Pillar 3 Disclosures

as at 30th September 2017

Translation from the Italian original which remains the definitive version

UBI Banca
UNIONE DI BANCHE ITALIANE

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

Contents

Introduction

The prudential rules for banks and investment companies have been 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) since 1st January 2014. They transpose standards defined by the Basel Committee on Banking Supervision (known as the Basel 3 framework) into European Union regulations. The Bank of Italy implemented the EU regulations by publishing Circular No. 285 "Regulations for the prudential supervision of banks".

In order to strengthen "market discipline", the regulations make it compulsory for banks to publish disclosures (the "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.

More specifically the Pillar 3 Disclosures are regulated directly by Part Eight and Part Ten (Title I, Chapter 3) of the CRR and by regulatory and implementation provisions issued by the European Commission[1], to regulate 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 ratio.

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 than once a year, 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 regulations[2]. 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

[1] The "Regulatory Technical Standard" – RTS and "Implementing Technical Standard" – ITS respectively.
[2] "Pillar 3 disclosure requirements – consolidated and enhanced framework", March 2017 and "Revised Pillar 3 disclosure requirements" January 2015, Basel Committee on Banking Supervision.

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 guidelines[3]. These guidelines will apply with effect from 31st December 2017.

More specifically, this document, which reports the position of the UBI Group as at 30th September 2017 gives an update of quantitative information relating to own funds, capital requirements and leverage. The document Pillar 3 disclosures as at 31st December 2016 may be consulted for information not contained in this 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 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 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.

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

Capital ratios

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

Figures in thousands of euro	**30.09.2017**	**31.12.2016 Stand-Alone UBI Banca Group**
Common Equity Tier 1 capital before filters and transitional provisions	7,828,857	6,787,152
Effects of transitional provisions provided for by the regulations (minority interests)	8,578	18,891
Effects of transitional provisions provided for by the regulations (AFS reserves - other debt instruments and equity instruments) (*)	-14,583	-25,191
Effects of transitional provisions provided for by the regulations (AFS reserves - government securities)	24,084	25,629
Effects of transitional provisions provided for by the regulations (Pension Funds)	-1,892	
Effects of transitional provisions provided for by the regulations (DTAs)	55,560	113,417
Adjustments to Common Equity Tier 1 capital due to prudential filters provided for by the regulations	-10,564	-7,653
Common Equity Tier 1 capital net of prudential filters	**7,890,040**	**6,912,245**
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 (**)	*-47,747*	*-82,962*
Common Equity Tier 1 capital	**7,842,293**	**6,829,283**
Additional Tier 1 capital before deductions	**25**	**286**
Deductions from Additional Tier 1 capital	25	**286**
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	-25	*-286*
Additional Tier 1 capital	**-**	**-**
Tier 1 capital (Common Equity Tier 1 + Additional Tier 1)	**7,842,293**	**6,829,283**
Tier 2 capital before transitional provisions	1,834,028	1,606,204
Effects of grandfathering provisions on Tier 2 instruments	**-**	**-**
Tier 2 capital after transitional provisions	**1,834,028**	**1,606,204**
Deductions from Tier 2 capital	-41,137	-46,382
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	*-5,308*	*-20,812*
Tier 2 capital after specific deductions	**1,792,891**	**1,559,822**
Total own funds	**9,635,184**	**8,389,105**
Credit risk	4,977,068	4,351,066
Credit valuation adjustment risk	11,108	11,987
Market risk	88,225	112,356
Operational risk	306,736	283,300
Total prudential requirements	**5,383,137**	**4,758,709**
Risk weighted assets	**67,289,212**	**59,483,864**
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk-weighted assets)	**11.65%**	**11.48%**
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-weighted assets)	**11.65%**	**11.48%**
Total capital ratio (total own funds/risk-weighted assets)	**14.32%**	**14.10%**

(*) The item includes unrealised losses relating to other debt instruments subject to deduction from the Additional Tier 1 capital which, because there was insufficient capital of that type, was deducted entirely from the CET1 capital;

(**) The item includes the quota of the shortfall of provisions to expected losses which are deducted from the Additional Tier 1 Capital as a result of the transitional provisions applicable. As there was insufficient capital of that type, the remaining portion was deducted from the CET1 capital.

