Pillar 3 Disclosures

As at 30th September 2020

Translation from the Italian original which remains the definitive version

UBI Banca

Contents

Introduction

The prudential rules for banks and investment companies have been contained in EU Regulation 575/2013 (the Capital Requirements Regulation, hereinafter CRR) and in the EU Directive 2013/36/EU (the Capital Requirements Directive, hereinafter CRD IV) since 1st January 2014. They transpose standards defined by the Basel Committee on Banking Supervision (hereinafter 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 (hereinafter "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:

- the standard templates for the public disclosure of information on own funds;
- the 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;
- the standard templates for the disclosure of information on indicators of systemic importance;
- disclosures of encumbered and unencumbered assets;
- the standard templates for the disclosure of information on leverage ratios;
- the standard templates for disclosures on transitional arrangements designed to mitigate the impact of the introduction of IFRS 9 on own funds;
- disclosure obligations on liquidity coverage ratios;
- disclosure obligations on non-performing forborne exposures[2];
- the reporting and disclosure obligations in relation to exposures subject to measures applied in response to the Covid-19 crisis[3].

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 at the same time as financial statements are disclosed 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 Bank intends to make Pillar 3 Disclosures on at least a quarterly basis, providing an update of the information considered most important.

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[1] The "Regulatory Technical Standard" – RTS and "Implementing Technical Standard" – ITS respectively.
[2] See, "Guidelines on disclosure of non-performing and forborne exposures" published by the EBA in December 2018, which came into force on 31st December 2019.
[3] See the "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 outbreak" published by the EBA on 2nd June 2020 and which came into force on 30th June 2020.

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 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[4]. In this respect, it is underlined that in exercising this power the supervisory authority has not provided for full application of the guidelines for significant institutions (SIs) that are classified neither as G-SIIs nor as O-SIIs. As a consequence, the procedures followed by the Bank 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 Eight of the CRR.

Following the new mandate provided by Regulation EU 2019/876 (CRR II), published in the Journal of the Eurpoean Union on 7th June 2019, which amends the CRR, the EBA updated its strategy on Pillar 3 Disclosures in order to optimise data published by institutions and to render it comparable. In order to achieve this the EBA is developing various regulatory documents including implementing technical standards[5] (ITS) on Pillar 3 disclosures applicable to all institutions. The application of these new regulations is scheduled for 2021.

Pillar 3 regulations are continuously updated also by the Basel Committee which 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[6]. Amongst other things, the new "Pillar 3 disclosure requirements - updated framework" reflects the finalisation of the Basel 3 Reform published by the Basel Committee in December 2017.

As already reported, following the completion of the acquisition of control of UBI Banca by Intesa Sanpaolo Spa, the former no longer satisfied the conditions set by the supervisory regulations in force to qualify as the parent of a group and UBI Banca has therefore become subject to the management and co-ordination of Intesa Sanpaolo Spa and, together with all its subsidiaries, and has also become a member of the Intesa Sanpaolo banking group

Following on from previous publications, this document, relates to the position of UBI Banca and its subsidiaries as at 30th September 2020 and gives an update of quantitative information relating to own funds, capital requirements and leverage. The Pillar 3 Disclosures as at 31st December 2019 and as at 30th June 2020 may be consulted for information not contained in these disclosures.

For the purposes of full disclosure, the information published relates to the regulatory perimeter of companies, with the exclusion of the insurance companies. Any differences with respect to other sources (e.g. the Consolidated Interim Financial Report prepared as at the same balance sheet date) are therefore attributable to differences in the scope of consolidation considered.

The Bank has published these Pillar 3 Disclosures on its website in the investor relations section (www.ubibanca.it).

[4] These recommendations have been implemented in CRR 575/2013.
[5] "Draft Implemetation Technical Standard on public disclosures by institutions of the information referred to in Titles II and III of Part 8 of regulation n. 575/2013" EBA October 2019
[6] "Pillar 3 disclosure requirements – updated framework" December 2018, "Pillar 3 disclosure requirements – consolidated and enhanced framework", March 2017 and "Revised Pillar 3 disclosure requirements" January 2015, Basel Committee on Banking Supervision.

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

Capital ratios

The table below reports the capital ratios for UBI Banca consolidated and its subsidiaries.

