Separate financial statements of UBI Banca Scpa

as at and for the year ended 31st December 2014

UBI Banca
UNIONE DI BANCHE ITALIANE

MANAGEMENT REPORT

UBI Banca: key figures and performance indicators[1]

	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
STRUCTURAL INDICATORS							
Net loans to customers / total assets	31.5%	34.1%	30.8%	22.1%	20.5%	19.8%	16.9%
Direct funding from customers/total liabilities	58.8%	50.6%	42.7%	49.7%	49.1%	33.5%	32.2%
Net loans to customers/direct funding from customers	53.5%	67.2%	72.1%	44.6%	41.8%	59.0%	52.4%
Equity (inclusive of profit/loss for the year) / total liabilities	11.5%	12.5%	11.7%	10.7%	14.6%	16.8%	16.7%
PROFIT INDICATORS							
ROE *(Profit for the year / equity excluding profit for the year)*	4.0%	0.8%	2.6%	4.2%	2.7%	3.8%	0.2%
ROTE *(Profit/loss for the year/equity inclusive of profit/loss for the year net of intangible assets)*	4.0%	0.8%	2.6%	4.2%	2.9%	4.0%	0.2%
ROA (Profit/loss for the year/ total assets)	0.47%	0.10%	0.30%	0.45%	0.40%	0.64%	0.04%
The cost:income ratio (operating expenses/operating income)	49.2%	47.9%	48.1%	96.9%	59.5%	39.4%	58.9%
Personnel expense/operating income	22.3%	21.5%	19.5%	43.7%	28.1%	18.0%	24.8%
Dividends/operating income	40.2%	34.7%	51.0%	135.2%	64.6%	78.0%	141.3%
Net result on financial activities/operating income	25.9%	32.7%	37.3%	-2.1%	27.8%	17.9%	-30.1%
RISK INDICATORS							
Net non-performing loans +net impaired loans / net loans to customers	4.57%	4.57%	1.83%	-	-	-	-
Net impairment losses on non-performing and impaired loans / gross non- performing loans+impaired loans *(coverage)*	34.33%	34.93%	48.63%	-	-	-	-
Net non-performing loans / net loans to customers	1.36%	1.18%	1.01%	-	-	-	-
Net impairment losses on non-performing loans / gross non-performing loans *(coverage for non performing loans)*	55.08%	60.13%	61.25%	-	-	-	-
CAPITAL RATIOS Basel 3 from 31st March 2014							
Tier 1 ratio *(Tier 1 capital after filters and deductions / risk weighted assets)*	34.60%	50.36%	56.23%	59.23%	67.64%	67.04%	45.89%
Total capital ratio *(Total own funds / Risk weighted assets)*	43.82%	71.22%	84.49%	85.62%	90.42%	95.15%	64.25%
Total own funds (figures in thousands of euro)	10,509,912	13,707,454	14,194,716	12,972,683	13,713,202	14,285,982	13,655,979
of which: tier one capital after filters and deductions	*8,297,667*	*9,693,641*	*9,447,070*	*8,973,902*	*10,258,059*	*10,064,763*	*9,753,795*
Risk weighted assets	23,985,029	19,247,607	16,799,510	15,151,704	15,165,464	15,013,954	21,253,805
INCOME STATEMENT, BALANCE SHEET FIGURES (in thousands of euro) **STRUCTURAL DATA** (numbers							
Profit (loss) for the year	(918,437)	71,340	223,496	(2,713,054)	283,720	406,317	23,886
Profit for the year before redundancy expenses and impairment	345,452	382,601	304,265	316,723	302,156	452,430	27,444
Profit for the year normalised	207,687	137,718	266,742	70,124	195,474	388,152	441,574
Operating income	687,772	713,096	664,554	262,202	465,070	708,460	640,100
Operating expenses	(338,670)	(341,302)	(319,622)	(254,048)	(276,650)	(278,852)	(376,816)
Net loans and advances to customers	23,330,321	25,168,913	22,584,747	15,692,663	14,536,121	12,560,060	10,446,768
of which: net non-performing loans	*317,590*	*295,805*	*227,442*	*280*	*277*	*272*	*849*
net impaired loans	*749,746*	*852,993*	*186,572*	-	-	-	-
Direct funding from customers	43,610,938	37,435,005	31,302,960	35,223,005	34,790,516	21,277,596	19,942,079
Equity (inclusive of profit/loss for the year)	8,566,696	9,231,816	8,607,721	7,609,829	10,328,266	10,662,230	10,358,682
Intangible assets	410	410	410	448	542,792	545,893	596,756
Total assets	74,171,865	73,914,645	73,336,254	70,895,253	70,897,601	63,450,192	61,983,318
Branches in Italy	4	4	3	2	2	2	2
Total personnel at the end of year (actual employees in service + workers on agency leasing contracts)	1,675	1,588	1,412	1,250	1,380	1,405	1,566
Average total personnel (actual employees in service + workers on agency leasing contracts) (*)	1,579	1,569	1,393	1,212	1,349	1,451	1,509

1. The indicators have been calculated using the reclassified figures contained in the section "Reclassified financial statements, reclassified income statement net of the most significant non-recurring items and reconciliation schedules". Information on the share is given in the relative section of this Management Report. *The profit indicators for 2014 and 2011 were calculated on profit for the year before redundancy costs and impairment losses.*
2. The ratios as at 31st December 2014 were calculated according to the Basel 3 rules which came into force on 1st January 2014 (EU Regulation 575/2013). The figures as at 31st December 2013 and as at 31st December 2012 were calculated according to AIRB Basel 2 rules and relate to the following ratios respectively: the tier one ratio *(tier one capital/risk weighted assets)* and the total capital ratio *(regulatory capital + tier three capital/risk weighted assets). On 19th July 2013 the Group was authorised (from the supervisory report as at 30th June 2013) to use the advanced internal rating based (AIRB) approach to meet credit risk relating to SMEs and to exposures backed by residential properties. The use of advanced internal approaches for the corporate segment was authorised on 16th May 2012 (from the supervisory report as at 30th June 2012).*
   For previous periods the figures were calculated according to the Basel 2 standard rules.

(*) Part time employees have been calculated within total average staff numbers according to convention on a 50% basis.

The organisational structure of UBI Banca

Unione di Banche Italiane Scpa is a co-operative bank listed on the Milan stock exchange. It is the parent of the banking group of the same name, which has a federal, multi-functional organisational model and a product range diversified by market.
As the Parent of the Group, UBI Banca performs the functions of strategic policy-making (formulating the Group business strategy), of supervising business functions (by supporting and co-ordinating the commercial activities of the network banks and product companies), monitoring risks and providing centralised services (either directly or through subsidiaries).
With regard to governance, UBI Banca has adopted a two tier system, with full respect for the prerogatives and specific characteristics of the two corporate bodies which hold separate responsibilities for supervision and management.

The organisational structure of the Parent underwent changes in 2014 relating to the first level of the organisation chart.

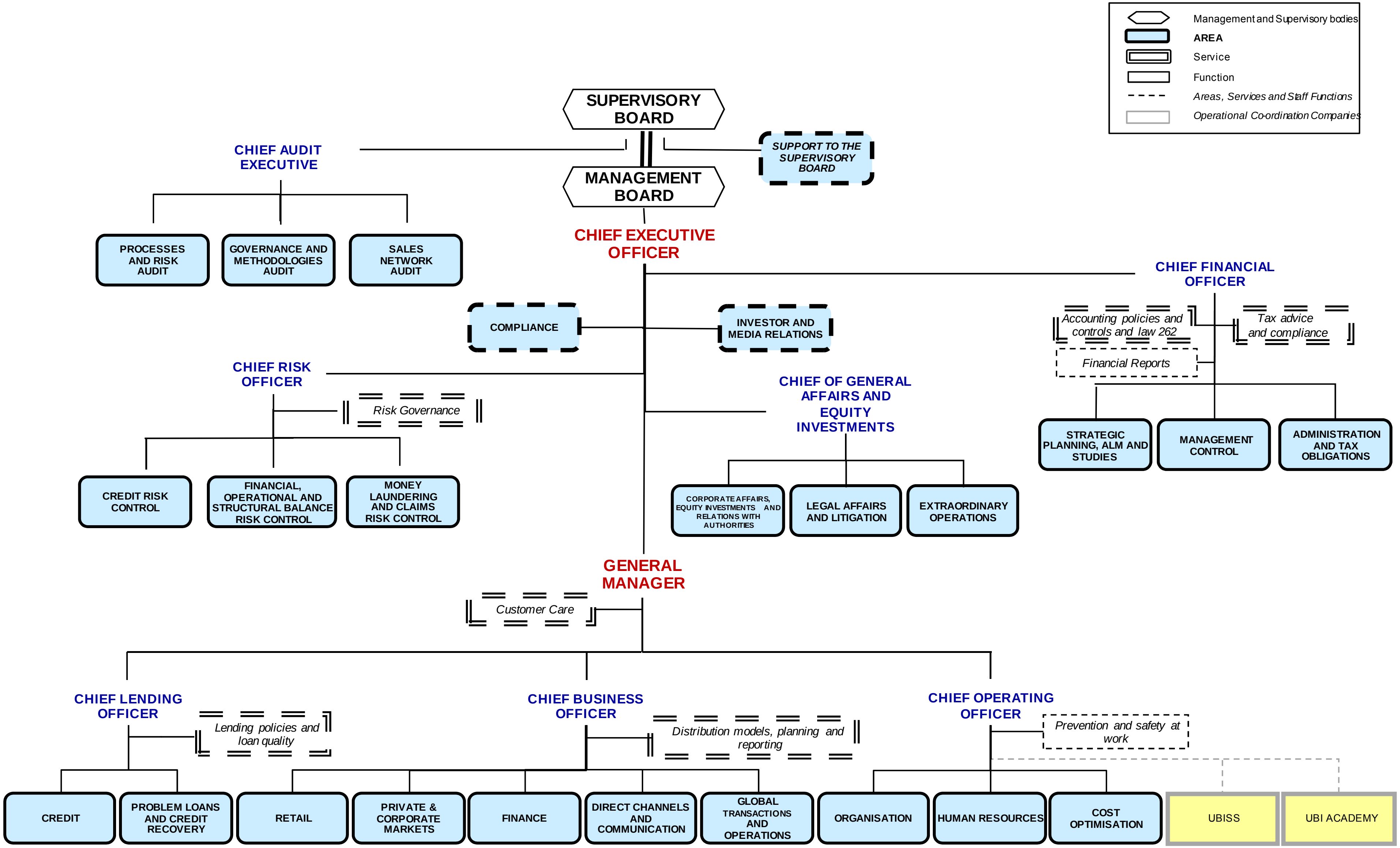
Some changes were made with effect from 14th July for compliance with new Bank of Italy provisions which came into force concerning the "System of internal controls, the reporting system and operational continuity". In detail:

- the Compliance Area was moved and now reports directly to the Chief Executive Officer, while the following compliance activities were confirmed within it: banking services, investment services and co-ordination of compliance in Group companies;
- an Advisory and Tax Compliance Service was created on the staff of the Chief Financial Officer;
- changes were made to the units headed by the Chief Risk Officer as follows:
  - the Risk Governance Service was moved to the staff of the CRO;
  - the official establishment of a Credit Risk Control Area (reporting directly to the CRO), which brings together a number of units that specialise in control of the credit portfolio, the AQR and oversight of Group ratings;
  - a partial change in the composition and renaming of the remaining areas that report to the CRO: the Financial and Operational Risk and Structural Balance Control Area and the Money-laundering and Claims Risk Control Area.

As part of further action designed to optimise the organisation of some units, the Customer Care Service, previously on the staff of the Chief Risk Officer, was moved onto the staff of the General Manager from 1st October.

Finally, the new organisational structure of units reporting to the Chief Audit Executive came into effect from 20th October. This revision, carried out in compliance with the supervisory provisions already mentioned, was considered advisable in view of changes which occurred in the composition of companies in the Group and in the relative processes. This led to organisational simplification (direct reports to the CAE fell from 5 to 3) and to a more integrated vision of risks at individual company and Group level, while at the same time the model of structural oversight of specialist areas was strengthened.

UBI Banca Scpa Organisation Chart



Introduction

Specific sections of the Consolidated Management Report may be consulted for information on the following aspects of UBI Banca operations in 2014:

- MACROECONOMIC SCENARIO;
- SIGNIFICANT EVENTS THAT OCCURRED DURING THE YEAR;
- COMMERCIAL ACTIVITY, REMOTE CHANNELS AND PAYMENT CARDS;
- RESEARCH & DEVELOPMENT;
- THE INTERNAL CONTROL SYSTEM;
- TAX ASPECTS.

Human resources

As at 31st December 2014, employees on the payroll of UBI Banca numbered 2,487, up by 316 compared with a year earlier. This increase was mainly due to staff from other Group companies coming onto the payroll (a total of 319, of which 302 for transfers, with effect from 1st January 2014, from UBI Sistemi e Servizi of staff who remained working at the consortium company) and to a lesser extent due to new permanent appointments (15) and the recruitment of staff on flexible contracts (21), while 39 staff left the company (six were transferred to other Group companies, seven retired, three left because flexible contracts expired and the remaining staff left for various reasons attributable to "natural corporate attrition").

Composition of UBI Banca personnel by "work force"

Number	31.12.2014	31.12.2013	Change
Employees on the payroll of UBI Banca	2,487	2,171	316
Staff on secondment at other Group companies	-1,233	-942	291
of which: at UBI Systems e Services	*820*	*524*	*296*
Staff on secondment from other Group companies	421	359	62
Employees actually in service at UBI Banca	**1,675**	**1,588**	**87**
Workers on staff leasing contracts	-	-	-
"Work force"	**1,675**	**1,588**	**87**

In terms of staff actually employed by the Parent, at the end of the year the workforce consisted of 1,675 staff, up over twelve months by 87, due primarily to the centralisation at UBI Banca of Prestitalia, UBI Factor and UBI Leasing supervision activities (according to the provisions of the trade union memorandum of 15th January 2014) and also (as part of problem loan activities) of the management of "restructured" positions previously carried out by the competent functions in the individual network banks.

Composition of personnel by management level

Number	31.12.2014	%	31.12.2013	%
Senior managers	136	8.1%	134	8.4%
Middle managers 3rd and 4th level	532	31.8%	495	31.2%
Middle managers 1st and 2nd level	382	22.8%	373	23.5%
3rd Professional Area (office staff)	622	37.1%	583	36.7%
1st and 2nd Professional Area (other staff)	3	0.2%	3	0.2%
Employees actually in service at UBI Banca	**1,675**	**100.0%**	**1,588**	**100.0%**

As shown in the table, at the end of 2014 employees on secondment from UBI Banca at other Group companies had risen to 1,233, 66% of whom were in service at UBI Sistemi e Servizi (820 staff), a net increase compared with December 2013 of 296, which reflected the permanent secondment to the consortium company of the staff already mentioned that moved onto the payroll of UBI Banca from UBI Sistemi e Servizi.
At the same time staff seconded to the Parent from other Group companies increased by 62, due to the centralisation processes already mentioned.

In consideration of the particular operational nature of the Parent, the composition of staff by rank continues to show a greater percentage of higher ranking personnel compared with the consolidated figure. No substantial changes occurred compared with the end of the 2013.

As concerns the provisions of the Framework Agreement of 29th November 2012 on access to ordinary benefits from the "solidarity fund", approximately 13 thousand days of reduction and/or suspension of working hours requested for 2014 by staff operating at UBI Banca were approved and granted with account taken of the workload and organisational requirements of the individual units at the Parent. The number of days requested and granted during the year recorded no break in continuity compared with 2013.

The average age of employees on the UBI Banca payroll in December was 45 years and 5 months (compared with 44 years and 9 months in 2013), while the average length of service was 17 years and 3 months (the comparative figure was 16 years and 8 months). The percentage of female staff was 38.2%, slightly down compared with the end of 2013 (39.6%). The transfer of staff from UBI Sistemi e Servizi onto the payroll of UBI Banca did in fact marginally change the gender balance of the Parent's workforce.

Details of remuneration and incentive policies are given in the Remuneration Report in another part of this document. It was prepared in accordance with articles 123-*ter* of the Consolidated Finance Act and 84-*quater* of the Issuers' Regulations and also pursuant to "Supervisory Provisions on remuneration and incentive policies and practices for banks and banking groups" issued on 18th November 2014.
Further information is given on the matter in the UBI Banca report on corporate governance, again in an attachment to this document.

Finally, activities relating to trade union relations, training, internal communication, the workplace and welfare initiatives are co-ordinated at Group level and details are given in the relative sections of the Consolidated Management Report, where a report is also provided on the trade union agreement of 26th November 2014.

Reclassified financial statements, reclassified income statement net of the most significant non-recurring items and reconciliation schedules

Reclassified balance sheet

Figures in thousands of euro		31.12.2014	31.12.2013	Changes	% changes
	ASSETS				
10.	Cash and cash equivalents	160,330	151,927	8,403	5.5%
20.	Financial assets held for trading	1,544,835	3,191,080	-1,646,245	-51.6%
30.	Financial assets designated at fair value	193,167	208,143	-14,976	-7.2%
40.	Available-for-sale financial assets	18,066,883	14,753,276	3,313,607	22.5%
50.	Held-to-maturity investments	3,576,951	3,086,815	490,136	15.9%
60.	Loans and advances to banks	14,055,649	13,487,366	568,283	4.2%
70.	Loans and advances to customers	23,330,321	25,168,913	-1,838,592	-7.3%
80.	Hedging derivatives	647,972	215,310	432,662	200.9%
90.	Fair value change in hedged financial assets (+/-)	5,583	5,418	165	3.0%
100.	Equity investments	9,624,011	10,608,614	-984,603	-9.3%
110.	Property, plant and equipment	634,178	650,742	-16,564	-2.5%
120.	Intangible assets	410	410	-	-
130.	Tax assets	1,688,730	1,727,626	-38,896	-2.3%
140.	Non-current assets and disposal groups held for sale	507	2,329	-1,822	-78.2%
150.	Other assets	642,338	656,676	-14,338	-2.2%
	Total assets	**74,171,865**	**73,914,645**	**257,220**	**0.3%**
	LIABILITIES AND EQUITY				
10.	Due to banks	19,140,417	24,285,811	-5,145,394	-21.2%
20.	Due to customers	7,065,270	7,223,913	-158,643	-2.2%
30.	Debt securities issued	36,545,668	30,211,092	6,334,576	21.0%
40.	Financial liabilities held for trading	722,181	1,531,436	-809,255	-52.8%
60.	Hedging derivatives	937,018	377,702	559,316	148.1%
80.	Tax liabilities	352,883	323,144	29,739	9.2%
100.	Other liabilities	751,071	631,077	119,994	19.0%
110.	Post-employment benefits	45,443	40,166	5,277	13.1%
120.	Provisions for risks and charges:	45,218	58,488	-13,270	-22.7%
	a) pension and similar obligations	1,144	1,061	83	7.8%
	b) other provisions	44,074	57,427	-13,353	-23.3%
130.+160.+ 170.+180.+ 190.	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,485,133	9,160,476	324,657	3.5%
200.	Profit (loss) for the year	-918,437	71,340	-989,777	n.s.
	Total liabilities and equity	**74,171,865**	**73,914,645**	**257,220**	**0.3%**

Reclassified quarterly balance sheets

Figures in thousands of euro		31.12.2014	30.9.2014	30.6.2014	31.3.2014	31.12.2013	30.9.2013	30.6.2013	31.3.2013
	ASSETS								
10.	Cash and cash equivalents	160,330	126,217	122,196	129,992	151,927	127,012	115,362	124,660
20.	Financial assets held for trading	1,544,835	1,119,978	2,280,749	4,011,024	3,191,080	3,449,192	4,858,058	4,831,209
30.	Financial assets designated at fair value	193,167	193,637	192,408	193,692	208,143	207,370	206,860	125,579
40.	Available-for-sale financial assets	18,066,883	17,580,462	15,996,041	15,281,956	14,753,276	13,968,794	12,813,746	12,192,040
50.	Held-to-maturity investments	3,576,951	3,076,556	3,049,841	3,113,263	3,086,815	3,149,620	3,122,272	3,185,071
60.	Loans and advances to banks	14,055,649	13,841,245	15,450,016	14,460,750	13,487,366	12,491,061	13,717,646	15,283,251
70.	Loans and advances to customers	23,330,321	22,666,345	23,352,148	23,962,361	25,168,913	26,013,350	26,527,303	21,539,134
80.	Hedging derivatives	647,972	609,406	447,010	300,274	215,310	231,834	246,075	108,737
90.	Fair value change in hedged financial assets (+/-)	5,583	5,714	5,751	5,606	5,418	5,692	5,961	-
100.	Equity investments	9,624,011	10,576,618	10,625,008	10,708,381	10,608,614	10,976,197	10,975,983	11,235,287
110.	Property, plant and equipment	634,178	638,243	642,485	645,244	650,742	628,686	633,267	581,597
120.	Intangible assets	410	410	410	410	410	410	410	410
130.	Tax assets	1,688,730	1,549,868	1,538,252	1,684,885	1,727,626	1,531,234	1,552,572	1,630,799
140.	Non-current assets and disposal groups held for sale	507	82,063	82,063	2,329	2,329	2,329	2,329	2,329
150.	Other assets	642,338	525,106	721,697	699,446	656,676	420,688	714,059	729,573
	Total assets	**74,171,865**	**72,591,868**	**74,506,075**	**75,199,613**	**73,914,645**	**73,203,469**	**75,491,903**	**71,569,676**
	LIABILITIES AND EQUITY								
10.	Due to banks	19,140,417	22,953,493	24,223,696	25,086,834	24,285,811	26,916,219	28,531,411	28,606,811
20.	Due to customers	7,065,270	2,180,592	3,423,416	2,658,889	7,223,913	7,280,405	7,441,689	7,456,576
30.	Debt securities issued	36,545,668	35,242,182	34,662,145	34,489,699	30,211,092	26,743,945	26,717,190	23,238,243
40.	Financial liabilities held for trading	722,181	675,565	600,017	1,513,524	1,531,436	1,457,552	1,787,611	1,693,378
60.	Hedging derivatives	937,018	752,063	573,317	462,440	377,702	835,256	881,210	950,122
80.	Tax liabilities	352,883	366,121	290,029	451,208	323,144	231,797	172,210	284,167
100.	Other liabilities	751,071	580,445	898,336	705,434	631,077	516,425	833,387	608,383
110.	Post-employment benefits	45,443	44,617	43,921	43,545	40,166	39,127	38,995	35,218
120.	Provisions for risks and charges:	45,218	45,550	49,554	60,828	58,488	59,854	60,520	39,133
	a) pension and similar obligations	1,144	1,105	1,114	1,052	1,061	1,083	1,083	-
	b) other provisions	44,074	44,445	48,440	59,776	57,427	58,771	59,437	39,133
130.+160.+ 170.+180.+ 190.	Share capital, share premiums, reserves, valuation reserves and treasury shares	9,485,133	9,538,886	9,496,994	9,500,185	9,160,476	8,983,798	8,883,660	8,561,643
200.	Profit (loss) for the period/year	-918,437	212,354	244,650	227,027	71,340	139,091	144,020	96,002
	Total liabilities and equity	**74,171,865**	**72,591,868**	**74,506,075**	**75,199,613**	**73,914,645**	**73,203,469**	**75,491,903**	**71,569,676**

