

Pillar 3 Disclosures

as at 30th June 2017

*Translation from the Italian original
which remains the definitive version*



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 14th July 2017: Euro 2,843,075,560.24 fully paid up

www.ubibanca.it

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Introduction

Pillar 3 regulations require compulsory disclosures on capital adequacy, exposure to risks and the general characteristics of systems designed to identify, measure and manage these risks.

Where internal systems are used to calculate capital requirements for credit and operational risks, disclosure of this information constitutes a necessary condition for recognition of these approaches for regulatory purposes.

From 1st January 2014, Pillar 3 Disclosures are regulated by Part Eight and Part Ten (Title I, Chapter 3) of Regulation EU 575/2013 (the "CRR") and by regulatory and implementation provisions issued by the European Commission with regulations for the following:

- standard templates for the public disclosure of information on own funds;
- 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, in the light of the more important characteristics of their activities. Following on from past practice, the UBI Group intends to make Pillar 3 Disclosures on at least a quarterly basis, providing an update of the information considered most important.

The Basel Committee has subjected the public disclosure framework to analysis, recommending that supervisory authorities have them transposed, for those areas for which they are responsible, into their supervisory regulations¹. At European level, the EBA published the second final version of the "Guidelines on disclosure requirements under part Eight of Regulation No (EU) 575/2013" last June in order to increase the consistency and comparability of the information to be provided in the Pillar 3 disclosures. These guidelines apply to the "Globally and Other Systemically Important Institutions" (G-SIIs and O-SIIs). It is left to the competent authorities to decide whether they also wish to require institutions other than G-SIIs and O-SIIs to apply some or all of the recommendations contained in the guidelines². These guidelines will apply with effect from 31st December 2017.

¹ "Pillar 3 disclosure requirements – consolidated and enhanced framework", March 2017 and "Revised Pillar 3 disclosure requirements" January 2015, Basel Committee on Banking Supervision.

² These recommendations have been implemented in the draft amendment to CRR 575/2013 published in November 2016.

More specifically, this document, which reports the position of the Group as at 30th June 2017, provides an update of quantitative information relating to the following: own funds, capital adequacy, credit and counterparty risk, exposures in capital instruments and interest rate risk. Disclosures are also given of the leverage ratio, both phase-in and fully loaded.

The document Pillar 3 disclosures as at 31st December 2016 may be consulted for information not contained in this document. Furthermore, any significant changes that occurred during the first half of 2017 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. Any differences with respect to other sources (e.g. the Interim Financial Report prepared as at the same balance sheet date) are therefore attributable to differences in the scope of consolidation considered.

Further information on capital adequacy, own funds and risks to which the Group is exposed is also published in the Interim Financial Report for the period ended 30th June 2017 in the section containing the interim management report on consolidated operations and in the explanatory notes to the condensed consolidated financial statements.

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

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

Scope of application

Qualitative information

The bank to which the Pillar three disclosure obligations apply is UBI Banca S.p.a., the Parent of the banking group of the same name, listed on the Milan stock exchange and included in the FTSE /MIB index. The content of this Pillar 3 Disclosure document relates to the supervisory scope of consolidation (referred to as the Banking Group), as defined by the supervisory regulations in force.

The supervisory scope of consolidation includes:

- banks, financial and service companies that are directly or indirectly controlled by the Parent and subject to full line-by-line consolidation;
- banks, financial and service companies in which an interest of 20% or greater is held, which are subject to proportionate consolidation.

The supervisory scope of consolidation used in this disclosure document differs from the statutory accounting scope of consolidation (determined by IAS/IFRS standards). This circumstance may generate differences between the sets of data presented in this document and those presented in the consolidated interim financial report as at and for the period ended 30th June 2017.

There are no hindrances within the Group, either legal or substantial, which might prevent the rapid transfer of capital resources or funds.

Quantitative information

The table below lists the consolidated companies, with an indication of the different treatment for statutory and supervisory purposes.

Name	Headquarters	Type of ownership	Details of investment		Treatment for statutory purposes	Treatment for supervisory purposes	Type of activity
			Investing company	% held			
A.1 Line-by-line fully consolidated companies							
1. Unione di Banche Italiane Spa - UBI Banca	Bergamo				Full	Full	Bank
2. IW Bank Spa	Milan	1	UBI Banca Spa	100.000%	Full	Full	Bank
3. BPB Immobiliare Srl	Bergamo	1	UBI Banca Spa	100.000%	Full	Full	Instrumental
4. UBI Leasing Spa	Brescia	1	UBI Banca Spa	99.621%	Full	Full	Financial
5. Prestitalia Spa	Bergamo	1	UBI Banca Spa	100.000%	Full	Full	Financial
6. UBI Factor Spa	Milan	1	UBI Banca Spa	100.000%	Full	Full	Financial
7. Centrobanca Sviluppo Impresa SGR Spa	Milan	1	UBI Banca Spa	100.000%	Full	Full	Financial
8. 24-7 Finance Srl	Brescia	1	UBI Banca Spa	10.000%	Full	Full	Financial
9. UBI Trustee Sa	Luxembourg	1	UBI Banca Spa	100.000%	Full	Full	Financial
10. UBI Finance CB 2 Srl	Milan	1	UBI Banca Spa	60.000%	Full	Full	Financial
11. UBI Management Company Sa	Luxembourg	1	UBI Pramerica Sgr Spa	100.000%	Full	Full	Financial
12. UBI Finance 2 Srl**	Brescia	1	UBI Banca Spa	10.000%	Full	RWAs	Financial
13. UBI Finance Srl	Milan	1	UBI Banca Spa	60.000%	Full	Full	Financial
14. UBI Banca International SA	Luxembourg	1	UBI Banca Spa	100.000%	Full	Full	Bank
15. UBI Pramerica SGR Spa	Milan	1	UBI Banca Spa	65.000%	Full	Full	Financial
16. UBI Sistemi e Servizi Scpa	Brescia	1	UBI Banca Spa IW Bank Spa UBI Pramerica Sgr Spa Prestitalia Spa UBI Academy Scrl UBI Factor Spa	92.008% 4.314% 1.438% 0.072% 0.010% 0.719%	Full	Full	Instrumental
17. UBI SPV BBS 2012 Srl	Milan	1	UBI Banca Spa	10.000%	Full	Full	Financial
18. UBI SPV BPCI 2012 Srl	Milan	1	UBI Banca Spa	10.000%	Full	Full	Financial
19. UBI SPV BPA 2012 Srl	Milan	1	UBI Banca Spa	10.000%	Full	Full	Financial
20. UBI SPV LEASE 2016 Srl	Milan	1	UBI Banca Spa	10.000%	Full	Full	Financial
21. UBI SPV GROUP 2016 Srl	Milan	1	UBI Banca Spa	10.000%	Full	Full	Financial
22. KEDOMUS Srl	Brescia	1	UBI Banca Spa	100.000%	Full	Full	Instrumental
23. UBI Academy Scrl	Bergamo	1	UBI Banca Spa UBI Pramerica Sgr Spa Prestitalia Spa IW Bank Spa UBI Leasing Spa UBI Sistemi e Servizi Scpa UBI Factor Spa	88.000% 1.500% 1.500% 3.000% 1.500% 3.000% 1.500%	Full	Full	Instrumental
24. Nuova Banca delle Marche Spa	Jesi (AN)	1	UBI Banca Spa	100.000%	Full	Full	Bank
25. Cassa di Risparmio di Loreto Spa	Loreto	1	Nuova Banca Marche Spa	98.861%	Full	Full	Bank
26. Nuova Banca dell'Etruria e del Lazio Spa	Arezzo	1	UBI Banca Spa	100.000%	Full	Full	Bank
27. Banca Federico del Vecchio Spa	Florence	1	Nuova Banca dell'Etruria e del Lazio Spa	100.000%	Full	Full	Bank
28. Etruria Informatica Srl	Arezzo	1	Nuova Banca dell'Etruria e del Lazio Spa	100.000%	Full	Full	Instrumental
29. Mecenate Srl	Arezzo	1	Nuova Banca dell'Etruria e del Lazio Spa	95.000%	Full	Full	Financial
30. Nuova Cassa di Risparmio di Chieti Spa	Chieti	1	UBI Banca Spa	100.000%	Full	Full	Bank
31. Focus Gestioni Società di Gestione del Risparmio Spa**	Ancona	1	Nuova Banca Marche Spa	100.000%	Full	Full	Financial
32. Marche Mutui 2	Rome		Nuova Banca Marche Spa		Full	Full	Financial
33. Marche Mutui 4	Conegliano		Nuova Banca Marchess Spa		Full	Full	Financial
34. Marche M5	Conegliano		Nuova Banca Marche Spa		Full	Full	Financial
35. Marche M6	Conegliano		Nuova Banca Marche Spa		Full	Full	Financial
36. Focus Impresa			Nuova Banca Marche Spa	80.769%	Full		Closed end
37. Etruria Securitization SPV Srl	Arezzo		Nuova Banca dell'Etruria e del Lazio Spa		Full		Financial
38. Oro Italia Trading Srl	Arezzo		Nuova Banca dell'Etruria e del Lazio Spa	100.000%	Full	RWAs	Other
39. BancAssurance Popolari Spa	Arezzo		Nuova Banca dell'Etruria e del Lazio Spa	89.534%	Full	RWAs	Insurance
40. BancAssurance Popolari Danni Spa	Arezzo		Nuova Banca dell'Etruria e del Lazio Spa BancAssurance Popolari Spa	50.765% 49.235%	Full	RWAs	Insurance
41. Assieme Srl	Arezzo		BancAssurance Popolari Spa	80.000%	Full		Financial
A.2 Companies accounted for using the equity method							
1. Aviva Vita Spa	Milan	3	UBI Banca Spa	20.000%	Equity	RWAs*	Insurance
2. Polis Fondi SGR	Milan	3	UBI Banca Spa	19.600%	Equity	RWAs*	Financial
3. Zhong Ou Fund Management	Shenzen (China)	3	UBI Banca Spa	35.000%	Equity	RWAs*	Financial
4. Lombarda Vita Spa	Brescia	3	UBI Banca Spa	40.000%	Equity	RWAs*	Insurance
5. SF Consulting Srl	Mantua	3	UBI Banca Spa	35.000%	Equity	RWAs*	Other
6. UFI Servizi Srl	Rome	3	Prestitalia Spa	23.167%	Equity	RWAs*	Other
7. Montefeltro Sviluppo Scrl	Urbania	3	Nuova Banca delle Marche Spa	26.370%	Equity	RWAs*	Other
<p>Legend</p> <p>Type of relationship</p> <p>1= Majority of voting rights in ordinary general meetings</p> <p>2= Joint control</p> <p>3= Significant influence</p> <p>(*) Significant investments in CETI instruments which, because they do not exceed the condition thresholds (first threshold of 10% and second threshold of 17.5%), are not deducted but are subject to a specific risk weighting (RWA).</p> <p>(**) Companies placed in liquidation.</p>							

The scope of consolidation underwent the following principal changes compared with 31st December 2016 following various corporate ownership transactions³.

