Pillar 3 disclosures

Translation from the Italian original which remains the definitive version

as at 31st March 2017

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 31st December 2016: €2,440,750,987.5 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 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, within the scope of their remit, into their supervisory regulations[2]. At European level, the EBA published the final version of the "Guidelines on disclosure requirements under part Eight of Regulation No (EU) 575/2013" last December in order to increase the consistency and comparability of the information to be provided in the Pillar 3 disclosures. These guidelines apply to the *"Globally*

[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 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 31st March 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.

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

Capital ratios as at 31st March 2017

Figures in thousands of euro	31.03.2017	31.12.2016
Common Equity Tier 1 capital before filters and transitional provisions	6,755,704	6,787,152
Effects of transitional provisions provided for by the regulations (minority interests)	8,940	18,891
Effects of transitional provisions provided for by the regulations (AFS reserves - debt instruments other and equity instruments)	-12,633	-25,191
Effects of transitional provisions provided for by the regulations (AFS reserves - government securities)	32,118	25,629
Effects of transitional provisions provided for by the regulations (DTAs)	53,903	113,417
Adjustments to Common Equity Tier 1 capital due to prudential filters provided for by the regulations	-7,935	-7,653
Common Equity Tier 1 capital net of prudential filters	**6,830,097**	**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	*-57,022*	*-82,962*
Common Equity Tier 1 capital	**6,773,075**	**6,829,283**
Additional Tier 1 capital before deductions	**-**	**286**
Deductions from Additional Tier 1 capital	0	**286**
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	0	*-286*
Additional Tier 1 capital	**-**	**-**
Tier 1 capital (Common Equity Tier 1 + Additional Tier 1)	**6,773,075**	**6,829,283**
Tier 2 capital before transitional provisions	1,975,563	1,606,204
Effects of grandfathering provisions on Tier 2 instruments	-	-
Tier 2 capital after transitional provisions	**1,975,563**	**1,606,204**
Deductions from Tier 2 capital	-38,554	-46,382
of which: negative items due to shortfall of provisions to expected losses, inclusive of the application of transitional provisions	*-6,336*	*-20,812*
Tier 2 capital after specific deductions	**1,937,009**	**1,559,822**
Total own funds	**8,710,084**	**8,389,105**
Credit risk	4,325,359	4,351,066
Credit valuation adjustment risk	9,182	11,987
Market risk	118,706	112,356
Operational risk	283,300	283,300
Total prudential requirements	**4,736,547**	**4,758,709**
Risk weighted assets	**59,206,839**	**59,483,864**
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk-weighted assets)	**11.44%**	**11.48%**
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-weighted assets)	**11.44%**	**11.48%**
Total capital ratio (total own funds/risk-weighted assets)	**14.71%**	**14.10%**

Own funds

Quantitative information

As opposed what was possible in the past, 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" in any item of own funds[4] (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: 60% for 2016 and 80% for 2017. The amounts that remain from the application of those percentages (i.e. 40% for 2016 and 20% for 2017) are not included in the calculation of own funds and continue to be subject to sterilisation.

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 +€32 million (+€26 million in December 2016).

As at 31st March 2017, the Common Equity Tier 1 capital (CET1) of the UBI Banca Group amounted to approximately €6.773 billion and total own funds to approximately €8.710 billion. The CET1 capital decreased by approximately €56 million compared with December 2016. The following main factors contributed to that decrease:

- a reduction by approximately €72 million resulting from net changes in AFS reserves and from transitional provisions applicable to them for 2017 (inclusion of 80% of profits/losses compared with 60% set for 2016)[6];
- a reduction by approximately €12 million relating to less inclusion of minority interests following the purchase, by means of a share exchange, of minority interests in Banca Carime S.p.A., Banca Popolare di Ancona S.p.A. and Banca Valle Camonica S.p.A. as part of the Single Bank project and the application of transitional provisions applicable in 2017[7];
- a reduction by approximately €45 million due to a greater reduction of DTAs resulting from future profits, generated by the application of transitional provisions applicable to 2017. These involve the deduction of a further 20% compared with 2016, only partially offset by the quota of these used as a result of offsetting the tax result for the period with prior year losses;
- an increase in CET1 by approximately €74 million resulting from profit for the period net of dividends, from intangibles (other intangible assets deducted from CET1) and from less

[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.

[6] AFS reserves relating to government securities contributed in particular to this reduction by approximate €91 million.

[7] On the basis of transitional provisions applicable in 2017 regarding the gradual exclusion of minority interests, no longer eligible under the fully-loaded regime (quota subject to phase-out), this was reduced by a further 20% compared with 2016 (80% of minority interests subject to phase-out/exclusion in 2017 compared with 60% in 2016).

inclusion of the shortfall. More specifically, the reduction in the shortfall of loan provisions to expected losses was greater than the impact resulting from the application of transitional provisions for 2017[8], which generated a positive effect.