UBI Banca

Reclassified income statement

Figures in thousands of euro		2014 A	2013 B	Changes A-B	% changes A/B	4th Quarter 2014 C	4th Quarter 2013 D	Changes C-D	% changes C/D
10.-20.	Net interest income	96,444	119,390	(22,946)	(19.2%)	25,062	50,933	(25,871)	(50.8%)
70.	Dividends and similar income	276,489	247,205	29,284	11.8%	796	16,568	(15,772)	(95.2%)
40.-50.	Net fee and commission income	24,255	5,239	19,016	363.0%	10,727	(285)	11,012	n.s.
80.+90. +100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	178,153	232,945	(54,792)	(23.5%)	42,443	121,023	(78,580)	(64.9%)
190.	Other net operating income/expense	112,431	108,317	4,114	3.8%	30,197	27,147	3,050	11.2%
	Operating income	**687,772**	**713,096**	**(25,324)**	**(3.6%)**	**109,225**	**215,386**	**(106,161)**	**(49.3%)**
150.a	Staff costs	(153,425)	(153,334)	91	0.1%	(36,793)	(40,788)	(3,995)	(9.8%)
150.b	Other administrative expenses	(163,615)	(164,991)	(1,376)	(0.8%)	(47,302)	(36,195)	11,107	30.7%
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(21,630)	(22,977)	(1,347)	(5.9%)	(5,326)	(5,692)	(366)	(6.4%)
	Operating expenses	**(338,670)**	**(341,302)**	**(2,632)**	**(0.8%)**	**(89,421)**	**(82,675)**	**6,746**	**8.2%**
	Net operating income	**349,102**	**371,794**	**(22,692)**	**(6.1%)**	**19,804**	**132,711**	**(112,907)**	**(85.1%)**
130.a	Net impairment losses on loans	(116,738)	(188,115)	(71,377)	(37.9%)	(32,699)	(99,321)	(66,622)	(67.1%)
130.b+c+d	Net impairment losses on other financial assets and liabilities	(4,813)	(40,367)	(35,554)	(88.1%)	(3,062)	(3,103)	(41)	(1.3%)
160.	Net provisions for risks and charges	(311)	(1,354)	(1,043)	(77.0%)	(1,301)	(523)	778	148.8%
210.+240.	Profits (losses) from the disposal of equity investments	133,676	(6,170)	139,846	n.s.	134,153	(6,152)	140,305	n.s.
250.	**Pre-tax profit from continuing operations**	**360,916**	**135,788**	**225,128**	**165.8%**	**116,895**	**23,612**	**93,283**	**395.1%**
260.	Taxes on income for the period/year from continuing operations	(15,464)	246,813	(262,277)	n.s.	16,203	218,997	(202,794)	(92.6%)
	Profit for the period/year before redundancies expenses and impairment losses/reversals on Group equity investments	**345,452**	**382,601**	**(37,149)**	**(9.7%)**	**133,098**	**242,609**	**(109,511)**	**(45.1%)**
150.a	Redundancy expenses net of taxes	(11,995)	(86)	11,909	n.s.	(11,995)	(86)	11,909	n.s.
210.	Net impairment losses on Group equity investments net of taxes	(1,251,894)	(311,175)	940,719	n.s.	(1,251,894)	(310,274)	941,620	n.s.
290.	**Profit (loss) for the period/year**	**(918,437)**	**71,340**	**(989,777)**	**n.s.**	**(1,130,791)**	**(67,751)**	**1,063,040**	**n.s.**

Quarterly reclassified income statements

Figures in thousands of euro		2014 4th Quarter	2014 3rd Quarter	2014 2nd Quarter	2014 1st Quarter	2013 4th Quarter	2013 3rd Quarter	2013 2nd Quarter	2013 1st Quarter
10.-20.	Net interest income (expense)	25,062	30,058	16,386	24,938	50,933	29,802	51,166	(12,511)
70.	Dividends and similar income	796	375	38,760	236,558	16,568	1,115	63,705	165,817
40.-50.	Net fee and commission income (expense)	10,727	9,636	3,491	401	(285)	(880)	9,831	(3,427)
80.+90. +100.+110.	Net income (loss) from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	42,443	8,520	69,470	57,720	121,023	50,158	65,469	(3,705)
190.	Other net operating income/expense	30,197	28,626	25,944	27,664	27,147	25,592	27,487	28,091
	Operating income	**109,225**	**77,215**	**154,051**	**347,281**	**215,386**	**105,787**	**217,658**	**174,265**
150.a	Staff costs	(36,793)	(40,211)	(38,660)	(37,761)	(40,788)	(37,812)	(42,684)	(32,050)
150.b	Other administrative expenses	(47,302)	(36,920)	(40,699)	(38,694)	(36,195)	(41,325)	(48,699)	(38,772)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(5,326)	(5,314)	(5,458)	(5,532)	(5,692)	(5,683)	(6,040)	(5,562)
	Operating expenses	**(89,421)**	**(82,445)**	**(84,817)**	**(81,987)**	**(82,675)**	**(84,820)**	**(97,423)**	**(76,384)**
	Net operating income	**19,804**	**(5,230)**	**69,234**	**265,294**	**132,711**	**20,967**	**120,235**	**97,881**
130.a	Net impairment losses on loans	(32,699)	(31,172)	(27,221)	(25,646)	(99,321)	(33,552)	(30,701)	(24,541)
130.b+c+d	Net impairment losses on other financial assets and liabilities	(3,062)	(374)	(2,263)	886	(3,103)	(3,197)	(32,844)	(1,223)
160.	Net provisions for risks and charges	(1,301)	124	1,868	(1,002)	(523)	160	(1,609)	618
210.+240.	Profits (losses) from the disposal of equity investments	134,153	103	334	(914)	(6,152)	(18)	23	(23)
250.	**Pre-tax profit (loss) from continuing operations**	**116,895**	**(36,549)**	**41,952**	**238,618**	**23,612**	**(15,640)**	**55,104**	**72,712**
260.	Taxes on income for the period/year from continuing operations	16,203	4,253	(24,329)	(11,591)	218,997	10,711	(7,086)	24,191
	Profit (loss) for the period before redundancies expenses and impairment losses/reversals on Group equity investments	**133,098**	**(32,296)**	**17,623**	**227,027**	**242,609**	**(4,929)**	**48,018**	**96,903**
150.a	Redundancy expenses net of taxes	(11,995)	-	-	-	(86)	-	-	-
210.	Net impairment losses on Group equity investments net of taxes	(1,251,894)	-	-	-	(310,274)	-	-	(901)
290.	**Profit (loss) for the period**	**(1,130,791)**	**(32,296)**	**17,623**	**227,027**	**(67,751)**	**(4,929)**	**48,018**	**96,002**

Reclassified income statement net of the most significant non-recurring items

Figures in thousands of euro	2014 *net of non-recurring items*	2013 *net of non-recurring items*	Changes	% changes
Net interest income	96,444	119,390	(22,946)	(19.2%)
Dividends and similar income	276,489	247,205	29,284	11.8%
Net fee and commission income	24,255	5,239	19,016	363.0%
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	168,243	178,621	(10,378)	(5.8%)
Other net operating income/expense	112,431	108,317	4,114	3.8%
Operating income	**677,862**	**658,772**	**19,090**	**2.9%**
Staff costs	(153,425)	(153,334)	91	0.1%
Other administrative expenses	(163,615)	(161,381)	2,234	1.4%
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(21,630)	(22,977)	(1,347)	(5.9%)
Operating expenses	**(338,670)**	**(337,692)**	**978**	**0.3%**
Net operating income	**339,192**	**321,080**	**18,112**	**5.6%**
Net impairment losses on loans	(116,738)	(188,115)	(71,377)	(37.9%)
Net impairment losses on other financial assets and liabilities	(1,818)	(18,599)	(16,781)	(90.2%)
Net provisions for risks and charges	(311)	(1,354)	1,043	(77.0%)
Profits (losses) from the disposal of equity investments	381	(65)	446	n.s.
Pre-tax profit from continuing operations	**220,706**	**112,947**	**107,759**	**95.4%**
Taxes on income for the year from continuing operations	(13,019)	24,771	(37,790)	n.s.
Profit for the year	**207,687**	**137,718**	**69,969**	**50.8%**

Reclassified income statement net of the most significant non-recurring items: details

Figures in thousands of euro	2014	Non-recurring items: Impairment losses and recoveries in value on shares, bonds and units in UCITS (AFS)	Non-recurring items: Adjustment to the price of the sale of the subsidiary BDG	Non-recurring items: Redundancy expenses (purs. to Framework Agreement 26th November 2014)	Non-recurring items: Profit on disposal of investment in SIA	Non-recurring items: Profit disposal of interests in Aviva Vita, Aviva Assicurazioni Vita and UBI Assicurazioni	Non-recurring items: Impairment losses on Group equity investments	2014 *net of non-recurring items*
Net interest income	96,444							96,444
Dividends and similar income	276,489							276,489
Net fee and commission income	24,255							24,255
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	178,153				(9,910)			168,243
Other net operating income/expense	112,431							112,431
Operating income	**687,772**	**-**	**-**	**-**	**(9,910)**	**-**	**-**	**677,862**
Staff costs	(153,425)							(153,425)
Other administrative expenses	(163,615)							(163,615)
Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(21,630)							(21,630)
Operating expenses	**(338,670)**	**-**	**-**	**-**	**-**	**-**	**-**	**(338,670)**
Net operating income	**349,102**	**-**	**-**	**-**	**(9,910)**	**-**	**-**	**339,192**
Net impairment losses on loans	(116,738)							(116,738)
Net impairment losses on other financial assets and liabilities	(4,813)	2,995						(1,818)
Net provisions for risks and charges	(311)							(311)
Profits from the disposal of equity investments	133,676		891			(134,186)		381
Pre-tax profit from continuing operations	**360,916**	**2,995**	**891**	**-**	**(9,910)**	**(134,186)**	**-**	**220,706**
Taxes on income for the year from continuing operations	(15,464)	(88)			688	1,845		(13,019)
Profit (loss) for the year before redundancy expenses and impairment losses on Group equity investments	**345,452**	**2,907**	**891**	**-**	**(9,222)**	**(132,341)**	**-**	**207,687**
Redundancy expenses net of taxes	(11,995)			11,995				-
Impairment losses on Group equity investments net of taxes	(1,251,894)						1,251,894	-
Profit (loss) for the year	**(918,437)**	**2,907**	**891**	**11,995**	**(9,222)**	**(132,341)**	**1,251,894**	**207,687**

In the second quarter of 2014 non-recurring items included an expense of €17.9 million due to an adjustment to IRAP deferred tax assets already recognised in the financial statements for the year ended 31st December 2013, resulting from a reduction in the IRAP tax rate from 4.65% to 4.20% (the 0.92% surtax was unchanged) introduced by Decree Law No. 66/2014 with effect from the financial year 2014. That item has no longer been recognised due to the provisions of paragraph 23 of article 1 of the 2015 *Legge di stabilità* ("stability law" – annual finance law), which has retroactively repealed the provisions of article 2 of Decree Law No. 66/2014 on the reduction of the IRAP rate, therefore restoring the previous rates effective immediately from 2014 (a base rate of 4.65% for banks plus surtaxes).

Figures in thousands of euro	2013	Non-recurring items: Net impairment losses on Group equity investments	Impairment losses on shares, bonds and units in UCITS (AFS)	Disposal of Intesa Sanpaolo and A2A shares (AFS)	Service fee for the migration of the former Centrobanca onto the target system	Cerved Group (formerly Centrale Bilanci) earn-out	Profit on the repurchase of financial liabilities (subordinated EMTN)	Disposal of the subsidiary Banque de Dépôts et de Gestion Sa (Switzerland)	Addition to the disposal price of the investment in UBI Insurance Broker	Redundancy expenses (purs. to Trade union agreement of 6th March 2014)	Recognition of IRAP (regional production tax) DTA on realigned goodwill	2013 *net of non-recurring items*
Net interest income	119,390											119,390
Dividends and similar income	247,205											247,205
Net fee and commission income	5,239											5,239
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	232,945			(48,965)		(537)	(4,822)					178,621
Other net operating income/expense	108,317											108,317
Operating income	**713,096**	**-**	**-**	**(48,965)**	**-**	**(537)**	**(4,822)**	**-**	**-**	**-**	**-**	**658,772**
Staff costs	(153,334)											(153,334)
Other administrative expenses	(164,991)				3,610							(161,381)
Depreciation, amortisation and net impairment losses on property	(22,977)											(22,977)
Operating expenses	**(341,302)**	**-**	**-**	**-**	**3,610**	**-**	**-**	**-**	**-**	**-**	**-**	**(337,692)**
Net operating income	**371,794**	**-**	**-**	**(48,965)**	**3,610**	**(537)**	**(4,822)**	**-**	**-**	**-**	**-**	**321,080**
Net impairment losses on loans	(188,115)											(188,115)
Net impairment losses on other financial assets and liabilities	(40,367)		21,768									(18,599)
Net provisions for risks and charges	(1,354)											(1,354)
Losses from the disposal of equity investments	(6,170)							6,561	(456)			(65)
Pre-tax profit from continuing operations	**135,788**	**-**	**21,768**	**(48,965)**	**3,610**	**(537)**	**(4,822)**	**6,561**	**(456)**	**-**	**-**	**112,947**
Taxes on income for the year from continuing operations	246,813		(5,632)	(4,228)	(1,174)	37	1,594		6		(212,645)	24,771
Post-tax profit (loss) from discontinued operations	-											-
Profit (loss) for the year before redundancy expenses and impairment losses/reversals on Group equity investments	**382,601**	**-**	**16,136**	**(53,193)**	**2,436**	**(500)**	**(3,228)**	**6,561**	**(450)**	**-**	**(212,645)**	**137,718**
Redundancy expenses net of taxes	(86)									86		-
Net impairment losses on Group equity investments net of taxes	(311,175)	311,175										-
Profit for the year	**71,340**	**311,175**	**16,136**	**(53,193)**	**2,436**	**(500)**	**(3,228)**	**6,561**	**(450)**	**86**	**(212,645)**	**137,718**

Reconciliation schedule 2014

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	2014 Separate mandatory financial statement	Reclassifications: Tax recoveries	Reclassifications: Depreciation for leasehold improvements	Reclassifications: Impairment losses on Group equity investments	Reclassifications: Redundancy expenses	2014 Reclassified financial statement
10.-20.	Net interest income	96,444					96,444
70.	Dividends and similar income	276,489					276,489
40.-50.	Net fee and commission income	24,255					24,255
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	178,153					178,153
190.	Other net operating income/expense	120,159	(7,855)	127			112,431
	Operating income	**695,500**	**(7,855)**	**127**	**-**	**-**	**687,772**
150.a	Staff costs	(169,970)				16,545	(153,425)
150.b	Other administrative expenses	(171,470)	7,855				(163,615)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(21,503)		(127)			(21,630)
	Operating expenses	**(362,943)**	**7,855**	**(127)**	**-**	**16,545**	**(338,670)**
	Net operating income	**332,557**	**-**	**-**	**-**	**16,545**	**349,102**
130.a	Net impairment losses on loans	(116,738)					(116,738)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(4,813)					(4,813)
160.	Net provisions for risks and charges	(311)					(311)
210.+240.	Profits (losses) from the disposal of equity investments	(1,122,065)			1,255,741		133,676
250.	**Pre-tax profit (loss) from continuing operations**	**(911,370)**	**-**	**-**	**1,255,741**	**16,545**	**360,916**
260.	Taxes on income for the year from continuing operations	(7,067)			(3,847)	(4,550)	(15,464)
	Profit (loss) for the period/year before redundancy expenses and impairment losses on Group equity investments	**(918,437)**	**-**	**-**	**1,251,894**	**11,995**	**345,452**
150.a	Redundancy expenses net of taxes	-				(11,995)	(11,995)
210.	Impairment losses on Group equity investments net of taxes	-			(1,251,894)		(1,251,894)
290.	**Loss for the year**	**(918,437)**	**-**	**-**	**-**	**-**	**(918,437)**

Reconciliation schedule for the full year 2013

Items	RECLASSIFIED INCOME STATEMENT Figures in thousands of euro	2013 Separate mandatory financial statement	Reclassifications: Tax recoveries	Reclassifications: Depreciation for leasehold improvements	Reclassifications: Impairment losses on Group equity investments	Reclassifications: Redundancy expenses	2013 Reclassified financial statement
10.-20.	Net interest income	119,390					119,390
70.	Dividends and similar income	247,205					247,205
40.-50.	Net fee and commission income	5,239					5,239
80.+90.+ 100.+110.	Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	232,945					232,945
190.	Other net operating income/expense	116,334	(8,144)	127			108,317
	Operating income	**721,113**	**(8,144)**	**127**	**-**	**-**	**713,096**
150.a	Staff costs	(153,453)				119	(153,334)
150.b	Other administrative expenses	(173,135)	8,144				(164,991)
170.+180.	Depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets	(22,850)		(127)			(22,977)
	Operating expenses	**(349,438)**	**8,144**	**(127)**	**-**	**119**	**(341,302)**
	Net operating income	**371,675**	**-**	**-**	**-**	**119**	**371,794**
130.a	Net impairment losses on loans	(188,115)					(188,115)
130. b+c+d	Net impairment losses on other financial assets and liabilities	(40,367)					(40,367)
160.	Net provisions for risks and charges	(1,354)					(1,354)
210.+240.	Losses from the disposal of equity investments	(316,390)			310,220		(6,170)
250.	**Pre-tax profit (loss) from continuing operations**	**(174,551)**	**-**	**-**	**310,220**	**119**	**135,788**
260.	Taxes on income for the year from continuing operations	245,891			955	(33)	246,813
	Profit for the year before redundancy expenses and impairment losses/reversals on Group equity investments	**71,340**	**-**	**-**	**311,175**	**86**	**382,601**
150.a	Redundancy expenses net of taxes	-				(86)	(86)
210.	Net impairment losses on Group equity investments net of taxes	-			(311,175)		(311,175)
290.	**Profit for the year**	**71,340**	**-**	**-**	**-**	**-**	**71,340**

Notes to the financial statements

The mandatory financial statements have been prepared on the basis of Bank of Italy Circular No. 262 of 22nd December 2005 and subsequent updates. Therefore, for the purposes of the preparation of these financial statements, the provisions of the third update of that document issued on 22nd December 2014 have been observed.

The following rules are applied to the reclassified financial statements to allow a vision that is more consistent with a management accounting style:

- the tax recoveries recognised within item 190 of the mandatory income statement (other net operating income) are reclassified as a reduction in indirect taxes included within other administrative expenses;
- the item net impairment losses on property, plant and equipment and intangible assets includes items 170 and 180 in the mandatory financial statements and the instalments relating to the depreciation of costs incurred for improvements to leased assets classified within item 190;
- expenses for reduncancy schemes (net of taxes) partially include item 150a in the mandatory financial statements;
- net impairment losses on Group equity investments net of taxes include almost all of item 210 in the mandatory financial statements.

The reconciliation of the items in the reclassified financial statements with the figures in the mandatory financial statements has been facilitated, on the one hand, with the insertion in the margin against each item of the corresponding number of the item in the mandatory financial statements with which it is reconciled and, on the other hand, with the preparation of specific reconciliation schedules.

The comments on the performance of the main balance sheet and income statement items are made on the basis of the reclassified financial statements and of the reclassified financial statements for the comparative periods, and the tables providing details included in the subsequent sections of this financial report have also been prepared on that same basis.

In order to facilitate analysis of UBI Banca's operating performance and in compliance with Consob Communication No. DEM/6064293 of 28th July 2006, two special schedules have been included, the first a brief summary (which provides a comparison of the normalised results for the period) and the second more detailed, which shows the impact on earnings of the principal non-recurring events and items – since the relative effects on capital and cash flow, being closely linked, are not significant – which are summarised as follows:

Full year 2014:

- impairment losses and recoveries in value on shares, bonds and units in UCITS (AFS)
- adjustment to the price of the sale of the subsidiary Banque de Dépôts et de Gestion Sa (Switzerland);
- redundancy scheme expenses (pursuant to the Framework Agreement of 26th November 2014)
- profit on the disposal of the investment in SIA Spa;
- profit on the disposal of interests held in Aviva Vita Spa, Aviva Assicurazioni Vita Spa and UBI Assicurazioni Spa;
- net impairment losses on Group equity investments (BBS, Carime, BPA, BRE, UBI Banca International and UBI Leasing).

Full year 2013:

- net impairment losses on Group equity investments (Prestitalia, UBI Leasing, UBI Pramerica SGR and BY YOU);
- impairment losses on shares, bonds and units in UCITS (AFS);
- disposal of Intesa Sanpaolo and A2A shares (AFS);
- service fee for the migration of the former Centrobanca onto the target system;
- adjustment in price for the disposal in 2008 of the interest held in Centrale Bilanci (now the Cerved Group);
- profit on the repurchase of subordinated (tier two) bonds issued under the EMTN programme;
- disposal of the subsidiary Banque de Dépôts et de Gestion Sa (Switzerland);
- addition to the price for the disposal of UBI Insurance Broker;
- redundancy expenses (pursuant to the Trade union agreement of 6th March 2014)
- recognition of a tax credit for deferred tax assets on IRAP (local production tax), not recognised in prior years, for realigned goodwill.

The income statement

The income statement figures commented on are based on the reclassified financial statements (the income statement, the quarterly income statements and the income statement net of the principal non-recurring items – in brief and detailed versions) contained in another section of this report and the tables furnishing details presented below are also based on those statements. The notes that follow those reclassified financial statements may be consulted as may the reconciliation schedules for a description of the reclassification. Furthermore, the commentary examines both changes that occurred over twelve months (2014 compared with the year before) and those occurring in the last quarter of the year (this, which is highlighted with a slightly different background colour, is compared with the previous quarter in order to bring to light trends underlying progressive changes in interim results during the year).

In an economic environment which continues to encounter difficulties, if not outright adversities at times, as part of periodic impairment tests UBI Banca recognised impairment losses on interests held in Group banks, that is it made significant downward adjustments (€1,252 million) to the book values at which those assets had been stated.
At the same time, redundancy scheme expenses totalling €12 million were recognised in relation to agreements signed on 26th November 2014 with trade unions.
In order to allow a consistent analysis of Group profits and operations and to segregate the impacts of these two items, both the impairment losses relating to this impairment test (technical details are given in the notes on the accounts) and the redundancy scheme expenses have been stated in two separate items (net of tax) shown in the reclassified financial statements on the last line items before profit for the year after tax.

The year 2014 ended for the Parent with a **profit before** redundancy expenses and net impairment losses on Group equity investments of €345.5 million, compared with €382.6 million earned in 2013.
The income structure of the Parent continues to be driven mainly by dividends, although significant, but minor, contributions were made by financial activities (for which the 2013 result should be seen as exceptional) and by net interest income, which is more affected by the difficult operating environment. The weak performance by revenues was, however, accompanied by a further modest reduction in operating expenses, but above all by an appreciable decrease in impairment losses both on loans and on financial assets and liabilities.

The fourth quarter of 2014 ended with a profit before redundancy expenses and impairment losses on Group equity investments of €133.1 million, compared with €242.6 million in the same period of 2013 (which had benefited from a non-recurring tax item connected with the reassessment of IRAP tax assets for which no provision had been made in prior years) and with a loss of €32.3 million in the third quarter of 2014 (affected by a small contribution from dividends).

Over the full year, **operating income** – a measure of core banking operations – amounted to €687.8 million, compared with €713.1 million in the comparative year due to the reasons outlined later in this section.
Before discussing individual items of revenue, the role played by UBI Banca as a holding company should first be considered. On the one hand it manages the cash flows of all Group banks and companies for which it operates to guarantee the necessary funding and to enable them to invest excess liquidity accumulated, and on the other hand it acts as the single manager of the portfolio of financial assets. In consideration of its role as co-ordinator and policymaker, as a consequence of the organisational configuration of the Group, UBI Banca holds investments in all the main consolidated companies and the profits that they distribute always constitute its main source of income. This role has been progressively accompanied by new commercial activity: specialist lending resulting from the former Centrobanca business, as a credit card issuer and as the manager of the residual non-captive mortgages and personal and special purpose loans from former B@nca 24-7 operations.