Completion of the Single Bank Project

With the “second wave” of the project the mergers into UBI Banca of Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare di Ancona, Banca Carime and Banca di Valle Camonica took effect in accordance with and within the meaning of articles 2501 *et seq* of the Italian Civil Code on 20th February 2017. As a consequence the last five network banks were eliminated from the consolidation with effect for accounting and tax purposes from 1st January 2017.

Acquisition of the three New Banks in central Italy

The acquisition of the New Banks was completed on 10th May 2017:

- Nuova Banca dell’Etruria e del Lazio;
- Nuova Banca delle Marche;
- Nuova Cassa di Risparmio di Chieti.

The enlargement of the consolidation, which now includes both the New Banks and their relative equity investments (banks and companies) subject to the rules and principles governing inclusion within the scope of consolidation, took place for accounting and tax purposes from the 1st April 2017.

As described in more detailed terms in the interim financial report as at and for the period ended the 30th June 2017 in the section “Significant events in the first half”, these banks will be progressively merged into the Parent starting in October, while the other companies are or will be involved in the rationalisation process.

Special purpose entities for securitisations:

- UBI Lease Finance 5 Srl – in liquidation: a Shareholders’ Meeting was held on 24th January 2017 to approve the final liquidation financial statements as the last administrative action taken before cancelling the entity from the Register of Companies, which took place on 6th March 2017;
- UBI Finance 3 Srl – in liquidation: a Shareholders’ Meeting was held on 6th March 2017 to approve the final liquidation financial statements (reconvened) as the last administrative action taken before removing the entity from the Register of Companies, which took place on 19th April 2017.

* * *

To complete the information we report that on 17th July 2017, UBI Banca was authorised by the China Securities Regulatory Commission to sell an initial quota (10%) of the share capital held in Zhong Ou Asset Management Co. (a Chinese registered fund management company in which a 35% interest is held) to senior managers in that same company.

* * *

³ Further information on the scope of the consolidation is given in the section “The consolidation scope” of the Interim Financial Report for the period ended 30th June 2017.

The purchase by the Parent of 405,550 UBI Leasing shares sold by the non-controlling shareholder Banca Valsabbina for a total price of €1,850,000 was concluded on 1st August 2017. As a result of the purchase, UBI Banca now holds 100% of the share capital.

* * *

Capital ratios

The table below reports the capital ratios for the UBI Banca Group.

Figures in thousands of euro	30.06.2017 (*)	31.12.2016 Stand-Alone UBI Banca Group
Common Equity Tier 1 capital before filters and transitional provisions	7,870,832	6,787,152
Effects of transitional provisions provided for by the regulations (minority interests)	8,941	18,891
Effects of transitional provisions provided for by the regulations (AFS reserves - debt instruments other and equity instruments)	-16,668	-25,191
Effects of transitional provisions provided for by the regulations (AFS reserves - government securities)	27,542	25,629
Effects of transitional provisions provided for by the regulations (Pension Funds)	-4,170	
Effects of transitional provisions provided for by the regulations (DTAs)	52,747	113,417
Adjustments to Common Equity Tier 1 capital due to prudential filters provided for by the regulations	-9,407	-7,653
Common Equity Tier 1 capital net of prudential filters	7,929,817	6,912,245
<i>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</i>	-22,080	-82,962
Common Equity Tier 1 capital	7,907,737	6,829,283
Additional Tier 1 capital before deductions	28	286
Deductions from Additional Tier 1 capital	28	286
<i>of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions</i>	-28	-286
Additional Tier 1 capital	-	-
Tier 1 capital (Common Equity Tier 1 + Additional Tier 1)	7,907,737	6,829,283
Tier 2 capital before transitional provisions	1,858,084	1,606,204
Effects of grandfathering provisions on Tier 2 instruments	-	-
Tier 2 capital after transitional provisions	1,858,084	1,606,204
Deductions from Tier 2 capital	-37,403	-46,382
<i>of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions</i>	-2,456	-20,812
Tier 2 capital after specific deductions	1,820,681	1,559,822
Total own funds	9,728,418	8,389,105
Credit risk	5,124,521	4,351,066
Credit valuation adjustment risk	13,583	11,987
Market risk	92,484	112,356
Operational risk	306,737	283,300
Total prudential requirements	5,537,325	4,758,709
Risk weighted assets	69,216,563	59,483,864
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk-weighted assets)	11.42%	11.48%
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-weighted assets)	11.42%	11.48%
Total capital ratio (total own funds/risk-weighted assets)	14.06%	14.10%

(*) The figures as at 30th June 2017 are for the UBI Banca Group inclusive of the New Banks acquired in May, whereas the figures for the previous periods are for the UBI Banca Stand-Alone Group.

Own funds

Quantitative information

The calculation of own funds has been carried out in accordance with the prudential rules for banks and investment companies 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), which came into force on 1st January 2014. These transpose standards defined by the Basel Committee on Banking Supervision (known as the Basel 3 framework) into European Union regulations. The calculation was performed according to their implementation in turn in the Italian regulatory framework.

At the end of June the UBI Banca Group's Common Equity Tier 1 (CET1) capital amounted to approximately €7.908 billion, an increase compared with €6.829 billion in December 2016. Own funds stood at €9.728 billion, up on €8.389 billion recorded last December.

The performance of the CET1 capital in the first half was influenced significantly by recognition of the impacts resulting from the acquisition of Nuova Banca Marche, Nuova Banca dell'Etruria e del Lazio and Nuova Cassa di Risparmio di Chieti and the related increase in capital. The increase of approximately €1.078 billion is attributable to the following:

- +€1,461 million resulting from the change recorded in terms of profit eligible for supervisory purposes. A profit for the first half of approximately €631 million was recorded in June 2017, the result of the following: the net profit for UBI Stand-Alone and the three New Banks (+€111 million approx. and -€28 million approx. respectively, net of the badwill reversal for the quarter of approximately +€14 million); the pro rata dividends distributable calculated in an amount at least equal to that for 2016; the "bargain purchase" quota recognised in the income statement amounting to approximately +€613 million of badwill generated by the acquisition of the New Banks following its allocation, which is still provisional. The result recorded for the year in December 2016 was a loss of €830 million;
- -€839 million resulting from a reduction in capital reserves mainly attributable to the allocation of last year's result and the distribution of dividends;
- +€399 million resulting from the inclusion of €397 million relating to the share capital increase that was fully subscribed carried out as part of the operation to acquire the New Banks to address a temporary requirement because the badwill was not fully eligible at the time of the operation and also in order to maintain the fully loaded CET1 capital ratio of the new Group above 11%. A further increase of €2 million following the share capital increase carried out for the acquisition by means of a share exchange of stakes held by non-controlling interests in Banca Carime, BPA and BVC as part of the second wave of the Single Bank Project;
- +€69 million resulting from a smaller deduction from capital as a result of the partial disposal of hedge funds;

- +€61 million resulting from a change in the provision shortfall based on the quotas for inclusion in the CET1 capital in accordance with transitional provisions⁴;
- -€41 million in terms of the deduction of DTAs on future profits, resulting from changes in the transitional treatment⁵ which was larger than the benefit from their actual reduction;
- -€12 million resulting from a reduction in the calculation for minority interests following changes due to the transitional provisions⁶;
- -€9 million relating to a change in valuation reserves, which included -€18 million for changes in the fair value reserve for available-for-sale financial assets based on transitional provisions applicable for 2017⁷ and approximately +€9 million for a reduction in actuarial losses;
- -€13 million resulting from changes recorded in items deducted from capital consisting of intangible assets, prudential filters and defined benefit pension fund assets.

The Tier 2 capital increased by approximately €261 million to stand at approximately €1.821 billion, mainly as a result of the greater inclusion of eligible T2 capital instruments by approximately €252 million (+€500 million as result of a new subordinated EMTN issuance finalised in the first quarter, partly offset by approximately -€248 million by the progressive regulatory amortisation required for other eligible instruments and by the maturities of two issues during the first half) and following the smaller deduction for the provision shortfall (approximately +€18 million), as a result of the changes in that item and the application of the transitional provisions already mentioned.

⁴ On the basis of the transitional provisions applicable in 2017, 80%, 10% and 10% of the shortfall of provisions was deducted from the CET1, T1 and T2 capital respectively compared with 60%, 20%, 20% in 2016.

⁵ A deduction of 80% of total DTAs must be made for 2017 based on future profits compared with 60% in 2016.

⁶ As concerns the gradual exclusion of minority interests no longer eligible when fully loaded (quota subject to phase-out), these were reduced by a further 20% compared with 2016 (exclusion of minority interests subject to phase-out of 80% in 2017 compared with 60% in 2016).

⁷ Inclusion of 80% of profits/losses compared with 60% in 2016.

The table below gives details of the items of which own funds were composed as at 30th June 2017.