	30.09.2020	31.12.2019
Common Equity Tier 1 capital net of prudential filters	**6,929,966**	**7,254,585**
Deductions from Common Equity Tier 1 capital	-308,527	-89,392
Deductions from Common Equity Tier 1 capital in relation to negative items for shortfall of provisions to expected losses	-	-84,454
Common Equity Tier 1 capital	**6,621,439**	**7,165,193**
Additional Tier 1 capital before deductions	**397,948**	**-**
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	**397,948**	-
Tier 1 capital (Common Equity Tier 1 + Additional Tier 1)	**7,019,387**	**7,165,193**
Tier 2 capital before transitional arrangements	2,196,983	2,114,612
Effects of grandfathering provisions on Tier 2 instruments	**-**	**-**
Tier 2 capital after transitional arrangements	**2,196,983**	**2,114,612**
Deductions from Tier 2 capital	-54,445	-58,449
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	**2,142,538**	**2,056,163**
Total own funds	**9,161,925**	**9,221,356**
Credit risk	4,135,053	4,240,176
Credit valuation adjustment risk	4,061	3,806
Market risk	47,004	80,977
Operational risk	321,913	321,949
Total prudential requirements	**4,508,031**	**4,646,908**
Risk weighted assets	**56,350,393**	**58,086,349**
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk-weighted assets)	**11.75%**	**12.34%**
Fully loaded Common Equity Tier 1 ratio	**11.71%**	**12.29%**
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-weighted assets)	**12.46%**	**12.34%**
Fully loaded Tier 1 ratio	**12.42%**	**12.29%**
Total capital ratio (Total own funds/risk-weighted assets)	**16.26%**	**15.88%**
Fully loaded total capital ratio	**16.22%**	**15.83%**

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" superseded 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[7]. As concerns the impacts on regulatory own funds, UBI Banca and its subsidiaries has opted for adhesion to the transitional regime provided for by the Regulation EU 2017/2395, which amends the 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 2018, 85% in 2019, 70% in 2020, 50% in 2021, 25% in 2022).

As at 30th September 2020 the Common Equity Tier 1 (CET1) capital of UBI Banca and its subsidiaries amounted to approximately €6.621 billion, down compared with €7.165 billion in December 2019. The Tier 1 capital amounted to €7.019 billion compared with €7.165 billion at the end of 2019 and the Total Capital stood at €9.162 billion compared with €9.221 billion in December 2019.

As concerns changes in the Common Equity Tier 1 (CET1) capital, down by approximately -€544 million, the main impacts were as follows:

- +€152 million resulting from the allocation to reserves of dividends and charitable donations relating to 2019 that were not distributed in compliance with an ECB recommendation, which, as part of the economic impact support measures resulting from the Covid-19 pandemic, asked banks not to distribute dividends until 1st October 2020[8]. In a press release dated 28th July 2020, the ECB extended the recommendation not to pay dividends until 1st January 2021[9];

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[7] See the section "The transition to the new financial reporting standards IFRS 9 and IFRS 15" in the "Quarterly consolidated financial report as at 31st March 2018" available in the Investor Relations section of the corporate website at http://www.ubibanca.it/.
[8] See ECB press release dated 27th March 2020 "ECB asks banks not to pay dividends until at least October 2020" and the UBI Banca press release dated 31st March 2020.
[9] See ECB press release dated 28th July 2020 "ECB extends recommendation not to pay dividends until January 2021 and clarifies timeline to restore buffers".

- -€707 million as a result of the economic result for the year that qualifies for regulatory purposes which includes extraordinary items resulting from the integration between ISP and UBI Banca partially offset by the reduction to zero of the deduction relating to goodwill;
- +€79 million resulting from trends in the provision shortfall (+€84 million) and the percentage reduction (down from 85% in 2019 to 70% in 2020) in the component subject to transitional arrangements in application of the IFRS 9 accounting standard;
- -€68 million resulting from the other changes, including changes recorded in reserves, in DTAs and other deductions.

As concerns the Additional Tier 1 capital, the increase of €398 million compared with December 2019 is attributable to the issuance already mentioned of the Additional Tier 1 instruments termed ("Non-cumulative temporary write-down deeply subordinated fixed rate resettable notes") for €400 million nominal[10], performed in the first quarter of 2020.
The Tier 2 capital amounted to €2.143 billion, an increase of €86 million compared with the end of December 2019, mainly due to the impact of the inclusion of excess provisions with respect to expected credit losses on IRB exposures.

