Pillar 3 Disclosures

as at 30th September 2019

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 31st December 2018: Euro 2,843,177,160.24 fully paid up
Certified email address (P.E.C.): ubibanca.pec@pecgruppoubi.it
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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 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 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"* in June 2017 in order to increase the consistency

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[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.

and comparability of the information to be provided in the Pillar 3 Disclosures. From 31st December 2017, 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]. In this respect, it is underlined that in exercising this power the supervisory authority has not provided for full application of the guidelines for important institutions (IIs) that are classified neither as G-SIIs nor as O-SIIs. As a consequence the procedures followed by the UBI Banca Group for Pillar 3 Disclosures is essentially along the same lines as previously because it provides exhaustive information sufficient to comply with the requirements of part 8 of the CRR.

More specifically, this document, which reports the position of the UBI Group as at 30th September 2019 gives an update of quantitative information relating to own funds, capital requirements and leverage. The Pillar 3 Disclosures as at 31st December 2018 and as at 30th June 2019 may be consulted for information not contained in these disclosures.

As already reported in the Pillar 3 Disclosures as at 31st March 2019, on 18th March the UBI Group received authorisation with regard to credit risk to roll out already validated AIRB models for the corporate and retail exposures of the "New Banks" (Banca Adriatica, Banca Teatina and Banca Tirrenica) and for the progressive rollout of the IRB perimeter to the Other Private Individual and Qualifying Revolving Retail Segment.

For full information, the information published relates to the prudential 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).

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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.

	30.09.2019	31.12.2018
Common Equity Tier 1 capital net of prudential filters	**7,241,432**	**7,218,381**
Deductions from Common Equity Tier 1 capital	-129,392	-79,456
Deductions from Common Equity Tier 1 capital in relation to negative items for shortfall of provisions to expected losses (*)	-115,685	-54,065
Common Equity Tier 1 capital	**7,112,040**	**7,138,925**
Additional Tier 1 capital before deductions	**-**	**-**
Deductions from Additional Tier 1 capital	-	-
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional arrangements	-	-
Additional Tier 1 capital	**-**	-
Tier 1 capital (Common Equity Tier 1 + Additional Tier 1)	**7,112,040**	**7,138,925**
Tier 2 capital before transitional arrangements	2,106,723	1,330,472
Effects of grandfathering provisions on Tier 2 instruments	**-**	**-**
Tier 2 capital after transitional arrangements	**2,106,723**	**1,330,472**
Deductions from Tier 2 capital	-58,509	-49,022
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional arrangements	-	-
Tier 2 capital after specific deductions	**2,048,214**	**1,281,450**
Total own funds	**9,160,254**	**8,420,376**
Credit risk	4,310,664	4,461,475
Credit valuation adjustment risk	5,962	3,805
Market risk	83,388	67,585
Operational risk	287,934	349,957
Total prudential requirements	**4,687,948**	**4,882,822**
Risk weighted assets	**58,599,352**	**61,035,275**
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk-weighted assets)	**12.14%**	**11.70%**
Fully loaded Common Equity Tier 1 ratio	**12.09%**	**11.34%**
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-weighted assets)	**12.14%**	**11.70%**
Fully loaded Tier 1 ratio	**12.09%**	**11.34%**
Total capital ratio (total own funds/risk-weighted assets)	**15.63%**	**13.80%**
Fully loaded total capital ratio	**15.58%**	**13.44%**

Own funds

Quantitative information

The calculation of own funds has been carried out in accordance with the prudential rules for banks and investment companies, which came into force on the 1st January 2014, contained in the CRR and in CRD IV (which transpose standards defined by the Basel 3 framework into European Union regulations), as implemented in the Italian regulatory framework. More specifically, the rules relating to the inclusion of capital items in own funds subject to the transitional treatment until 31st December 2017 will apply fully from 1st January 2018 (amongst others these include the shortfall on IRB positions, which is to say negative amounts resulting from the calculation of expected losses, DTAs on future profits, minority interests and valuation reserves).