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.
Following the entry into force of Regulation (EU) No. 2016/445 of the European Central Bank of 14th March 2016 on the exercise of options and discretion under EU law (ECB/2016/4), the option to not include unrealised profits or losses relating to exposures to central governments classified within "available-for-sale financial assets" [4] in any item of own funds (total sterilisation) has no longer been available since 1st October 2016, if this treatment had been applied before the entrance into force of the CRR. In accordance with the Bank of Italy clarification [5], following the entrance into force of the ECB regulation, major banks must include unrealised profits in the CET1 capital or deduct losses from that capital resulting from exposures to central governments classified in the AFS portfolio according to the percentages set for the transitional period and that is 80% for 2017. The amounts that remain from the application of those percentages (i.e. 20% for 2017) are not included in the calculation of own funds and continue to be subject to sterilisation.

As at 30th September the impact on own funds resulting from the application of that sterilisation relating to part of unrealised profits and losses subject to phase-in was approximately +€24 million (+€26 million as at 31st December 2016).

At the end of September, the UBI Banca Group's Common Equity Tier 1 (CET1) capital amounted to approximately €7.842 billion, an increase compared with €6.829 billion in December 2016. Own funds stood at €9.635 billion, up on €8.389 billion recorded last December.

As concerns changes in the Common Equity Tier 1 (CET1) capital, the main impacts were as follows:

- +€1,437 million resulting from the change recorded in terms of profit eligible for supervisory purposes. A profit for the first nine months of approximately €631 million was recorded in September 2017, the result of the following: the net profit for UBI Stand-Alone and the three New Banks (+€113 million approx. and -€27 million approx. respectively, net of the badwill reversal for the period of approximately +€57 million); the pro rata dividends distributable calculated in an amount at least equal to that for 2016; the "bargain

[4] In compliance with the transitional provisions concerning own funds contained in Part II, Chapter 14 of the aforementioned Circular No. 285, that option had been exercised within the time limit set of 31st January 2014 and had been applied at separate company and at consolidated level.
[5] Cf. "Clarifications on the regulatory treatment of unrealised profits and losses", Bank of Italy, 23rd January 2017.

purchase" quota recognised in the income statement amounting to approximately +€616 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;
- +€402 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. Finally, a further increase of €3 million resulting from the sale of option rights not exercised during the rights offer period and which were subscribed subsequent to 30th June 2017;
- +€70 million resulting from a smaller deduction from capital as a result of the partial disposal of hedge funds;
- +€35 million resulting from a change in the provision shortfall based on the quotas for inclusion in the CET1 capital in accordance with transitional provisions[6];
- -€52 million in terms of the deduction of DTAs on future profits, resulting from changes in the transitional treatment[7] which was larger than the benefit from their actual reduction;
- -€12 million resulting from a reduction in the calculation for minority interests mainly following changes due to the transitional provisions[8];
- -€18 million relating to a change in valuation reserves, which included -€21 million for changes in the fair value reserve for available-for-sale financial assets based on transitional provisions applicable for 2017[9] and approximately +€3 million for a reduction in actuarial losses;
- -€10 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 +€233 million to stand at approximately €1.793 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 -€367 million by the progressive regulatory amortisation required for other eligible instruments and by the maturities of two issues during the period) following the smaller deduction for the provision shortfall (approximately +€16 million), as a result of the changes in that item and the application of the transitional provisions already mentioned following the positive contribution by the shortfall of provisions to expected losses in the AIRB approach perimeter on default exposures (+€94 million approx.).

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

[6] 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.
[7] A deduction of 80% of total DTAs must be made for 2017 based on future profits compared with 60% in 2016.
[8] 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).
[9] Inclusion of 80% of profits/losses compared with 60% in 2016.