The table below gives details of the items of which own funds were composed as at 30th September 2020.

[10] See the press release dated 13th January 2020 available in the Investor Relations Section of the corporate website at http:// www.ubibanca.it.

Capital item	30/09/2020	31/12/2019
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	3,494,466	3,207,751
(i) retained earnings	*1,600,601*	*1,302,370*
(ii) other reserves	*1,893,865*	*1,905,381*
Profit (loss) for the period/year	(2,130,555)	99,446
Direct and indirect holdings of own CET1 instruments	(96,076)	(92,376)
Accumulated other comprehensive income (AOCI)	117,400	(85,823)
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	(13,674)	(11,921)
Intangible assets	(296,219)	(1,718,914)
(i) goodwill	*(30,430)*	*(1,454,256)*
(i) other intangible assets	*(265,789)*	*(264,658)*
Negative amounts resulting from the calculation of expected loss amounts (shortfall on IRB positions)	-	(84,454)
(i) shortfall on IRB positions eligible for inclusion in CET 1 under transitional provisions	-	*(84,454)*
(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	(309,584)	(313,450)
Regulatory effects relating to defined benefit pension funds	-	-
(-) Amount exceeding the 10% threshold	(18,707)	-
(-) Amount exceeding the 17.65% threshold	(224,420)	-
Effects of IFRS 9 transitional arrangements	26,427	32,090
Other deductions from CET1 ratio	(65,400)	(4,939)
COMMON EQUITY TIER 1 (CET1) CAPITAL	**6,621,439**	**7,165,193**
Additional Tier 1 instruments and the related share premium accounts	397,948	-
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	**397,948**	**-**
TIER 1 (CET1 + AT1)	**7,019,387**	**7,165,193**
Tier 2 (T2) capital instruments and the related share premium accounts	2,097,247	2,114,612
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)	99,736	-
Direct and indirect holdings of Tier 2 instruments	(2,926)	(3,775)
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)	(51,519)	(54,674)
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)	**2,142,538**	**2,056,163**
TOTAL CAPITAL (TC=T1+T2)	**9,161,925**	**9,221,356**

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.

	30.09.2020		31.12.2019	
	RWAs	**Requirement**	**RWAs**	**Requirement**
Credit risk (excluding CCR)	**50,303,203**	**4,024,256**	**51,426,714**	**4,114,138**
of which: with standardised approach	19,697,385	1,575,791	21,302,725	1,704,219
of which with basic IRB approach (Foundation IRB)	-	-	-	-
of which with advanced IRB approach (Advanced IRB)	30,605,818	2,448,465	30,123,989	2,409,919
Counterparty risk	**923,395**	**73,872**	**776,692**	**62,135**
CVA	**50,768**	**4,061**	**47,576**	**3,806**
Settlement risk	-	-	-	-
Exposures to securitisations in the banking book	**461,563**	**36,925**	**166,610**	**13,329**
Market risk	**587,550**	**47,004**	**1,012,216**	**80,977**
of which with standardised approach	587,550	47,004	1,012,216	80,977
of which with IMA	-	-	-	-
Operational risk	**4,023,914**	**321,913**	**4,024,365**	**321,949**
of which con basic indicator approach	132,614	10,609	132,614	10,609
of which with standardised approach	1,324,498	105,960	1,324,498	105,960
of which with advanced measurement approach	2,566,802	205,344	2,567,253	205,380
Other risk items	-	-	**632,176**	**50,574**
Total	**56,350,393**	**4,508,031**	**58,086,349**	**4,646,908**

Supervisory ratios	**30.09.2020**	**31.12.2019**
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk-weighted assets)	**11.75%**	**12.34%**
Fully loaded Common Equity Tier 1 ratio	**11.71%**	**12.29%**
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-weighted assets)	**12.46%**	**12.34%**
Fully loaded Tier 1 ratio	**12.42%**	**12.29%**
Total capital ratio (Total own funds/risk-weighted assets)	**16.26%**	**15.88%**
Fully loaded Total Capital ratio	**16.22%**	**15.83%**