Furthermore, the financial reporting standard IFRS 9 "Financial Instruments" supersedes the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" as from 1st January 2018. IFRS 9 was published by the IASB on 24th July 2014 and its endorsement by the EU took place with the publication in the Official Journal of the European Union of Regulation (EU) No. 2016/2067 of 22nd November 2016[4]. As concerns the impacts on regulatory own funds, the Group has opted for the adhesion to the transitional regime provided for by Regulation EU 2017/2395, which amends Regulation No. 575/2013 ("CRR"). These measures allow the negative impacts of the adoption of the standard in question to be applied gradually, with the benefit allowed on the basis of decreasing quotas over a five-year period (95% in the 2018, 85% in the 2019, 70% in the 2020, 50% in the 2021, 25% in 2022).

As at 30th September, the Common Equity Tier 1 (CET1) capital of the UBI Banca Group amounted to approximately €7.112 billion, slightly down compared with €7.139 billion in December 2018. Own funds stood at €9.160 billion, an increase compared with €8.420 billion in December 2018.

As concerns changes in the Common Equity Tier 1 (CET1) capital of (-€27 million approx.), the main impacts were as follows:

- +€315 million resulting from changes recorded in valuation reserves, the economic result that qualifies for regulatory purposes and other items of accumulated other comprehensive income (the "OCI reserve"), due to the joint effect of trends for market interest rates and asset allocation relating to both government and corporate debt securities;
- -€274 million resulting from the reduction in the quota relating to the application of the transition arrangements for the accounting standard IFRS 9 (-€212 million) and to changes in the provision shortfall (-€62 million) which reflect changes in the perimeter following the rollout of AIRB models for corporate and retail exposures to the "New Banks" and for the progressive rollout of the ARB perimeter to include the Other Private Individual and Qualifying Revolving Retail Segment;

[4] See the section *"The transition to the new financial reporting standards IFRS 9 and IFRS 15"* in the "Quarterly consolidated financial report for the period ended 31st March 2018" available in the Investor Relations section of the corporate website at https://www.ubibanca.it/.

- +€68 million approximately resulting from the combined changes reported for intangible assets, prudential filters, the recalculation of the quotas of significant investments and regulatory deduction of DTAs from CET1 capital, treasury shares and other residual variations.

The Tier 2 capital increased by approximately +€767 million to stand at approximately €2.048 billion. The main contributions to that trend were bond issuances for a total of €800 million[5], a reduction in the eligibility of instruments as a result of both regulatory amortisation instalments for the period and redemptions on maturity.

[5] See the press releases dated 25th February and 4th July 2019 available in the Investor Relations Section of the corporate website at http:// www.ubibanca.it.

Changes in own funds to 30th September 2019

	30/09/2019	31/12/2018
Common Equity Tier 1 (CET1) capital instruments	2,843,177	2,843,177
CET1 capital share premium accounts	3,294,604	3,294,604
Reserves	3,206,746	2,923,589
(i) retained earnings	*1,302,526*	*960,828*
(ii) other reserves	*1,904,220*	*1,962,761*
Profit (loss) for the period/year	84,435	283,335
Direct and indirect holdings of own CET1 instruments	(92,236)	(26,762)
Accumulated other comprehensive income (AOCI)	(68,490)	(299,589)
Regulatory adjustments relating to unrealised gains or losses	-	-
Minority interests	-	-
(i) amount allowed in consolidated CET1	-	-
(ii) amount qualifying under transitional provisions	-	-
CET1 prudential filters	(12,142)	(10,211)
Intangible assets	(1,703,943)	(1,689,926)
(i) goodwill	*(1,454,672)*	*(1,456,894)*
(i) other intangible assets	*(249,271)*	*(233,032)*
Negative amounts resulting from the calculation of expected loss amounts (shortfall on IRB positions)	*(115,685)*	(54,065)
(i) shortfall on IRB positions eligible for inclusion in CET 1 under transitional provisions	*(115,685)*	*(54,065)*
(i) shortfall on qualifying AT1 IRB positions that exceed the AT1 capital of the institution (excess of deductions from AT1)	-	-
Regulatory adjustments relating to unrealised losses (Excess deductions from AT1)	-	-
Deferred tax assets that rely on future profitability, and do not arise from temporary differences	(345,065)	(345,277)
Regulatory effects relating to defined benefit pension funds	-	(1,599)
(-) Amount exceeding the 17.65% threshold	-	(25,391)
Effects of IFRS 9 transitional arrangements	34,347	247,041
Other deductions from CET1 ratio	(13,707)	-
COMMON EQUITY TIER 1 (CET1) CAPITAL	**7,112,040**	**7,138,925**
Additional Tier 1 instruments and the related share premium accounts	-	-
Instruments issued by subsidiaries included in AT1	-	-
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	-	-
Negative amounts on qualifying IRB positions that exceed the AT1 capital of the institution	-	-
Negative amount resulting from transitional provisions applied to the loss for the period	-	-
Regulatory adjustments relating to unrealised gains or losses	-	-
Negative amounts for the period that exceed the AT1 capital	-	-
ADDITIONAL TIER 1 (AT1) CAPITAL	-	-
TIER 1 (CET1 + AT1)	**7,112,040**	**7,138,925**
Tier 2 (T2) capital instruments and the related share premium accounts	2,106,723	1,330,472
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	-	-
Positive amounts resulting from excess of provisions to expected losses (excess on IRB positions)	-	-
Direct and indirect holdings of Tier 2 instruments	(3,665)	(5,394)
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	-	-
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)	(54,844)	(43,628)
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required for pre-CRR treatment	-	-
TIER 2 CAPITAL (T2)	**2,048,214**	**1,281,450**
TOTAL CAPITAL (TC=T1+T2)	**9,160,254**	**8,420,376**