Changes in own funds to 30th June 2017

Capital item	30/6/2017	31/12/2016 Stand-Alone UBI Banca Group
Common Equity Tier 1 (CET1) capital instruments	2,840,334	2,440,751
CET1 capital share premium accounts	3,306,627	3,798,430
Reserves	3,210,258	3,557,306
<i>(i) retained earnings</i>	1,250,070	1,627,710
<i>(ii) other reserves</i>	1,960,188	1,929,596
Profit for the period	631,300	(830,150)
Direct and indirect holdings of own CET1 instruments	(54,093)	(123,609)
Accumulated other comprehensive income (AOCI)	(92,216)	(72,977)
Regulatory adjustments relating to unrealised gains or losses	10,874	10,355
Minority interests	9,038	20,754
<i>(i) amount allowed in consolidated CET1</i>	98	1,863
<i>(ii) amount qualifying under transitional provisions</i>	8,941	18,891
CET1 prudential filters	(9,407)	(7,653)
Intangible assets (net of related tax liability)	(1,707,739)	(1,700,919)
<i>(i) goodwill</i>	(1,495,690)	(1,495,690)
<i>(i) other intangible assets</i>	(212,048)	(205,229)
Negative amounts resulting from the calculation of expected loss amounts (shortfall on IRB positions)	(22,079)	(82,962)
<i>(i) shortfall on IRB positions eligible for inclusion in CET1 under transitional provisions</i>	(19,651)	(62,436)
<i>(i) shortfall on qualifying AT1 IRB positions that exceed the AT1 capital of the institution (excess of deductions from AT1)</i>	(2,428)	(20,526)
Regulatory adjustments relating to unrealised gains or losses (excess of deductions from AT1)	-	(9,917)
Deferred tax assets that rely on future profitability, and do not arise from temporary differences	(210,990)	(170,126)
Regulatory effects relating to defined benefit pension funds	(4,170)	-
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)	-	-
COMMON EQUITY TIER 1 (CET1) CAPITAL	7,907,737	6,829,283
Additional Tier 1 instruments and the related share premium accounts	-	-
Instruments issued by subsidiaries included in AT1	28	286
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	(2,456)	(20,812)
Negative amounts on qualifying IRB positions that exceed the AT1 capital of the institution	2,428	20,526
Negative amount resulting from transitional provisions applied to the loss for the period	-	(332,060)
Regulatory adjustments relating to unrealised gains or losses	-	(9,917)
Negative amounts for the period that exceed the AT1 capital	-	341,977
ADDITIONAL TIER 1 (AT1) CAPITAL	-	-
TIER 1 (CET1 + AT1)	7,907,737	6,829,283
Tier 2 (T2) capital instruments and the related share premium accounts	1,858,084	1,606,204
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	-
Instruments issued by subsidiaries included in T2	37	276
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	(2,456)	(20,812)
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)	(43,318)	(38,441)
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required for pre-CRR treatment	8,334	12,595
TIER 2 (T2)	1,820,681	1,559,822
TOTAL CAPITAL (TC=T1+T2)	9,728,418	8,389,105

Capital requirements

Quantitative information

The tables below summarise the fulfilment of capital requirements in terms of capital ratios and they give details of the various capital requirements.

Capital requirements	30.06.2017	31.12.2016 Stand-Alone UBI Banca Group
CREDIT AND COUNTERPARTY RISK	5,124,521	4,351,066
Total credit risk	5,069,933	4,309,779
Total counterparty risk	54,588	41,287
MARKET RISK - Standardised approach	92,484	112,356
- position risk in debt instruments	81,625	111,127
- position risk in equity instruments	10,522	1,205
- currency risk	337	24
- position risk in commodities	-	-
OPERATIONAL RISK	306,737	283,300
Basic indicator approach	10,864	2,835
Standardised approach	99,413	47,676
Advanced measurement approach	196,460	232,789
CREDIT VALUATION ADJUSTMENT RISK	13,583	11,987
Standardised method	13,583	11,987

Supervisory ratios	30.06.2017	31.12.2016 Stand-Alone UBI Banca Group
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk weighted assets)	11.42%	11.48%
Tier 1 ratio (Tier 1 capital after filters and deductions/risk weighted assets)	11.42%	11.48%
Total capital ratio (total own funds/risk weighted assets)	14.06%	14.10%

Credit and counterparty risk	30.06.2017			31.12.2016 Stand-Alone UBI Banca Group		
	Amounts not weighted	Amounts weighted	Requirement	Amounts not weighted	Amounts weighted	Requirement
A. CREDIT AND COUNTERPARTY RISK						
A.1 Standardised approach	70,522,879	32,937,208	2,634,977	51,027,216	24,479,144	1,958,332
Exposures to or guaranteed by central governments or central banks	28,399,109	3,381,438	270,515	21,276,850	2,728,948	218,316
Exposures to or guaranteed by regional governments or local authorities	726,207	144,589	11,567	497,331	99,245	7,940
Exposures to or guaranteed by public sector entities	488,970	197,849	15,828	379,458	136,446	10,916
Exposures to or guaranteed by multilateral development banks	95	0	0	0	0	0
Exposures to or guaranteed by international organisations	0	0	0	0	0	0
Exposures to or guaranteed by supervised institutions	5,209,981	2,146,090	171,687	4,108,882	1,404,108	112,329
Exposures to or guaranteed by corporates and others	10,749,109	10,061,699	804,936	8,376,825	7,837,167	626,973
Retail exposures	9,060,871	6,244,658	499,573	6,763,382	4,774,218	381,937
Exposures secured by mortgages of immovable properties	7,995,400	3,162,596	253,008	3,693,361	1,678,580	134,286
Exposures in default	2,835,730	3,488,288	279,063	2,211,245	2,690,599	215,248
High-risk exposures	27,217	40,826	3,266	25,165	37,748	3,020
Exposures in the form of covered bonds	5,047	505	40	0	0	0
Short-term exposures to corporates or others or to supervised institutions	0	0	0	0	0	0
Exposures to UCITS	168,475	320,513	25,641	154,911	154,911	12,393
Equity exposures	894,053	1,365,365	109,229	670,113	1,025,164	82,013
Other exposures	3,930,910	2,339,984	187,199	2,869,693	1,912,010	152,961
Items which represent positions towards securitisations	31,705	42,808	3,425	0	0	0
A.2 Internal rating based approach - Risk assets	70,623,849	31,119,308	2,489,544	68,733,442	29,909,185	2,392,734
Exposures to or guaranteed by central governments or central banks				0	0	0
Exposures to or guaranteed by supervised institutions, public sector and local entities and others				0	0	0
Exposures to or guaranteed by corporates - SMEs	14,490,722	7,393,729	591,498	14,029,850	7,477,675	598,214
Exposures to or guaranteed by corporates - Specialised lending				0	0	0
Exposures to or guaranteed by corporates - Other corporates	24,661,729	17,449,952	1,395,996	23,740,358	16,158,013	1,292,641
Retail exposures secured by real estate property: SMEs	4,657,860	828,980	66,318	4,780,350	916,500	73,320
Retail exposures secured by real estate property: private individuals	20,690,499	2,408,985	192,719	20,101,423	2,317,452	185,396
Retail exposures Revolving exposures				0	0	0
Other retail exposures: SMEs	4,088,536	1,236,977	98,958	4,075,470	1,283,876	102,710
Other retail exposures: private individuals				0	0	0
Specialised lending - slotting criteria	2,034,503	1,800,685	144,055	2,005,991	1,755,669	140,453
Items which represent positions towards securitisations				0	0	0
Other activities different from lending					0	0
TOTAL	141,146,728	64,056,516	5,124,521	119,760,658	54,388,329	4,351,066

Credit and counterparty risk	30.06.2017				31.12.2016 Stand-Alone UBI Banca Group			
	Credit risk		Counterparty risk		Credit risk		Counterparty risk	
	RWAs	Capital requirement	RWAs	Capital requirement	RWAs	Capital requirement	RWAs	Capital requirement
Standardised approach	32,381,036	2,590,483	556,172	44,494	24,107,986	1,928,640	371,158	29,692
Exposures to or guaranteed by central governments or central banks	3,381,433	270,515	5	-	2,728,948	218,316	-	-
Exposures to or guaranteed by regional governments or local authorities	144,579	11,566	10	1	99,245	7,940	-	-
Exposures to or guaranteed by public sector entities	197,849	15,828	-	-	136,446	10,916	-	-
Exposures to or guaranteed by multilateral development banks	-	-	-	-	-	-	-	-
Exposures to or guaranteed by international organisations	-	-	-	-	-	-	-	-
Exposures to or guaranteed by supervised institutions	2,054,558	164,365	91,532	7,323	1,323,096	105,848	81,012	6,481
Exposures to or guaranteed by corporates and others	9,750,815	780,065	310,884	24,871	7,600,678	608,054	236,489	18,919
Retail exposures	6,244,005	499,520	653	52	4,773,576	381,886	643	51
Exposures secured by mortgages of immovable properties	3,162,596	253,008	-	-	1,678,580	134,286	-	-
Exposures in default	3,472,310	277,785	15,978	1,278	2,678,199	214,256	12,399	992
High-risk exposures	40,826	3,266	-	-	37,748	3,020	-	-
Exposures in the form of covered bonds	505	40	-	-	-	-	-	-
Short-term exposures to corporates and other supervised intermediaries	-	-	-	-	-	-	-	-
Exposures to UCITS	320,513	25,641	-	-	154,911	12,393	-	-
Equity exposures	1,296,503	103,720	68,862	5,509	984,549	78,764	40,615	3,249
Other exposures	2,271,736	181,739	68,248	5,460	1,912,010	152,961	-	-
Items which represent positions towards securitisations	42,808	3,425	-	-	-	-	-	-
Internal rating based approach	30,993,132	2,479,450	126,176	10,094	29,764,247	2,381,139	144,938	11,595
Exposures to or guaranteed by central governments or central banks	-	-	-	-	-	-	-	-
Exposures to or guaranteed by supervised institutions, public sector and local entities and others	-	-	-	-	-	-	-	-
Exposures to or guaranteed by corporates - SMEs	7,393,729	591,498	-	-	7,477,675	598,214	-	-
- to which the support factor is applied	3,965,574	317,246	-	-	3,303,059	264,245	-	-
Exposures to or guaranteed by corporates - Specialised lending	-	-	-	-	-	-	-	-
Exposures to or guaranteed by corporates - Other corporates	17,449,952	1,395,996	-	-	16,158,013	1,292,641	-	-
Retail exposures secured by real estate property: SMEs	828,980	66,318	-	-	916,500	73,320	-	-
- to which the support factor is applied	344,533	27,563	-	-	292,098	23,368	-	-
Retail exposures secured by real estate property: private individuals	2,408,985	192,719	-	-	2,317,452	185,396	-	-
Retail exposures Revolving exposures	-	-	-	-	-	-	-	-
Other retail exposures: SMEs	1,236,977	98,958	-	-	1,283,876	102,710	-	-
- to which the support factor is applied	920,411	73,633	-	-	732,473	58,598	-	-
Other retail exposures: private individuals	-	-	-	-	-	-	-	-
Specialised lending - slotting criteria	1,674,509	133,961	126,176	10,094	1,610,731	128,858	144,938	11,595
Other activities different from lending	-	-	-	-	-	-	-	-
TOTAL	63,374,168	5,069,933	682,348	54,588	53,872,233	4,309,779	516,096	41,287

Following authorisations received from the Supervisory Authority, the UBI Group now uses internal models⁸ 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 exposures⁹”) – and operational risks.