Credit and counterparty risk	30.09.2020 Amounts not weighted	30.09.2020 Amounts weighted	30.09.2020 Requirement	31.12.2019 Amounts not weighted	31.12.2019 Amounts weighted	31.12.2019 Requirement
A. CREDIT AND COUNTERPARTY RISK						
A.1 Standardised approach	**62,036,068**	**20,572,821**	**1,645,826**	**53,828,539**	**22,369,071**	**1,789,527**
Exposures to or guaranteed by central governments or central banks	36,587,687	3,240,484	259,239	28,248,298	3,163,025	253,042
Exposures to or guaranteed by regional governments or local authorities	656,209	130,273	10,422	641,213	127,769	10,222
Exposures to or guaranteed by public sector entities	361,780	167,356	13,389	323,271	141,574	11,326
Exposures to or guaranteed by multilateral development banks	45,200	0	0	120	0	0
Exposures to or guaranteed by international organisations	0	0	0	0	0	0
Exposures to or guaranteed by supervised institutions	5,830,973	1,712,830	137,026	4,875,685	1,640,753	131,260
Exposures to or guaranteed by corporates and others	7,776,075	6,779,585	542,367	8,783,076	8,183,555	654,684
Retail exposures	2,818,712	1,280,457	102,437	2,779,014	1,905,689	152,455
Exposures secured by mortgages of immovable properties	1,175,580	494,378	39,550	1,175,363	530,097	42,408
Exposures in default	521,173	633,066	50,645	573,921	687,541	55,003
High-risk exposures	223,283	334,925	26,794	168,797	253,195	20,256
Exposures in the form of covered bonds	0	0	0	205,336	36,753	2,940
Short-term exposures to corporates or others or to supervised institutions	0	0	0	0	0	0
Exposures to UCITS	363,765	365,005	29,200	141,237	142,521	11,402
Equity exposures	938,836	1,586,847	126,948	1,077,120	1,818,133	145,450
Other exposures	4,735,248	3,828,272	306,262	4,500,647	3,384,696	270,777
Items which represent positions towards securitisations	1,547	19,343	1,547	335,441	353,770	28,302
A.2 Internal rating based approach - Risk assets	**78,155,193**	**31,115,340**	**2,489,227**	**79,457,216**	**30,633,121**	**2,450,649**
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	10,454,193	4,631,943	370,556	10,401,898	5,125,589	410,047
Exposures to or guaranteed by corporates - Specialised lending	0	0	0	0	0	0
Exposures to or guaranteed by corporates - Other corporates	24,797,827	16,518,281	1,321,462	23,688,381	14,827,067	1,186,165
Retail exposures secured by real estate property: SMEs	3,564,958	1,082,922	86,634	3,710,230	1,199,714	95,977
Retail exposures secured by real estate property: private individuals	25,545,413	4,703,902	376,312	26,317,602	5,054,265	404,341
Retail exposures Revolving exposures	1,909,883	296,112	23,689	1,913,359	314,940	25,195
Other retail exposures: SMEs	4,043,942	1,234,380	98,750	4,481,480	1,512,743	121,020
Other retail exposures: private individuals	3,106,586	719,864	57,589	3,171,390	765,707	61,257
Specialised lending - slotting criteria	1,781,744	1,485,716	118,857	1,646,108	1,388,080	111,046
Items which represent positions towards securitisations	2,950,647	442,220	35,378	4,126,768	445,016	35,601
Other activities different from lending	0	0	0	0	0	0