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	30.09.2019	31.12.2018
CREDIT AND COUNTERPARTY RISK	**4,310,664**	**4,461,475**
Total credit risk	4,238,360	4,406,775
Total counterparty risk	72,304	54,700
MARKET RISK - Standardised approach	**83,388**	**67,585**
- position risk in debt instruments	52,355	48,179
- position risk in equity instruments	9,681	1,364
- currency risk	21,352	18,042
- position risk in commodities		
OPERATIONAL RISK	**287,934**	**349,957**
Basic indicator approach	10,293	10,292
Standardised approach	104,034	104,035
Advanced measurement approach	173,607	235,630
CREDIT VALUATION ADJUSTMENT RISK	**5,962**	**3,805**
Standardised method	5,962	3,805

Supervisory ratios	30.09.2019	31.12.2018
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk-weighted assets)	**12.14%**	**11.70%**
Fully loaded Common Equity Tier 1 ratio	**12.09%**	**11.34%**
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-weighted assets)	**12.14%**	**11.70%**
Fully loaded Tier 1 ratio	**12.09%**	**11.34%**
Total capital ratio (total own funds/risk-weighted assets)	**15.63%**	**13.80%**
Fully loaded total capital ratio	**15.58%**	**13.44%**

Credit and counterparty risk	30.09.2019				31.12.2018			
	Credit risk		Counterparty risk		Credit risk		Counterparty risk	
	RWAs	Capital Requirement	RWAs	Capital Requirement	RWAs	Capital Requirement	RWAs	Capital Requirement
Standardised approach	**21,123,656**	**1,689,892**	**777,037**	**62,163**	**27,392,135**	**2,191,372**	**586,534**	**46,922**
Exposures to or guaranteed by central governments or central banks	3,047,197	243,775	9	1	3,408,648	272,692	4	-
Exposures to or guaranteed by regional governments or local authorities	131,219	10,498	3	-	180,552	14,444	5	-
Exposures to or guaranteed by public sector entities	176,746	14,140	63	5	191,461	15,317	23	2
Exposures to or guaranteed by multilateral development banks	-	-	-	-	-	-	-	-
Exposures to or guaranteed by international organisations	-	-	-	-	-	-	-	-
Exposures to or guaranteed by supervised institutions	1,514,177	121,134	141,496	11,320	1,494,160	119,533	86,509	6,921
Exposures to or guaranteed by corporates and others	7,491,456	599,316	335,887	26,871	8,558,206	684,657	200,349	16,028
Retail exposures	1,872,479	149,798	237	19	4,879,261	390,341	89	7
Exposures secured by mortgages of immovable properties	555,684	44,455	-	-	1,798,274	143,862	-	-
Exposures in default	858,167	68,653	8,200	656	2,150,376	172,030	6,491	519
High-risk exposures	168,025	13,442	-	-	15,467	1,237	-	-
Exposures in the form of covered bonds	35,070	2,806	-	-	1,464	117	-	-
Short-term exposures to corporates and other supervised intermediaries	-	-	-	-	-	-	-	-
Exposures to UCITS	149,864	11,989	-	-	849,748	67,980	-	-
Equity exposures	1,455,825	116,466	291,142	23,291	1,274,423	101,954	293,064	23,445
Other exposures	3,653,901	292,312	-	-	2,575,701	206,056	-	-
Items which represent positions towards securitisations	13,846	1,108	-	-	14,394	1,152	-	-
Internal rating based approach	**31,855,853**	**2,548,468**	**126,759**	**10,141**	**27,692,539**	**2,215,403**	**97,229**	**7,778**
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	5,901,403	472,112	-	-	5,543,354	443,468		
- to which the support factor is applied	*2,768,694*	*221,496*	-	-	*2,412,929*	*193,034*		
Exposures to or guaranteed by corporates - Specialised lending	-	-	-	-	-	-		
Exposures to or guaranteed by corporates - Other corporates	15,174,327	1,213,946	-	-	14,381,257	1,150,501		
Retail exposures secured by real estate property: SMEs	1,227,576	98,206	-	-	1,009,095	80,728		
- to which the support factor is applied	*321,102*	*25,688*	-	-	*180,429*	*14,434*		