Dividends and similar income rose to €276.5 million (+€29.3 million), resulting almost entirely from Group equity investments, as shown in the table. The total amount received included €209.5 million from the network banks (+€77.1 million compared with 2013), mainly from BPB, BPCI, Carime and BPA, as a result of improved results for the year. The dividend of €36.1 million from BRE, on the other hand, was distributed from the reserve pursuant to the Articles of Association (resolved by a Shareholders' Meeting held on 25th March 2014) in view of the high level of capitalisation of that bank.

Dividends and similar income

Figures in thousands of euro	2014	2013
Banca Popolare di Bergamo Spa	129,109	107,433
Banca Regionale Europea Spa	36,111	-
Banca Popolare Commercio e Industria Spa	25,800	11,551
UBI Pramerica SGR Spa	20,053	25,683
Banca Carime	11,180	-
Banca Popolare di Ancona Spa	4,146	-
UBI Banca Private Investment Spa	3,837	2,270
Banco di Brescia Spa	3,151	13,372
Lombarda Vita Spa	14,083	45,361
UBI Factor Spa	-	2,275
Other equity investments (item 100)	20,831	29,443
Dividends received from item 100 equity investments	**268,301**	**237,388**
Dividends received from item 40 AFS	**5,985**	**8,600**
Dividends received from item 20 for trading and item 30 fair value options	**2,203**	**1,217**
Total	**276,489**	**247,205**

The product companies contributed to the total with €58.8 million (-€46.2 million), affected by lower dividends distributed by Lombarda Vita (-€31.3 million), but also by the other insurance companies (-€8.3 million), as well as by UBI Pramerica SGR (-€5.6 million).
The securities portfolio generated total dividends of €8.2 million, of which €3.1 million from the company SIA Spa (a leading infrastructure and technology services company in the payments and payment card sectors). In 2013 dividends of €9.8 million had been received, driven by €3.9 million from the Intesa Sanpaolo shares.

The *net result for financial activities* totalled €178.2 million generated by trading, but above all by the disposal of financial assets (€232.9 million in 2013). In detail:

- trading recorded a positive balance of €33.7 million (€45 million in 2013), which included €27.9 million of profits and losses on the debt securities market and €9.7 million on the closure of all uncovered positions. Foreign currency trading generated €2.8 million, while losses were incurred on equity instruments and the associated derivatives (-€0.8 million), on the closure of credit derivatives (-€0.5 million) and on trading in derivatives on debt securities and interest rates (-€5.4 million, of profits, gains and accruals)[1];
- hedging (down €8.1 million) – consisting of the change in the fair value of hedging derivatives and the relative items hedged – related mainly to the impacts of fair value changes in derivatives on AFS securities, only partly offset by derivatives on bond issues (down €4.2 million in 2013 in relation to AFS securities, partially offset by the positive changes in the fair value of derivatives on bonds);
- assets designated at fair value (fair value movements) – in relation to investments in Tages funds, a residual position in hedge funds and the private equity investments of the Group's former corporate bank – generated a profit of €3.1 million (€3.2 million in 2013);
- the disposal of AFS securities and the repurchase of financial liabilities generated a profit of €149.5 million as follows: +€137.2 million on debt instruments (of which +€128.9 million from the sale of approximately €7 billion of Italian government securities); +€9.8 million on the disposal of equity instruments (of which €9.9 million from the sale of SIA Spa, non-recurring); +€19.7 million from the disposal of UCITS units (ETFs, i.e. European equity funds that passively replicate benchmark indexes); -€9.3 million from the disposal of deteriorated positions (belonging to the former Centrobanca and to the former B@nca 24-7, concentrated mainly in the fourth quarter)[2]; also -€7.9 million on the repurchase of debt securities in issue as part of normal direct business with customers, in a context of falling interest rates in the last months of the year.

1 The latter item incorporates losses on interest rate derivatives in 2013 of €33.6 million recognised in the first quarter, mainly the result of action taken to partially restructure interest rate hedges (IRS) on bonds issued, on former B@nca 24-7 mortgages and also on the assets and liabilities of Group companies.That impact was balanced by the positive effect on the assets and liabilities of the network banks and the product companies with a more or less neutral result on the consolidated financial statements.

2 On the basis of the accounting treatment for gains and losses on the disposal of loans laid down by the Bank of Italy, the sales price is compared with the book value of the positions sold at the end of the previous year, with no account taken of any impairment losses recognised during the year. It follows that for a correct assessment of the net result on the disposals carried out by the Group, the loss of €9.3 million recognised under item 100a must be read jointly with any reversals of impairment losses there may be on those loans disposed of, recognised within item 130a (€10.1 million for the total disposed of in December).

In 2013 disposal and repurchase activity gave rise to a profit of €189 million composed as follows: €137.1 million from debt securities (+€138.8 million from Italian government securities and -€1.7 million from other bonds, issued mainly by banks); €51.1 million from equity instruments (€48.4 million from Intesa Sanpaolo shares, €0.6 million from A2A and €0.5 million from the addition to the price on the sale in 2008 of the Cerved Group, all normalised figures, and €1.6 million from the interest held in Unione Fiduciaria); €3.2 million from the repurchase of bonds issued (which included €4.8 million, non-recurring, from the buyback carried out in September 2013 of callable lower tier two debt maturing in 2018); and -€2.3 million on the sale of various packages of loans (mainly unsecured non-performing loans of the former B@nca 24-7 and marginal positions of the former Centrobanca).

Net trading income

Figures in thousands of euro	Gains (A)	Income from trading (B)	Losses (C)	Losses from trading (D)	Net income 2014 [(A+B)-(C+D)]	2013
1. Financial assets held for trading	**1,685**	**29,442**	**(701)**	**(1,815)**	**28,611**	**59,204**
1.1 Debt instruments	1,093	28,218	(372)	(1,067)	27,872	55,684
1.2 Equity instruments	578	51	(299)	(3)	327	1,966
1.3 Units in UCITS	14	42	(30)	(10)	16	70
1.4 Financing	-	-	-	-	-	-
1.5 Other	-	1,131	-	(735)	396	1,484
2. Financial liabilities held for trading	**-**	**13,176**	**-**	**(3,519)**	**9,657**	**10,749**
2.1 Debt instruments	-	13,176	-	(3,519)	9,657	10,749
2.2 Payables	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
3. Other financial liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**770**	**(1,116)**
4. Derivative instruments	**355,285**	**365,232**	**(386,607)**	**(340,906)**	**(5,368)**	**(23,888)**
4.1 Financial derivatives	355,285	365,232	(386,607)	(340,363)	(4,825)	(16,208)
- on debt instruments and interest rates	*351,082*	*360,072*	*(382,805)*	*(333,701)*	*(5,352)*	*(16,409)*
- on equity instruments and share indices	*554*	*623*	*(276)*	*(1,996)*	*(1,095)*	*(1,283)*
- on currencies and gold	*X*	*X*	*X*	*X*	*1,628*	*1,355*
- other	*3,649*	*4,537*	*(3,526)*	*(4,666)*	*(6)*	*129*
4.2 Credit derivatives	-	-	-	(543)	(543)	(7,680)
Total	**356,970**	**407,850**	**(387,308)**	**(346,240)**	**33,670**	**44,949**

Net hedging loss

Figures in thousands of euro	2014	2013
Net hedging loss	**(8,069)**	**(4,182)**

Profit from disposal or repurchase

Figures in thousands of euro	Profits	Losses	Net profit 2014	2013
Financial assets				
1. Loans and advances to banks	-	-	-	-
2. Loans and advances to customers	2,447	(11,771)	(9,324)	(2,338)
3. Available-for-sale financial assets	167,893	(1,150)	166,743	188,192
3.1 Debt instruments	*138,261*	*(1,079)*	*137,182*	*137,089*
3.2 Equity instruments	*9,910*	*(71)*	*9,839*	*51,103*
3.3 Units in UCITS	*19,722*	*-*	*19,722*	*-*
3.4 Financing	*-*	*-*	*-*	*-*
4. Held-to-maturity investments	-	-	-	-
Total assets	**170,340**	**(12,921)**	**157,419**	**185,854**
Financial liabilities				
1. Due to banks	-	-	-	-
2. Due to customers	-	-	-	-
3. Debt securities issued	59	(7,999)	(7,940)	3,161
Total liabilities	**59**	**(7,999)**	**(7,940)**	**3,161**
Total	**170,399**	**(20,920)**	**149,479**	**189,015**

Net profit on financial assets and liabilities designated at fair value

Figures in thousands of euro	2014	2013
Net profit on financial assets and liabilities designated at fair value	**3,073**	**3,163**

Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	**178,153**	**232,945**

Other net operating income and expense rose to €112.4 million (+3.8%), the aggregate result above all of the amount and trend for income against more modest growth in the underlying costs.

Generally there was no significant change in the items: lower expense recoveries, higher rental income from property management and prior year income basically unchanged compared with the previous year (which, however, recorded an extraordinary refund of €1.5 million consisting of withholding taxes on the dividends of a foreign subsidiary and a loss of €2.4 million for reimbursements to Prestitalia customers).
The change in the item is entirely attributable to the performance of "income for services to Group member companies" (the largest component), which rose to €64.8 million (+€4.5 million), a reflection of the centralisation at the Parent of activities relating to the Chief Financial Officer and the Chief Risk Officer (by UBI Leasing, UBI Factor and Prestitalia), which occurred during the first half of the year, to growth in volumes of business in the finance area and to the introduction of new services (including a service for the study and centralisation of activities for the management and monitoring of restructured positions). These increases were only partially offset by the impacts of the merger of Centrobanca into the Parent (with effect from 6th May 2013).

Other net operating income

Figures in thousands of euro	2014	2013
Other operating income	**116,934**	**112,271**
Recovery of expenses and other income on current accounts	2	1
Recovery of other expenses	10,136	11,046
Recoveries of taxes	7,855	8,144
Rents and other income for property management	33,456	32,804
Income for services to Group member companies	64,797	60,334
Other income and prior year income	8,543	8,086
Reclassification of "tax recoveries"	*(7,855)*	*(8,144)*
Other operating expenses	**(4,503)**	**(3,954)**
Depreciation of leasehold improvements	(127)	(127)
Costs relating to finance lease contracts	-	(6)
Other expenses and prior year expense	(4,503)	(3,948)
Depreciation on improved leaseholds for rented assets	*127*	*127*
Total	**112,431**	**108,317**

Net interest income fell to €96.4 million[3], incorporating, amongst other things, also the impact of a temporary rise in the yield curve in 2014[4]. In detail[5]:

Interest and similar income: composition

Figures in thousands of euro	Debt instruments	Financing	Other transactions	2014	2013
1. Financial assets held for trading	22,305	-	-	22,305	50,127
2. Available-for-sale financial assets	408,737	-	-	408,737	418,007
3. Held-to-maturity investments	97,731	-	-	97,731	108,802
4. Loans and advances to banks	63,009	23,111	-	86,120	50,259
5. Loans and advances to customers	9,071	455,118	-	464,189	598,453
6. Financial assets designated at fair value	-	-	-	-	-
7. Hedging derivatives	X	X	43,234	43,234	3,771
8. Other assets	X	X	155	155	195
Total	**600,853**	**478,229**	**43,389**	**1,122,471**	**1,229,614**

Interest and similar expense: composition

Figures in thousands of euro	Borrowings	Securities	Other liabilities	2014	2013
1. Due to central banks	(19,846)	-	-	(19,846)	(67,417)
2. Due to banks	(78,973)	X	-	(78,973)	(191,583)
3. Due to customers	(20,143)	X	-	(20,143)	(59,860)
4. Debt securities issued	X	(890,745)	-	(890,745)	(746,943)
5. Financial liabilities held for trading	(15,959)	-	-	(15,959)	(44,003)
6. Financial liabilities designated at fair value	-	-	-	-	-
7. Other liabilities and provisions	X	X	(361)	(361)	(418)
8. Hedging derivatives	X	X	-	-	-
Total	**(134,921)**	**(890,745)**	**(361)**	**(1,026,027)**	**(1,110,224)**
			Net interest income	**96,444**	**119,390**

3 *Net interest income also includes the financial expense that UBI Banca incurs against investments in Group subsidiaries, while the related financial income is driven by the item dividends.*
4 The average one-month Euribor was more or less stable over the two years (0.131% in 2013 and 0.135% in 2014), although some quite strong fluctuations were recorded in the first half of the year (0.229% on average in the first six months compared with 0.042% in the second half).
5 *The calculation of net balances was performed by allocating interest income and expense on hedging derivatives within the different areas of business (financial, with banks, with customers).*
The commentary given here reports the contribution to net interest income by area of activity, although it must be considered that the Parent's operations continue to involve movements across different business areas (e.g. funding from customers or from the network banks used for loans to the product companies).

- the securities portfolio generated interest income of €410.9 million (€406.5 million in 2013), due to growth in investments in debt instruments over twelve months of approximately €2.2 billion. Italian government securities continued to make a substantial contribution to net interest income (€408.7 million from the AFS portfolio and €97.7 million from the HTM portfolio), although these investments incorporate the costs of hedges (the differentials paid on the derivatives amounted to -€101.9 million, down compared with -€126.4 million before);
- business on the interbank market, focused mainly on intragroup activities, generated a loss of €12.7 million, sharply up on -€208.7 million previously. This is due to both a fall in funding from banks (-€3.3 billion over twelve months), while loans grew moderately (+€0.8 billion), and also to a drop in the interest paid on central bank financing (down from €67.4 million to €19.8 million, following progressive reductions in the rate for principal refinancing operations down from 0.75% at the beginning of 2013 to the current 0.05%, prevailing since 10th September 2014, but also as a result of partial repayments made in the fourth quarter);
- business with customers recorded expense of €301.5 million (-€78.1 million in 2013), in relation to both trends for volumes of business (a reduction of €1.8 billion in loans to customers over twelve months and lower interest income from retail and corporate loans of €134.3 million) and the cost of securities outstanding, which UBI Banca now issues for all the Group's ordinary and institutional customers. Interest paid to subscribers rose from €746.9 million to €890.7 million, in parallel with growth in the amount outstanding (up €6.3 billion over twelve months, correlated primarily with bonds subscribed by network bank customers and with covered bonds).
  Given these trends, the not inconsiderable reduction in the cost of on demand funding (down €39.7 million following monetary loosening and optimisation action taken) did not actually affect the overall result originated from business with customers.
  The net balance also benefited from the differentials received on hedges on own issue bonds (€145.2 million, compared with €130.2 million in the comparative period).

Fee and commission income: composition

Figures in thousands of euro	2014	2013
a) guarantees granted	8,360	6,937
c) management, trading and advisory services:	17,665	18,080
1. trading in financial instruments	9,667	7,845
2. foreign exchange trading	961	920
3. portfolio management	-	-
4. custody and administration of securities	999	739
5. depository banking	-	-
6. placement of securities	524	1,721
7. receipt and transmission of orders	(1)	7
8. advisory activities	4,361	5,933
8.1 on investments	4,361	5,933
9. distribution of third party services	1,154	915
9.1. portfolio management	-	-
9.2. insurance products	426	188
9.3. other products	728	727
d) collection and payment services	18,107	19,594
e) servicer activities for securitisation transactions	-	6
i) current account administration	22	23
j) other services	39,320	50,149
Total	**83,474**	**94,789**

Fee and commission expense: composition

Figures in thousands of euro	2014	2013
a) guarantees received	(18,845)	(46,866)
c) management and trading services:	(24,625)	(26,417)
1. trading in financial instruments	(2,537)	(2,845)
2. foreign exchange trading	(5)	(9)
3. portfolio management	-	-
4. custody and administration of securities	(1,411)	(1,080)
5. placement of financial instruments	-	-
6. financial instruments, products and services distributed through indirect networks	(20,672)	(22,483)
d) collection and payment services	(2,958)	(4,975)
e) other services	(12,791)	(11,292)
Total	**(59,219)**	**(89,550)**
Net fee and commission income	**24,255**	**5,239**

Net fee and commission income improved to €24.3 million, impacted primarily by the trend for expense items and in particular by guarantees received.
Following the early repayment of government backed bonds – issued in the first months of 2012 for a nominal amount of €6 billion in order to increase assets eligible for refinancing with the ECB repaid on 7th March (€3 billion) and 7th August 2014 (the remaining €3 billion) respectively – the cost of that guarantee was reduced to zero. Since the cost is calculated as an annual percentage of the nominal value of the outstanding bonds, the two periods show a significant reduction in the expense from €46.5 million in 2013 to the current €18.4 million.

The other items, on the other hand, recorded the following: an increase from trading in financial instruments and reductions in the placement of securities and in investment advisory services, but above all a decrease in the item "other services[6]" (-€12.3 million, considered net of the corresponding expense), which comprises commissions on lending activities (down €10.3 million due to a reduction in volumes of business) and on credit cards (down €0.3 million).
Expense items, on the other hand, included lower commissions paid for the provision of financial instruments through indirect networks (credit cards and other products) originated by the network banks.

From a quarterly viewpoint, in the fourth quarter operating income totalled €109.2 million, compared with €215.4 million in the same period of 2013 and with €77.2 million in the third quarter of 2014. Revenues grew by €32 million compared with the latter period as a result of the following:

- *dividends* rose from €0.4 million to €0.8 million and related almost totally to proceeds from private equity investments classified within financial assets designated at fair value and only to a minor extent to dividends received from the trading portfolio;
- *finance activities* generated a result of €42.4 million (€8.5 million in the previous period), benefiting from expectations of further expansionary interventions by the ECB (the yield on ten-year Italian government bonds fell by over 45 basis points between September and December). The result was in fact driven by the sale of government securities held in portfolio (which generated a profit of €48.2 million), by the sale of SIA shares (with a gain of €9.9 million) and by a recovery of the portfolio designated at fair value (+€1.9 million, generated by some private equity stakes and by positive exchange rate differences on units in UCITS denominated in foreign currency). Losses, on the other hand, were recorded for trading (-€1.4 million), hedging (-€4.1 million), the repurchase of debt securities in issue directly from customers (-€3.1 million) and for the disposal of loans (-€9 million). In the comparative quarter profits were also mainly driven by the disposal of government securities, but for €10.7 million, and fair value movements on the portfolio designated a fair value were also positive (+€1.5 million), while trading recorded a loss (-€1.3 million), as did hedging (-€0.4 million) and the repurchase of own issue bonds (-€1.8 million);

Quarterly performance by financial activities

Figures in thousands of euro	2014 4th Quarter	2014 3rd Quarter	2014 2nd Quarter	2014 1st Quarter
Financial assets held for trading	(753)	1,390	9,381	18,593
Financial liabilities held for trading	-	(402)	3,595	6,464
Other financial liabilities: exchange rate differences	496	602	(1,340)	1,012
Derivative instruments	(1,149)	(2,916)	(1,859)	556
Net trading income (loss)	**(1,406)**	**(1,326)**	**9,777**	**26,625**
Net hedging loss	**(4,123)**	**(471)**	**(1,827)**	**(1,648)**
Financial assets	49,195	10,609	64,194	33,421
Financial liabilities	(3,104)	(1,756)	(1,803)	(1,277)
Profit from disposal or repurchase	**46,091**	**8,853**	**62,391**	**32,144**
Net income (loss) on financial assets and liabilities designated at fair value	**1,881**	**1,464**	**(871)**	**599**
Net income	**42,443**	**8,520**	**69,470**	**57,720**

- *other operating revenues and expenses* rose to €30.2 million from €28.6 million before, reflecting an increase in prior year income in relation to a penalty resulting from the early repayment of a loan;
- *net interest income* came to €25.1 million (down €5 million), as a result mainly of expectations of a further fall in interest rates. The expense of general banking business with customers increased as a percentage, with lower interest income (-€9.8 million) against primarily stable volumes of lending and an equally stable cost of funding. The contribution from debt securities held in portfolio fell (down €8.4 million), partly following maturities of BTPs which had been

Quarterly net interest income

Figures in thousands of euro	2014 4th Quarter	2014 3rd Quarter	2014 2nd Quarter	2014 1st Quarter
Banking business with customers	(81,279)	(77,158)	(80,314)	(62,767)
Financial activities	97,370	105,777	104,736	102,984
Interbank business	8,922	1,530	(7,965)	(15,186)
Other items	49	(91)	(71)	(93)
Net interest income	**25,062**	**30,058**	**16,386**	**24,938**

6 The figures as at 31st December 2013 were subject to a reclassification (amounting to €18,318 thousand) out of the item "other services" and mainly into the item "collection and payment services" (€18,309 thousand) in relation to a more appropriate classification of commissions received from international credit card payment networks on transactions carried out by customers.

recognised in the HTM portfolio with a 6% coupon. Interbank business on the other hand performed well, as a consequence, on the one hand, of lower volumes of funding (both from central banks and intragroup) and, on the other hand, due to the repositioning of interbank interest rates down to almost zero after the intervention by the ECB on principle refinancing operations (0.05% on 10th September 2014);

Quarterly net fee and commission income

Figures in thousands of euro	2014 4th Quarter	2014 3rd Quarter	2014 2nd Quarter	2014 1st Quarter
Management, trading and advisory services (net of the corresponding expense items):	**(2,422)**	**(2,078)**	**(2,746)**	**286**
trading in financial instruments	1,603	1,126	1,936	2,465
foreign exchange trading	244	230	228	254
portfolio management	-	-	-	-
custody and administration of securities	188	(38)	(384)	(178)
placement of securities	402	96	2	24
receipt and transmission of orders	(4)	(2)	2	3
advisory activities	993	1,142	922	1,304
distribution of third party services	309	278	292	275
financial instruments, products and services distributed through indirect networks	(6,157)	(4,910)	(5,744)	(3,861)
Banking services (net of the corresponding expense items):	**13,149**	**11,714**	**6,237**	**115**
guarantees	2,790	(1,094)	(3,850)	(8,331)
collection and payment services	5,320	3,419	3,647	2,763
servicer activities for securitisation operations	-	-	-	-
current account administration	5	6	7	4
other services	5,034	9,383	6,433	5,679
Net fee and commission income	**10,727**	**9,636**	**3,491**	**401**

- *net fee and commission income* totalled €10.7 million (up from €9.6 million in the third quarter), benefiting from the trend for fee and commission expense, while income items remained stable in the two periods. The improvement is primarily the result of the repayment already mentioned (the last €3 billion repaid on 7th August 2014) of government backed bonds, the cost of which, recognised within guarantees received, fell to zero after expenses of €2.7 million recognised in the third quarter. That performance, moreover, more than offset the higher load fees paid to financial advisors for products and services sold through indirect networks (+€1.2 million).