With regard to risk weighted assets (up to €69.2 billion from €59.5 billion at the end of 2016), an increase was recorded overall in the second quarter, mainly as a result of the acquisition of the New Banks totalling €9.3 billion.

With account taken of those changes, compliance with minimum capital requirements as at 30th June 2017 equal to total capital requirements for credit, counterparty, credit valuation adjustment, market and operational risk, required capital of approximately €5,537 million (€4,759 million in December 2016), against which the Group recorded actual regulatory capital (own funds) of €9,728 million (€8,389 million in December 2016).

As reported in a press release in December 2016¹⁰ the ECB set the following requirements for 2017 at consolidated level for the UBI Group:

- a new minimum phased-in CET1 capital ratio requirement of 7.5% (the result of the sum of the minimum Pillar 1 capital requirement (4.5%), the Pillar 2 requirement (1.75%) and the capital conservation buffer (1.25%)¹¹);
- a minimum Total SREP Capital Requirement of 9.75% (the result of the sum of the minimum Pillar 1 regulatory capital requirement (8%) and the Pillar 2 requirement (1.75%)). If the capital conservation buffer of 1.25% is added, this then gives a minimum requirement in terms of the regulatory total capital ratio of 11% (the OCR – Overall Capital Requirement).

As at 30th June the UBI Group complied with the regulatory limits requested, and in fact the CET1 ratio and the Tier 1 ratio stood at 11.42% (down from 11.48% in December) and the Total Capital ratio was 14.06% (down from 14.10% in December).

If Basel 3 rules on a full application basis scheduled for 2019 were applied, Group capital ratios would be 11.32% in terms of the Common Equity Tier 1 ratio and the Tier 1 ratio (11.22% in December) and 13.94% in terms of the Total Capital Ratio (13.86% in December).

Banks have been obliged to hold a countercyclical capital buffer since 1st January 2016. If it is considered that, as reported in the press release dated 23rd June 2017, the Bank of Italy set the countercyclical capital buffer for the second quarter of 2017 at 0%, for exposures to

⁸ See the Pillar 3 Disclosure document as at 31st December 2016 for further information on internal models.

⁹ Limited to the small to medium-size enterprise portfolio comprised within the “Retail” segment (“SME retail”).

¹⁰ See the press release dated 12th December 2016 available on the corporate website at <http://www.ubibanca.it> in the Investor Relations Section.

¹¹ With the publication of the 18th update to Circular No. 285, the Bank of Italy amended the regulations for the capital conservation buffer. That amendment was determined by the requirement to align Italian national regulations with those of the majority of the countries in the Eurozone and to ensure equal treatment for banks in different countries. It states that at separate company and consolidated level banks are no longer required to apply a minimum fully loaded capital buffer ratio of 2.5%, but to follow the following timetable: 1.25% from 1st January 2017 until 31st December 2017; 1,875% from 1st January 2018 until 31st December 2018; and 2.5% from 1st January 2019.

counterparties resident in Italy and also that the Group mainly has exposures to domestic counterparties¹², then the Group's countercyclical capital buffer is not significant.

In compliance with the regulations in force, on 30th April the UBI Banca Group submitted its 2016 ICAAP and ILAAP report to the supervisory authority and following the conclusion of the acquisition of the New Banks, it submitted an update of its ICAAP report in relation to the new perimeter. On that occasion too, the results of the capital adequacy assessments confirmed the availability of significant margins, sufficient to maintain the capital position, both current and future and under stress conditions above the requirements requested.

In consideration of the ratios achieved as at 30th June 2017 – and on the basis of the simulations carried out for future years according to current regulations and on a “fully loaded” basis – significant margins clearly exist to maintain a strong capital position, higher than that requested by capital requirements.

¹² The capital requirement for significant exposures to counterparties not resident in Italy is below 5% of the total capital requirement for significant exposures.

Leverage ratio

Qualitative information

A leverage ratio has been introduced to the Basel 3 framework as a requirement that is supplementary to the risk based capital requirements. The introduction of a leverage ratio to the regulatory framework meets the following objectives:

- it limits the expansion of total exposures to the availability of an adequate capital base and during expansionary phases of the economic cycle it contains the level of debt held by banks thereby reducing the risk of deleveraging processes in crisis situations;
- it introduces a control that is additional to the risk based approach by means of a simple and non-risk based measure that acts as a backstop to the risk-based capital requirement.

The introduction of a leverage ratio regulatory requirement – as a Pillar 1 requirement – will take effect from the 1st January 2018, subject to approval by the European Council and Parliament of a specific proposal for legislation. Disclosure of leverage ratios by banks is compulsory from 1st January 2015.

The leverage ratio is calculated as the ratio between the Tier 1 capital (capital measure) and total Group exposure (the exposure measure). The latter is the sum of all asset exposures and off-balance sheet items not deducted in determining the capital measure¹³.

The ratio is expressed as a percentage and is subject to a minimum 3% requirement (the limit set by the Basel Committee)¹⁴. It is monitored quarterly and is measured both at separate company and at consolidated level.

The leverage ratio is used to monitor the risk of excessive leverage under the heading “other risks” and in addition to the aforementioned minimum regulatory requirement, it is subject to quantitative limits set internally¹⁵.

¹³ More specifically the exposure measure includes the following: derivatives, securities financing transactions (SFT), off-balance-sheet items (liquidity facilities, guarantees and commitments, transactions not yet finalised or awaiting settlement, etc.) and other on-balance sheet assets in addition to derivatives and SFTs.

¹⁴ In this respect, on 3rd August 2016 the EBA published its “EBA report on the Leverage ratio requirements under article 511 of the CRR” in which it recommends the introduction of a minimum leverage ratio requirement in order to mitigate the risk of excessive leverage. The results of the quantitative analysis confirmed the calibration of a minimum LR of 3% as an effective measure of protection which is in addition to the risk-based regulatory capital requirements set. A proposal to amend Regulation 575/2013 published by the European Commission on 23rd November 2016 also confirms a minimum target of 3%.

¹⁵ See in this respect the section “Risk management objectives and policies” in the document Pillar 3 Disclosures as at 31st December 2016.

Quantitative information

The table below reports summary data on the calculation of the UBI Group leverage ratios as at 30th June 2017. The ratio was calculated according to the provisions of the CRR, as amended by the Delegated Act (EU) No. 62/2015¹⁶.

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 transitional 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 to a proportionately increasing degree;
- the “fully loaded” Tier 1 capital that is calculated using the rules that must be followed when the regime is fully phased-in.

Leverage ratio as at 30th June 2017

	30.06.2017	31.12.2016 Stand-Alone UBI Banca Group
fully loaded Tier 1 capital	7,834,458	6,675,916
fully phased-in exposure	139,753,982	118,737,869
fully phased in leverage ratio	5.61%	5.62%
transition Tier 1 capital	7,907,737	6,829,283
transition exposure	139,818,327	118,872,536
transition leverage ratio	5.66%	5.75%

¹⁶ The Delegated Act brings the rules for calculating the ratio into line with the provisions of the Basel Committee - cf. “Basel III Leverage ratio framework and disclosure requirements”, January 2014.

Credit risk: general disclosures and impairment for all banks

Quantitative information

This section contains tables which show the distribution of gross credit exposures by type, credit quality, geographical area, economic sector and residual contractual maturity. They also give changes in total net impairment losses for non-performing exposures. The figures given, which were calculated according to statutory accounting rules, take no account of credit mitigation techniques and they are based on positions in both the banking and the trading books.

Quantitative information

Gross and net credit exposures, by principal types of exposure

Portfolios/quality	Non-performing assets			Performing assets			Total (net exposure)
	Gross exposure	Specific impairment losses	Net exposure	Gross exposure	Portfolio impairment losses	Net exposure	
1. Available-for-sale financial assets	30,210	(14,400)	15,810	10,533,074	-	10,533,074	10,548,884
2. Held-to-maturity investments	-	-	-	5,993,150	-	5,993,150	5,993,150
3. Loans and advances to banks	-	-	-	8,793,209	(93)	8,793,116	8,793,116
4. Loans and advances to customers	14,140,533	(5,688,294)	8,452,239	86,221,797	(445,453)	85,776,344	94,228,583
5. Financial assets designated at fair value	-	-	-	9,341	-	9,341	9,341
6. Financial assets held for sale	-	-	-	-	-	-	-
30/06/2017	14,170,743	(5,702,694)	8,468,049	111,550,571	(445,546)	111,105,025	119,573,074
31/12/2016 Stand-Alone UBI Banca Group	12,549,293	(4,480,351)	8,068,942	94,476,608	(378,870)	94,097,738	102,166,680

Net credit exposures, by principal types of exposure

	Bad loans	Unlikely-to-pay loans	Non-performing past-due exposures	Performing past-due exposures	Performing assets	Total
1. Available-for-sale financial assets	-	15,810	-	120,145	10,412,929	10,548,884
2. Held-to-maturity investments	-	-	-	-	5,993,150	5,993,150
3. Loans and advances to banks	-	-	-	142	8,792,974	8,793,116
4. Loans and advances to customers	4,049,558	4,156,904	245,777	5,670,785	80,105,559	94,228,583
5. Financial assets designated at fair value	-	-	-	-	9,341	9,341
6. Financial assets held for sale	-	-	-	-	-	-
30.06.2017	4,049,558	4,172,714	245,777	5,791,072	105,313,953	119,573,074
31/12/2016 Stand-Alone UBI Banca Group	3,987,303	3,948,245	133,394	4,043,395	90,054,343	102,166,680

Distribution by geographical areas of exposures to customers, by principal types of exposure