The Tier 2 capital increased by approximately €377 million to stand at approximately €1.9 billion, mainly as result of a recent Tier 2 issuance for approximately €500 million partially offset by the progressive regulatory amortisation for qualifying instruments and by the maturity of two issues.

As a result of the performance reported above, total own funds grew by approximately €321 million.

The table below gives details of the items of which own funds were composed as at 31st March 2017, compared with 31st December 2016.

Capital item	31/3/2017	31/12/2016
Common Equity Tier 1 (CET1) capital instruments	2,443,094	2,440,751
CET1 capital share premium accounts	3,798,430	3,798,430
Reserves	2,726,755	3,557,306
(i) retained earnings	*772,067*	*1,627,710*
(ii) other reserves	*1,954,688*	*1,929,596*
Profit/loss for the period/year	38,830	(830,150)
(i) Loss for the period eligible for the CET 1 as a result of transitional provisions	-	*(498,090)*
(ii) Loss for the period eligible for the Additional Tier 1 that exceeds the Additional Tier 1 of the entity (Excess of deduction from AT1)	-	*(332,060)*
Direct and indirect holdings of own CET1 instruments	(125,760)	(123,609)
Accumulated other comprehensive income (AOCI)	(163,956)	(72,977)
Regulatory adjustments relating to unrealised gains or losses	23,315	10,355
Minority interests	8,940	20,754
(i) amount allowed in consolidated CET1	-	*1,863*
(ii) amount qualifying under transitional provisions	*8,940*	*18,891*
CET1 prudential filters	(7,935)	(7,653)
Intangible assets	(1,692,173)	(1,700,919)
(i) goodwill	*(1,495,690)*	*(1,495,690)*
(i) other intangible assets	*(196,483)*	*(205,229)*
Negative amounts resulting from the calculation of expected loss amounts (shortfall on IRB positions)	*(57,022)*	(82,962)
(i) shortfall on IRB positions eligible for inclusion in CET 1 under transitional	*(50,686)*	*(62,436)*
(i) shortfall on qualifying AT1 IRB positions that exceed the AT1 capital of the institution (excess of deductions from AT1)	*(6,336)*	*(20,526)*
Regulatory adjustments relating to unrealised gains or losses (excess of deductions from AT1)	(3,830)	*(9,917)*
Deferred tax assets that rely on future profitability, and do not arise from temporary differences	(215,613)	(170,126)
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	**6,773,075**	**6,829,283**

[8] 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 compared with 60%, 20%, 20% in 2016.

(contd.)

Capital item	31/3/2017	31/12/2016
Additional Tier 1 instruments and the related share premium accounts	-	-
Instruments issued by subsidiaries included in AT1	-	286
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	(6,336)	(20,812)
Negative amounts on qualifying IRB positions that exceed the AT1 capital of the institution	6,336	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	(3,830)	(9,917)
Negative amounts for the period that exceed the AT1 capital	3,830	341,977
ADDITIONAL TIER 1 (AT1) CAPITAL	**-**	**-**
TIER 1 (CET1 + AT1)	**6,773,075**	**6,829,283**
Tier 2 (T2) capital instruments and the related share premium accounts	1,975,563	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	-	276
Negative amounts resulting from the calculation of expected loss amounts under transitional provisions	(6,336)	(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)	(38,534)	(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	6,316	12,595
TIER 2 (T2)	**1,937,009**	**1,559,822**
TOTAL CAPITAL (TC=T1+T2)	**8,710,084**	**8,389,105**

Capital requirements

Quantitative information

The tables below give details of regulatory capital requirements and capital ratios. The following tables contain details of the credit risk requirement for the regulatory portfolios.

Capital requirements	31.03.2017	31.12.2016
CREDIT AND COUNTERPARTY RISK	**4,325,359**	**4,351,066**
Total credit risk	4,281,754	4,309,779
Total counterparty risk	43,605	41,287
MARKET RISK - Standardised approach	**118,706**	**112,356**
- position risk in debt instruments	98,119	111,127
- position risk in equity instruments	19,696	1,205
- currency risk	891	24
- position risk in commodities		-
OPERATIONAL RISK	**283,300**	**283,300**
Basic indicator approach	2,835	2,835
Standardised approach	47,676	47,676
Advanced measurement approach	232,789	232,789
CREDIT VALUATION ADJUSTMENT RISK	**9,182**	**11,987**
Standardised method	9,182	11,987

Supervisory ratios	31.03.2017	31.12.2016
Common Equity Tier 1 ratio (Common Equity Tier 1 capital after filters and deductions/risk-weighted assets)	**11.44%**	**11.48%**
Tier 1 ratio (Tier 1 capital after filters and deductions/risk-weighted assets)	**11.44%**	**11.48%**
Total capital ratio (total own funds/risk-weighted assets)	**14.71%**	**14.10%**