Credit and counterparty risk	30.09.2020				31.12.2019			
	Credit risk		Counterparty risk		Credit risk		Counterparty risk	
	RWAs	Capital Requirement	RWAs	Capital Requirement	RWAs	Capital Requirement	RWAs	Capital Requirement
Standardised approach	**19,716,728**	**1,577,338**	**856,093**	**68,488**	**21,656,495**	**1,732,521**	**712,576**	**57,006**
Exposures to or guaranteed by central governments or central banks	3,240,443	259,236	41	3	3,163,016	253,041	9	1
Exposures to or guaranteed by regional governments or local authorities	130,272	10,422	1	-	127,768	10,222	1	-
Exposures to or guaranteed by public sector entities	167,295	13,384	61	5	141,527	11,322	47	4
Exposures to or guaranteed by multilateral development banks	-	-	-	-	-	-	-	-
Exposures to or guaranteed by international organisations	-	-	-	-	-	-	-	-
Exposures to or guaranteed by supervised institutions	1,500,102	120,008	212,728	17,018	1,498,781	119,902	141,972	11,358
Exposures to or guaranteed by corporates and others	6,508,229	520,658	271,356	21,709	7,925,876	634,070	257,679	20,614
Retail exposures	1,280,309	102,425	148	12	1,905,364	152,429	325	26
Exposures secured by mortgages of immovable properties	494,378	39,550	-	-	530,097	42,408	-	-
Exposures in default	615,879	49,270	17,187	1,375	679,753	54,380	7,788	623
High-risk exposures	334,925	26,794	-	-	253,195	20,256	-	-
Exposures in the form of covered bonds	-	-	-	-	36,753	2,940	-	-
Short-term exposures to corporates and other supervised intermediaries	-	-	-	-	-	-	-	-
Exposures to UCITS	365,005	29,200	-	-	142,521	11,402	-	-
Equity exposures	1,232,276	98,582	354,571	28,366	1,513,378	121,070	304,755	24,380
Other exposures	3,828,272	306,262	-	-	3,384,696	270,777	-	-
Items which represent positions towards securitisations	19,343	1,547	-	-	353,770	28,302	-	-
Internal rating based approach	**31,048,038**	**2,483,843**	**67,302**	**5,384**	**30,569,005**	**2,445,520**	**64,116**	**5,129**
Exposures to or guaranteed by central governments or central banks	-	-	-	-	-	-	-	-
Exposures to or guaranteed by supervised institutions, public sector and local ent	-	-	-	-	-	-	-	-
Exposures to or guaranteed by corporates - SMEs	4,631,943	370,556	-	-	5,125,589	410,047	-	-
- to which the support factor is applied	*4,080,089*	*326,407*	-	-	*2,513,300*	*201,064*	-	-
Exposures to or guaranteed by corporates - Specialised lending	-	-	-	-	-	-	-	-
Exposures to or guaranteed by corporates - Other corporates	16,518,281	1,321,462	-	-	14,827,067	1,186,165	-	-
Retail exposures secured by real estate property: SMEs	1,082,922	86,634	-	-	1,199,714	95,977	-	-
- to which the support factor is applied	*294,154*	*23,532*	-	-	*218,203*	*17,456*	-	-
Retail exposures secured by real estate property: private individuals	4,703,902	376,312	-	-	5,054,265	404,341	-	-
Retail exposures Revolving exposures	296,112	23,689	-	-	314,940	25,195	-	-
Other retail exposures: SMEs	1,234,380	98,750	-	-	1,512,743	121,020	-	-
- to which the support factor is applied	*872,137*	*69,771*	-	-	*729,779*	*58,382*	-	-
Other retail exposures: private individuals	719,864	57,589	-	-	765,707	61,257	-	-
Specialised lending - slotting criteria	1,418,414	113,473	67,302	5,384	1,323,964	105,917	64,116	5,129
Other activities different from lending	-	-	-	-	-	-	-	-
Items which represent positions towards securitisations	442,220	35,378	-	-	445,016	35,601	-	-
TOTAL	**50,764,766**	**4,061,181**	**923,395**	**73,872**	**52,225,500**	**4,178,041**	**776,692**	**62,135**

As at 30th September 2020 risk weighted assets amounted to €56.350 billion, down (-€1.7 billion) compared with €58.086 billion in December 2019. The change was attributable to credit risk (-€1.3 billion) and to market risk (-€0.4 billion).
The reduction in credit risk was caused mainly by:

- *the effects of the application of Regulation EU 2020/873*[11] which amended the CRR by introducing changes in response to the Covid-19 pandemic which included the following: a reduction in the weighting for pension or salary backed loans and an expansion of the scope of application of the "supporting factor" for loans to small to medium-sized businesses;
- *the grant of government backed loans* (i.e. the SACE export credit insurance agency and Law No. 662) granted in the context of initiatives introduced by law as a result of the Covid-19 pandemic.

On the other hand, the reduction in market risk is attributable to changes in investments in the trading portfolio.