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD		TOTAL	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On-balance sheet exposure												
A.1 Bad loans	7,494,854	4,027,443	42,574	22,074	140	41	2	-	-	-	7,537,570	4,049,558
A.2 Unlikely-to-pay exposures	6,281,292	4,123,262	80,192	49,330	6	5	-	-	127	117	6,361,617	4,172,714
A.3 Non-performing past-due exposures	270,952	245,189	603	587	1	1	-	-	-	-	271,556	245,777
A.4 Performing loans	95,628,941	95,193,344	3,208,575	3,199,374	1,705,889	1,705,826	289,601	289,150	45,634	45,493	100,878,640	100,433,187
TOTAL	109,676,039	103,589,238	3,331,944	3,271,365	1,706,036	1,705,873	289,603	289,150	45,761	45,610	115,049,383	108,901,236
B. Off-balance sheet exposures												
B.1 Bad loans	46,995	36,010	11	11	-	-	-	-	-	-	47,006	36,021
B.2 Unlikely-to-pay exposures	270,437	259,896	912	910	-	-	-	-	-	-	271,349	260,806
B.3 Other non-performing assets	28,127	28,103	130	128	-	-	-	-	-	-	28,257	28,231
B.4 Performing loans	11,566,520	11,545,590	464,351	464,231	36,760	36,748	105,173	104,567	9,136	9,136	12,181,940	12,160,272
TOTAL	11,912,079	11,869,599	465,404	465,280	36,760	36,748	105,173	104,567	9,136	9,136	12,528,552	12,485,330
30.06.2017	121,588,118	115,458,837	3,797,348	3,736,645	1,742,796	1,742,621	394,776	393,717	54,897	54,746	127,577,935	121,386,566
31/12/2016 Stand-Alone UBI Banca Group	108,885,945	104,059,126	3,254,876	3,168,506	1,831,925	1,831,726	224,641	224,211	46,376	46,369	114,243,763	109,329,938

Distribution by geographical areas of exposures to banks, by principal types of exposure

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD		TOTAL	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. On-balance sheet exposure												
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely-to-pay exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Performing loans	7,351,304	7,351,222	1,221,982	1,221,975	516,049	516,046	65,278	65,277	7,324	7,324	9,161,937	9,161,844
TOTAL	7,351,304	7,351,222	1,221,982	1,221,975	516,049	516,046	65,278	65,277	7,324	7,324	9,161,937	9,161,844
B. Off-balance sheet exposures												
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely-to-pay exposures	8	6	-	-	-	-	-	-	-	-	8	6
B.3 Other non-performing assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Performing loans	140,170	140,169	282,605	282,566	20,388	20,377	86,872	86,841	38,496	38,482	568,531	568,435
TOTAL	140,178	140,175	282,605	282,566	20,388	20,377	86,872	86,841	38,496	38,482	568,539	568,441
30.06.2017	7,491,482	7,491,397	1,504,587	1,504,541	536,437	536,423	152,150	152,118	45,820	45,806	9,730,476	9,730,285
31/12/2016 Stand-Alone UBI Banca Group	2,159,593	2,159,591	1,603,411	1,603,222	547,372	547,369	143,130	143,068	79,968	79,909	4,533,474	4,533,159

Distribution by residual contractual maturity of the entire portfolio, by type of exposure

	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate maturity	TOTAL
On-balance sheet assets	14,860,941	1,319,930	713,374	2,275,258	4,850,410	4,521,920	7,499,795	35,558,054	40,697,612	6,026,392	118,323,686
A.1 Government securities	546	-	426	-	56,173	138,971	322,831	3,780,262	8,612,876	-	12,912,085
A.2 Other debt instruments	16,405	337	1	198	28,508	2,070	15,352	596,915	286,517	15,810	962,113
A.3 Units in UCITS	197,056	-	-	-	-	-	-	-	-	-	197,056
A.4 Financing	14,646,934	1,319,593	712,947	2,275,060	4,765,729	4,380,879	7,161,612	31,180,877	31,798,219	6,010,582	104,252,432
- Banks	1,568,225	44,205	4,882	63,197	131,552	49,079	187,111	715,959	-	6,010,582	8,774,792
- Customers	13,078,709	1,275,388	708,065	2,211,863	4,634,177	4,331,800	6,974,501	30,464,918	31,798,219	-	95,477,640
On-balance sheet liabilities	64,722,784	1,525,373	668,944	1,592,325	3,103,489	2,891,162	5,637,064	28,660,556	6,056,663	-	114,858,360
B.1 Deposits and current accounts	63,683,902	141,926	82,099	224,332	723,403	802,663	1,286,826	203,642	39,023	-	67,187,816
- Banks	842,822	36,080	-	21	10,016	-	-	-	-	-	888,939
- Customers	62,841,080	105,846	82,099	224,311	713,387	802,663	1,286,826	203,642	39,023	-	66,298,877
B.2 Debt instruments	70,177	63,479	46,388	278,714	1,743,435	1,899,012	4,067,902	14,475,580	5,524,025	-	28,168,712
B.3 Other liabilities	968,705	1,319,968	540,457	1,089,279	636,651	189,487	282,336	13,981,334	493,615	-	19,501,832
Off-balance sheet transactions	(4,154,578)	26,504	2,837	32,937	194,526	1,464,733	565,170	1,507,073	(57,460)	-	(418,258)
C.1 Financial derivatives with exchange of principal	-	22,924	3,375	5,007	58,244	2,778	(60,332)	(72,921)	(335,776)	-	(376,701)
- Long positions	-	551,477	259,394	338,914	4,104,462	305,223	392,045	365,469	4,448	-	6,321,432
- Short positions	-	528,553	256,019	333,907	4,046,218	302,445	452,377	438,390	340,224	-	6,698,133
C.2 Financial derivatives without exchange of principal	(203,550)	(332)	(3,317)	1,133	9,983	67,761	61,028	(155)	-	-	(67,449)
- Long positions	474,684	29	601	2,961	18,724	87,238	106,095	1,017	1	-	691,350
- Short positions	678,234	361	3,918	1,828	8,741	19,477	45,067	1,172	1	-	758,799
C.3 Deposits and financing to be received	(1,181)	(1,057)	(673)	-	(1,189)	-	-	-	-	-	(4,100)
- Long positions	869	(861)	-	-	(1,189)	-	-	-	-	-	(1,181)
- Short positions	2,050	196	673	-	-	-	-	-	-	-	2,919
C.4 Irrevocable commitments to disburse funds	(3,966,218)	4,969	3,447	25,445	125,982	1,393,036	560,461	1,575,010	277,986	-	118
- Long positions	278,501	5,072	3,447	25,445	125,982	1,393,036	603,406	1,575,010	277,986	-	4,287,885
- Short positions	4,244,719	103	-	-	-	-	42,945	-	-	-	4,287,767
C.5 Financial guarantees issued	16,371	-	5	1,352	1,506	1,158	4,013	5,139	330	-	29,874
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-	-

Distribution by economic sector of non-performing exposures and impairment losses

Exposures/Counterparties	Governments and Central Banks				Other public authorities				Financial companies				Insurance companies			
	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure
A. On-balance sheet exposure																
A.1 Bad loans	1,540	(11)	X	1,529	8,856	(3,467)	X	5,389	108,784	(47,660)	X	61,124	97	(32)	X	65
A.2 Unlikely-to-pay loans	39	(32)	X	7	11,476	(8,487)	X	2,989	104,733	(45,949)	X	58,784	-	-	X	-
A.3 Non-performing past-due exposures	855	(194)	X	661	25,498	(848)	X	24,650	632	(53)	X	579	-	-	X	-
A.4 Performing loans	14,237,841	X	(611)	14,237,230	829,879	X	(3,568)	826,311	4,911,320	X	(17,498)	4,893,822	149,391	X	(1)	149,390
TOTAL A	14,240,275	(237)	(611)	14,239,427	875,709	(12,802)	(3,568)	859,339	5,125,469	(93,662)	(17,498)	5,014,309	149,488	(32)	(1)	149,455
B. Off-balance sheet exposures																
B.1 Bad loans	-	-	X	-	-	-	X	-	21	-	X	21	-	-	X	-
B.2 Unlikely-to-pay loans	-	-	X	-	579	-	X	579	82	(3)	X	79	-	-	X	-
B.3 Other non-performing assets	-	-	X	-	533	-	X	533	-	-	X	-	-	-	X	-
B.4 Performing loans	250,009	X	-	250,009	1,494,643	X	(689)	1,493,954	1,556,985	X	(1,909)	1,555,076	8,081	X	(88)	7,993
TOTAL B	250,009	-	-	250,009	1,495,755	-	(689)	1,495,066	1,557,088	(3)	(1,909)	1,555,176	8,081	-	(88)	7,993
30.06.2017	14,490,284	(237)	(611)	14,489,436	2,371,464	(12,802)	(4,257)	2,354,405	6,682,557	(93,665)	(19,407)	6,569,485	157,569	(32)	(89)	157,448
31/12/2016 Stand-Alone UBI Banca Group	15,863,688	(61)	(73)	15,863,554	1,924,180	(7,183)	(5,018)	1,911,979	6,730,664	(96,214)	(39,176)	6,595,274	165,844	(19)	(67)	165,758

Exposures/Counterparties	Non-financial companies				Other				T o t a l			
	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure
A. On-balance sheet exposure												
A.1 Bad loans	5,142,848	(2,329,054)	X	2,813,794	2,275,445	(1,107,788)	X	1,167,657	7,537,570	(3,488,012)	X	4,049,558
A.2 Unlikely-to-pay loans	4,873,622	(1,711,247)	X	3,162,375	1,371,747	(423,188)	X	948,559	6,361,617	(2,188,903)	X	4,172,714
A.3 Non-performing past-due exposures	172,515	(17,901)	X	154,614	72,056	(6,783)	X	65,273	271,556	(25,779)	X	245,777
A.4 Performing loans	46,825,608	X	(328,894)	46,496,714	33,924,601	X	(94,881)	33,829,720	100,878,640	X	(445,453)	100,433,187
TOTAL A	57,014,593	(4,058,202)	(328,894)	52,627,497	37,643,849	(1,537,759)	(94,881)	36,011,209	115,049,383	(5,702,694)	(445,453)	108,901,236
B. Off-balance sheet exposures												
B.1 Bad loans	44,317	(10,839)	X	33,478	2,668	(146)	X	2,522	47,006	(10,985)	X	36,021
B.2 Unlikely-to-pay loans	262,952	(10,448)	X	252,504	7,736	(92)	X	7,644	271,349	(10,543)	X	260,806
B.3 Other non-performing assets	3,256	(24)	X	3,232	24,468	(2)	X	24,466	28,257	(26)	X	28,231
B.4 Performing loans	8,091,232	X	(16,069)	8,075,163	781,033	X	(2,956)	778,077	12,181,983	X	(21,711)	12,160,272
TOTAL B	8,401,757	(21,311)	(16,069)	8,364,377	815,905	(240)	(2,956)	812,709	12,528,595	(21,554)	(21,711)	12,485,330
30.06.2017	65,416,350	(4,079,513)	(344,963)	60,991,874	38,459,754	(1,537,999)	(97,837)	36,823,918	127,577,978	(5,724,248)	(467,164)	121,386,566
31/12/2016 Stand-Alone UBI Banca Group	56,722,769	(3,101,567)	(290,191)	53,331,011	32,836,618	(1,289,162)	(85,094)	31,462,362	114,243,763	(4,494,206)	(419,619)	109,329,938

Credit risk: disclosures for portfolios subject to the standardised approach and the use of ECAs

Quantitative information

Distribution of exposures by credit quality class and by supervisory class of activity: standardised approach¹⁷.