Credit and counterparty risk	31.03.2017 Amounts not weighted	31.03.2017 Amounts weighted	31.03.2017 Requirement	31.12.2016 Amounts not weighted	31.12.2016 Amounts weighted	31.12.2016 Requirement
A. CREDIT AND COUNTERPARTY RISK						
A.1 Standardised approach	**49,907,950**	**23,901,679**	**1,912,134**	**51,027,216**	**24,479,144**	**1,958,332**
Exposures to or guaranteed by central governments or central banks	21,283,147	2,809,537	224,763	21,276,850	2,728,948	218,316
Exposures to or guaranteed by regional governments or local authorities	478,703	95,330	7,626	497,331	99,245	7,940
Exposures to or guaranteed by public sector entities	420,283	145,277	11,622	379,458	136,446	10,916
Exposures to or guaranteed by multilateral development banks	-	-	-	0	0	0
Exposures to or guaranteed by international organisations	-	-	-	0	0	0
Exposures to or guaranteed by supervised institutions	4,747,101	1,651,615	132,129	4,108,882	1,404,108	112,329
Exposures to or guaranteed by corporates and others	8,111,235	7,546,183	603,695	8,376,825	7,837,167	626,973
Retail exposures	6,362,247	4,536,716	362,937	6,763,382	4,774,218	381,937
Exposures secured by mortgages of immovable properties	3,089,974	1,474,288	117,943	3,693,361	1,678,580	134,286
Exposures in default	2,157,359	2,614,789	209,183	2,211,245	2,690,599	215,248
High-risk exposures	23,855	35,782	2,863	25,165	37,748	3,020
Exposures in the form of covered bonds	-	-	-	0	0	0
Short-term exposures to corporates or others or to supervised institutions	-	-	-	0	0	0
Exposures to UCITS	137,532	137,532	11,003	154,911	154,911	12,393
Equity exposures	688,528	1,043,841	83,507	670,113	1,025,164	82,013
Other exposures	2,407,986	1,810,789	144,863	2,869,693	1,912,010	152,961
Items which represent positions towards securitisations	-	-	-	0	0	0
A.2 Internal rating based approach - Risk assets	**69,847,598**	**30,165,314**	**2,413,225**	**68,733,442**	**29,909,185**	**2,392,734**
Exposures to or guaranteed by central governments or central banks	-	-	-	0	0	0
Exposures to or guaranteed by supervised institutions, public sector and local	-	-	-	0	0	0
Exposures to or guaranteed by corporates - SMEs	14,420,412	7,405,279	592,422	14,029,850	7,477,675	598,214
Exposures to or guaranteed by corporates - Specialised lending	-	-	-	0	0	0
Exposures to or guaranteed by corporates - Other corporates	23,765,646	16,396,173	1,311,694	23,740,358	16,158,013	1,292,641
Retail exposures secured by real estate property: SMEs	4,744,936	861,761	68,941	4,780,350	916,500	73,320
Retail exposures secured by real estate property: private individuals	20,678,775	2,378,213	190,257	20,101,423	2,317,452	185,396
Retail exposures Revolving exposures	-	-	-	0	0	0
Other retail exposures: SMEs	4,142,309	1,278,994	102,320	4,075,470	1,283,876	102,710
Other retail exposures: private individuals	-	-	-	0	0	0
Specialised lending - slotting criteria	2,095,520	1,844,894	147,591	2,005,991	1,755,669	140,453
Items which represent positions towards securitisations	-	-	-	0	0	0
Other activities different from lending					0	0