Capital item	30/9/2017	31.12.2016 Stand-Alone UBI Banca Group
Common Equity Tier 1 (CET1) capital instruments	2,843,076	2,440,751
CET1 capital share premium accounts	3,306,627	3,798,430
Reserves	3,210,100	3,557,306
(i) retained earnings	*1,250,070*	*1,627,710*
(ii) other reserves	*1,960,030*	*1,929,596*
Profit for the period	606,463	(830,150)
Direct and indirect holdings of own CET1 instruments	(53,258)	(123,609)
Accumulated other comprehensive income (AOCI)	(100,472)	(72,977)
Regulatory adjustments relating to unrealised gains or losses	11,107	10,355
Minority interests	8,663	20,754
(i) amount allowed in consolidated CET1	*85*	*1,863*
(ii) amount qualifying under transitional provisions	*8,578*	*18,891*
CET1 prudential filters	(10,564)	(7,653)
Intangible assets (net of related tax liability)	(1,705,964)	(1,700,919)
(i) goodwill	*(1,495,690)*	*(1,495,690)*
(i) other intangible assets	*(210,274)*	*(205,229)*
Negative amounts resulting from the calculation of expected loss amounts (shortfall on IRB positions)	(47,747)	(82,962)
(i) shortfall on IRB positions eligible for inclusion in CET 1 under transitional provisions	*(42,464)*	*(62,436)*
(i) shortfall on qualifying AT1 IRB positions that exceed the AT1 capital of the institution (excess of deductions from AT1)	*(5,283)*	*(20,526)*
Regulatory adjustments relating to unrealised gains or losses (excess of deductions from AT1)	(1,606)	*(9,917)*
Deferred tax assets that rely on future profitability, and do not arise from temporary differences	(222,240)	(170,126)
Regulatory effects relating to defined benefit pension funds	(1,892)	
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	**7,842,293**	**6,829,283**
Additional Tier 1 instruments and the related share premium accounts	-	-
Instruments issued by subsidiaries included in AT1	25	286
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	(5,308)	(20,812)
Negative amounts on qualifying IRB positions that exceed the AT1 capital of the institution	5,283	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	(1,606)	(9,917)
Negative amounts for the period that exceed the AT1 capital	1,606	341,977
ADDITIONAL TIER 1 (AT1) CAPITAL	-	-
TIER 1 (CET1 + AT1)	**7,842,293**	**6,829,283**
Instruments and subordinated bonds qualifying for Tier 2 capital, excess provisions qualifying (AIRB)	1,834,028	1,606,204
Amount of qualifying items referred to in Article 484 (5) and the related share premium account subject to phase out from T2	-	-
Instruments issued by subsidiaries included in T2	33	276
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	(5,308)	(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)	(43,153)	(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	7,291	12,595
TIER 2 (T2)	**1,792,891**	**1,559,822**
TOTAL CAPITAL (TC=T1+T2)	**9,635,184**	**8,389,105**

Capital requirements

Quantitative information

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

Capital requirements	30.09.2017	31.12.2016 Stand-Alone UBI Banca Group
CREDIT AND COUNTERPARTY RISK	**4,977,068**	**4,351,066**
Total credit risk	4,933,664	4,309,779
Total counterparty risk	43,404	41,287
MARKET RISK - Standardised approach	**88,225**	**112,356**
- position risk in debt instruments	79,337	111,127
- position risk in equity instruments	7,623	1,205
- currency risk	1,265	24
- position risk in commodities		-
OPERATIONAL RISK	**306,736**	**283,300**
Basic indicator approach	10,864	2,835
Standardised approach	99,413	47,676
Advanced measurement approach	196,459	232,789
CREDIT VALUATION ADJUSTMENT RISK	**11,108**	**11,987**
Standardised method	11,108	11,987

Supervisory ratios	30.09.2017	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)	**11.65%**	**11.48%**
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-weighted assets)	**11.65%**	**11.48%**
Total capital ratio (total own funds/risk-weighted assets)	**14.32%**	**14.10%**