Portfolios	30.06.2017		31.12.2016 Stand-Alone UBI Banca Group	
	Exposure WITH credit risk mitigation	Exposure WITHOUT credit risk mitigation	Exposure WITH credit risk mitigation	Exposure WITHOUT credit risk mitigation
Exposures to or guaranteed by central governments and central banks	28,537,358	26,927,472	21,421,395	19,962,105
0%	25,697,585	24,089,903	18,970,358	17,526,309
20%	88,522	88,522	48,250	48,250
50%	174,980	172,776	159,753	144,513
100%	2,109,245	2,109,245	1,976,335	1,976,335
250%	467,026	467,026	266,699	266,698
Exposures to or guaranteed by regional governments or local authorities	1,393,541	1,342,213	1,046,096	1,011,505
0%	-	-	-	-
20%	1,393,541	1,342,213	1,045,584	1,010,993
50%	-	-	512	512
100%	-	-	-	-
250%	-	-	-	-
Exposures to or guaranteed by public sector entities	1,351,751	1,363,191	932,164	931,416
0%	1,335	1,335	3,260	3,260
20%	945,784	945,573	826,913	826,820
50%	24,583	24,583	25,235	25,235
100%	380,049	391,700	76,756	76,101
250%	-	-	-	-
Exposures to or guaranteed by multilateral development banks	95	-	-	-
0%	95	-	-	-
20%	-	-	-	-
50%	-	-	-	-
100%	-	-	-	-
250%	-	-	-	-
Exposures to or guaranteed by international organisations	-	-	-	-
0%	-	-	-	-
20%	-	-	-	-
50%	-	-	-	-
100%	-	-	-	-
250%	-	-	-	-
Exposures to or guaranteed by supervised institutions	6,227,461	9,391,075	4,717,135	9,387,943
0%	172,861	140,295	-	-
2%	157,815	-	109,084	-
20%	4,061,466	7,140,673	3,627,293	8,151,760
50%	380,135	378,372	329,472	327,468
100%	1,455,184	1,731,735	651,286	908,715
250%	-	-	-	-
Exposures to or guaranteed by corporates and others	17,822,961	18,308,817	15,580,276	15,707,941
0%	-	-	90,297	90,297
2%	158,296	-	23,880	-
20%	18,428	18,428	18,632	18,632
50%	945,186	945,186	1,155,402	1,154,611
70%	31,148	-	-	-
100%	16,464,843	17,140,143	14,125,804	14,278,140
150%	205,060	205,060	166,261	166,261

¹⁷ The table gives banking group exposures subject to credit risk – standardised approach. The exposures are given by credit quality step and by supervisory step and they are determined in accordance with prudential supervisory rules.

Retail exposures	14,690,523	15,154,758	11,955,070	12,238,437
75%	14,685,140	15,146,433	11,947,380	12,228,042
100%	5,383	8,325	7,690	10,395
Exposures secured by mortgages of immovable properties	8,020,227	8,032,356	3,718,344	3,723,486
35%	4,331,178	4,337,973	716,189	717,693
50%	3,687,910	3,691,862	2,997,935	3,000,031
100%	1,139	2,521	4,220	5,762
Exposures in default	3,042,019	3,105,521	2,321,422	2,330,800
100%	1,618,074	1,631,145	1,258,744	1,259,525
150%	1,423,945	1,474,376	1,062,678	1,071,275
High-risk exposures	34,775	34,775	33,444	33,444
Exposures in the form of covered bonds	5,047	5,047	-	-
0%	-	-	-	-
10%	5,047	5,047	-	-
20%	-	-	-	-
50%	-	-	-	-
100%	-	-	-	-
250%	-	-	-	-
Short-term exposures to corporates and others or institutions	-	-	-	-
0%	-	-	-	-
20%	-	-	-	-
50%	-	-	-	-
100%	-	-	-	-
250%	-	-	-	-
Exposures to UCITS	184,691	184,609	173,766	173,766
20%	-	-	-	-
50%	-	-	-	-
100%	171,470	171,388	173,766	173,766
150%	-	-	-	-
1250%	13,221	13,221	-	-
Equity exposures	894,053	894,053	670,113	670,113
100%	579,845	579,845	433,412	433,412
250%	314,208	314,208	236,701	236,701
Other exposures	3,932,544	3,572,742	2,869,692	2,869,692
0%	631,834	613,296	467,788	467,788
20%	1,200,901	859,637	612,368	612,368
100%	2,099,809	2,099,809	1,789,536	1,789,536
On-balance sheet exposures subject to credit risk	67,382,767	66,230,953	48,964,962	47,860,985
Off-balance sheet exposures subject to credit risk	17,422,710	17,376,533	15,806,212	16,052,004
Securities Financing Transactions	468,086	3,589,891	30,232	4,171,321
Derivatives and exposures with long-term settlement	863,483	1,119,252	637,511	956,338
Exposures resulting from cross-product netting	-	-	-	-
General total	86,137,046	88,316,629	65,438,917	69,040,648

Credit risk: use of the IRB approach

Qualitative information

With Provision No. 689988 of 19th July 2013, the Bank of Italy authorised the UBI Banca Group to use the advanced internal rating based (AIRB) approach to calculate capital requirements to meet credit risk for the regulatory segments: “retail: exposures backed by residential real estate” and “retail: other exposures (SME-retail)” as of the supervisory report as at 30th June 2013. The authorisation allows the use of internal estimates for probability of default (PD) and loss given default (LGD) parameters for the RRE (Residential Real Estate - Individuals and Retail Businesses) and Retail Other (Retail Businesses) portfolio.

For the corporate segment, the UBI Banca Group has already been authorised by the Supervisory Authority, with Provision No. 423940 of 16th May 2012, to use advanced internal rating based (AIRB) systems as of the supervisory report as at the 30th June 2012.

For all the other portfolios, the standardised approach is used, to be applied in accordance with the roll-out plan submitted to the Supervisory Authority.

At the date of this report, the scope of application of the approaches authorised in terms of companies is as follows:

- AIRB: UBI Banca and IW Bank;
- the remaining legal entities in the Group will continue to use the standardised approach until the date of the respective roll-out.

The output of the models consists of nine rating classes that correspond to the relative PDs, updated to include defaults up to December 2014 for exposures to businesses and for retail exposures. These PDs are mapped on the Master Scale to 14 classes (comparable with the ratings of the main external rating agencies) exclusively for reporting purposes.

With regard to LGD models, the UBI Banca Group has developed LGD models differentiated by regulatory class.

Master Scale	PD THRESHOLDS		UBI INTERNAL RATING MODELS						Master Scale	EXTERNAL RATINGS
	Min PD	Max PD	Specialised lending		Corporate and Large Corporate	Small Business	Retail Business	Private individuals		Moody's 2015
			Rating	class	class	class	class	class		class
MS1	0.030%	0.049%			1			1	MS1	Aaa Aa1 Aa2 Aa3
MS2	0.049%	0.084%				1	1	2	SM2	A1 A2 A3
MS3	0.084%	0.174%			2		2		SM3	Baa1
MS4	0.174%	0.298%				2			SM4	Baa2 Baa3
MS5	0.298%	0.469%			3	3	3	3	SM5	Ba1
MS6	0.469%	0.732%	High	4	4				SM6	Ba2
MS7	0.732%	1.102%				4	4	4	SM7	Ba2/Ba3
MS8	1.102%	1.867%	Good	5	5				SM8	Ba3
MS9	1.867%	2.968%			6	5	5	5	SM9	B1
MS10	2.968%	5.370%				6	6	6	SM10	B2 B3 Caa1
MS11	5.370%	9.103%	Sufficient	7	7				SM11	Caa1/Caa2
MS12	9.103%	13.536%				7	7	7	SM12	Caa2
MS13	13.536%	19.142%			8	8			SM13	Caa3
MS14	19.142%	99.999%	Poor	9	9	9	8-9	8-9	SM14	Ca-C

(1) see "Moody's "Corporate Default and Recovery Rates, 1920-2015, Exhibit 29, Average One-Year Alphanumeric Rating Migration Rates, 1983-2015.