On the costs front, **operating expenses** for the year totalled €338.7 million, down by €2.6 million compared with 2013, the aggregate result of the following performances:

- *staff costs* (net of redundancy expenses) remained unchanged at €153.4 million, but nevertheless represent a summary of different trends. On the one hand, the release of provisions in 2013 is continuing to have its effect on the accounts, while on the other hand ordinary components (wage growth and variable components connected with incentive schemes and the moderate increase in average numbers of employees) are also having their effect. The table also shows an increase (+€20.7 million) in recoveries of expenses for employees "on secondment" at other companies. These are the effects of the partial "transfer of contracts" relating to staff on secondment between the Parent and UBI.S, as provided for by the trade union agreement of 29th November 2012, which in reality are fully offset by an expense item recognised within expenses for employee staff;

Staff costs: composition

Figures in thousands of euro	2014	2013
1) Employees	**(201,646)**	**(183,298)**
a) Wages and salaries	(140,427)	(128,725)
b) Social security charges	(37,650)	(34,135)
c) Post-employment benefits	(7,846)	(7,160)
d) Pension expense	-	-
e) Provision for post-employment benefits	(1,031)	(681)
f) Pensions and similar obligations:	(27)	(29)
- defined benefit	(27)	(29)
g) Payments to external supplementary pension plans:	(6,378)	(6,068)
- defined contribution	(6,378)	(6,068)
i) Other employee benefits	(8,287)	(6,500)
2) Other staff in service	**(308)**	**(227)**
- Expenses for agency staff on staff leasing contracts	-	-
- Other expenses	(308)	(227)
3) Directors	**(6,388)**	**(6,824)**
4) Expenses for retired staff	**-**	-
5) Recoveries of expenses for staff on secondment to other companies	**87,638**	**66,970**
6) Reimbursements of expenses for staff on secondment at the Bank	**(32,721)**	**(29,955)**
Total	**(153,425)**	**(153,334)**

- *other administrative expenses* fell to €163.6 million (-€1.4 million), as a result of the trend for current expenses (-€2.2 million), while indirect taxation grew by €0.8 million.
  As shown in the table, the main reductions in expenses involved the following: rents payable (down €1.8 million, mainly intragroup and to the network banks, following the

release of premises in via Moscova in Milan owned by BPCI); strategic and organisational advisory services (down €1.5 million, due to the absence of costs connected with the validation of advanced internal models, although partially offset by the costs of digital innovation); postal expenses (-€1.1 million, due to further changeovers from hardcopy to electronic communication and the renegotiation of a contract with a new supplier); insurance premiums (-€1.2 million, as a function of volumes of business); and credit recovery expenses (-€2 million, in relation to the credit recovery companies used for former B@nca 24-7 business). These cost-cutting actions, which also continued in relation to the remaining items, were partially offset by higher association membership fees (+€1.3 million mainly to the Consob – Italian securities market authority – due to a rate increase and the centralisation at the Parent of the issuance of bonds destined to network bank customers) and costs for outsourced services (+€2 million, from the adoption of a new payment card system, despite lower costs incurred for the 2014 Shareholders' Meeting), but above all by higher fees for services provided by UBI.S (+€5.1 million, in higher administrative costs as a result of the centralisation of units and processes related to the CFO and CRO. These increases are connected with commercial activity, increases in the perimeter of business connected with company mergers in previous years and costs for development initiatives requested by UBI Banca).

Furthermore, 2013 included a non-recurring item of €3.6 million consisting of the service fee for the migration of Centrobanca onto the target IT system (again recognised within the service fees paid to UBI.S);

Other administrative expenses: composition

Figures in thousands of euro	2014	2013
A. Other administrative expenses	**(155,774)**	**(157,978)**
Rent payable	(7,197)	(8,963)
Professional and advisory services	(23,907)	(25,401)
Rentals on hardware, software and other assets	(3,668)	(3,924)
Maintenance of hardware, software and other assets	(506)	(803)
Tenancy of premises	(7,131)	(7,748)
Property and equipment maintenance	(3,239)	(3,412)
Counting, transport and management of valuables	(10)	(4)
Membership fees	(3,613)	(2,312)
Information services and land registry searches	(773)	(729)
Books and periodicals	(349)	(386)
Postal	(1,459)	(2,606)
Insurance premiums	(4,110)	(5,262)
Advertising	(3,249)	(3,412)
Entertainment expenses	(699)	(939)
Telephone and data transmission expenses	(11,047)	(11,449)
Services in outsourcing	(7,994)	(5,981)
Travel expenses	(3,419)	(3,933)
Fees for services provided by Group companies (UBI.S)	(62,094)	(56,967)
Credit recovery expenses	(8,408)	(10,388)
Forms, stationery and consumables	(418)	(1,042)
Transport and removals	(311)	(419)
Security	(1,528)	(1,258)
Other expenses	(645)	(640)
B. Indirect taxes	**(7,841)**	**(7,013)**
Indirect taxes and duties	(1,278)	(729)
Stamp duty	(6,844)	(6,532)
IMU/ICI (municipal property taxes)	(5,965)	(5,693)
Other taxes	(1,609)	(2,203)
Reclassification of "tax recoveries"	*7,855*	*8,144*
Total	**(163,615)**	**(164,991)**

- *amortisation, depreciation and net impairment losses on property, plant and equipment and intangible assets* fell by €1.3 million compared with 2013, to stand at €21.6 million.

In quarterly terms, operating expenses of €89.4 million compare with €82.7 million in the same period of 2013 and with €82.4 million in the third quarter of 2014.
The quarterly increase (+€7 million) mainly reflects the trend for *other administrative expenses* (up €10.4 million to €47.3 million) affected by the different timing of invoices in the last months of the year compared with the summer months, but also by items of expense incurred or commenced at the end of the year (e.g. project expenses as part of the "New Digital Bank", "Single European Supervision" and "Cost Optimisation" initiatives; credit recovery expenses in relation to the conclusion of prior year partnerships with the relative settlement of the professional fees involved; financial report certification costs; end of year free-gift and advertising initiatives).
On the other hand, *staff costs* fell by €3.4 million to €36.8 million (primarily in relation to the trend for ordinary wages), while *net impairment losses on property, plant and equipment and intangible assets* were unchanged at €5.3 million.

As a result of the performance reported above, **net operating income** came to €349.1 million; it is was €371.8 million in 2013.
On a quarterly basis, ordinary operations in the fourth quarter gave rise to a net operating profit of €19.8 million (compared with €132.7 million in the same period of 2013), against a loss of €5.2 million in the third quarter of 2014.

The following was also recognised in the income statement over twelve months:

- €116.7 million of *net impairment losses on loans* (€188.1 million in 2013) relating to the former B@nca 24-7 and the former Centrobanca portfolios. As shown in the table, the amount was composed of €121.3 million of specific net impairment losses [which benefited from reversals – not including present value discounts – amounting to €33.4 million (€24.5 million in 2013) inclusive of €5.6 million relating to the second quarter of 2014 from the closure of positions relating to United States companies in the Lehman Group, and also XXX million of reversals on positions disposed of – see in this respect the commentary on the item disposals of loans to ordinary customers] and €4.6 million net of reversals on the performing portfolio, due to a fall in volumes of lending business. The significant reduction in specific net impairment losses (-€76.3 million) is attributable to a decrease in the requirements for the portfolio following important action taken in prior years, and in 2013 in particular, in relation to the company mergers carried out;

Net impairment losses on loans: composition

Figures in thousands of euro	Impairment losses/reversals of impairment losses, net		2014
	Specific	Portfolio	
Loans and advances to banks	-	-	-
Loans and advances to customers	(121,320)	4,582	(116,738)
Total	**(121,320)**	**4,582**	**(116,738)**

	Impairment losses/reversals of impairment losses, net		4th Quarter 2014
	Specific	Portfolio	
Loans and advances to banks	-	-	-
Loans and advances to customers	(23,671)	(9,028)	(32,699)
Total	**(23,671)**	**(9,028)**	**(32,699)**

Figures in thousands of euro	Impairment losses/reversals of impairment losses, net		2013
	Specific	Portfolio	
Loans and advances to banks	-	217	217
Loans and advances to customers	(197,634)	9,302	(188,332)
Total	**(197,634)**	**9,519**	**(188,115)**

	Impairment losses/reversals of impairment losses, net		4th Quarter 2013
	Specific	Portfolio	
Loans and advances to banks	-	-	-
Loans and advances to customers	(98,408)	(913)	(99,321)
Total	**(98,408)**	**(913)**	**(99,321)**

- €4.8 million of *net impairment losses on other financial assets/liabilities* (compared with €40.4 million before[7]) consisting of -€1.8 million of impairment losses on unsecured guarantees and of -€3 million (non-recurring) of net impairment losses on securities and funds held in the AFS portfolio (-€1.2 million relating to impairment losses on units in UCITS, -€2.7 million for net impairment losses on equity instruments and +€0.9 million for a reversal of impairment on a bond);

- €0.3 million of *net provisions for risks and charges*, the aggregate result of provisions for revocation (clawback) actions, legal disputes and legal action taken by different types of counterparty and also (approximately €2 million) for tax litigation, more than offset by the release of a provision made in prior years amounting to €2.4 million, on conclusion of the relative litigation.
  In 2013 the item included, amongst other things, provisions for €1.5 million connected with the liquidation of an equity investment.

Net provisions for risks and charges

Figures in thousands of euro	2014	2013
Net provisions for revocation clawback risks	(500)	-
Net provisions for litigation	(335)	(46)
Other net provisions for risks and charges	524	(1,308)
Total	**(311)**	**(1,354)**

- €133.7 million of *profits (losses) of equity investments and on the disposal of investments.* These included the following: a profit of €134.2 million (non-recurring) realised on the disposals in December of stakes held in insurance companies (+€92.2 million for 30% of

7 This amount consisted of €21.8 million of non-recurring impairment losses on instruments held in the AFS portfolio as follows: €9.4 million relating to a financial security previously held in the former Centrobanca portfolio, €3.9 million relating to the Centrobanca Sviluppo Impresa fund, €2.3 million to a bond issued by a bank, €4.9 million to units in UCITS and the remainder to equity instruments.
The amount also included €18.6 million within item 130d (net impairment losses on other financial transactions), consisting of unsecured guarantees (€19.9 million, inclusive of €17.3 million for an enforcement in June 2013 of a guarantee issued by the Parent to UBI Banca International on the Pescanova position) and reversals of commitments (€1.3 million attributable entirely to the former Centrobanca relating to commitments to disburse funds and/or loans approved but not yet disbursed).

Aviva Vita, -€1.2 million for 30% of Aviva Assicurazioni Vita and +€43.2 million for the entire disposal of the 49.99% stake held in UBI Assicurazioni); a loss of €0.9 million (normalised) in relation to the settlement of the price made necessary by the sale of the former Swiss subsidiary BDG; a profit of €0.4 million, the aggregate result of profits and losses realised on the winding up of Delaware companies that had been formed for the issuance of preference shares and of the disposal of investments primarily of a property nature.

A net loss of €6.2 million was recognised in the previous year, consisting of a loss of €6.6 million (non-recurring, inclusive of transaction costs) from the disposal of Banque de Dépôts et de Gestion in the fourth quarter, which was offset by an adjustment in the price (+€0.4 million), that occurred in relation to the disposal in 2012 of the former UBI Insurance Broker.

As a result of the gains realised, **pre-tax profit from continuing operations** improved to €360.9 million, an almost threefold increase on €135.8 million recorded in 2013.
On a quarterly basis, the fourth quarter recorded pre-tax profit of €116.9 million (compared with €23.6 million in the same period in 2013), while a pre-tax loss of €36.6 million was incurred in the third quarter of the year.

In line with the change in the tax base, *taxes on income for the year for continuing operations* amounted to €15.5 million[8], attributable to changes in pre-tax profit affected for corporate income tax (IRES) purposes, by the partial non-deductibility of interest expense (4%), by non-deductible expenses and provisions, mitigated in part by the effect of the *Aiuto alla crescita economica* (ACE – Aid to economic growth) concessions and by the limited taxation on dividends and gains on disposals of investments falling under the PEX regime. For IRAP (regional production tax) purposes, taxation was not only affected by the 4% non-deductibility of interest expense, but also by the non-deductibility of net provisions for risks and charges, impairment losses on financial assets, staff costs and the non-deductible portions of administrative expenses and depreciation and amortisation.

In 2013 taxation consisted of income of €246.8 million, benefiting from a non-recurring item of €212.6 million due to a reassessment of IRAP deferred tax assets for which provision had not been made in prior years on realigned goodwill[9]. Even net of non-recurring items, taxes still consisted of income of €24.8 million, due to the different composition of the before tax result and to the new IRAP tax regime introduced by paragraph 158 of article 1 of the 2014 *Legge di stabilità* ("stability law" – annual finance law) with regard to net impairment losses on loans to customers[10].

Finally, the following non-recurring expenses have been stated under separate items, shown net of taxes (all recognised in the fourth quarter):

- €12 million (€16.5 million gross) of *redundancy scheme expenses* in relation to the signing of a Framework Agreement with trade unions on 26th November 2014. The amount relates to employees on the payroll of UBI Banca, inclusive of those on secondment at other Group companies;
- €1,251.9 million (€1,255.7 million gross) of net impairment losses on Group equity investments, triggered by periodic impairment tests conducted at the end of the year, which resulted in decreases in the book value of Banca Carime (€521.5 million), BRE (€270.6 million), Banco Brescia (€257.3 million), BPA (€90.6 million), UBI Leasing (€78.7 million) and UBI Banca International (€33.2 million).

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8 In the second quarter of 2014, non-recurring items included an expense of €17.9 million due to an adjustment to IRAP deferred tax assets already recognised in the financial statements for the year ended 31st December 2013, resulting from a reduction in the IRAP tax rate from 4.65% to 4.20% (the 0.92% surtax was unchanged) introduced by Decree Law No. 66/2014 with effect from the financial year 2014. That item has no longer been recognised due to the provisions of paragraph 23 of article 1 of the 2015 *Legge di stabilità* ("stability law" – annual finance law), which has retroactively repealed the provisions of article 2 of Decree Law No. 66/2014 on the reduction of the IRAP rate, therefore restoring the previous rates with effect immediately from 2014 (a base rate of 4.65% for banks plus surtaxes).

9 *Article 1, paragraphs 167 to 170 of Law No. 147 of 27th December 2013, the 2014* Legge di Stabilità *("Stability Law" – annual finance act), added to the legislation which allows deferred tax assets (DTA) recognised relating to write-downs and losses on loans to customers and to the realignment of the value of goodwill and of other intangible assets to be transformed into tax credits. More specifically, a provision was made, amongst others, whereby if an IRAP return declared a net negative value for production, the portion of the DTAs for IRAP which relate to the aforementioned items would be transformed entirely into tax credits. As a result of that provision the "probability test" was automatically passed.*
In prior years UBI Banca had not recognised deferred tax assets for IRAP on realigned goodwill because the amortisation for tax purposes would not have guaranteed sufficient taxable income for IRAP purposes to recover them (as opposed to IRES, losses cannot be carried forward for IRAP purposes, nor can a national tax consolidation be applied). It therefore proceeded in 2013 to reassess IRAP DTAs which had not been recognised.

10 *By introducing a new letter c-bis) to paragraph 1 of article 6 of Legislative Decree No. 446/1997 (the IRAP Decree), that measure provided for credit and financial institutions that net impairment losses on loans to customers recognised in the income statement (item 130 a) of the income statement) would become deductible for IRAP purposes from the tax year 2013, thereby forming part of net production at constant rates in the year and in the four subsequent years.*

In 2013 UBI Banca recognised the following non-recurring items under the same captions:

- €86 thousand (€119 thousand gross) of *redundancy expenses* recognised in the fourth quarter in relation to the agreement with trade unions of 6th March 2014 (redundancy applications which had been suspended as part of the scheme defined in the agreement of 29th November 2012), since the conditions apply under IFRS;
- €310.3 million (€309.3 million gross) of *net impairment losses on Group equity investments* resulting from end-of-year impairment tests. Impairment was recognised on Prestitalia (€285.7 million) and UBI Leasing (€93 million), while UBI Pramerica SGR (subject to impairment at the end of 2011) recorded a full reversal of impairment (€69.4 million, with tax of €955 thousand);
- €0.9 million of *impairment on the equity investment* BY YOU (mortgage distribution) for which the carrying amount was written-off in the third quarter of 2013 in view of the liquidation of the company.

As a result of the above, the income statement of UBI Banca recorded a **loss** of €918.4 million, compared with a profit of €71.3 million recognised in 2013[11].
Consequently the loss for the fourth quarter was €1,130.8 million, compared with a loss of -€67.8 million in the same period of 2013 and a profit of €32.3 million in the third quarter of 2014.

11 In normalised terms, both years included non-recurring items. Expense of €1,126 million was recognised in 2014, mainly from impairment losses on Group equity investments, from redundancy expenses and other impairment losses on financial instruments held in portfolio, partly offset by gains on the disposal of stakes held in the insurance companies. They also consisted of expense in 2013, but amounting to €66.4 million due largely to impairment losses on Group equity investments, notwithstanding the positive impact of the recognition of IRAP deferred tax assets on realigned goodwill and the disposal of shares in Intesa Sanpaolo. Net of those items profit for the year stood at €207.7 million, a marked improvement of 51% compared with €137.7 million twelve months previously.

General banking business

Funding

Direct funding from customers of UBI Banca amounted to €43.6 billion as at the 31st December 2014, up by €6.2 billion compared with the year before (€37.4 billion). The total incorporated different trends during the year: the short-term component, which contracted significantly during the first three quarters, did not return to levels close to those seen at the end of 2013 (approximately €7 billion) until the fourth quarter, following increased use of funding with the *Cassa di Compensazione e Garanzia* (CCG – a central counterparty clearing house), while medium to long-term funding recorded a constant increase over the twelve months due principally to volumes of bonds issued subscribed by ordinary customers.

As shown in the table, AMOUNTS DUE TO CUSTOMERS came to €7.1 billion, more or less unchanged compared with €7.2 billion in December 2013: in reality the item recorded substantial falls in the interim periods (a total of €2.7 billion at the end of March, €3.4 billion at the end of June and €2.2 billion at the end of September) as a consequence of less recourse to repurchase agreements with the CCG, made possible by the greater liquidity available to the Group. However, in the fourth quarter of the year the need to finance further investments in proprietary security portfolios and payments connected with tax deadlines, given the early repayment of €5 billion of LTRO, brought debt with the CCG at €5.5 billion back to the same level as at the end of 2013.

Direct funding from customers

Figures in thousands of euro	31.12.2014	%	31.12.2013	%	Changes amount	Changes %
Current accounts and deposits	1,032,687	2.4%	671,987	1.8%	360,700	53.7%
Term deposits	-	-	-	-	-	-
Financing	6,006,451	13.7%	6,535,873	17.5%	-529,422	-8.1%
- repurchase agreements	*5,531,586*	*12.6%*	*5,499,671*	*14.7%*	*31,915*	*0.6%*
of which: repos with the CCG	*5,531,586*	*12.6%*	*5,499,671*	*14.7%*	*31,915*	*0.6%*
- other	*474,865*	*1.1%*	*1,036,202*	*2.8%*	*-561,337*	*-54.2%*
Other payables	26,132	0.1%	16,053	0.0%	10,079	62.8%
Total amounts due to customers	**7,065,270**	**16.2%**	**7,223,913**	**19.3%**	**-158,643**	**-2.2%**
Bonds	36,514,980	83.7%	30,161,233	80.6%	6,353,747	21.1%
- bonds subscribed by institutional customers	*12,968,784*	*29.7%*	*11,865,463*	*31.7%*	*1,103,321*	*9.3%*
of which: EMTNs (*)	*3,123,932*	*7.2%*	*4,157,406*	*11.1%*	*-1,033,474*	*-24.9%*
Covered bonds	*9,844,852*	*22.5%*	*7,708,057*	*20.6%*	*2,136,795*	*27.7%*
- bonds subscribed by ordinary customers	*21,219,512*	*48.7%*	*16,420,296*	*43.9%*	*4,799,216*	*29.2%*
of which: non-captive customers (former Centrobanca)	*3,289,203*	*7.5%*	*3,683,725*	*9.8%*	*-394,522*	*-10.7%*
- bonds subscribed by Group banks (intragroup)	*2,326,684*	*5.3%*	*1,875,474*	*5.0%*	*451,210*	*24.1%*
Other certificates	30,688	0.1%	49,859	0.1%	-19,171	-38.5%
Total debt securities issued	**36,545,668**	**83.8%**	**30,211,092**	**80.7%**	**6,334,576**	**21.0%**
Total funding from customers	**43,610,938**	**100.0%**	**37,435,005**	**100.0%**	**6,175,933**	**16.5%**
of which:						
subordinated liabilities	*3,583,881*	*8.2%*	*4,955,561*	*13.2%*	*-1,371,680*	*-27.7%*
of which: subordinated deposits	*-*	*-*	*572,479*	*1.5%*	*-572,479*	*-100.0%*
subordinated securities	*3,583,881*	*8.2%*	*4,383,082*	*11.7%*	*-799,201*	*-18.2%*

(*) The corresponding nominal amounts were €3,046 million as at 31st December 2014 and €4,125 million as at 31st December 2013.

As concerns other types of funding, the item financing – other came to €0.5 billion having fallen following the repayment in the first quarter of the subordinated deposits[1] to back the three issues of preference shares redeemed early between February and March 2014.
Current accounts amounting to €1 billion remained more or less unchanged at approximately €0.7 billion until the middle of the year and then gradually increased in the second half of the year. This trend was attributable primarily to an institutional counterparty (as part of derivative business conducted with UBI Banca) and to a temporary deposit generated at the end of the year on an intragroup transit account.

On the other hand, DEBT SECURITIES ISSUED, which stood at €36.5 billion and consisted totally of bonds, recorded progressive growth over twelve months (+€6.3 billion): the component subscribed by ordinary customers for a total of €21.2 billion outstanding contributed €4.8 billion to the overall growth recorded, while institutional funding, totalling approximately €13 billion, recorded more contained growth (+€1.1 billion). The latter component was driven solely by new issuances of covered bonds because volumes of EMTN's decreased year-on-year due to significant maturities falling due during the year.
Finally, intragroup bond funding, up by €0.4 billion, contributed to the increase in the total.

In detail, UBI Banca's *institutional funding* as at 31st December 2014 was composed as follows:

- €3.1 billion of EMTNs issued as part of a programme for a maximum issuance of €15 billion.
  Only one issuance for €1 billion was made over the twelve month period in February, against maturities, redemptions and repurchases for a total of €2.079 billion nominal – of which €482 million nominal in the fourth quarter – which led to a reduction in the total;
- €9.8 billion of covered bonds, up by €2.1 billion compared with December 2013 as a result of placements totalling €2 billion nominal (€1 billion in February and €1 billion in November) against marginal decreases (€50.5 million nominal over twelve months), in relation to annual amortisation instalments on two of the "amortising" securities.
  UBI Banca had eleven covered bonds in issue at the end of 2014 under the first "multioriginator" programme backed by residential mortgages with a €15 billion ceiling for a nominal amount of €9.115 billion (net of amortisation instalments totalling €135.1 million)[2], against a segregated portfolio which stood at €14.5 billion[3].
  A second programme, again "multioriginator", is also operational with a ceiling of €5 billion, backed by commercial mortgages and by residential mortgages not used in the first programme (a segregated portfolio of approximately €3.2 billion at the end of period). So far this programme has only been used for self-retained issuances[4].

Funding from bonds issued to ordinary customers – consisting mostly of bonds sold to network bank customers, the issuance of which has been centralised at the Parent since 2013 – rose to €21.2 billion (+€4.8 billion year-on-year). A total of 113 bonds were placed during the year for €7.8 billion nominal (against maturities for approximately €3 billion and repurchases of €0.16 billion). Issuances in the fourth quarter in particular numbered 16 for approximately €1.1 billion nominal, against maturities and repurchases of approximately €0.9 billion.

Intragroup funding from bonds – consisting of bonds subscribed by some Group banks to invest their liquidity – rose to €2.3 billion from €1.9 billion at the end of 2013. Nine new issuances were recorded in 2014 for €0.8 billion nominal, concentrated mainly in the fourth quarter (€0.7 billion nominal), against maturities for €0.3 billion nominal.

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1 Deposits made by BPB Funding Llc for a nominal amount of €300 million, by BPCI Funding Llc for a nominal amount of €115.001 million and by Banca Lombarda Preferred Capital Co. Llc for a nominal amount of €155 million.

2 A list is given in Part E, Section 1 of the Notes to the Financial Statements. Three self-retained issuances for a total €2.4 billion nominal also existed under that same programme as at 31st December, an issue for €1 billion in December 2013, one for €0.7 billion in March 2014 and a third, again for €0.7 billion made in October 2014 Because these were repurchased by UBI Banca, these liabilities have not been recognised, in accordance with IFRS.

3 Detailed information on the composition of the segregated portfolio of residential mortgages held by UBI Finance is given in the Consolidated Management Report on operations, which may be consulted.

4 Two issuances in 2012 for a total of €1.76 billion nominal (net of the amortisation instalments falling due in the meantime) and a €0.2 billion issuance in March 2014.Because these were repurchased by UBI Banca, these liabilities have not been recognised, in accordance with IFRS. Information on the composition of the segregated portfolio held by UBI Finance CB2 is reported in the Consolidated Management Report on operations, which may be consulted.