Retail exposures secured by real estate property: private individuals	5,441,473	435,318	-	-	3,709,043	296,723		
Retail exposures Revolving exposures	324,305	25,944	-	-	-	-		
Other retail exposures: SMEs	1,424,476	113,958	-	-	1,222,790	97,823		
- to which the support factor is applied	*1,021,992*	*81,759*	-	-	*556,002*	*44,480*		
Other retail exposures: private individuals	780,400	62,432	-	-	-	-		
Specialised lending - slotting criteria	1,409,297	112,744	126,759	10,141	1,596,199	127,696	97,229	7,778
Other activities different from lending								
Items which represent positions towards securitisations	172,596	13,808			230,801	18,464		
TOTAL	**52,979,509**	**4,238,360**	**903,796**	**72,304**	**55,084,674**	**4,406,775**	**683,763**	**54,700**

Credit and counterparty risk	30.09.2019			31.12.2018		
	Amounts not weighted	Amounts weighted	Requirement	Amounts not weighted	Amounts weighted	Requirement
A. CREDIT AND COUNTERPARTY RISK						
A.1 Standardised approach	**56,912,380**	**21,900,693**	**1,752,055**	**59,197,476**	**27,978,669**	**2,238,294**
Exposures to or guaranteed by central governments or central banks	31,446,386	3,047,206	243,776	25,903,555	3,408,652	272,692
Exposures to or guaranteed by regional governments or local authorities	658,221	131,222	10,498	904,729	180,557	14,444
Exposures to or guaranteed by public sector entities	438,897	176,809	14,145	559,718	191,484	15,319
Exposures to or guaranteed by multilateral development banks	0	0	0	15	0	0
Exposures to or guaranteed by international organisations	0	0	0	0	0	0
Exposures to or guaranteed by supervised institutions	5,031,846	1,655,673	132,454	4,470,325	1,580,669	126,454
Exposures to or guaranteed by corporates and others	8,334,306	7,827,343	626,187	9,211,089	8,758,555	700,685
Retail exposures	2,737,581	1,872,716	149,817	6,961,116	4,879,350	390,348
Exposures secured by mortgages of immovable properties	1,229,449	555,684	44,455	4,473,547	1,798,274	143,862
Exposures in default	728,473	866,367	69,309	1,878,891	2,156,867	172,549
High-risk exposures	112,017	168,025	13,442	10,312	15,467	1,237
Exposures in the form of covered bonds	199,667	35,070	2,806	9,841	1,464	117
Short-term exposures to corporates or others or to supervised institutions	0	0	0	0	0	0
Exposures to UCITS	148,431	149,864	11,989	343,737	849,748	67,980
Equity exposures	1,025,844	1,746,967	139,757	916,939	1,567,487	125,399
Other exposures	4,820,154	3,653,901	292,312	3,552,510	2,575,701	206,056
Items which represent positions towards securitisations	1,108	13,846	1,108	1,152	14,394	1,152
A.2 Internal rating based approach - Risk assets	**81,458,798**	**31,982,612**	**2,558,609**	**72,494,330**	**27,789,768**	**2,223,181**
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	12,510,470	5,901,403	472,112	11,975,011	5,543,354	443,468
Exposures to or guaranteed by corporates - Specialised lending	0	0	0	0	0	0
Exposures to or guaranteed by corporates - Other corporates	23,913,190	15,174,327	1,213,946	23,854,979	14,381,257	1,150,501
Retail exposures secured by real estate property: SMEs	3,828,067	1,227,576	98,206	3,594,284	1,009,095	80,728
Retail exposures secured by real estate property: private individuals	27,364,104	5,441,473	435,318	23,553,528	3,709,043	296,723
Retail exposures Revolving exposures	1,867,364	324,305	25,944	0	0	0
Other retail exposures: SMEs	4,465,475	1,424,476	113,958	4,255,276	1,222,790	97,823
Other retail exposures: private individuals	3,220,553	780,400	62,432	0	0	0
Specialised lending - slotting criteria	1,821,905	1,536,056	122,885	1,929,450	1,693,428	135,474
Items which represent positions towards securitisations	2,467,670	172,596	13,808	3,331,802	230,801	18,464
Other activities different from lending	0	0	0			