Credit and counterparty risk	31.03.2017				31.12.2016			
	Credit risk		Counterparty risk		Credit risk		Counterparty risk	
	RWAs	Capital requirement	RWAs	Capital requirement	RWAs	Capital requirement	RWAs	Capital requirement
Standardised approach	**23,496,921**	**1,879,754**	**404,758**	**32,380**	**24,107,986**	**1,928,640**	**371,158**	**29,692**
Exposures to or guaranteed by central governments or central banks	2,809,537	224,763	-	-	2,728,948	218,316	-	-
Exposures to or guaranteed by regional governments or local authorities	95,330	7,626	-	-	99,245	7,940	-	-
Exposures to or guaranteed by public sector entities	145,277	11,622	-	-	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	1,541,385	123,311	110,230	8,818	1,323,096	105,848	81,012	6,481
Exposures to or guaranteed by corporates and others	7,333,793	586,704	212,390	16,991	7,600,678	608,054	236,489	18,919
Retail exposures	4,536,191	362,895	525	42	4,773,576	381,886	643	51
Exposures secured by mortgages of immovable properties	1,474,288	117,943	-	-	1,678,580	134,286	-	-
Exposures in default	2,601,987	208,159	12,802	1,024	2,678,199	214,256	12,399	992
High-risk exposures	35,782	2,863	-	-	37,748	3,020	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-
Short-term exposures to corporates and other supervised intermediaries	-	-	-	-	-	-	-	-
Exposures to UCITS	137,532	11,003	-	-	154,911	12,393	-	-
Equity exposures	975,030	78,002	68,811	5,505	984,549	78,764	40,615	3,249
Other exposures	1,810,789	144,863	-	-	1,912,010	152,961	-	-
Items which represent positions towards securitisations	-	-	-	-	-	-	-	-
Internal rating based approach	**30,025,000**	**2,402,000**	**140,314**	**11,225**	**29,764,247**	**2,381,139**	**144,938**	**11,595**
Exposures to or guaranteed by central governments or central banks	-	-			-	-	-	-
Exposures to or guaranteed by supervised institutions, public sector and local entities and others	-	-			-	-	-	-
Exposures to or guaranteed by corporates - SMEs	7,405,279	592,422			7,477,675	598,214	-	-
- to which the support factor is applied	*3,930,400*	*314,432*			*3,303,059*	*264,245*	-	-
Exposures to or guaranteed by corporates - Specialised lending	-	-			-	-	-	-
Exposures to or guaranteed by corporates - Other corporates	16,396,173	1,311,694			16,158,013	1,292,641	-	
Retail exposures secured by real estate property: SMEs	861,761	68,941			916,500	73,320	-	-
- to which the support factor is applied	*319,965*	*25,597*			*292,098*	*23,368*	-	-
Retail exposures secured by real estate property: private individuals	2,378,213	190,257			2,317,452	185,396	-	-
Retail exposures Revolving exposures	-	-			-	-	-	-
Other retail exposures: SMEs	1,278,994	102,320			1,283,876	102,710	-	-
- to which the support factor is applied	*868,307*	*69,465*			*732,473*	*58,598*	-	-
Other retail exposures: private individuals	-	-			-	-	-	-
Specialised lending - slotting criteria	1,704,580	136,366	140,314	11,225	1,610,731	128,858	144,938	11,595
Other activities different from lending					-	-		
TOTAL	**53,521,921**	**4,281,754**	**545,072**	**43,605**	**53,872,233**	**4,309,779**	**516,096**	**41,287**

Following authorisations received from the Supervisory Authority, the UBI Group now uses internal models[9] 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[10]") – and operational risks.

The reduction in risk weighted assets (down to €59.2 billion from €59.4 billion at the end of 2016) is primarily attributable to reductions in volumes of lending by the Product Companies, measured using the standard approach, which were only partially offset by an increase in volumes of lending recorded for the corporate segments and measured using the IRB approach.

As reported in a press release in December 2016[11] 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%)[12]);
- 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).

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As at 31/03/2017, the UBI Group had complied more than fully with the regulatory thresholds requested, with a CET1 Ratio of 11.44% (down from 11.48%), a Tier 1 Ratio of 11.44% (down from 11.48%) and a Total Capital Ratio of 14.71% (up from 14.10%). If Basel 3 rules on a full application basis scheduled for 2019 were applied, Group capital ratios would be 11.29% for the Common Equity Tier 1 ratio, 11.29% for the Tier 1 ratio and 14.56% for the Total Capital ratio

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 16th December 2016, the Bank of Italy set the countercyclical capital buffer for the first quarter of 2017 at 0%, for exposures to counterparties resident in Italy and also that the Group mainly has exposures to domestic counterparties[13], then the Group's countercyclical capital buffer is negligible.

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[9] See the full Pillar 3 disclosures as at 31st December 2016 for further information on internal models.

[10] Limited to the small to medium-size enterprise portfolio comprised within the "Retail" segment ("SME retail").

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

[12] 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.

[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

The leverage ratio stood at 5.41% as at 31st March 2017, while it is estimated at 5.35% fully loaded.

Quantitative information

The table below reports summary data on the calculation of the UBI Group leverage ratios as at 31st March 2017. The ratio was calculated according to the provisions of the CRR, as amended by the Delegated Act (EU) No. 62/2015[14].

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.

	31.03.2017	31.12.2016
fully loaded Tier 1 capital	6,684,411	6,675,916
fully phased-in exposure	125,014,845	118,737,869
fully phased-in leverage ratio	**5.35%**	**5.62%**
transition Tier 1 capital	6,773,075	6,829,283
transition exposure	125,094,569	118,872,536
transition leverage ratio	**5.41%**	**5.75%**

[14] The Delegated Act brings the rules for calculating the ratio into line with the provisions of the Basel Committee on the matter, published in January 2014 (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 31st March 2017" is reliably based on the records contained in corporate documents and accounting records.

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

Bergamo, 10th May 2017