Finally, it is underlined that the trend for *subordinated liabilities*, which fell during the year from approximately €5 billion to €3.6 billion was affected on the one hand by the already mentioned withdrawal of subordinated deposits (€0.6 billion at the end of 2013) made to guarantee issuances of preference shares (instruments redeemed early in the first quarter) and, on the other hand, by the reduction in subordinated securities down to €3.6 billion from €4.4 billion previously. This last reduction consisted of €0.54 billion of amortisation instalments on some securities and €0.25 billion due to the maturity in the last quarter of the year of two issues.

The table below summarises maturities for bonds in issue at the end of the year.

Outstanding bond maturities as at 31st December 2014 (excluding intragroup securities)

Nominal amounts in millions of euro	1st Quarter 2015	2nd Quarter 2015	3rd Quarter 2015	4th Quarter 2015	2016	2017	2018	Subsequent years	Total
Total	288	1,083	577	3,387	10,261	3,862	2,928	10,820	33,206
of which: EMTNs	-	-	-	*965*	*100*	*800*	*156*	*1,025*	*3,046*
Covered bonds	-	*25*	-	*525*	*1,801*	*1,051*	*51*	*5,662*	*9,115*

Lending

Performance of the loan portfolio

Composition of loans to customers

Figures in thousands of euro	31.12.2014	%	*of which deteriorated*	31.12.2013	%	*of which deteriorated*	Changes amount	%
Current account overdrafts	1,026,327	4.4%	*674*	1,297,643	5.2%	*2,306*	-271,316	-20.9%
Reverse repurchase agreements	1,253,175	5.4%	-	1,053,956	4.2%	-	199,219	18.9%
Mortgage loans and other medium to long-term financing	10,604,825	45.5%	*1,065,071*	11,334,202	45.0%	*1,161,847*	-729,377	-6.4%
Credit cards, personal loans and salary-backed loans	867,951	3.7%	*98,160*	1,209,478	4.8%	*117,507*	-341,527	-28.2%
Factoring	6,118	0.0%	-	6,054	0.0%	-	64	1.1%
Other transactions	9,460,565	40.5%	*116,872*	9,926,369	39.4%	*111,946*	-465,804	-4.7%
Debt instruments	111,360	0.5%	-	341,211	1.4%	-	-229,851	-67.4%
of which: structured securities	*110,100*	*0.5%*	-	*339,944*	*1.4%*	-	*-229,844*	*-67.6%*
other debt instruments	*1,260*	*0.0%*	-	*1,267*	*0.0%*	-	*-7*	*-0.6%*
Total loans and advances to customers	**23,330,321**	**100.0%**	***1,280,777***	**25,168,913**	**100.0%**	***1,393,606***	**-1,838,592**	**-7.3%**

At the end of 2014, lending by the Parent stood at €23.3 billion, a decrease year-on-year (-€1.8 billion; -7.3%), but largely unchanged compared with June and up on September (+€0.7 billion; +2.9%).

The year-on-year change reflects primarily a significant reduction in lending to Group companies (-€1.3 billion), mainly relating to the first half (-€1.1 billion), but must also be seen in relation to the impact on business of the difficult economic environment[5]. The fall in the size of the former Centrobanca and former B@nca 24-7 portfolios continued (down by a total of €1 billion). This was a natural contraction for the latter given the residual nature of this business. It was partially offset by an increase in total outstanding exposures of a technical nature to the *Cassa di Compensazione e Garanzia* (CCG – a central counterparty clearing house) (+€0.5 billion).
The overall return to growth for the total in the last quarter benefited mainly from business with the CCG, while loans to Group companies remained largely unchanged.

More specifically, at the end of December UBI Leasing and UBI Factor held outstanding loans amounting to €6.6 billion and €1.9 billion respectively, accounting for 36.3% of lending[6] (€6.7 billion and €1.8 billion in September; €6.8 billion and €1.9 billion in June; €7.1 billion and €2.2 billion in December 2013).
At the end of the year loans granted to Prestitalia – a subsidiary which specialises in the salary and pension backed loan sector – amounted to approximately €2.4 billion, consisting of €1.4 billion of "mortgage loans and other medium to long-term financing" and €1 billion of short-term transactions[7]. The change over

5 As already reported, the trend for intragroup exposure over twelve months also incorporates the impact of the early redemption of preference shares carried out in February and March 2014. In this respect debt instruments included an amount recognised (€229.8 million in December 2013) relating to repurchases carried out previously.
Margin deposits on derivatives trading with Group companies (€0.7 billion) also contributed to this trend. They were only partially attributable to swaps to hedge the covered bond programme and internal securitisations, and grew progressively during the year (+€0.1 billion), consisting entirely of current accounts.

6 Support for UBI Leasing is provided in the form of reverse repurchase agreements (securities eligible for refinancing issued as part of internal securitisations), mortgages and current accounts, but above all "other short-term transactions". Financing to UBI Factor, however, is all short-term (current accounts and other transactions).

7 With the exception of €200 million of "mortgages" granted by the former Centrobanca, these are loans previously granted to B@nca 24-7.

twelve months (-€0.3 billion) is a reflection entirely of the decrease that occurred in the second quarter which affected the item "other transactions".

We report the following on the former B@nca 24-7 and the former Centrobanca loan portfolios.
At the end of the year total former B@nca 24-7 loans amounted to €5.4 billion (-€0.6 billion over twelve months; -€0.3 billion since the end of June and -€0.1 billion in the fourth quarter) of which:

- *€4.4 billion attributable to the item "mortgage loans and other medium to long-term financing";*
- *€0.9 billion relating to various forms of consumer credit;*
- *€84 million included within other transactions.*

Former Centrobanca – merged in May 2013 – loans had fallen to €4.9 billion[8] (-€0.4 billion year-on-year; -€0.2 billion since June and -€0.1 billion in the fourth quarter), composed as follows:

- *€4.4 billion of "mortgage loans and other medium to long-term financing";*
- *€0.5 billion relating to "other transactions";*
- *€6.1 million for factoring transactions.*

Total UBI Banca financing was affected by the performance of some exposures of a technical nature to the CCG, subject to a degree of variation during the year because of their nature. Ordinary business totalled €1 billion at the end of the year, having more than doubled over twelve months, the result of a significant increase in the fourth quarter (+€0.9 billion) after falling over the summer months (-€0.4 billion). In terms of the type of lending, the year-on-year increase related entirely to reverse repurchase agreements with Italian government securities as the underlying (€0.5 billion in December 2014, €19 million a year earlier), while the rest of the exposure consisted of margin deposits required to guarantee repurchase agreements on Italian government securities (€0.5 billion, unchanged compared with December 2013). If, however, the fourth quarter only is considered, the growth was driven both by reverse repurchase agreements (+€0.5 billion) and by margin deposits to guarantee repurchase agreements on Italian government securities (+€0.4 billion), in parallel with greater recourse to reverse repurchase agreements for financing.

As concerns "large exposures", the supervisory report at the end of December 2014 prepared on the basis of the provisions of the new Basel 3 rules[9] in force since 1st January 2014 shows four exposures for UBI Banca, consisting of both loans and unsecured guarantees, of an amount equal to or greater than 10% of the qualifying capital – calculated according to the supervisory rules in force – for a total of €88.4 billion:

- €58.3 billion to consolidated companies;
- €21.9 billion due to the Ministry of the Treasury, in relation to investments in government securities;
- €6.5 billion relating to total business with the CCG;
- €1.7 billion due to the Ministry of the Economy and Finance[10].

In consideration, amongst other things, of the application of a nil weighting factor on government exposures, the actual exposure to risk by the Parent after weightings was €319.1 million (relating to two positions) – attributable almost entirely to certain special purpose entities involved in securitisation activity that do not form part of the banking Group – accounting for a very small percentage of the qualifying capital (banks belonging to banking groups are subject to an individual limit of 25% of the final capital).

Finally guarantees granted to customers amounted to €1.63 billion, slightly down compared with €1.69 billion at the end of 2013 (-3.3%). They were composed as follows:

- mainly unsecured financial guarantees of over €1.58 billion (€1.68 billion in December 2013).
- commercial guarantees came to a residual amount of €49 million (€5.7 million in 2013).

8 Excluding € 200 million arising from Centrobanca merger, already included in Prestitalia loan book.
9 Bank of Italy Circulars No. 285 and No. 286 of 17th December 2013 and subsequent updates.
10 Exposure to the Ministry of the Economy and Finance relates to current and deferred tax assets.

Risk

Loans and advances to customers as at 31st December 2014

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Deteriorated loans	***(7.96%)***	**1,914,296**	**633,519**	***(5.49%)***	**1,280,777**	**33.09%**
- Non-performing loans	*(2.94%)*	706,974	389,384	*(1.36%)*	317,590	55.08%
- Impaired loans	*(3.82%)*	918,211	168,465	*(3.21%)*	749,746	18.35%
- Restructured loans	*(1.07%)*	256,688	74,142	*(0.78%)*	182,546	28.88%
- Past due loans	*(0.13%)*	32,423	1,528	*(0.14%)*	30,895	4.71%
Performing loans	***(92.04%)***	**22,134,433**	**84,889**	***(94.51%)***	**22,049,544**	**0.38%**
Total loans and advances to customers		**24,048,729**	**718,408**		**23,330,321**	**2.99%**

The item as a percentage of the total is given in brackets.

Loans and advances to customers as at 31st December 2013

Figures in thousands of euro	Gross exposure		Impairment losses	Carrying amount		Coverage (*)
Deteriorated loans	***(7.96%)***	**2,063,185**	**669,579**	***(5.54%)***	**1,393,606**	**32.45%**
- Non-performing loans	*(2.86%)*	741,845	446,040	*(1.18%)*	295,805	60.13%
- Impaired loans	*(3.95%)*	1,023,514	170,521	*(3.39%)*	852,993	16.66%
- Restructured loans	*(0.88%)*	227,803	50,367	*(0.70%)*	177,436	22.11%
- Past due loans	*(0.27%)*	70,023	2,651	*(0.27%)*	67,372	3.79%
Performing loans	***(92.04%)***	**23,872,034**	**96,727**	***(94.46%)***	**23,775,307**	**0.41%**
Total loans and advances to customers		**25,935,219**	**766,306**		**25,168,913**	**2.95%**

The item as a percentage of the total is given in brackets.

(*) Coverage is calculated as the ratio of impairment losses to gross exposure. Impairment losses and gross exposures are given net of w rite-offs of positions subject to bankruptcy proceedings.

At the end of the year deteriorated assets gross of write-downs amounting to €1.9 billion had progressively fallen again (-€149 million compared with December 2013; -7.2%), partly the result of disposals of deteriorated loans carried out by the Parent during the year (for a total of around €146.1 million, of which €130.9 million were non-performing, €2.8 million were impaired and €12.4 million were restructured loans).

As shown in the table reporting changes in gross deteriorated exposures, total new inflows during the year from performing loans (€240.1 million) amounted to less than a third of the figure for 2013, just as, at the same time, total transfers between categories of deteriorated loans also reduced.
In detail:

- non-performing loans continued to be driven almost entirely by transfers from other categories of deteriorated exposures, mainly from impaired loans, up by approximately 60% compared with the previous year;
- impaired loans fell considerably both in terms of new inflows from performing status (-58%) and transfers from other categories of deteriorated loans (-64%). An increase in outflows to performing status was also recorded (+22%) together with an increase in transfers to other categories of deteriorated exposures, mainly non-performing loans but also restructured loans, which more than doubled;
- restructured exposures recorded no new inflows from performing status, an increase in transfers from other categories of deteriorated exposures (by 34%), mainly from impaired loans, and a reduction at the same time in transfers to other categories of deteriorated loans, which more than halved;
- exposures past due and in arrears recorded significant reductions in terms of both new inflows from performing loans (-73%) and transfers to other classes of deteriorated exposure (-69%).

Net of impairment losses, deteriorated loans amounted to approximately €1.3 billion, of which 83% relating to “mortgage loans and other medium to long-term financing”.

In consideration, amongst other things, of the partial recovery of the total portfolio in the last quarter of the year, deteriorated exposures as a percentage of total loans remained unchanged at 7.96% in gross terms, while it fell marginally to 5.49% in net terms (5.54% at the end of 2013).

Loans to customers: changes in deteriorated gross exposures in 2014

Figures in thousands of euro	Non-performing loans	Impaired loans	Restructured exposures	Past-due exposures	Total
Initial gross exposure as at 1st January 2014	**741,845**	**1,023,514**	**227,803**	**70,023**	**2,063,185**
Increases	**206,477**	**311,568**	**89,877**	**137,288**	**745,210**
transfers from performing exposures	1,710	105,811	36	132,524	240,081
transfers from other classes of deteriorated exposures	190,335	164,126	79,811	264	434,536
other increases	14,432	41,631	10,030	4,500	70,593
Decreases	**-241,348**	**-416,871**	**-60,992**	**-174,888**	**-894,099**
transfers into performing exposures	-521	-96,727	-	-38,141	-135,389
write-offs	-134,623	-3,682	-7,899	-	-146,204
payments received	-47,964	-48,994	-18,201	-4,249	-119,408
disposals	-21,125	-	-	-	-21,125
losses on the disposal	-10,876	-200	-695	-	-11,771
transfers to other classes of deteriorated exposure	-573	-267,268	-34,197	-132,498	-434,536
other decreases	-25,666	-	-	-	-25,666
Final gross exposure as at 31st December 2014	**706,974**	**918,211**	**256,688**	**32,423**	**1,914,296**

Loans to customers: changes in deteriorated gross exposures in 2013

Figures in thousands of euro	Non-performing loans	Impaired loans	Restructured exposures	Past-due exposures	Total
Initial gross exposure as at 1st January 2013	**586,953**	**218,967**	**-**	**108,074**	**913,994**
Increases	**693,958**	**1,082,808**	**323,464**	**530,429**	**2,630,659**
transfers from performing exposures	5,615	253,402	9,959	491,530	760,506
transfers from other classes of deteriorated exposures	119,920	457,752	59,363	581	637,616
business combination transactions	508,452	333,946	246,377	30,920	1,119,695
other increases	59,971	37,708	7,765	7,398	112,842
Decreases	**-539,066**	**-278,261**	**-95,661**	**-568,480**	**-1,481,468**
transfers into performing exposures	-707	-79,078	-61	-119,372	-199,218
write-offs	-426,416	-6,828	-3,636	-	-436,880
payments received	-107,922	-60,925	-9,688	-20,480	-199,015
disposals	-2,699	-	-2,858	-	-5,557
losses on the disposal	-1,021	-	-1,083	-	-2,104
transfers to other classes of deteriorated exposure	-301	-130,352	-78,335	-428,628	-637,616
business combination transactions	-	-	-	-	-
other decreases	-	-1,078	-	-	-1,078
Final gross exposure as at 31st December 2013	**741,845**	**1,023,514**	**227,803**	**70,023**	**2,063,185**

Coverage improved over twelve months from 32.45% to 33.09%, although down compared with 34.18% in September. The trend in the last quarter reflects that for coverage of non-performing loans, which was down, notwithstanding the greater write-downs which accompanied passages from impaired to non-performing status, due to the disposals concluded in the period relating to the former B@nca 24-7 and the former Centrobanca portfolios, written down on average by 63.3%. Impairment losses recognised on restructured loans increased in the second half as a consequence, amongst other things, of the reclassification out of impaired loans of positions in the former Centrobanca portfolio with a high degree of provisioning.

Forborne exposures as at 31st December 2014, identified by applying the rules given in Part A – Accounting Policies of the Notes to the Financial Statements, amounted to €472 million net, of which €208 million were classified within performing loans and €264 million within deteriorated loans.

Operations on the interbank market

The net interbank position of UBI Banca as at 31st December 2014 consisted of debt of €5.1 billion, down by more than half compared with €10.8 billion a year earlier. As shown in the table, it is the result of a positive balance on intragroup transactions of €5.3 billion, which improved significantly during the year, against a negative balance for business on the market of €10.4 billion (inclusive of LTRO and TLTRO refinancing operations with the ECB amounting to €7 billion[11] and €3.2 billion, respectively).
The change that occurred over twelve months is attributable to the decrease in debt both to central banks (-€1.9 billion), in relation to the partial early repayments carried out in the last quarter, and to counterparties within the Group (-€3.1 billion).

The centralisation at UBI Banca of bond issuances for ordinary customers originated by the network banks is reflected in the Parent's financial structure, which includes loans to banks (within the item intragroup securities), subscriptions – new and growing – of securities issued by subsidiary banks and a decline at the same time in intragroup funding due to a change in policy for the management of bond funding and liquidity

On the basis of the organisational structure in which UBI Banca plays a role of policy-making and co-ordination for the entire banking group, intragroup transactions are of strategic importance in the context of overall activities as they ensure proper centralised liquidity management and the settlement of intercompany cash flows. With the exception of IW Bank and the foreign subsidiaries, internal policies require the settlement of network bank and product company asset and liability positions with banking counterparties to be the sole result of transactions with the Parent. Those same policies set the relative terms and conditions.

If transactions within the Group and with central banks are excluded, the net debt position on the interbank market stood at approximately €0.6 billion, compared with a basically break-even balance at the end of 2013 (€6.7 million), due to a tendency of volumes of business to fall during the year especially with regard to assets.

Interbank market

Figures in thousands of euro	31.12.2014 A	30.9.2014 B	30.6.2014 C	31.3.2014 D	31.12.2013 E	Changes A/E amount	Changes A/E %
Loans and advances to banks	**14,055,649**	**13,841,245**	**15,450,016**	**14,460,750**	**13,487,366**	568,283	4.2%
of which:							
- loans to central banks	*528,311*	*557,090*	*600,376*	*239,831*	*776,842*	*-248,531*	*-32.0%*
- intragroup	*12,515,918*	*12,271,168*	*13,097,318*	*12,198,864*	*10,880,101*	*1,635,817*	*15.0%*
of which: intragroup securities	*5,733,044*	*5,660,990*	*4,562,111*	*4,254,091*	*3,094,120*	*2,638,924*	*85.3%*
Due to banks	**19,140,417**	**22,953,493**	**24,223,696**	**25,086,834**	**24,285,811**	-5,145,394	-21.2%
of which:							
- due to central banks	*10,305,964*	*12,184,683*	*12,180,750*	*12,173,833*	*12,166,333*	*-1,860,369*	*-15.3%*
- intragroup	*7,244,652*	*8,764,458*	*9,495,713*	*10,863,627*	*10,295,663*	*-3,051,011*	*-29.6%*
of which: subordinated deposits	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Net interbank position	**-5,084,768**	**-9,112,248**	**-8,773,680**	**-10,626,084**	**-10,798,445**	**-5,713,677**	**-52.9%**
of which: intragroup	*5,271,266*	*3,506,710*	*3,601,605*	*1,335,237*	*584,438*	*4,686,828*	*n.s.*
non-Group banks	*-10,356,034*	*-12,618,958*	*-12,375,285*	*-11,961,321*	*-11,382,883*	*-1,026,849*	*-9.0%*
Net interbank position excluding central banks and intragroup business	***-578,381***	***-991,365***	***-794,911***	***-27,319***	***6,608***	***-584,989***	***n.s.***

Loans and advances to banks came to €14.1 billion, up by €0.6 billion during the year: liquidity held with central banks in relation to the centralised compulsory reserve fell by €0.25 billion, while lending to other credit institutions increased by €0.8 billion, relating totally to business within the Group.

11 On 29th January 2015 the last €2 billion was repaid on the first LTRO refinancing operation, which UBI Banca had received on 21st December 2011.

As shown by an analysis of the types of lending summarised in table, changes in the latter aggregate were as follows:

- a reduction in current accounts (-€0.3 billion), fully offset by an increase in term deposits (+€0.4 billion) relating primarily to intragroup exposures;
- a significant reduction in other financing (-€1.9 billion), the result of a fall in reverse repurchase agreements (-€2.2 billion), of which -€1.3 billion due to business with Group banks[12] and the remainder to the absence of exposures to foreign counterparties in relation to uncovered short positions in French and German government securities, closed in the second half of the year;
- an increase in debt instruments (+€2.6 billion), consisting of network bank bonds subscribed by the Parent and used to finance their activities, as a result of the centralisation at UBI Banca of bond issuances for subscription by Group customers.

Loans to banks: composition

Figures in thousands of euro	31.12.2014	%	31.12.2013	%	Changes amount	Changes %
Loans to central banks	**528,311**	**3.8%**	**776,842**	**5.8%**	-248,531	-32.0%
Compulsory reserve requirements	528,311	3.8%	776,842	5.8%	-248,531	-32.0%
Loans and advances to banks	**13,527,338**	**96.2%**	**12,710,524**	**94.2%**	816,814	6.4%
Current accounts and deposits	2,767,764	19.7%	3,072,078	22.8%	-304,314	-9.9%
Term deposits	2,430,572	17.3%	1,994,591	14.7%	435,981	21.9%
Other financing	2,595,958	18.4%	4,545,725	33.7%	-1,949,767	-42.9%
- reverse repurchase agreements	*1,872,501*	*13.3%*	*4,110,910*	*30.5%*	*-2,238,409*	*-54.5%*
- other	*723,457*	*5.1%*	*434,815*	*3.2%*	*288,642*	*66.4%*
Debt instruments	5,733,044	40.8%	3,098,130	23.0%	2,634,914	85.0%
- structured securities (*)	*437,422*	*3.1%*	*402,486*	*3.0%*	*34,936*	*8.7%*
- other debt instruments	*5,295,622*	*37.7%*	*2,695,644*	*20.0%*	*2,599,978*	*96.5%*
Total	**14,055,649**	**100.0%**	**13,487,366**	**100.0%**	568,283	4.2%

(*) Mainly securities with an early redemption option

Funding from banks, which totalled €19.1 billion, fell by €5.1 billion compared with 31st December 2013 and was mainly the result of the trend for amounts due to banks (down by €3.3 billion to €8.8 billion), but was also due to the exposure to central banks (down by €1.8 billion to €10.3 billion, inclusive of interest accruing) which incorporated both the early repayment of the LTRO refinancing operation (€1 billion in October, €3 billion in November and €1 billion in December) and participation in the TLTRO auction in December for €3.2 billion.

Due to banks: composition

Figures in thousands of euro	31.12.2014	%	31.12.2013	%	Changes amount	Changes %
Due to central banks	**10,305,964**	**53.8%**	**12,166,333**	**50.1%**	-1,860,369	-15.3%
Due to banks	**8,834,453**	**46.2%**	**12,119,478**	**49.9%**	-3,285,025	-27.1%
Current accounts and deposits	2,408,747	12.6%	2,648,228	10.9%	-239,481	-9.0%
Term deposits	5,010,334	26.2%	7,548,582	31.1%	-2,538,248	-33.6%
Financing:	1,349,898	7.1%	1,681,052	6.9%	-331,154	-19.7%
- repurchase agreements	*613,158*	*3.2%*	*770,153*	*3.2%*	*-156,995*	*-20.4%*
- other	*736,740*	*3.9%*	*910,899*	*3.7%*	*-174,159*	*-19.1%*
Other payables	65,474	0.3%	241,616	1.0%	-176,142	-72.9%
Total	**19,140,417**	**100.0%**	**24,285,811**	**100.0%**	-5,145,394	-21.2%

As shown by the details in the table, the fall in funding from the banking counterparties is due primarily to a reduction in term deposits (-€2.5 billion over twelve months) and, more

12 The amount for reverse repurchase agreements outstanding at the end of 2014 was €1.9 billion and entirely intragroup. It included €1.4 billion relating to transactions with the network banks with securities issued as part of internal securitisations as the underlying, used by the Parent as collateral for refinancing operations with the ECB.

specifically, to a decrease in the intragroup positions with UBI Banca International[13], Banca Popolare di Ancona and Banca Carime.
The item financing, on the other hand, recorded a moderate fall (-€0.3 billion approx.) due to both a decrease in reverse repurchase agreements with subsidiaries (-€0.15 billion) and to a decline in the item financing – other (-€0.17 billion) in relation to the amortisation instalments of EIB grants used to support medium to long-term financing for SMEs (down €735 million from €910 million in December 2013).