Quantitative information

Amounts of the exposures by supervisory portfolio

SUPERVISORY PORTFOLIO	EXPOSURES	
	FOUNDATION IRB	ADVANCED IRB
Exposures to or guaranteed by corporates:		
Specialised lending		-
SMEs		14,490,722
Other corporates		24,661,729
Retail exposures		
- Exposures secured by residential real estate: SMEs		4,657,860
- Exposures secured by residential real estate: private individuals		20,690,499
- Qualified revolving retail exposures		0
- Other retail exposures: SMEs		4,088,536
- Other retail exposures: private individuals		-

Distribution of exposures by supervisory class of activity and by PD class (exposures to corporates)

Exposure class	Credit quality step	30.06.2017				
		Amount of exposure	Average weighting factor	Average weighted LGD	Undrawn credit	Average weighted EAD
Exposures to or guaranteed by corporates - SMEs	1st class	284,551	16.11	50.47	34,909	6.45
	2nd class	125,819	15.67	38.86	18,023	11.31
	3rd class	918,479	33.57	47.21	82,011	9.43
	4th class	495,607	29.00	40.06	34,480	9.56
	5th class	2,263,049	43.94	42.02	129,344	10.05
	6th class	1,465,278	60.29	42.30	54,522	9.35
	7th class	1,232,144	51.69	37.23	48,560	13.10
	8th class	1,260,143	80.40	43.40	43,335	12.72
	9th class	1,900,924	74.62	38.02	57,675	14.14
	10th class	746,861	77.49	34.59	9,309	8.97
	11th class	454,424	100.08	34.86	5,703	12.78
	12th class	267,633	109.10	32.92	3,922	14.31
	13th class	385,783	116.85	30.92	7,340	23.17
	14th class	132,718	115.71	26.00	1,913	34.96
	Default	2,557,309	-	40.10	25,886	43.40
Exposures to or guaranteed by corporates - Other corporates	1st class	498,095	22.29	52.12	76,188	8.13
	2nd class	7,939	19.34	36.82	445	4.33
	3rd class	3,486,481	47.43	50.53	859,716	16.50
	4th class	65,612	39.04	38.87	7,822	10.61
	5th class	6,937,675	72.06	49.77	1,830,095	28.39
	6th class	4,408,290	87.14	47.56	669,410	23.28
	7th class	177,329	70.57	34.77	8,723	18.52
	8th class	2,616,433	110.01	44.40	276,933	23.93
	9th class	1,464,406	130.15	44.13	109,016	26.53
	10th class	84,356	114.31	36.47	8,338	37.59
	11th class	644,258	152.85	39.90	23,387	19.41
	12th class	31,526	156.92	32.98	92	4.62
	13th class	316,674	185.86	36.39	14,566	23.48
	14th class	70,677	267.03	47.61	1,535	4.36
	Default	3,851,978	-	48.35	85,511	33.58

(*) Master Scale, cf. Qualitative information.

**Distribution of exposures by supervisory class of activity and by PD class
(retail exposures)**

Exposure class	Credit quality step	30.06.2017				
		Amount of exposure	Average weighting factor	Average weighted LGD	Undrawn credit	Average weighted EAD
Retail exposures secured by real estate property: SMEs	1st class	136	1.14	10.51	-	-
	2nd class	165,933	2.24	16.01	1,929	59.58
	3rd class	799,890	4.86	14.52	5,750	71.18
	4th class	-	-	-	-	-
	5th class	706,339	9.74	14.74	6,499	71.58
	6th class	-	-	-	-	-
	7th class	443,104	18.52	15.42	3,800	65.70
	8th class	-	-	-	-	-
	9th class	306,841	32.38	15.80	3,379	72.70
	10th class	340,819	48.52	15.27	2,045	73.08
	11th class	-	-	-	-	-
	12th class	198,040	70.19	15.21	1,635	74.53
	13th class	-	-	-	-	-
	14th class	296,185	78.26	14.75	54	43.09
Default	1,400,573	-	39.58	387	75.00	
Retail exposures secured by real estate property: private individuals	1st class	794,287	1.14	10.53	1,376	75.00
	2nd class	3,823,733	2.29	10.50	2,833	75.00
	3rd class	-	-	-	-	-
	4th class	-	-	-	-	-
	5th class	6,564,517	6.32	10.64	9,097	75.00
	6th class	-	-	-	-	-
	7th class	4,729,612	13.48	10.92	5,158	75.00
	8th class	-	-	-	-	-
	9th class	1,820,400	23.20	10.89	2,464	75.00
	10th class	565,046	37.63	10.85	726	75.00
	11th class	-	-	-	-	-
	12th class	532,454	56.51	10.94	202	75.00
	13th class	-	-	-	-	-
	14th class	478,594	67.65	11.10	227	75.00
Default	1,381,856	-	25.08	38	75.00	
Other retail exposures: SMEs	1st class	-	-	-	-	-
	2nd class	175,149	6.16	36.96	13,624	5.33
	3rd class	545,878	13.26	36.95	22,980	5.82
	4th class	-	-	-	-	-
	5th class	708,499	24.26	39.93	23,060	5.89
	6th class	-	-	-	-	-
	7th class	610,282	39.09	42.41	14,406	4.99
	8th class	-	-	-	-	-
	9th class	548,831	50.21	42.57	10,379	5.33
	10th class	389,820	55.39	42.40	8,765	9.21
	11th class	-	-	-	-	-
	12th class	179,486	66.80	42.56	5,376	14.87
	13th class	-	-	-	-	-
	14th class	155,009	85.10	39.99	1,674	9.82
Default	775,582	-	68.52	8,390	40.17	

(*) Master Scale, cf. Qualitative information.

Distribution of specialised lending exposures by credit quality step

Residual maturity/Rating	Amount of exposure as at 30.06.2017				
	Regulatory classes				
	1 - High	2 - Good	3 - Sufficient	4 - Poor	5 - Default
Residual maturity less than 2.5 years	98,681	30,893	-	-	-
Residual maturity equal to or greater than 2.5 years	503,091	1,041,037	223,201	73,577	64,023
Total specialised lending	601,772	1,071,930	223,201	73,577	64,023

Residual maturity/Rating	Amount of exposure as at 31.12.2016 Stand-Alone UBI Banca Group				
	Regulatory classes				
	1 - High	2 - Good	3 - Sufficient	4 - Poor	5 - Default
Residual maturity less than 2.5 years	23,704	51,282	-	-	-
Residual maturity equal to or greater than 2.5 years	531,326	1,016,625	202,319	75,345	105,390
Total specialised lending	555,030	1,067,907	202,319	75,345	105,390

Comparison between estimates and actual results

The comparison of estimates of risk parameters and empirical data is carried out by internal audit functions at least once annually by means of a set of codified, structured and automated procedures. Periodic monitoring of statistical tests is also carried out by units which include the development function in order to promptly identify, where necessary, the most effective solutions to ensure the robustness of the models over time.

With specific reference to the probability of default (PD), the analyses conducted by the internal audit functions focus on “out-of-sample” application portfolios and are designed in particular to assess (i) the performance of the models, in terms of their ability to maintain their discriminating capacity and predictive power over time, and (ii) the dynamic rating properties also with respect to the development samples. As concerns loss given default (LGD), the analyses performed on the most recent out-of-sample data regard the stability of the sample and performances with respect to the long-term period sample which determined the estimate of the parameter.

In view of the results of the tests and with account taken of the current phase in the business cycle, overall robustness in the accuracy and ordering capacities as well as the dynamic rating properties was found in the most recent out-of-sample data for all the authorised PD models. Correct calibration of PD measured by using binomial tests and also considering correlation between defaults was also found to be generally satisfactory overall.

With regard to LGD, the analyses conducted on the last most recent out-of-sample window showed good stability for the empirical loss values and for estimates of the parameter. Furthermore, further prudential elements were introduced during the validation process which led to the authorisation to use IRB models for the following counterparties: “retail: exposures backed by residential real estate” and “retail: other exposures (SME-retail)”. The downturn intervention was of particular importance. It was based on an analysis of recovery rates observed during the downturn in the economic cycle, which were further worsened in line with the trend for some macroeconomic indicators which were considered significant.

Exposure to counterparty risk

Quantitative information

Counterparty risk constitutes a particular type of credit risk. It is the risk that a counterparty to a transaction involving determined types of financial instruments defaults (credit and financial derivatives sold “over the counter” – OTC, securities financing transactions and transactions with long term settlement) before the transaction itself is settled.

Financial derivatives - Supervisory trading portfolio: notional end of period figures

Underlying assets/type of derivative	30.06.2017		31.12.2016 Stand-Alone UBI Banca Group	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	29,024,310	-	26,663,850	-
a) Options	4,069,552	-	3,275,724	-
b) Swaps	24,875,503	-	22,971,379	-
c) Forwards	3,978	-	-	-
d) Futures	75,277	-	416,747	-
e) Other	-	-	-	-
2. Equity instruments and share indices	53,884	-	4	-
a) Options	8	-	4	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	53,876	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	6,204,501	-	5,349,250	-
a) Options	1,555,420	-	870,869	-
b) Swaps	-	-	-	-
c) Forwards	4,649,081	-	4,478,381	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	35,679	-	53,623	-
5. Other underlying	-	-	-	-
Total	35,318,374	-	32,066,727	-

Financial derivatives – Banking portfolio: notional end of period figures
For hedging

Underlying assets/type of derivative	30.06.2017		31.12.2016 Stand-Alone UBI Banca Group	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	28,653,671	-	27,628,871	-
a) Options	1,973,606	-	1,855,723	-
b) Swaps	26,680,065	-	25,773,148	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indices	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	57,586	-	64,493	-
a) Options	-	-	-	-
b) Swaps	57,586	-	64,493	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	28,711,257	-	27,693,364	-

Financial derivatives – Banking portfolio: notional end of period figures

Other derivatives

Underlying assets/type of derivative	30.06.2017		31.12.2016 Stand-Alone UBI Banca Group	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	1,035,830	-	-	-
a) Options	424,951	-	-	-
b) Swaps	610,879	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indices	859,331	-	562,264	-
a) Options	859,331	-	562,264	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	148,641	-	-	-
a) Options	-	-	-	-
b) Swaps	8,036	-	-	-
c) Forwards	140,605	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	2,043,802	-	562,264	-

Financial derivatives - gross positive fair value: by type of product

Portfolio/type of derivative	Positive fair value			
	30.06.2017		31.12.2016 Stand-Alone UBI Banca Group	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading portfolio	529,787	-	645,797	-
a) Options	40,340	-	20,108	-
b) Interest rate swaps	451,496	-	598,166	-
c) Cross currency swaps	-	-	24,016	-
d) Equity swaps	-	-	31	-
e) Forwards	35,864	-	3,476	-
f) Futures	93	-	-	-
f) Other	1,994	-	-	-
B. Banking portfolio - for hedging	494,828	-	469,320	-
a) Options	4,880	-	-	-
b) Interest rate swaps	487,911	-	469,250	-
c) Cross currency swaps	2,037	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
f) Other	-	-	70	-
C. Banking portfolio - other derivatives	29,080	-	-	-
a) Options	1,657	-	-	-
b) Interest rate swaps	23,971	-	-	-
c) Cross currency swaps	3,452	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
f) Other	-	-	-	-
Total	1,053,695	-	1,115,117	-