Following authorisations received from the supervisory authority on 18th March 2019, the UBI Banca Group rolled out the use of already validated AIRB models for corporate and retail exposures to the "New Banks" and extended the perimeter to cover the Other Private Individual and Qualifying Revolving Retail Segment.
As of 1st July 2019 the UBI Banca Group has also applied new European rules for the classification of a counterparty as in default (the new "Definition of Default" – DoD) which is set out in the new Regulation EU No. 171/2018. This legislation adds to the definition already provided by Art. 178 of the CRR and it establishes more restrictive criteria and procedures governing classification as in default with respect to that adopted by intermediaries until now.
Risk-weighted assets (down to €58.599 billion from €61.035 billion at the end of 2018), declined by approximately €2.436 billion. This trend was attributable to a reduction in credit risk (-€1,885 million) and in operational risk (-€775 million) and to an increase in market risk (+€225 million). The reduction for credit risk was mainly due to the effects of the aforementioned rollout of AIRB models and to lower capital absorption resulting from lower volumes. The increase in market risk was the result of asset allocation activities in the trading portfolio.
With account taken of those changes, compliance with minimum capital requirements as at 30th September 2019, equal to total capital requirements for credit, counterparty, credit valuation adjustment, market and operational risk, required capital of approximately €4,688 million (€4,883 million in December 2018) against which the Group recorded actual regulatory capital (own funds) of €9,160 million (€8,420 million in December 2018).
A communication received from the ECB on 11th February 2019 [6] set the following requirements at consolidated level for the UBI Banca Group in 2019:

- a minimum CET1 capital requirement of 9.25% (the result of the sum of the minimum Pillar 1 capital requirement (4.5%), the Pillar 2 requirement (2.25%) and the Capital Conservation Buffer (2.50%[7]));
- a minimum total SREP capital requirement of 10.25% (the result of the sum of the minimum Pillar 1 regulatory capital requirement (8%) and the Pillar 2 requirement (2.25%)). If the capital conservation buffer of 2.50% is added, this then gives a minimum requirement in terms of the regulatory total capital ratio of 12.75%.

As at 30th September the UBI Banca Group complied with the regulatory limits requested, and in fact the Common Equity Tier 1 ratio and the Tier 1 ratio stood at 12.14% (up from 11.70% in December 2018) and the total capital ratio was 15.63% (up from 13.80% in December 2018).

If Basel 3 rules on a full application basis are applied without taking account of the effects of adherence to the transition regime allowed from 2018 by Regulation EU No. 2017/2395 relating to the impacts on capital of first-time adoption of IFRS 9 then the Group's capital ratios as at 30th September 2019 would be 12.09% for the Common Equity Tier 1 ratio and Tier 1 ratio and 15.58% for the total capital ratio.