Finally, other payables (€65 million) decreased as a result of credit card settlement arrangements with Istituto Centrale Banche Popolari, for which the balance fell to €37 million from €210 million at the end of 2013.

*

The table "Principal capital items with subsidiaries subject to control, joint control and significant influence", contained in part H of the notes to the financial statements, shows the role of UBI Banca as a net lender or net borrower of funds with regard to the banks in the Group, inclusive of any subscriptions of intragroup securities.

As at 31st December 2014, the net interbank balance of the Parent was positive with: Banca Regionale Europea (€2.6 billion), Banco di Brescia (€3 billion), Banca Popolare Commercio e Industria (€1.6 billion), Banca Popolare di Ancona (€1.5 billion) and Banca di Valle Camonica (€0.5 billion).
It was negative with: UBI Banca International (-€2.6 billion), IW Bank[14] (-€1.2 billion), Banca Carime[13] (-€0.6 billion) and UBI Banca Private Investment (-€0.1 billion).

* * *

Details of the liquidity reserve consisting of assets eligible for refinancing with the European Central Bank are given in the Consolidated Management Report which may be consulted.
Further information on liquidity risk management is also given in Part E, section 3 of the Notes to the Consolidated Financial Statements.

13 This Luxembourg bank transfers all surpluses, even temporary, of liquidity to the Parent and then draws on them on the basis of investment and commercial requirements expressed by its customers.
14 As at 31st December 2014, UBI Banca's debt to IW Bank and Banca Carime also consisted of debt securities issued subscribed by the two banks for €0.8 billion and €1.6 billion respectively.

Financial activities

The financial assets of UBI Banca as at 31st December 2014 totalled €23.4 billion, up €2.1 billion compared with the end of 2013. Net of financial liabilities of €0.7 billion, down by approximately 53% during the year, net financial assets stood at €22.7 billion (€19.7 billion a year earlier).

Financial assets/liabilities

Figures in thousands of euro	31.12.2014 Carrying amount (A)	%	30.9.2014 Carrying amount (B)	%	30.6.2014 Carrying amount (C)	%	31.3.2014 Carrying amount (D)	%	31.12.2013 Carrying amount (E)	%	Changes (A) / (E) amount	%
Financial assets held for trading	1,544,835	6.6%	1,119,978	5.1%	2,280,749	10.6%	4,011,024	17.7%	3,191,080	15.0%	-1,646,245	-51.6%
of which: financial derivatives contracts	*743,985*	*3.2%*	*715,936*	*3.3%*	*620,192*	*2.9%*	*575,987*	*2.5%*	*605,151*	*2.8%*	*138,834*	*22.9%*
Financial assets designated at fair value	193,167	0.8%	193,637	0.9%	192,408	0.9%	193,692	0.9%	208,143	1.0%	-14,976	-7.2%
Available-for-sale financial assets	18,066,883	77.3%	17,580,462	80.0%	15,996,041	74.3%	15,281,956	67.6%	14,753,276	69.5%	3,313,607	22.5%
Held-to-maturity investments	3,576,951	15.3%	3,076,556	14.0%	3,049,841	14.2%	3,113,263	13.8%	3,086,815	14.5%	490,136	15.9%
Financial assets (a)	**23,381,836**	**100.0%**	**21,970,633**	**100.0%**	**21,519,039**	**100.0%**	**22,599,935**	**100.0%**	**21,239,314**	**100.0%**	**2,142,522**	**10.1%**
of which:												
- debt instruments	*22,192,154*	*94.9%*	*20,869,714*	*95.0%*	*20,508,966*	*95.3%*	*21,381,286*	*94.6%*	*19,988,096*	*94.1%*	*2,204,058*	*11.0%*
of which: Italian government securities	*21,488,819*	*91.9%*	*19,975,426*	*90.9%*	*19,597,690*	*91.1%*	*20,441,219*	*90.4%*	*19,058,777*	*89.7%*	*2,430,042*	*12.8%*
- equity instruments	*195,523*	*0.8%*	*207,079*	*0.9%*	*202,318*	*0.9%*	*205,365*	*0.9%*	*216,395*	*1.0%*	*-20,872*	*-9.6%*
- Units in UCITS.	*250,174*	*1.1%*	*177,904*	*0.8%*	*187,563*	*0.9%*	*437,297*	*1.9%*	*429,672*	*2.0%*	*-179,498*	*-41.8%*
Financial liabilities held for trading (b)	**722,181**	**100.0%**	**675,565**	**100.0%**	**600,017**	**100.0%**	**1,513,524**	**100.0%**	**1,531,436**	**100.0%**	**-809,255**	**-52.8%**
of which: financial derivatives contracts	*722,181*	*100.0%*	*675,565*	*100.0%*	*600,017*	*100.0%*	*547,848*	*36.2%*	*551,829*	*36.0%*	*170,352*	*30.9%*
Net financial assets (a-b)	**22,659,655**		**21,295,068**		**20,919,022**		**21,086,411**		**19,707,878**		**2,951,777**	**15.0%**

The year 2014 was very favourable for Italian government securities, the prices of which reached record highs, assisted by a narrowing of the spread between BTPs and German Bunds, down from 215 basis points on 30th December 2013 to 134 basis points on 30th December 2014. The Italian market performed well, above all for long maturities and recently in the wake of expectations of monetary policy intervention under consideration by the ECB.

The Bank proceeded to profit-taking on the trading portfolio with substantial gains realised in the middle two quarters of the year.
On the other hand, in the AFS portfolio the Bank made investments in long-term Italian government securities and switches designed to lengthen maturities in order to take advantage of high yields with a view to supporting consolidated net interest income.

At the end of year, financial assets continued to consist principally (approximately 92% of the total) of Italian government securities, an increase year-on-year due to the investments mentioned above made in the AFS portfolio, which more than offset sales made in the trading portfolio.

No significant changes were recorded during the year in the remaining portfolios (held-to-maturity investments and financial assets designated at fair value): securities held to maturity reached maturity in November 2014 and were replaced by purchases for almost the same nominal amount (€3.050 billion).

Available-for-sale financial assets

"Available-for-sale financial assets" (AFS), asset item 40, are measured at fair value with the recognition of changes in a separate fair value reserve in equity, except for losses due to reductions in value that are considered significant or prolonged. In this case the reduction in value that occurred in the period is recognised through profit or loss, the amount being transferred from the negative or positive reserve that may have been recognised in equity previously. Following the recognition of impairment losses, recoveries in value continue to be recognised in the separate fair value reserve in equity if they relate to equity instruments and through profit and loss if they relate to debt instruments. Any decreases below the level of the previous impairment losses are recognised through profit and loss.
Definitions relating to the fair value hierarchy (levels one, two and three) are given in Section A.3 of Part A – Accounting Policies in the Notes to the Financial Statements.

Available-for-sale financial assets: composition

	31.12.2014				31.12.2013				Changes	
Figures in thousands of euro	L 1	L 2	L 3	Carrying amount	L 1	L 2	L 3	Carrying amount	amount	%
Debt instruments	16,921,010	899,134		17,820,144	13,470,640	845,777	4,050	14,320,467	3,499,677	24.4%
of which: Italian government securities	*16,648,018*	*469,455*	*-*	*17,117,473*	*12,963,648*	*428,129*	*-*	*13,391,777*	*3,725,696*	*27.8%*
Equity instruments	1,726	45	117,675	119,446	1,426	-	126,717	128,143	-8,697	-6.8%
Units in UCITS	83,882	43,411	-	127,293	254,639	50,027	-	304,666	-177,373	-58.2%
Financing	-	-	-	-	-	-	-	-	-	-
Total	**17,006,618**	**942,590**	**117,675**	**18,066,883**	**13,726,705**	**895,804**	**130,767**	**14,753,276**	**3,313,607**	**22.5%**

At the end of 2014 available-for-sale financial assets reached €18.1 billion, up by €3.3 billion compared with €14.8 billion in the previous December with the growth attributable to Italian government securities due to both new investments and to an overall appreciation in the relative fair value.
Buying and selling activity was concentrated primarily on BTPs. Net purchases were made for €0.9 billion nominal[1] in the second quarter and for €1.25 billion nominal net[2] in the third quarter, accompanied by a purchase of CTZs for €50 million, while new purchases of BTPs were made in the fourth quarter for €2 billion nominal against maturities of BOTs and CTZs for €1.77 billion nominal and marginal sales amounting to €50 million. As already mentioned, the increase in the book value of the portfolio also benefited from strong increases in the prices of BTPs.
As already reported, three switches were carried out during the year (one in the fourth quarter[3]) for a total price of €6.2 billion nominal, which allowed total gross gains of over €100 million to be realised (€63 million in the first half and approximately €40 million in the fourth quarter).

Other debt instruments (€703 million) fell during the year by €226 million due to redemptions and sales of bonds issued mainly by listed companies.

Investments in equity instruments (€119.4 million) recorded a marginal decrease (-€8.7 million) due to the disposal in December of the entire stake held (3.12% of the share capital) in SIA Spa (a book value of €17.9 million at the end of December 2013), classified within fair value level three. The effect of that sale was partially offset by both recoveries in value and new investments.

Finally units in UCITS fell from €304.7 million to €127.3 million and recorded the following:
- the sale in the second quarter of three ETF funds classified within fair value level one (a book value of €244 million at the end of 2013) with a gross gain of €19.7 million;
- the subscription of a new ETF fund for a price of €73.8 million in the fourth quarter.

Total property funds held in the portfolio in December 2014 amounted to €15.6 million (€16.1 million twelve months earlier).

1 In detail: purchases of €1.5 billion nominal and sales of €0.6 billion nominal, which allowed recognition of a gross gain in the income statement of €15.4 million.
2 In detail: purchases of €1.5 billion and sales of €0.25 billion, which allowed recognition of a gross gain in the income statement of €10.6 million.
3 The operation involved the sale of €3 billion nominal of BTPs, of which €2 billion nominal reinvested in the AFS portfolio and €1 billion nominal in the held-to-maturity portfolio.

Held-to-maturity investments

"Held-to-maturity investments", asset item 50, are comprised of financial instruments that an entity intends and is able to hold to maturity.
These assets are measured at amortised cost with the recognition of impairment losses, or recoveries in value when the reason for the impairment no longer exists, through profit or loss.

Held-to-maturity investments: composition

Figures in thousands of euro	31.12.2014					31.12.2013					Changes	
	Carrying amount	Fair value L 1	L 2	L 3	Total	Carrying amount	Fair Value L 1	L 2	L 3	Total	amount	%
Debt instruments	3,576,951	3,607,673	-	-	3,607,673	3,086,815	3,153,553	-	-	3,153,553	490,136	15.9%
of which: Italian government securities	*3,576,951*	*3,607,673*	-	-	*3,607,673*	*3,086,815*	*3,153,553*	-	-	*3,153,553*	*490,136*	*15.9%*
Financing	-	-	-	-	-	-	-	-	-	-	-	-
Total	**3,576,951**	**3,607,673**	**-**	**-**	**3,607,673**	**3,086,815**	**3,153,553**	**-**	**-**	**3,153,553**	**490,136**	**15.9%**

Until 15th November 2014 the portfolio was comprised of BTPs for €3 billion nominal purchased in the first quarter of 2012. In November and December the portfolio was fully reconstituted (a total investment of €3.050 billion nominal) by means of investments in BTPs with maturities between February 2020 and March 2022.

Financial instruments held for trading

Financial assets held for trading

Asset item 20, "Financial assets held for trading" (HFT), comprises financial trading instruments "used to generate a profit from short-term fluctuations in price". They are recognised at fair value through profit or loss – FVPL.
Definitions relating to the fair value hierarchy (levels one, two and three) are given in Section A.3 of Part A – Accounting Policies in the Notes to the Financial Statements.

Financial assets held for trading: composition

Figures in thousands of euro	31.12.2014				31.12.2013				Changes	
	L 1	L 2	L 3	Carrying amount	L 1	L 2	L 3	Carrying amount	amount	%
A. On-balance sheet assets										
Debt instruments	794,399	407	253	795,059	2,580,188	8	618	2,580,814	-1,785,755	-69.2%
of which: Italian government securities	*794,395*	-	-	*794,395*	*2,580,185*	-	-	*2,580,185*	-1,785,790	-69.2%
Equity instruments	4,504	-	445	4,949	3,864	-	445	4,309	640	14.9%
Units in UCITS	241	-	601	842	168	-	638	806	36	4.5%
Financing	-	-	-	-	-	-	-	-	-	-
Total (a)	**799,144**	**407**	**1,299**	**800,850**	**2,584,220**	**8**	**1,701**	**2,585,929**	**-1,785,079**	**-69.0%**
B. Derivative instruments										
Financial derivatives	777	741,828	1,380	743,985	158	604,993	-	605,151	138,834	22.9%
Credit derivatives	-	-	-	-	-	-	-	-	-	-
Total (b)	**777**	**741,828**	**1,380**	**743,985**	**158**	**604,993**	**-**	**605,151**	**138,834**	**22.9%**
Total (a+b)	**799,921**	**742,235**	**2,679**	**1,544,835**	**2,584,378**	**605,001**	**1,701**	**3,191,080**	**-1,646,245**	**-51.6%**

As at 31st December 2014, financial assets held for trading had been halved to €1.5 billion compared with €3.2 billion existing twelve months before: significant sales of Italian government securities were made in the portfolio in the second and third quarters with a view to realising a profit generated by narrowing spreads. Net disposals for €1 billion nominal were carried out between April and June[4] and for €1.25 billion nominal[5] in the third quarter. On the other hand, new investments in CTZ's for €0.4 billion nominal were made in the fourth quarter.

Equity instruments remained at a low level with no significant changes recorded: a total of €4.9 million at the end of 2014 compared with €4.3 million before, mainly classified in fair value level one.

Units in UCITS – relating to residual investments in hedge funds purchased before 30th June 2007 and still held – amounted to €0.8 million, unchanged compared with the end of 2013.

Finally, derivative instruments were held in portfolio amounting to €0.7 billion (€0.6 billion in December 2013), totally financial in nature, for which the changes must be interpreted in relation to the corresponding item recognised within financial liabilities held for trading.

The same section in the Consolidated Management Report may be consulted for details of the conclusion of litigation with companies in the Lehman Brothers Group.

Financial liabilities held for trading

Financial liabilities held for trading: composition

Figures in thousands of euro	31.12.2014 L 1	31.12.2014 L 2	31.12.2014 L 3	31.12.2014 Carrying amount	31.12.2013 L 1	31.12.2013 L 2	31.12.2013 L 3	31.12.2013 Carrying amount	Changes amount	Changes %
A. On-balance sheet liabilities										
Due to banks	-	-	-	-	959,994	-	-	959,994	-959,994	-100.0%
Due to customers	-	-	-	-	18,968	-	-	18,968	-18,968	-100.0%
Debt instruments	-	-	-	-	-	-	-	-	-	-
Total (a)	**-**	**-**	**-**	**-**	**978,962**	**-**	**-**	**978,962**	**-978,962**	**-100.0%**
B. Derivative instruments										
Financial derivatives	300	721,881	-	722,181	52	551,777	-	551,829	170,352	30.9%
Credit derivatives	-	-	-	-	-	-	645	645	-645	-100.0%
Total (b)	**300**	**721,881**	**-**	**722,181**	**52**	**551,777**	**645**	**552,474**	**169,707**	**30.7%**
Total (a+b)	**300**	**721,881**	**-**	**722,181**	**979,014**	**551,777**	**645**	**1,531,436**	**-809,255**	**-52.8%**

At the end of 2014 financial liabilities held for trading consisted exclusively of financial derivatives and had fallen to €0.7 billion from €1.5 billion before. On-balance sheet financial liabilities classified within fair value level one disappeared during the year following the closure in the second quarter of uncovered short positions on French, German and Italian government securities existing in December 2013 and amounting to €979 million (€958 million relating to foreign government securities, classified within the amounts due to banks and €21 million relating to Italian government securities).

4 In detail: net purchases for €0.8 billion nominal and net disposals for €1.8 billion nominal.
5 In detail: sales for €1.65 billion nominal and purchases for €0.4 billion nominal.

Financial assets designated at fair value

The item "financial assets designated at fair value" is comprised of financial instruments classified as such in application of the fair value option (FVO). These financial assets are recognised at fair value through profit or loss. Definitions relating to the fair value hierarchy (levels one, two and three) are given in Section A.3 of Part A – Accounting Policies in the Notes to the Financial Statements.

Financial assets designated at fair value: composition

	31.12.2014				31.12.2013				Changes	
Figures in thousands of euro	L 1	L 2	L 3	Carrying amount	L 1	L 2	L 3	Carrying amount	amount	%
Debt instruments	-	-	-	-	-	-	-	-		
Equity instruments	3,224	3,000	64,904	71,128	-	927	83,016	83,943	-12,815	-15.3%
Units in UCITS	116,802	-	5,237	122,039	117,129	-	7,071	124,200	-2,161	-1.7%
Financing	-	-	-	-	-	-	-	-	-	-
Total	**120,026**	**3,000**	**70,141**	**193,167**	**117,129**	**927**	**90,087**	**208,143**	**-14,976**	**-7.2%**

This item amounted to €193.2 million at the end of the year, slightly down on the amount in December 2013 (€208.1 million), mainly in relation to trends for equity instruments. The portfolio was composed as follows:

- equity instruments, held as part of merchant banking and private equity business, amounting to €71.1 million (€83.9 million in the comparative period). The largest change was recorded in fair value level three following the partial disposal (3.75% of the share capital) in the first quarter of the stake held in Humanitas Spa - with a consequent reduction in the carrying amount to €15.7 million. The sale was concluded in the second quarter of the entire interest (28.66% of the share capital) held in Manisa Srl: the relative consideration of €3.2 million was reinvested with the simultaneous subscription of "development shares" issued by Isagro Spa, recognised in fair value one. The increase recorded in fair value level two is attributable to the reversal of the impairment losses that had been recognised on an industrial investment in recent years;
- units in UCITS amounting to €122 million comprised listed Tages funds in fair value level one amounting to €116.8 million, almost unchanged year-on-year and hedge funds amounting to €5.2 million in fair value level three down compared with €7.1 million at the end of 2013, due mainly to partial redemptions of the fund received in the last quarter. Hedge funds are also present, amounting to €0.8 million, recognised within financial assets held for trading.

The same section in the Consolidated Management Report may be consulted for updates on litigation in progress resulting from the Madoff collapse.

Exposure to sovereign debt risk

UBI Banca: exposures to sovereign debt risk

Country / portfolio of classification figures in thousands of euro	31.12.2014			31.12.2013		
	Nominal amount	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value
- Italy	**18,799,190**	**21,530,758**	**21,561,480**	**18,191,069**	**19,066,235**	**19,132,973**
financial assets and liabilities held for trading (net exposure)	800,002	794,395	794,395	2,595,001	2,559,110	2,559,110
available-for-sale financial assets	14,915,005	17,122,835	17,122,835	12,570,005	13,391,777	13,391,777
held-to-maturity investments	3,050,000	3,576,951	3,607,673	3,000,000	3,086,815	3,153,553
loans and receivables	34,183	36,577	36,577	26,063	28,533	28,533
- Germany	**-**	**-**	**-**	**-600,000**	**-646,519**	**-646,519**
financial assets and liabilities held for trading (net exposure)	-	-	-	-600,000	-646,519	-646,519
- France	**-**	**-**	**-**	**-300,000**	**-311,368**	**-311,368**
financial assets and liabilities held for trading (net exposure)	-	-	-	-300,000	-311,368	-311,368
- Holland	**10**	**10**	**10**	**10**	**10**	**10**
loans and receivables	10	10	10	10	10	10
- Argentina	**2**	**2**	**2**	**2**	**1**	**1**
financial assets and liabilities held for trading (net exposure)	2	2	2	2	1	1
Total on-balance sheet exposures	**18,799,202**	**21,530,770**	**21,561,492**	**17,291,081**	**18,108,359**	**18,175,097**

Details of the UBI Banca exposures are given on the basis that, according to the instructions issued by the European supervisory authority (European Securities and Markets Authority, ESMA), "sovereign debt" is defined as debt instruments issued by central and local governments and by government entities and also as loans granted to them.

The book value of the sovereign debt risk exposures of UBI Banca as at 31st December 2014 amounted to €21.5 billion, up on €18.1 billion at the end of 2013.
The exposure was concentrated almost totally on Italian sovereign debt, for which the changes were the main cause of the increase recorded during the year. Although partially offset by the reduction in financial assets held for trading, growth in available-for-sale financial assets to support net interest income caused an increase of €2.5 billion in total national exposure.
Activity to finance Italian public administrations (€36.6 million) remained low.

On the other hand, exposures to Germany (€646.5 million) and France (€311.4 million) relating to uncovered short positions on government securities issued by the two countries were completely eliminated, closed in the second quarter of the year.

The table shows the distribution by maturity of Italian government securities held in portfolio.

UBI Banca: maturities of Italian government securities

Figures in thousands of euro	31.12.2014					31.12.2013				
	Financial assets held for trading (*)	Available-for-sale financial assets	Held-to-maturity investments	Carrying amount	%	Financial assets held for trading (*)	Available-for-sale financial assets	Held-to-maturity investments	Carrying amount	%
Up to 6 months	-	49,925		49,925	0.2%	-	-	-	-	-
Six months to one year	199,612		-	199,612	0.9%	1,437,603	163,870	3,086,815	4,688,288	24.6%
One year to three years	594,780	3,548,757	-	4,143,537	19.3%	1,126,778	6,019,350	-	7,146,128	37.5%
Three years to five years	-	7,730,427	-	7,730,427	36.0%	-	4,053,721	-	4,053,721	21.3%
Five years to ten years	1	3,395,529	3,576,951	6,972,481	32.5%	-21,075	1,251,004	-	1,229,929	6.5%
Over ten years	2	2,392,834	-	2,392,836	11.1%	15,804	1,903,832	-	1,919,636	10.1%
Total	**794,395**	**17,117,472**	**3,576,951**	**21,488,818**	**100.0%**	**2,559,110**	**13,391,777**	**3,086,815**	**19,037,702**	**100.0%**

(*) Net of the relative uncovered short positions.

UBI Banca

The six months to one year group was reduced almost totally to zero during the year as a result of both sales carried out in the trading portfolio and the maturity of securities held to maturity.

As much as 87.8% (65.3% at the end of 2013) of the maturities are concentrated in maturities ranging from one to ten years, affected by both investments in the AFS portfolio (concentrated mainly in the three years to five years Group) and by the replacement within the held to maturity portfolio of securities that had matured with new investments falling within the five years to ten years Group.

The percentage of securities with maturities longer than ten years remained more or less unchanged (11.1% compared with 10.1% before).

As at 31st December 2014 the average life of the trading portfolio was 1.43 years (1.6 years at the end of 2013), that of the AFS portfolio was 6.11 years (6 years) and that of the held-to-maturity portfolio was 5.79 years (0.9 years).

* * *

With a view to greater transparency on credit risk exposures consisting of debt instruments other than sovereign debt – as requested by the European Securities and Markets Authority (ESMA) in Document No. 725/2012 of 12th November 2012 – a table has been provided summarising total debt instruments other than sovereign debt recognised among the assets of the UBI Banca balance sheet (available-for-sale financial assets, financial assets held for trading, loans and advances to banks and loans and advances to customers).

The book value of those investments totalled €6.5 billion (€4.4 billion in December 2013): this change is attributable to growth in securities issued by Italian banks of which €5.7 billion (€3.1 billion a year before) was subscribed as part of intragroup interbank activity.