Credit and counterparty risk	30.09.2017				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	**31,199,334**	**2,495,948**	**412,232**	**32,978**	**24,107,986**	**1,928,640**	**371,158**	**29,692**
Exposures to or guaranteed by central governments or central banks	3,254,596	260,368	11	1	2,728,948	218,316	-	-
Exposures to or guaranteed by regional governments or local authorities	133,633	10,691	10	1	99,245	7,940	-	-
Exposures to or guaranteed by public sector entities	177,412	14,193	-	-	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	1,906,024	152,482	76,568	6,125	1,323,096	105,848	81,012	6,481
Exposures to or guaranteed by corporates and others	9,467,597	757,408	251,295	20,103	7,600,678	608,054	236,489	18,919
Retail exposures	5,915,759	473,261	924	74	4,773,576	381,886	643	51
Exposures secured by mortgages of immovable properties	3,106,428	248,514	-	-	1,678,580	134,286	-	-
Exposures in default	3,476,665	278,133	14,867	1,190	2,678,199	214,256	12,399	992
High-risk exposures	38,951	3,116	-	-	37,748	3,020	-	-
Exposures in the form of covered bonds	511	41	-	-	-	-	-	-
Short-term exposures to corporates and other supervised intermediaries	-	-	-	-	-	-	-	-
Exposures to UCITS	314,340	25,147	-	-	154,911	12,393	-	-
Equity exposures	1,237,670	99,014	68,557	5,484	984,549	78,764	40,615	3,249
Other exposures	2,128,183	170,255	-	-	1,912,010	152,961	-	-
Items which represent positions towards securitisations	41,565	3,325	-	-	-	-	-	-
Internal rating based approach	**30,471,455**	**2,437,716**	**130,325**	**10,426**	**126,176**	**10,094**	**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	6,992,413	559,393	-	-	-	-	-	-
- to which the support factor is applied	*3,748,195*	*299,856*	-	-	-	-	-	-
Exposures to or guaranteed by corporates - Specialised lending	-	-	-	-	-	-	-	-
Exposures to or guaranteed by corporates - Other corporates	17,379,409	1,390,353	-	-	-		-	
Retail exposures secured by real estate property: SMEs	783,530	62,682	-	-	-	-	-	-
- to which the support factor is applied	*339,516*	*27,161*	-	-	-	-	-	-
Retail exposures secured by real estate property: private individuals	2,447,767	195,821	-	-	-	-	-	-
Retail exposures Revolving exposures	-	-	-	-	-	-	-	-
Other retail exposures: SMEs	1,148,040	91,843	-	-	-	-	-	-
- to which the support factor is applied	*898,343*	*71,867*	-	-	-	-	-	-
Other retail exposures: private individuals	-	-	-	-	-	-	-	-
Specialised lending - slotting criteria	1,720,296	137,624	130,325	10,426	126,176	10,094	144,938	11,595
Other activities different from lending	-	-	-	-	-			
TOTAL	**61,670,789**	**4,933,664**	**542,557**	**43,404**	**24,234,162**	**1,938,734**	**516,096**	**41,287**

Credit and counterparty risk	30.09.2017			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	**64,865,780**	**31,611,566**	**2,528,926**	**51,027,216**	**24,479,144**	**1,958,332**
Exposures to or guaranteed by central governments or central banks	24,978,340	3,254,607	260,369	21,276,850	2,728,948	218,316
Exposures to or guaranteed by regional governments or local authorities	670,991	133,643	10,692	497,331	99,245	7,940
Exposures to or guaranteed by public sector entities	464,747	177,412	14,193	379,458	136,446	10,916
Exposures to or guaranteed by multilateral development banks	79	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	4,855,470	1,982,592	158,607	4,108,882	1,404,108	112,329
Exposures to or guaranteed by corporates and others	10,436,201	9,718,892	777,511	8,376,825	7,837,167	626,973
Retail exposures	8,617,191	5,916,683	473,335	6,763,382	4,774,218	381,937
Exposures secured by mortgages of immovable properties	7,861,454	3,106,428	248,514	3,693,361	1,678,580	134,286
Exposures in default	2,844,186	3,491,532	279,323	2,211,245	2,690,599	215,248
High-risk exposures	25,967	38,951	3,116	25,165	37,748	3,020
Exposures in the form of covered bonds	5,106	511	41	0	0	0
Short-term exposures to corporates or others or to supervised institutions	0	0	0	0	0	0
Exposures to UCITS	161,702	314,340	25,147	154,911	154,911	12,393
Equity exposures	828,432	1,306,227	104,498	670,113	1,025,164	82,013
Other exposures	3,086,574	2,128,183	170,255	2,869,693	1,912,010	152,961
Items which represent positions towards securitisations	29,340	41,565	3,325	0	0	0
A.2 Internal rating based approach - Risk assets	**71,025,275**	**30,601,780**	**2,448,142**	**68,733,442**	**29,909,185**	**2,392,734**
Exposures to or guaranteed by central governments or central banks	0	0	0	0	0	0
Exposures to or guaranteed by supervised institutions, public sector and local entities and others	0	0	0	0	0	0
Exposures to or guaranteed by corporates - SMEs	14,248,040	6,992,413	559,393	14,029,850	7,477,675	598,214
Exposures to or guaranteed by corporates - Specialised lending	0	0	0	0	0	0
Exposures to or guaranteed by corporates - Other corporates	25,078,041	17,379,409	1,390,353	23,740,358	16,158,013	1,292,641
Retail exposures secured by real estate property: SMEs	4,623,393	783,530	62,682	4,780,350	916,500	73,320
Retail exposures secured by real estate property: private individuals	21,108,685	2,447,767	195,821	20,101,423	2,317,452	185,396
Retail exposures Revolving exposures	0	0	0	0	0	0
Other retail exposures: SMEs	3,910,161	1,148,040	91,843	4,075,470	1,283,876	102,710
Other retail exposures: private individuals	0	0	0	0	0	0
Specialised lending - slotting criteria	2,056,955	1,850,621	148,050	2,005,991	1,755,669	140,453
Items which represent positions towards securitisations	0	0	0	0	0	0
Other activities different from lending	0	0	0		0	0