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[6] See the press release dated 11th February 2019 available in the Investor Relations Section of the corporate website at http://www.ubibanca.it.
[7] In application of the phased-in transitional arrangements set for the sector by the Bank of Italy, 1.875% was included in the CCB in the 2018 requirements.

Template IFRS 9-FL. Comparison of institutions' own funds and capital and leverage ratios, with and without the application of transitional arrangements for IFRS 9 or analogous expected credit losses

Available capital (amounts)	**30.09.2019**
Common Equity Tier 1 (CET1) capital	7.112.040
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7.077.694
Tier 1 capital	7.112.040
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7.077.694
Total capital	9.160.254
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9.125.907

Risk-weighted assets (amounts)	**30.09.2019**
Total risk-weighted assets	58.599.352
Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	58.562.902

Capital ratios	**30.09.2019**
Common Equity Tier 1 (as a percentage of risk exposure amount)	12,14%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12,09%
Tier 1 (as a percentage of risk exposure amount)	12,14%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12,09%
Total capital (as a percentage of risk exposure amount)	15,63%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15,58%

Leverage ratio	**30.09.2019**
Leverage ratio total exposure measure	135.450.324
Leverage ratio	5,25%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,23%

In detail, the difference recorded between the CET1 capital and the fully loaded CET1 capital is attributable to the positive capital component amounting to approximately +€34 million which sterilises 85% of the provisions (€40 million approx.) recognised on first-time adoption for the credit positions remaining as at 30th September 2019 using the standardised approach.

As concerns risk-weighted assets (RWAs), the difference between the phased-in amount and the fully loaded amount (+€36 million approx.) is determined by the greater RWAs connected with the transitional IFRS 9 adjustment mentioned above (85% of the greater provisions recognised on credit positions subject to the standardised approach on first-time adoption). Banks have been obliged to hold a countercyclical capital buffer since 1st January 2016. If it is considered that, as stated in a communication dated 21st June 2019, the Bank of Italy set the countercyclical capital buffer for the second quarter of 2019 at 0% for exposures to counterparties resident in Italy and also that the Group mainly has exposures to domestic counterparties[8], then the Group's countercyclical capital buffer is negligible.

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In consideration of the ratios achieved as at 30th September 2019 – and on the basis of the simulations carried out for future years according to current regulations and on a "fully loaded" basis – margins clearly exist to maintain a strong capital position, higher than that requested by capital requirements.

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[8] 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 5.25% as at 30th September 2019, while it is estimated at 5.23% fully loaded.

The table below reports summary data on the calculation of the UBI Group leverage ratios as at 30th September 2019. The ratio was calculated according to the provisions of the CRR, as amended by the Delegated Act (EU) No. 62/2015[9] and it takes account of the "Guidelines on uniform disclosure under Art. 473a of Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds" EBA/GL/2018/01.

Both versions of the Tier 1 capital and of exposures at the end of the period were used (capital and exposure measures), to calculate the ratio as follows:

- Tier 1 capital and the exposure amount in the transitional regime that is calculated making reference to the calculation rules applicable from time-to-time in the transition period in accordance with Regulation EU 2017/2395 relating to the capital impacts of first-time adoption of IFRS 9;
- the fully loaded Tier 1 capital and the exposure amount calculated as if the transitional arrangements for IFRS 9 or analogous expected credit losses had not been applied.

Leverage Ratio as at 30th September 2019

	30.09.2019	**31.12.2018**
fully loaded Tier 1 capital	7,077,694	6,891,885
fully phased-in exposure	135,415,977	130,679,685
fully phased in leverage ratio	**5.23%**	**5.27%**
transition Tier 1 capital	7,112,040	7,138,925
transition exposure amount	135,450,324	130,926,726
transition leverage ratio	**5.25%**	**5.45%**

[9] The Commission Delegated Act brings the rules for calculating the ratio into line with the provisions of the Basel Committee – see *"Basel III Leverage ratio framework and disclosure requirements"*, January 2014.

Statement of the senior officer responsible for preparing the company 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 2019" 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, 8th November 2019