Debt instruments other than government securities recognised within assets

Figures in thousands of euro	31.12.2014			
Issuer	**Nationality**	**Carrying amount**	**Fair Value**	**Nominal amount**
Corporate	Italy	190,916	186,202	187,599
Corporate	France	43,967	43,967	40,000
Corporate	Luxembourg	27,893	27,893	24,715
Corporate	Holland	28,073	28,073	26,150
Corporate	United Kingdom	10,111	10,111	8,987
Corporate	Spain	22,640	22,640	20,271
Corporate	Hungary	10,226	10,226	10,000
Corporate	United States	10,935	10,935	10,000
Total Corporate		**344,761**	**340,047**	**327,722**
Banking	France	-	-	-
Banking	Germany	2	2	3
Banking	Italy	6,165,609	6,167,915	6,136,931
Banking	Luxembourg	21,552	21,552	18,000
Banking	United Kingdom	10,381	10,381	10,000
Banking	Cyprus	66	66	9,500
Banking	Sweden	-	-	-
Total Banking		**6,197,610**	**6,199,916**	**6,174,434**
E.I.B.	Luxembourg	3	3	2
Total Supranational		**3**	**3**	**2**
Total debt instruments		**6,542,374**	**6,539,966**	**6,502,158**

Finally to complete the disclosures required by the ESMA, in December 2014 (as also in December 2013), UBI Banca held no credit default products, nor did it carry out any transactions in those instruments during the year, either to increase its exposure or to acquire protection.

Equity and capital adequacy

The equity of UBI Banca as at 31st December 2014 inclusive of profit for the year, amounted to €8,566.7 million compared with €9,231.8 million at the end of 2013.

Valuation reserves: composition

Figures in thousands of euro	31.12.2014	31.12.2013
Available-for-sale financial assets	143,045	-167,049
Currency translation differences	-243	-243
Actuarial gains/losses for defined benefit pension plans	-8,844	-6,265
Special revaluation laws	30,993	30,993
Total	**164,951**	**-142,564**

As shown in the statement of changes in equity as at 31st December 2014 and in the statement of comprehensive income contained among the separate financial statements, the decrease of €665.1 million that occurred over twelve months during the year is attributable to:

- the allocation of profit for 2013 and reserves of retained earnings for the payment of a dividend and other purposes totalling approximately the €55 million;
- an aggregate increase in the valuation reserve of approximately €307.5 million, consisting of +€310.1 million relating to available-for-sale financial assets and -€2.6 million relating to actuarial losses on defined benefit plans;
- an increase of €0.8 million following the grant of shares to the Senior Management of the Group in relation to incentive schemes;
- recognition of a loss for the year of €918.4 million.

Fair value reserves of available-for-sale financial assets: annual changes

Figures in thousands of euro	Debt instruments	Equity instruments	UCITS units	Financing	Total
1. Opening balances al 1st January 2014	**-251,345**	**69,031**	**15,265**	**-**	**-167,049**
2. Positive changes	**368,799**	**5,660**	**5,796**	**-**	**380,255**
2.1 Increases in fair value	338,577	3,540	5,780	-	347,897
2.2 Transfer to income statement of negative reserves	4,595	2,115	-	-	6,710
- following impairment losses	-	2,115	-	-	2,115
- from disposal	4,595	-	-	-	4,595
2.3 Other changes	25,627	5	16	-	25,648
3. Negative changes	**-43,208**	**-15,313**	**-11,640**	**-**	**-70,161**
3.1 Decrease in fair value	-3,683	-	-718	-	-4,401
3.2 Impairment losses		-	-114	-	-114
3.3 Transfer to the income statement of positive reserves	-33,208	-11,407	-9,620	-	-54,235
3.4 Other changes	-6,317	-3,906	-1,188	-	-11,411
4. Closing balances as at 31st December 2014	**74,246**	**59,378**	**9,421**	**-**	**143,045**

As shown in the table, the total increase of €310.1 million in the "fair value reserve for available-for-sale financial assets" reflects the significant increases in the fair value of debt securities held in portfolio (net of tax), as a result of the progressive improvement in prices on financial markets attributable, amongst other things, to the action taken by the ECB.

More specifically, the reserve relating to those assets, which became positive, saw its balance improve by €325.6 million, with increases in fair value of €338.6 million of which 95% relating to Italian government securities. The reserve for government securities therefore rose from -€244 million in December 2013 to +€68.5 million at the end of 2014.

Fair value reserves for available-for-sale financial assets: composition

Figures in thousands of euro	31.12.2014 Positive reserve	31.12.2014 Negative reserve	31.12.2014 Total	31.12.2013 Positive reserve	31.12.2013 Negative reserve	31.12.2013 Total
1. Debt instruments	253,440	-179,194	74,246	82,218	-333,563	-251,345
2. Equity instruments	59,396	-18	59,378	71,290	-2,259	69,031
3. Units in UCITS	10,165	-744	9,421	15,478	-213	15,265
4. Financing	-	-	-	-	-	-
Total	**323,001**	**-179,956**	**143,045**	**168,986**	**-336,035**	**-167,049**

The item "transfer to income statement of negative reserves", amounting to €4.6 million, related entirely to the sale of securities.
Decreases included reductions in fair value mainly relating to government securities and also "transfers to the income statement of positive reserves from disposals" of €33.2 million, of which over 80% relating to the disposal of government securities.
Finally, the other increases and decreases of +€25.6 million and -€6.3 million respectively are primarily due to the recognition of IRAP (regional production tax) deferred tax assets not recognised in previous years on the balance in the AFS securities reserve existing as at 31st December 2013.

As concerns equity instruments, the table shows increases in fair value of €3.5 million mainly in relation to the stake held in S.A.C.B.O. and "transfers to the income statement of negative reserves following impairment losses" of €2.1 million relating almost entirely to the stake held in Autostrada Pedemontana Lombarda.

Decreases included "transfers to the income statement of positive reserves" of €11.4 million, attributable entirely to the disposal of the stake held in SIA.

As concerns units in UCITS, movements in the relative reserve consisted mainly of increases in fair value of €5.8 million and of "transfers to the income statement of positive reserves" of €9.6 million attributable to the disposal of three ETF funds.

As shown in Section 2, Part F of the Notes to the Financial Statements, at the end of 2014 the own funds of UBI Banca – calculated according to the new prudential regulations for banks and for investment companies which came into force on 1st January 2014 (known as Basel 3) – totalled €10,510 million, of which €8,298 million was Common Equity Tier 1 capital.

Capital requirements for credit risk, credit valuation adjustment risk, market risk and operational risk – details of which are given in that same section of Part F – totalled €1,919 million, to give a Common Equity Tier 1 capital ratio of 34.60%, a Tier 1 capital ratio of 34.60% and a total capital ratio of 43.82%.

Relations with Group member companies

Details of relations with companies in the Group are given in part H of the notes to the financial statements as part of the information on related parties, distinguishing between subsidiaries (fully consolidated line-by-line) and associates (consolidated using the equity method

Transactions with related parties and with connected parties

Related parties

With Resolution No. 17221 of 12th March 2010 – amended by the subsequent Resolution No. 17389 of 23rd June 2010 – the Consob (Italian securities market authority) approved a Regulation concerning related-party transactions. The regulations concern the procedures to be followed for the approval of transactions performed by listed companies – such as UBI Banca – with parties with a potential conflict of interest, including major or controlling shareholders, members of the management and supervisory bodies and senior managers including their close family members.
The information pursuant to article 5, paragraph 8 of the aforementioned Consob Resolution 17221/2010 and in particular that concerning transactions of "greater importance" concluded by UBI Banca with related parties in 2014, is reported in the consolidated management report, which may be consulted.

In compliance with IAS 24, Part H of the Notes to the Financial Statements also provides information on balance sheet and income state transactions between UBI Banca and its related parties and those items as a percentage of the total for each item in the financial statements.

Connected parties

In implementation of article 53, paragraphs 4 *et seq* of the Consolidated Banking Act and Inter-Ministerial Credit Committee Resolution No. 277 of 29th July 2008, on 12th December 2011 the Bank of Italy issued the ninth update of the "New regulations for the prudential supervision of banks" (published in the Official Journal of 16th January 2012) regarding risk assets and conflicts of interest concerning parties connected to banks or banking Groups, where connected parties are defined as a related party and all the parties connected to it.
The new regulations are designed to guard against the risk that the closeness of persons to decision-making centres might compromise the objectivity and impartiality of decisions concerning loans to and/or other transactions with the those persons.
The first measure therefore regards the introduction of supervisory limits for risk assets (of a bank and/or of a group) lent to connected parties. The limits differ according to the type of related party, with stricter levels for relations between banks and industry.
The supervisory limits are supplemented in the regulations with special approval procedures, together with specific recommendations concerning organisational structure and internal controls.

In compliance with the provisions of Title V, Chapter 5, of circular No. 263 of 27th December 2006, UBI Banca has adopted specific "Regulations for transactions with Connected Parties of the UBI Group" containing measures concerning "risk assets and conflicts of interest with regard to connected parties". These regulations which govern procedures designed to preserve the integrity of decision-making processes concerning transactions with connected parties carried out by UBI Banca.
On 15th May 2012 the Supervisory Board resolved that at UBI Banca the new "Connected Parties Committee" should be the same as the pre-existing "Related Parties Committee", created in accordance with Consob (Italian securities market authority) provisions and with the regulations governing related party transactions by a resolution of that same Supervisory

Board on 24th of November 2010. It therefore took the name "Related and Connected Parties Committee".

UBI Banca has always been within the limits laid down by supervisory regulations in all the quarterly reports to the Supervisory Board made from 31st March 2014 until 31st December 2014.

***

Further information is given on the Related and Connected Parties Committee in the "Report on corporate governance and the ownership structure of UBI Banca Scpa" contained in another part of this publication in which information is also given on internal policies on controls for risk assets and conflicts of interest relating to connected parties.

Share performance and shareholder structure

Share performance

The UBI Banca share is traded on the *Mercato Telematico Azionario* (electronic stock exchange) of Borsa Italiana in the blue chip segment and forms part of the 40 shares in the FTSE/Mib Index.

Performance comparisons for the Unione di Banche Italiane share

Amounts in euro	30.12.2014 A	30.9.2014 B	30.6.2014 C	31.3.2014 D	30.12.2013 E	% change A/E	2.4.2007 F	% change A/F
Unione di Banche Italiane shares								
- official price	5.967	6.568	6.332	6.774	4.924	21.2%	21.486	-72.2%
- reference price	5.960	6.660	6.320	6.840	4.936	20.7%	21.427	-72.2%
FTSE Italia All-Share index	20,138	22,030	22,585	23,143	20,204	-0.3%	42,731	-52.9%
FTSE Italia Banks index	13,407	15,027	15,058	16,611	12,553	6.8%	54,495	-75.4%

Source Datastream

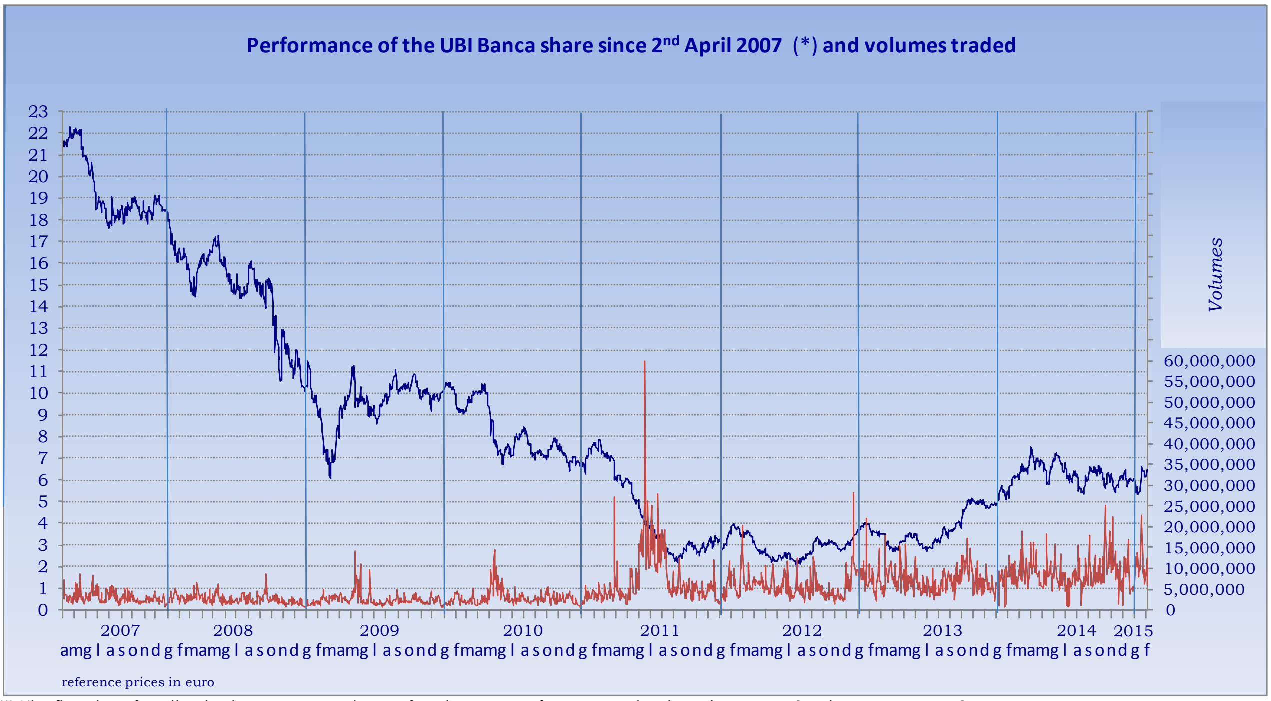
In 2014, stock markets, and European stock markets in particular, recorded a succession of peaks and troughs. The general rise in share indices in the first half of 2014 was followed firstly by a slight fall in prices in the third quarter and then in the final part of year by a further slide due to the considerable instability generated by political tensions (Greece) and by the weak economic situation in the euro zone.
The year 2015 also began with volatility, in a climate of expectations of desired action by the European Central Bank. Confirmation on 22nd January that a quantitative easing programme would be launched led to appreciable rises on all European stock markets. The UBI Banca share, which was also positively affected by the approval in a meeting of the Council of Ministers on 20th January of a decree law obliging the larger "popular" banks[1] to transform into joint stock companies, climbed back above €6 in the last part of January.

As concerns the main stock market indices, the FTSE Italia All-Share ended the year basically stable (-0.3%), while the FTSE Italia Banche recorded a modest rise of 6.8%.
In this context, even in the presence of a certain degree of volatility which affected the banking sector generally in the last quarter, the UBI Banca share recorded substantial progress over twelve months (an increase of 21.2% in the official price) compared with market indices.

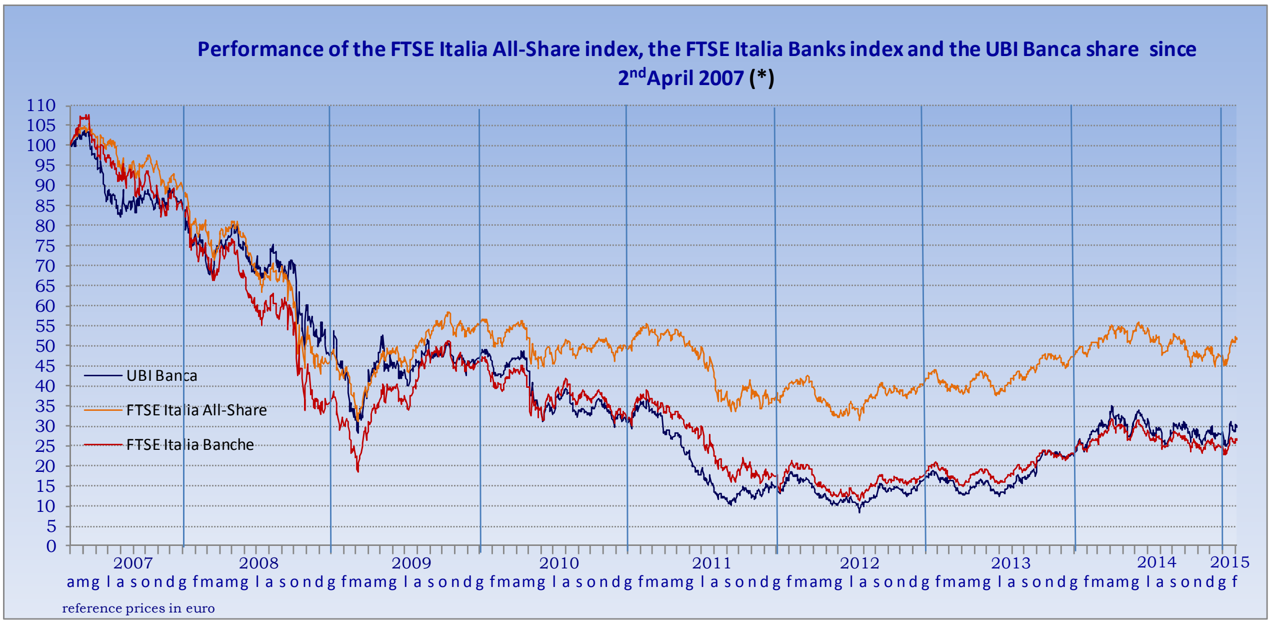
Trading in UBI Banca shares on the electronic stock market in 2014 involved approximately 2.3 billion shares for €14.2 billion (1.8 billion shares traded for approximately €7 billion in 2013).

As a result of the performance described above, at the end of the year the stock market capitalisation (calculated on the official price) had risen to €5.4 billion from €4.4 billion in December 2013, which confirmed UBI Banca in third place among listed Italian commercial banking groups[2] and in first place among "popular" banks.
At European level, the UBI Group was again among the first 45 institutions on the basis of the classification drawn up by the Italian Banking Association in its European Banking Report, which considers the EU15 countries plus Switzerland[3].

1 Banks with assets of greater than €8 billion.
2 The Group is positioned in fourth place if all listed banking groups are considered.
3 EBR International Flash, January 2015.



(*) The first day of trading in the UBI Banca share, after the merger of Banca Lombarda e Piemontese Spa into BPU Banca Scpa.
The peaks recorded in volumes traded in 2011 reflect the announcement, the implementation and the conclusion of the increase in UBI Banca's share capital by €1 billion.



(*) The first day of trading in the UBI Banca share, after the merger of Banca Lombarda e Piemontese Spa into BPU Banca Scpa.

The main information concerning the UBI Banca share is summarised below, along with the principal stock market indicators, which have been calculated using consolidated figures.

The UBI Banca share and the main stock market indicators

	2014	2013
Number of outstanding shares at the end of year	901,748,572	901,748,572
Average price of the UBI share *(average of the official prices quoted daily by Borsa Italiana Spa)* - in euro	6.193	3.734
Minimum price (recorded during trading) - in euro	4.824	2.636
Maximum price (recorded during trading) - in euro	7.545	5.220
Dividend per share - in euro	0.08	0.06
Dividend yield *(dividend per share/average price)*	1.29%	1.61%
Total dividends - in euro (*)	72,021,230	54,002,914
Book Value *(consolidated equity attributable to shareholders of the Parent excluding profit for the year / Number of shares)* - in euro	10.87	11.19
Book value calculated by deducting goodwill attributable to the shareholders of the Parent from consolidated equity - in euro	9.29	8.50
Book value calculated by deducting intangible assets attributable to the shareholders of the Parent from consolidated equity - in euro	8.98	8.09
Stock market capitalisation at the end of the year (official prices) - in millions of euro	5,381	4,441
[Stock market capitalisation at the end of the year / (consolidated equity attributable to the shareholders of the Parent excluding profit for the year)]	0.55	0.44
Price/book value calculated by deducting goodwill attributable to the shareholders of the Parent from consolidated equity	0.64	0.58
Price / book value calculated by deducting intangible assets attributable to the shareholders of the Parent from consolidated equity	0.66	0.61
EPS - Earning per share *(consolidated net profit / loss per share pursuant to IAS 33)* - in euro annualised	-0.8070	0.2689

(*) The total dividend payout for 2014 was calculated on the 900,265,380 shares outstanding on the date of the approval of the proposal to declare a dividend by the Management Board. That number does not include the 1,483,192 treasury shares held in portfolio on that same date.
The total dividend payout for 2013 was calculated on the 900,048,572 shares outstanding net of treasury shares repurchased 1,700,000).

The indicators for 2014 have been calculated using consolidated equity net of the loss for the period to give a more appropriate indication of the capital value of the share and of the price/book value.

Report on corporate governance and the ownership structure

The share capital of UBI Banca as at 31st December 2014 amounted to €2,254,371,430 (unchanged at the date of this report) consisting of 901,748,572 ordinary shares all with normal dividend entitlement from 1st January 2014.

As already reported, current legislation on Italian 'popular' co-operative banks (article 30 of the consolidated banking act, Legislative Decree No. 385/1993), also referred to in article 18 of the Articles of Association, limits the percentage interest of the share capital that may be owned by both registered and unregistered shareholders to 1% of the share capital. This limit on the size of shareholdings does not apply to collective investment companies, which are subject to the limits laid down in their own rules. Furthermore, according to the Articles of Association (article 8, paragraph 2), acceptance as a registered shareholder is subject not only to the possession of subjective requirements, but also to possession of a minimum number of shares, which, if no longer held, results in the loss of registered shareholder status.
Each registered shareholder has one vote no matter how many shares are possessed.

In order to strengthen the banking sector and to bring it into line with the European scenario, on 20th January 2015 the Council of Ministers approved a Decree Law entitled "Urgent measures for the banking system and investments".
Article 1 of the text of the decree, which came into force on 25th January after publication in the Official Journal, provides for the reform of "popular" banks. More specifically, article 29 of the consolidated banking act is amended with a new paragraph 2 *bis* which sets a limit of €8 billion of assets for "popular banks and in paragraph 2 *ter* states that if that limit is exceeded a shareholders' meeting must be convened to transform the bank into a joint stock company. On initial application of the decree, the adoption of a new legal form by "popular" banks must be resolved within a maximum time limit of 18 months from the entry into force of the Bank of Italy provisions for implementation.

Under Article 120, paragraph 2 of the Consolidated Finance Act (Legislative Decree No. 58/1998), persons holding more than 2% of the share capital in a share issuer which has Italy as its member state of origin and which is not an SME must notify this to the company and to the Consob (Italian securities market authority).

On the basis of reports received, at the date of this report, investments of greater than 2% were as follows:

- Silchester International Investors LLP, with 4.903% of the share capital held for asset management purposes (reported on 18th March 2014);
- BlackRock Inc., with 4.951% of the share capital held through its asset management companies (reported on 26th March 2013);
- Cassa di Risparmio di Cuneo Foundation with 2.230%[4].

Paragraphs 7 and 8 of article 119 bis *("Exemptions") of the Issuers' Regulations state that asset management companies and qualified parties who have acquired investments of greater than 2% and less than 5% of the share capital of a listed issuer as part of their management activities are not required to make reports to the Consob and the investee. This exemption also applies to non-EU investors on condition that in their country of origin they are subject, as part of their asset management activities, to forms of supervision by government control authorities or by a government-recognised authority.*

It follows from the above that the percentage interests reported may no longer be those actually held if a change has occurred in the meantime which does not involve disclosure obligations by the shareholders.

The Bank has proceeded, on the basis of data relating to dividend collection, to send communications to inform all those concerned of the prohibition on holding more than 1% of the share capital, asking them to dispose of the part in excess within twelve months of that notification.

On the basis of an updating of the shareholders' register, registered shareholders numbered 79,237 as at 31st December 2014 (94,544 at the end of 2013)[5]. From information acquired when dividend payments were made (19th May 2014, the ex dividend date) which included shareholders not listed in the shareholders' register, registered and unregistered shareholders together numbered just over 155 thousand (approximately 151 thousand when the 2013 dividend was paid).