Financial derivatives - gross negative fair value: by type of product

Portfolio/type of derivative	Negative fair value			
	30.06.2017		31.12.2016 Stand-Alone UBI Banca Group	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading portfolio	718,130	-	808,989	-
a) Options	12,694	-	15,351	-
b) Interest rate swaps	670,047	-	762,570	-
c) Cross currency swaps	-	-	27,675	-
d) Equity swaps	-	-	32	-
e) Forwards	32,911	-	3,361	-
f) Futures	616	-	-	-
f) Other	1,862	-	-	-
B. Banking portfolio - for hedging	251,598	-	267,727	-
a) Options	-	-	-	-
b) Interest rate swaps	249,575	-	265,417	-
c) Cross currency swaps	-	-	287	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
f) Other	2,023	-	2,023	-
C. Banking portfolio - other derivatives	18,951	-	-	-
a) Options	2,166	-	-	-
b) Interest rate swaps	16,139	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	74	-	-	-
f) Futures	-	-	-	-
f) Other	572	-	-	-
Total	988,679	-	1,076,716	-

Over the counter financial derivatives: supervisory trading portfolio – notional amounts, gross positive and negative fair values by counterparty
contracts not covered by clearing agreements

Contracts not covered by clearing agreements	Governments and central banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	5,249	19,846	386,171	-	6,843,173	464,118
- positive fair value	-	51	22	4,322	-	277,130	7,441
- negative fair value	-	-	1,213	766	-	2,978	279
- future exposure	-	-	119	2,497	-	35,884	1,189
2) Equity instruments and share indices							
- notional amount	5	-	2	-	-	-	1
- positive fair value	5	-	-	-	-	-	1,450
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Currencies and gold							
- notional amount	-	-	151,440	1,686,812	-	1,287,877	16,246
- positive fair value	-	-	2,055	1,167	-	20,975	8
- negative fair value	-	-	32	18,155	-	7,067	471
- future exposure	-	-	1,351	16,706	-	11,150	162
4) Other securities							
- notional amount	-	-	11,569	6,237	-	17,873	-
- positive fair value	-	-	1,045	176	-	772	-
- negative fair value	-	-	673	40	-	1,150	-
- future exposure	-	-	1,166	624	-	1,797	-

Over the counter financial derivatives: supervisory trading portfolio – notional amounts, gross positive and negative fair values by counterparty
contracts which form part of clearing agreements

Contracts covered by clearing agreements	Governments and central banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	10,800,658	10,505,095	-	-	-
- positive fair value	-	-	109,904	74,576	-	-	-
- negative fair value	-	-	524,358	143,795	-	-	-
2) Equity instruments and share indices							
- notional amount	-	-	53,876	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	485	-	-	-	-
3) Currencies and gold							
- notional amount	-	-	2,687,582	374,544	-	-	-
- positive fair value	-	-	24,611	4,077	-	-	-
- negative fair value	-	-	14,684	1,984	-	-	-
4) Other securities							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

Over the counter financial derivatives: banking portfolio – notional amounts, gross positive and negative fair values by counterparty contracts not covered by clearing agreements

Contracts not covered by clearing agreements	Governments and central banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	763,006	69,122	-	203,290	5,359
- positive fair value	-	-	7,860	204	-	13,618	389
- negative fair value	-	-	16,475	3,216	-	1	-
- future exposure	-	-	5,055	134	-	1,079	15
2) Equity instruments and share indices							
- notional amount	-	-	-	59,029	253,019	539,179	8,104
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	26	20,242	46,965	184
3) Currencies and gold							
- notional amount	-	-	157,714	-	-	9,634	38,879
- positive fair value	-	-	5,258	-	-	229	2
- negative fair value	-	-	-	-	-	243	2,427
- future exposure	-	-	2,617	-	-	99	492
4) Other securities							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

Over the counter financial derivatives: banking portfolio – notional amounts, gross positive and negative fair values by counterparty contracts which form part of clearing agreements

Contracts covered by clearing agreements	Governments and central banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	10,412,416	18,236,308	-	-	-
- positive fair value	-	-	195,630	300,718	-	-	-
- negative fair value	-	-	178,491	69,696	-	-	-
2) Equity instruments and share indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currencies and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4) Other securities							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

Residual maturity of over the counter financial derivatives: notional amounts

Underlying asset/Residual maturity	Up to 1 year	1 year to 5 years	More than 5 years	Total
A. Supervisory trading portfolio	8,863,225	12,686,726	13,768,423	35,318,374
A.1 Financial derivatives on debt instruments and interest rates	2,818,523	12,437,365	13,768,422	29,024,310
A.2 Financial derivatives on equity instruments and share indices	53,882	1	1	53,884
A.3 Financial derivatives on exchange rates and gold	5,956,099	248,402	-	6,204,501
A.4 Financial derivatives on other securities	34,721	958	-	35,679
B. Banking portfolio	1,815,757	15,722,071	13,217,231	30,755,059
B.1 Financial derivatives on debt instruments and interest rates	1,632,018	15,309,911	12,747,572	29,689,501
B.2 Financial derivatives on equities and share indices	3,511	386,161	469,659	859,331
B.3 Financial derivatives on exchange rates and gold	180,228	25,999	-	206,227
B.4 Financial derivatives on other securities	-	-	-	-
Total 30.06.2017	10,678,982	28,408,797	26,985,654	66,073,433
Total 31.12.2016 Stand-Alone UBI Banca Group	11,022,284	26,801,978	22,498,093	60,322,355

Credit derivatives: end of period and average notional amounts

No transactions in credit derivatives were performed in the first half of 2017.

Over the counter credit derivatives - gross negative fair value: by type of product

No outstanding transactions in credit derivatives existed as at 30th June 2017.

Residual maturity of over the counter credit derivatives: notional amounts

No outstanding transactions in credit derivatives existed as at 30th June 2017.

Counterparty risk - credit equivalent

Counterparty risk	EAD 30.06.2017	EAD 31.12.2016 Stand- Alone UBI Banca Group
Standardised approach		
- derivatives contracts and long-term settlement transactions	863,483	637,511
- securities financing transactions	468,087	30,231
- cross product netting agreements	-	-
IRB approach		
- derivatives contracts and long-term settlement transactions	138,654	161,031
- securities financing transactions	-	-
- cross product netting agreements	-	-

Exposures to equity instruments not included in the trading portfolio

Quantitative information

The tables on the pages that follow give exposures in equity instruments grouped according to the accounting portfolio in which they are classified. Amounts for equity investments in companies that are fully consolidated for financial reporting purposes are excluded.

Quantitative information

	<i>carrying amount</i>		<i>fair value</i>		<i>market value</i>		<i>profits/losses realised and impairment</i>		<i>unrealised gains/losses recognised in the balance sheet</i>	
	<i>level 1</i>	<i>level 2/3</i>	<i>level 1</i>	<i>level 2/3</i>	<i>level 1</i>	<i>level 2/3</i>	<i>level 1</i>	<i>level 2/3</i>	<i>level 1</i>	<i>level 2/3</i>
Financial assets designated at fair value:										
- equity instruments	3,677	77,963	3,677	77,963	3,677	x	61	8,014	x	x
- units in UCITS	70,359	34	70,359	34	70,359	x	761	1,669	x	x
Available-for-sale financial assets:										
- equity instruments	25,587	309,349	25,587	309,349	25,587	x	105	(9,159)	845	61,913
- units in UCITS	23,653	227,078	23,653	227,078	23,653	x	1,280	(109,619)	13,734	3,910

Exposure to interest rate risk on positions not included in the trading portfolio

Qualitative information

On 28th February 2017 the European Central Bank commenced a specific stress test on interest rate risk in the banking book entitled, “Sensitivity analysis of IRRBB - Stress Test 2017”, for the purpose of obtaining sufficient information to understand the sensitivity of assets and liabilities included in the banking book and also of net interest income to changes in interest rates. The hypothesised shocks applied in the stress test exercise were taken from the standards defined by the Basel Committee for banking supervision in the document “Standards – Interest rate risk in the banking book” published in April 2016.

There will be no public disclosure of the individual results of the stress test that UBI has submitted to the ECB since the beginning of April, but after a period of “Quality Assurance”, these results will mainly be considered as part of the supervisory review and evaluation process (SREP), contributing to calibrate “Pillar 2 guidance”.

Quantitative information

The exposure of the UBI Banca Group to interest rate risk as at 30th June 2017, measured in terms of the sensitivity of the net economic value of the component relating to the AFS portfolio, was approximately -€94.71 million, thereby remaining within the limits set by the Policy to Manage Financial Risks.

In detail, the sensitivity originated by the New Banks was -€34.03 million and that generated by the product companies was -€15.55 million, while the Parent contributed a total of -€45.13 million. In compliance with the Policy to Manage Financial Risks, the exposure includes an estimate of the impact of early repayments and modelling of on-demand items on the basis of the internal model.

On the basis of the standard scenario set by current supervisory regulations, the end of period measurement as at 30th June 2017 as well as the average measurements for the period June 2017-June 2016, showed increases in economic value in both the scenarios considered. The exposure recorded is strongly influenced by the non-negative constraint imposed on interest rates in compliance with regulatory recommendations.

Sensitivity analysis of net interest income focuses on changes in profits resulting from a set of scenarios for changes in interest rates measured over a time horizon of twelve months. UBI Banca Group exposure to interest rate risk as at 30th June 2017, estimated in terms of an impact on net interest income of a reduction in reference interest rates of -100 basis points, was -€105.41 million, a figure which fell within the limits set by Group policy.

The total level of exposure includes an estimate of the impact of early repayments and of the viscosity of demand items.

The impact on net interest income shows the effects of changes in interest rates on the portfolio monitored, excluding hypotheses of future changes in the mix of assets and liabilities. These factors mean that the indicator cannot be used to assess the Bank's future strategy.

RISK INDICATORS

Annual average

+200 bp

Impact on economic value/Tier 1 Capital	2.15%
Impact on economic value/Own funds	1.75%

-200 bp

Impact on economic value/Tier 1 Capital	6.10%
Impact on economic value/Own funds	4.96%

End of period values

+200 bp

Impact on economic value/Tier 1 Capital	1.02%
Impact on economic value/Own funds	0.83%

-200 bp

Impact on economic value/Tier 1 Capital	6.80%
Impact on economic value/Own funds	5.53%

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 Spa, 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 “Pillar 3 Disclosures as at 30th June 2017” is reliably based on the records contained in corporate documents and accounting records.

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

Bergamo 4th August 2017