 31.12.2012
A. REGULATORY CAPITAL REQUIREMENTS		
Credit risk		
Standardised approach		
Exposures to or guaranteed by central governments and banks	184	178
Exposures to or guaranteed by regional governments and local authorities	13,207	13,193
Exposures to or guaranteed by non-commercial and public sector entities	69,065	67,825
Exposures to or guaranteed by multilateral development banks	-	-
Exposures to or guaranteed by international organisations	-	-
Exposures to or guaranteed by supervised intermediaries	178,337	206,241
Exposures to or guaranteed by corporates	864,747	872,645
Retail exposures	768,709	834,791
Exposures secured by real estate property	777,298	765,030
Past due exposures	452,470	427,946
High risk exposures	15,053	14,840
Exposures in the form of covered bonds	-	1,927
Short-term exposures to supervised intermediaries and corporates	-	-
Exposures to OICR (collective investment undertakings)	6,628	6,710
Other exposures	150,957	233,206
Securitisations	199	208
Total standardised approach	**3,296,854**	**3,444,740**
Internal rating based approach		
Exposures to or guaranteed by corporates	1,921,681	1,972,429
Specialised lending	-	-
SMEs	*730,701*	*759,571*
Other companies	*1,190,980*	*1,212,858*
Specialised lending - slotting criteria	112,083	112,978
Total internal ratings based approach	**2,033,764**	**2,085,407**
Total credit risk	**5,330,618**	**5,530,147**
Counterparty risk	74,366	81,478
Total counterparty risk	**74,366**	**81,478**

CAPITAL ADEQUACY	Capital requirement 31.03.2013	Capital requirement 31.12.2012
Market risk		
Standardised approach		
Assets included in the supervisory trading portfolio:		
- position risk	83,980	77,678
of which specific to positions with securitisations	*5,206*	*5,224*
- concentration risk	-	-
Other assets:	-	-
- regulatory risk	-	-
- currency risk	582	531
- position risk in commodities	41	44
Total market risk	**84,603**	**78,253**
Operational risk		
Basic indicator approach	54,753	54,753
Standardised approach	33,446	33,446
Advanced measurement approach	349,072	349,072
Total operational risk	**437,271**	**437,271**
B. CAPITAL RATIOS		
Core tier 1 ratio after specific deductions from tier 1 capital (tier 1 capital net of preference shares/risk weighted assets)	10.50%	10.29%
Tier 1 ratio (Tier 1 capital/risk weighted assets)	11.02%	10.79%
Total capital ratio [(Tier 2 capital+qualifying tier 3 capital)/risk weighted assets]	16.39%	16.01%

The table above summarises compliance with requirements in terms of ratios.

Following authorisation issued by the Supervisory Authority[3], the UBI Group has now used internal models to calculate capital requirements for credit risk – the "exposures to corporate customers" segment – and for operational risk since the 30th June 2012 consolidated supervisory report onwards[4]. Capital ratios as at 31st March 2013 showed an improvement due mainly to a decrease in capital requirements that was greater than the decrease in the regulatory capital[5]. The reduction in requirements was due principally to the early unwinding of derivative instruments to hedge fixed interest assets, to reduced exposure to other supervised intermediaries and to a reduction in the volumes of outstanding loans to ordinary customers. To summarise, the core tier one ratio rose by 21 bps compared to 31st December 2012 (from 10.29% to 0.50%), the tier one ratio rose by 23 bps (from 10.79% to 11.02%) and the total capital ratio by 38 bps (from 16.01% to 16.39%).

As concerns the objective set by the EBA recommendation[6] - designed to reach a core tier one ratio of 9% inclusive of the "buffer" on sovereign debt of €868 million as at 30th September 2011 - the core tier one ratio of the UBI Group for EBA purposes as at 31st March 2013 was 9.33%.

[3] Bank of Italy provision No. 423940 of 16th May 2012.

[4] Tables 7 and 12 of the Pillar 3 disclosure document as at 31st December 2012 may be consulted for further information. The application of internal methods is subject to a quantitative constraint (a "floor"), equal to 87.5% of the sum of the requirements calculated on the basis of Basel 1 regulation, to which any capital savings obtained using internal models is subject.

[5] See Table 3.

[6] The Pillar 3 disclosures document as at 31st December 2012 may be consulted for further information.

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 disclosure is reliably based on the records contained in corporate documents and accounting records.*

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

Bergamo, 13th May 2013