Following authorisations received from the Supervisory Authority, the UBI Group now uses internal models[10] 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 exposures[11]") – and operational risks.

With regard to risk weighted assets (up to €67.3 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 €7.8 billion. A decrease of approximately €1.9 billion was recorded in RWAs since 30th June, due primarily to a recovery in the eligibility of guarantees on exposures backed by retail real estate properties with a positive impact on the weightings for these, to a reduction in risk attaching to the Group's lending portfolio and to reductions recorded in equity investments, in debt securities and in the volumes of business of the product companies (leasing and factoring).

With account taken of those changes, compliance with minimum capital requirements as at 30th September 2017 equal to total capital requirements for credit, counterparty, credit valuation adjustment, market and operational risk, required capital of approximately €5,383 million (€4,759 million in December 2016) against which the Group recorded actual regulatory capital (own funds) of €9,635 million (€8,389 million in December 2016).

As reported in the a press release in December 2016[12] 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%)[13]);
- 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 September the UBI Group complied with the regulatory limits requested, and in fact the CET1 ratio and the Tier 1 ratio stood at 11.65% (up from 11.48% in December) and the Total Capital ratio was 14.32% (up from 14.10% in December).

If Basel 3 rules on a full application basis scheduled for 2019 were applied, Group capital ratios would be 11.54% in terms of the Common Equity Tier 1 ratio and Tier 1 ratio (11.22% in December) and 14.20% 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 22nd September 2017, the Bank of Italy set the countercyclical capital buffer for the third quarter of 2017 at 0% for exposures to

---

[10] See the full Pillar 3 Disclosure document as at 31st December 2015 for further information on internal models.
[11] Limited to the small to medium-size enterprise portfolio comprised within the "Retail" segment ("SME retail").
[12]See the press release dated 12th December 2016 available on the corporate website at http://www.ubibanca.it in the Investor Relations Section.
[13] 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 counterparties[14], then the Group's countercyclical capital buffer is not significant.

***

In consideration of the ratios achieved as at 30th September 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.

[14] 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

Quantitative information

The leverage ratio stood at 5.82% as at 30th September 2017, while it is estimated at 5.77% fully loaded.

The table below reports summary data on the calculation of the UBI Group leverage ratios as at 30th September 2017. The ratio was calculated according to the provisions of the CRR, as amended by the Delegated Act (EU) No. 62/2015[15].

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 September 2017

	30.09.2017	31.12.2016 Stand-Alone UBI Banca Group
fully loaded Tier 1 capital	7,762,861	6,675,916
fully phased-in exposure	134,565,035	118,737,869
fully phased in leverage ratio	**5.77%**	**5.62%**
transition Tier 1 capital	7,842,293	6,829,283
transition exposure	134,635,894	118,872,536
transition leverage ratio	**5.82%**	**5.75%**

[15] The Commission 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.

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 September 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

Bergamon 9th November 2017