With account taken of those changes, compliance with minimum capital requirements as at 30th September 2020 equal to total capital requirements for credit, counterparty, credit valuation adjustment, market and operational risk, required capital of approximately €4.508 billion (€4.647 billion in December 2019) against which the Bank recorded actual regulatory capital (own funds) of approximately €9.162 billion (€9.221 billion in December 2019).
As at 30th September 2020 the Common Equity Tier 1 ratio was 11.75% (12.34% in December 2019), the Tier 1 ratio was 12.46% (12.34% in December 2019) and the Total Capital ratio was 16.26% (15.88% in December 2019).

Due to the effect of the IFRS 9 accounting standard on a full application basis capital ratios as at 30th September 2020 would be 11.71% for the Common Equity Tier 1 ratio, 12.42% for the Tier 1 ratio and 16.22% for the Total Capital ratio.

We also report that for the purposes of calculating own funds as at 30th September 2020, UBI Banca and its subsidiaries decided not to make use of the temporary treatments provided for by Regulation EU 2020/873[12], published as a result of the Covid-19 pandemic and containing support provisions relating to the following:

- a new transitional IFRS 9 regime for impairment losses on loans subsequent to 31st December 2019;
- a temporary treatment for unrealised profits and losses measured at fair value relating to other items of comprehensive income (a prudential filter for exposures to central governments classified as FVOCI).

[11] See Regulation EU 2020/873 of the European Parliament and Council published in the European Official Journal on 26th June 2020.
[12] See Regulation EU 2020/873 of the European Parliament and Council published in the European Official Journal on 26th June 2020.

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)	**30.09.2020**
Common Equity Tier 1 (CET1) capital	6,621,439
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,595,012
Tier 1 capital	7,019,387
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,992,960
Total capital	9,161,925
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,135,498
Risk-weighted assets (amounts)	**30.09.2020**
Total risk-weighted assets	56,350,393
Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	56,322,531
Capital ratios	**30.09.2020**
Common Equity Tier 1 (as a percentage of risk exposure amount)	11.75%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11.71%
Tier 1 (as a percentage of risk exposure amount)	12.46%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.42%
Total capital (as a percentage of risk exposure amount)	16.26%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.22%
Leverage ratio	**30.09.2020**
Leverage ratio total exposure measure	141,979,785
Leverage ratio	4.94%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.93%

More specifically, the difference recorded between the CET1 capital and the fully loaded CET1 capital (as if the transitional arrangements for IFRS 9 or analogous expected credit losses had not been applied) is attributable to the positive capital component amounting to approximately +€26 million which sterilises 70% of the provisions (-€37 million approx.) recognised on first-time adoption for the credit positions remaining as at 30th September 2020 within the perimeter subject to the standardised approach. As concerns risk weighted assets (RWAs), the difference between the phased-in amount and the fully loaded amount (+€28 million approx.) is determined by the greater RWAs connected with the transitional IFRS 9 adjustment mentioned above (70%

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 reported in the press release dated 26th June 2020, the Bank of Italy again set the countercyclical capital buffer for the third quarter of 2020 at 0% for exposures to counterparties resident in Italy and also that the Bank has exposures principally to domestic counterparties[13], then the countercyclical capital buffer of UBI Banca and its subsidiaries is negligible.

[13] 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 4.94% as at 30th September 2020, while it is estimated at 4.93% fully loaded.

The table below reports summary data on the calculation of the leverage ratio of UBI Banca and its subsidiaries as at 30th September 2020. The ratio was calculated according to the provisions of the CRR, as amended by the Commission Delegated Act (EU) No. 62/2015[14] 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 2020

	30.09.2020	31.12.2019
Fully loaded Tier 1 capital	6,992,960	7,133,102
Fully loaded exposure	141,953,358	131,653,477
Fully loaded leverage ratio	**4.93%**	**5.42%**
Transition Tier 1 capital	7,019,387	7,165,193
Transition exposure amount	141,979,785	131,685,567
Transition leverage ratio	**4.94%**	**5.44%**

[14] 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 the preparation of corporate accounting documents

The undersigned, Elisabetta Stegher, as the Senior Officer Responsible for preparing the company 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 Law), that the information contained in this "Pillar 3 Disclosures as at 30th September 2020" is reliably based on the records contained in corporate documents and accounting records.*

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

Bergamo, 3rd November 2020