According to the results of the most recent survey concluded at the end of October 2014 on shareholders, institutional investors identified by name held over 42% of the share capital. This percentage is distributed geographically as follows: approximately 32% in the United Kingdom, 25.8% in the USA, 19.5% in Italy, 17.8% in the rest of continental Europe and 4.9% in the rest of the world.

Finally, the Report on Corporate Governance and Ownership Structure attached to this publication and also published on the corporate website at www.ubibanca.it in the corporate governance section, under corporate documents, may be consulted for other information pursuant to article 123-*bis* of Legislative Decree No. 58 of 24th February 1998 (Consolidated Finance Act), which includes compliance with the Corporate Governance Code for listed companies established by Borsa Italiana and public access to the relative information.

Treasury shares

As at 31st December 2014 UBI Banca held 1,483,192 treasury shares with no nominal value accounting for 0.16% of the share capital, for the sole purpose of servicing incentive schemes for the Senior Management of the Group.
As already reported, at the end of 2013 treasury shares held in portfolio numbered 1,700,000, purchased to implement shareholders' resolutions of 30th April 2011 (1,200,000 shares) and 28th April 2012 (500,000 shares).
On 1st July 2014 UBI Banca granted 216,808 treasury shares under the 2011 incentive scheme, having reached the end of the retention period of two years from the date of grant

4 By taking advantage of the option provided for by paragraph 2-*bis* of article 30 of the consolidated banking act, the Articles of Association of UBI Banca have set a maximum limit of 3% on the investment that may be held by foundations of banking origin pursuant to Legislative Decree No. 153 of 17th May 1999 which on 19th December 2012 held an investment in the share capital of greater than 1%, if exceeding that limit was the result of business combination transactions, while it is understood that the investment may not be increased.

5 At the date of this report registered shareholders numbered 80,114.

(2012) for the upfront component to be paid in financial instruments (as provided for by Group remuneration and incentive policies).
At the end of 2014 approximately 40% of the 1,483,192 treasury shares were already committed as follows:
- 144,538 shares relating to the deferred portion (a retention period of four years following the year of grant) of the 2011 incentive scheme;
- 89,010 shares to cover the 2012 incentive scheme;
- 114,714 shares to cover the 2013 incentive scheme;
- 232,676 shares, estimated on the basis of preliminary figures subject to modifications, in relation to the 2014 incentive scheme.

The remaining shares (902,254) may therefore be used to service annual incentive schemes in subsequent years, subject to these qualifying for share grants.

Report on the admission of new registered shareholders

(pursuant to Art. 2528, paragraph five of the Italian Civil Code)

In 2014 applications for registration in the shareholders' register submitted to the Management Board totalled 7,808 (14,213 in 2013, 8,081 in 2012), all fully accepted. In detail, 7,722 applications were received by banks in the Group, while the remaining 86 were received through other intermediaries.
Admissions of new registered shareholders were decided subject to prior assessment of the applications in compliance with articles six and nine of the Articles of Association. In compliance with article 8, paragraph 2 of those Articles of Association, it was also verified that all applicants could demonstrate that they possessed at least 250 shares of UBI Banca.

In 2014 registered shareholders decreased by a total of 15,307 mainly due to removals carried out in accordance with article 8, paragraph 2 of the Articles of Association mentioned above, but also due to removal as a result of inheritance or by personal initiative of the registered shareholder, although there were some reinstatements following demonstration of possession of the shares.

As already reported, following amendments to the Articles of Association approved by the Supervisory Board on 13th February 2014 designed to add to article 8 ex lege in order to implement provisions concerning acceptance as a registered shareholder and loss of that status, registered shareholders were removed from the register during the year on two separate occasions because they failed to possess the minimum shareholdings required.
The first removal was recorded in the minutes of the Management Board meeting held on 24th April 2014, in relation to the conclusion of the transition period granted for compliance with the minimum shareholding requirement to maintain registered shareholder status and it involved 20,553 registered shareholders. The second was recorded in the minutes of the board meeting held on 11th November 2014 and it involved 2,155 registered shareholders.

Report on mutual objects

(in accordance with Art. 2545 of the Italian Civil Code)

UBI Banca is a major player in the network of economic and social relations of the communities in which it operates, consistent with its key objectives and the values and principles of its Code of Ethics.

Consistent with the mutual objects of its institutional model, the Bank provides a set of concessions and insurance policies (UBI Club) for its registered shareholders and it participates actively in the economic and social development of the local communities in which it operates. This active participation is carried out both by focusing on commercial activities at the service of families, small and medium-sized enterprises and nonprofit organisations – with specific commercial initiatives to support the weaker groups in society – and also by supporting local Church and non-church associations by means of donations and sponsorships of a social nature, which includes drawing from specific reserves of profits required by the Articles of Association.

Commercial initiatives undertaken (described in detail in the Social Report which may be consulted) include the following:

- co-operation with trade associations and guarantee bodies, in order to better direct the Bank's operations to assist local business communities (convention agreements to grant ordinary and specific loans to increase the competitiveness of SMEs);
- involvement in national and/or specific local initiatives to support families and businesses in difficulty hit by the continuing economic crisis or natural disasters;
- UBI Community services for third sector organisations, important protagonists for social development and cohesion, with which the Group has a market share for funding and lending that is constantly higher than the average nationally;
- initiatives to assist persons who experience difficulty in accessing banking services by removing physical barriers (e.g. Bancomat ATMs and commercial websites with features appropriate for the partially and the non-sighted) and linguistic barriers (e.g. through the multilingual product range on the Group commercial website and multilingual support on a special toll-free number).

As concerns the social commitment of the Group, UBI Banca, the network banks and the foundations originated by the Group (the latter are completely independent and operate exclusively in compliance with the regulations of their own articles of association) contribute to the life of numerous church and non-church organisations distributed throughout the community by means of a whole series of interventions in the following fields: social, recreational and sport; welfare and solidarity; education and training; culture, university and research; restoration of artistic heritage and the protection of the environment.

The section of the consolidated management report on social and environmental responsibility and the Social Report may be consulted for greater details and figures on commercial activity and social initiatives.

De jure and delegated powers of the corporate bodies

(Consob - Italian securities market authority - recommendation No. 97001574 of 20th February 1997)

Information concerning the powers of the governing bodies of Unione di Banche Italiane Scpa, as required under Consob (Italian securities market authority) Recommendation No. 97001574 of 20th February 1997 is contained in the "Report on corporate governance and the ownership structure of UBI Banca" attached to this publication.

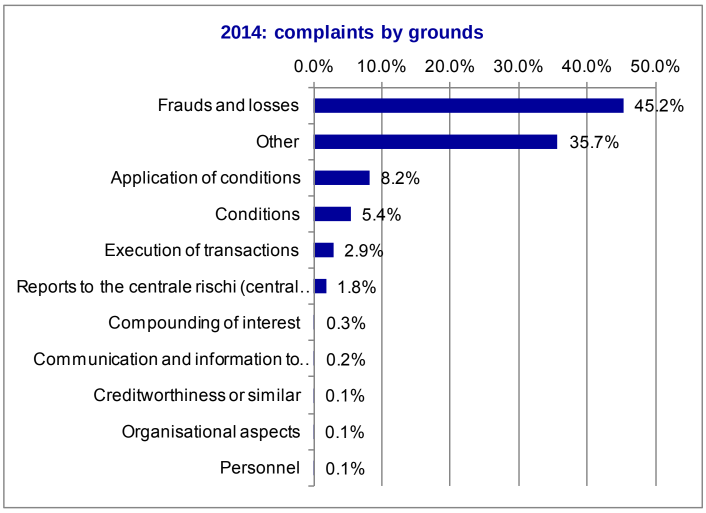
Other information

Litigation

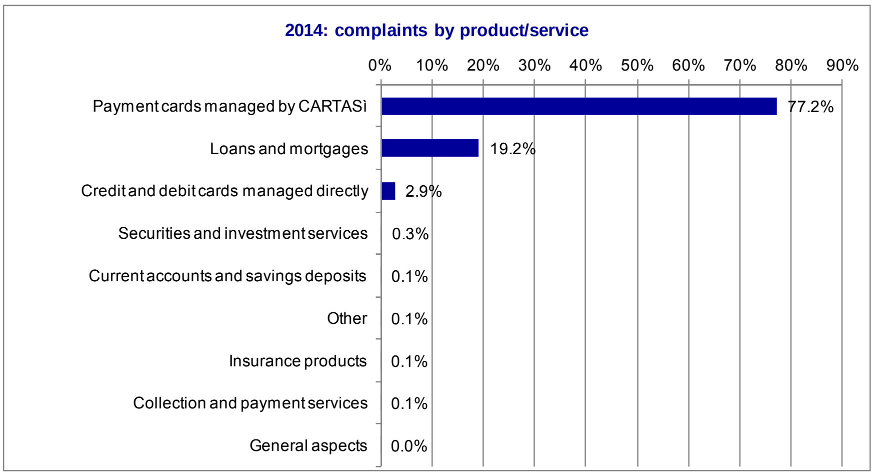
Information is reported on UBI Banca tax litigation in the Notes to Financial Statements, Part B – Section 12 of Liabilities. The corresponding section in the Notes to the Consolidated Financial Statements may be consulted for details of other litigation.

Complaint management

The organisational model adopted by the UBI Banca Group for complaint management assigns responsibility to the Parent for the direct management of the complaints that regard it, together with those relating to the former B@nca 24-7's activities as a result of the merger that took place in 2012 and to the former Centrobanca, merged in 2013.
As concerns the credit card segment for which the Parent is the issuer, UBI Banca makes recourse to a specialist partnership with CartaSì for first instance management of complaints with customers.
As concerns the network banks and product companies, the Parent plays the role of policy-making and co-ordination for units responsible for complaints management.



The changes made to the Parent's organisational structure from 14th July 2014, in relation to the "New regulations for the prudential supervision of banks – System of internal controls, the reporting system and operational continuity" (Bank of Italy Circular No. 263 of 2nd July 2013 – 15th update) resulted in reallocation of complaint management activities to the renamed Money Laundering and Claims Risk Control Area, which reports directly to the Chief Risk Officer.



UBI Banca received 4,956 complaints in 2014 (3,888 in 2013), concentrated above all in the credit card segment with 3,828 complaints, with first instance management by the Carta Sì service and 952 first instance complaints in the loan segment. A further 143 complaints in the payment card sector (managed directly by UBI Banca) must be added to those figures, while the other complaints relate to other products and services.

The composition of complaints on the basis of the product and/or service supplied daily reflects the Parent's business areas with a concentration in the two groups concerned.

During the year UBI Banca processed a total of 5,092 complaints (approximately 99% of the complaints managed) with approximately 63% resolved in favour of customers (in 2013, 68% were resolved in favour of customers).

The underlying causes of the complaints are analysed in the chart, which summarises the general situation.

In addition to first instance complaints, complaints management also involved repeat complaints which are managed directly by the Parent.
In the period 165 repeat complaints, 119 appeals to the Financial Banking Arbitrator and 26 applications to the supervisory authorities (Bank of Italy and Consob) were received. To manage these 271 repeat complaints were processed (95% of the total managed) with 119 complaints accepted (44% of those processed), down compared with 53% accepted in 2013.

The reintroduction of compulsory mediation procedures at the end of 2013 had its effects during the year. The Parent recorded a significant increase in applications for mediation, numbering 206 compared with 18 in 2013, of which 190 fully processed with just twelve cases where payments were made to the customer.

Principal risks and uncertainties to which UBI Banca is exposed

As the Parent of the Group, UBI Banca is responsible for assessing capital adequacy at consolidated level (ICAAP – Internal Capital Adequacy Assessment Process) and its duty is to carry out the risk measurement, monitoring and management functions listed in the corresponding section of the Consolidated Management Report, which may therefore be consulted for a detailed description of these duties and also of the principal uncertainties.

Subsequent events and the business outlook

The main significant events occurring after the end of the year are reported in the notes to the financial statements (Part A – Accounting Policies), in compliance with Bank of Italy Circular No. 262 of December 2005 and subsequent amendments.

The corresponding section of the consolidated management report may be consulted for information on the business outlook.

Proposal to replenish the loss for the year and the declaration of a dividend

Consideration has been given to reserves in equity for the purposes of replenishing the loss for the year of €918,436,688.78 as reported in the notes to the financial statements (Part B, Section 14.4 of Liabilities[36]), and in particular to the criteria for the use of them.

These reserves amount to a total of €6,642,090,954.49 and include a share premium reserve of 4,716,866,300.80, reserves of profits of €1,653,927,742.79 and other reserves of €271,296,910.90.

In compliance with Art. 2364 *bis* of the Italian Civil Code and Art. 52 of the Articles of Association, the Management Board **proposes** replenishing the loss for the year by charging it in the amount of €918,436,688.78, to the share premium reserve.

Furthermore, in consideration of the adequate capitalisation of the Parent and the Group according to the parameters established by Basel 3 Rules and in compliance with the European Central Bank Communication of 28th January 2015 on the subject of dividend distribution policies, the Management Board has decided to make a proposal to the Shareholders' Meeting to distribute a dividend of €0.08 on each of the 900,265,380 ordinary shares outstanding net of treasury shares repurchased to give a maximum payout of €72,021,230.40, drawn from the extraordinary reserve.

That amount is calculated on the basis of the normalised consolidated profit, which is an expression of the sustainable profitability of the Group and, in compliance with the rules of prudent management, is equal to approximately 50% of that amount.

Payment of the dividend, if approved, shall take place from 20th May 2015 – against presentation of coupon No. 16 – with ex dividend date of 18th May 2015 and record date of 19th May 2015.

As a result of the tax reform which came into force on 1st January 2004, there is no tax credit on the dividend and, depending on who receives it, it is either subject to a withholding tax or part of it constitutes taxable income[37].

Bergamo, 11th February 2015

The Management Board

36 A summary table giving the origin, availability for use and distribution of equity items in compliance with Art. 2427, paragraph 1, No. 7 *bis* of the Italian Civil Code.

37 From a tax viewpoint:
- pursuant to Ministerial Decree of 2nd April 2008, the entire amount of the unit dividend is considered as drawn from profits earned up until the financial year in progress as at 31st December 2007 and therefore 40% of the amount forms part of taxable income on income tax (IRPEF) for resident natural persons, who are holders of qualifying investments, for resident sole proprietors and for partnerships;
- in the case of recipients not resident for tax purposes in Italy, for the purposes of the application of the withholding tax at source of 1.375% for non resident companies and entities indicated in Art. 27, paragraph 3-*ter* of Presidential Decree No. 600/73, it is considered that the entire amount of the unit dividend is drawn from profits earned during the financial year following that in progress as at 31st December 2007.

STATEMENT OF THE CHIEF EXECUTIVE OFFICER AND OF THE SENIOR OFFICER RESPONSIBLE FOR PREPARING THE COMPANY ACCOUNTING DOCUMENTS

Certification of the separate financial statements pursuant to Art. 81-ter of the Consob Regulation 14th May 1999, No.11971 and subsequent modifications and integrations

1. The undersigned Victor Massiah, Chief Executive Officer, and Elisabetta Stegher, Senior Officer Responsible for preparing the company accounting documents of UBI Banca Scpa, having taken account of the provisions of paragraphs 3 and 4 of article 154 *bis* of Legislative Decree No. 58 of 24th February 1998, hereby certify:

   - the adequacy in relation to the characteristics of the company and
   - the effective application

of the administrative and accounting procedures for the preparation of the separate financial statements during the course of 2014.

2. The model employed

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the separate financial statements as at and for the year ended 31st December 2014 was based on an internal model defined by UBI Banca Scpa and developed in accordance with the framework drawn up by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and with the framework Control Objectives for IT and related technology (COBIT) which represent the generally accepted international standards for internal control systems.

3. Furthermore, it is certified that:

3.1 the separate financial statements:

a) were prepared in compliance with the applicable international financial reporting standards recognised by the European Community in accordance with the Regulation No. 1606/2002 (EC) issued by the European Parliament on 19th July 2002;
b) correspond to the records contained in the accounting books;
c) give a true and fair view of the capital, operating and financial position of the issuer.

3.2 the management report comprises a reliable analysis of the performance, operating results and position of the issuer, together with a description, insofar as they are known, of the main risks and uncertainties to which it is exposed.

Bergamo, 11th February 2015

Victor Massiah
(signed on the original)

Chief Executive Officer

Elisabetta Stegher
(signed on the original)

Senior Officer Responsible for preparing the company accounting

Independent Auditors' Report

UBI Banca
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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
UNIONE DI BANCHE ITALIANE S.c.p.A.

1. We have audited the financial statements of Unione di Banche Italiane S.c.p.A., which comprise the balance sheet as of December 31, 2014, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the parent's Management Board. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management Board, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 21, 2014.

3. In our opinion, the financial statements give a true and fair view of the financial position of Unione di Banche Italiane S.c.p.A. as of December 31, 2014, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Management Board of Unione di Banche Italiane S.c.p.A. is responsible for the preparation of the management report and the annual report on corporate governance and ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the management report and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the management report and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance and ownership structure are consistent with the financial statements of Unione di Banche Italiane S.c.p.A. as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Miccoli
Partner

Milan, Italy

March 6, 2015

This report has been translated into the English language solely for the convenience of international readers.

Separate Financial Statements

Balance Sheet

(Amounts in euro)

ASSETS	31.12.2014	31.12.2013
10. Cash and cash equivalents	160,329,705	151,927,476
20. Financial assets held for trading	1,544,834,504	3,191,080,275
30. Financial assets designated at fair value	193,167,320	208,142,641
40. Available-for-sale financial assets	18,066,883,031	14,753,276,202
50. Held-to-maturity investments	3,576,951,039	3,086,814,895
60. Loans and advances to banks	14,055,649,000	13,487,366,105
70. Loans and advances to customers	23,330,320,961	25,168,913,254
80. Hedging derivatives	647,972,267	215,310,404
90. Fair value change in hedged financial assets	5,582,820	5,417,724
100. Equity investments	9,624,010,808	10,608,613,890
110. Property, plant and equipment	634,178,193	650,741,768
120. Intangible assets	409,807	409,807
130. Tax assets:	1,688,729,594	1,727,625,788
a) current	331,161,797	322,535,986
b) deferred	1,357,567,797	1,405,089,802
b1) of which pursuant to Law 214/2011	1,234,948,850	1,238,385,604
140. Non-current assets and disposal groups held for sale	507,355	2,328,961
150. Other assets	642,338,795	656,675,528
Total assets	**74,171,865,199**	**73,914,644,718**

LIABILITIES AND EQUITY	31.12.2014	31.12.2013
10. Due to banks	19,140,417,449	24,285,811,395
20. Due to customers	7,065,270,452	7,223,912,675
30. Debt securities issued	36,545,667,992	30,211,092,155
40. Financial liabilities held for trading	722,180,510	1,531,435,686
60. Hedging derivatives	937,017,919	377,701,575
80. Tax liabilities:	352,883,014	323,144,216
a) current	169,396,492	232,645,454
b) deferred	183,486,522	90,498,762
100. Other liabilities	751,070,156	631,076,359
110. Post employment benefits	45,442,639	40,166,437
120. Provisions for risks and charges:	45,218,325	58,488,048
a) pension and similar obligations	1,144,094	1,060,768
b) other provisions	44,074,231	57,427,280
130. Valuation reserves	164,951,251	(142,563,966)
160. Reserves	2,354,284,675	2,337,923,506
170. Share premiums	4,716,866,301	4,716,866,301
180. Share capital	2,254,371,430	2,254,371,430
190. Treasury shares	(5,340,225)	(6,120,840)
200. Profit (loss) for the year	(918,436,689)	71,339,741
Total liabilities and equity	**74,171,865,199**	**73,914,644,718**

Income statement

(Amounts in euro)

	2014	2013
10. Interest and similar income	1,122,470,967	1,229,613,722
20. Interest expense and similar	(1,026,027,263)	(1,110,223,926)
30. Net interest income	**96,443,704**	**119,389,796**
40. Fee and commission income	83,473,946	94,789,398
50. Fee and commission expense	(59,219,284)	(89,550,299)
60. Net fee and commission income	**24,254,662**	**5,239,099**
70. Dividends and similar income	276,488,601	247,204,849
80. Net trading income	33,670,433	44,948,538
90. Net hedging loss	(8,068,567)	(4,181,723)
100. Income from disposal or repurchase of:	149,479,337	189,014,881
a) loans and receivables	(9,324,152)	(2,338,139)
b) available-for-sale financial assets	166,743,421	188,191,727
c) held-to-maturity investments	(52)	-
d) financial liabilities	(7,939,880)	3,161,293
110. Net income on financial assets and liabilities designated at fair value	3,072,896	3,162,666
120. Gross income	**575,341,066**	**604,778,106**
130. Net impairment losses on:	(121,551,807)	(228,481,440)
a) loans and receivables	(116,738,207)	(188,114,597)
b) available-for-sale financial assets	(2,995,359)	(21,768,167)
d) other financial transactions	(1,818,241)	(18,598,676)
140. Net financial income	**453,789,259**	**376,296,666**
150. Administrative expenses	(341,440,036)	(326,588,853)
a) staff costs	(169,969,568)	(153,453,485)
b) other administrative expenses	(171,470,468)	(173,135,368)
160. Net provisions for risks and charges	(310,860)	(1,354,332)
170. Net impairment losses on property, plant and equipment	(21,503,361)	(22,849,575)
190. Other operating income/(expense)	120,160,606	116,334,872
200. Operating expenses	**(243,093,651)**	**(234,457,888)**
210. Losses of equity investments	(1,122,126,159)	(316,397,366)
240. Profits on disposal of investments	60,874	7,293
250. Loss from continuing operations before tax	**(911,369,677)**	**(174,551,295)**
260. Taxes on profit for the year from continuing operations	(7,067,012)	245,891,036
270. Post tax profit (loss) from continuing operations	**(918,436,689)**	**71,339,741**
290. Profit (loss) for the year	**(918,436,689)**	**71,339,741**

Statement of comprehensive income

(Amounts in euro)

	2014	2013
10. Profit (loss) for the year	**(918,436,689)**	**71,339,741**
Other comprehensive income net of taxes without transfer to the income statement		
40. Defined benefit plans	(2,579,898)	(564,965)
Other comprehensive income net of taxes with transfer to the income statement		
100. Available-for-sale financial assets	310,095,115	388,088,698
130. Total other comprehensive income net of taxes	**307,515,217**	**387,523,733**
140. Comprehensive income (item 10 + 130)	**(610,921,472)**	**458,863,474**

The profit recognised for "Other comprehensive income" is principally attributable to the improvement in fair value reserves for debt securities classified within item 40 – available-for sale financial assets. Details of the various items are given in the notes to the detailed statement given in Part D – Comprehensive Income.

Statement of changes in equity

Changes to 31st December 2014

Amounts in euro	Balances as at 31.12.2013	Restatement of opening balances	Balances as at 01.01.2014	Allocation of prior year profit		Changes during the year								Equity as at 31.12.2014
							Equity transactions							
				Reserves	Dividends and other uses	Changes in reserves	New share issues	Repurchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income	
Share capital:	**2,254,371,430**		**2,254,371,430**											**2,254,371,430**
a) ordinary shares	2,254,371,430	-	2,254,371,430	-	-	-	-	-	-	-	-	-	-	2,254,371,430
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	**4,716,866,301**	-	**4,716,866,301**	-	-	-	-	-	-	-	-	-	-	**4,716,866,301**
Reserves:	**2,337,923,506**		**2,337,923,506**	**16,395,490**		**-34,321**						-		**2,354,284,675**
a) retained earnings	1,661,654,167	-	1,661,654,167	16,395,490	-	-	-	-	-	-	-	-	-	1,678,049,657
b) other	676,269,339	-	676,269,339	-	-	-34,321	-	-	-	-	-	-	-	676,235,018
Valuation reserves:	**-142,563,966**		**-142,563,966**										**307,515,217**	**164,951,251**
a) available-for-sale	-167,049,643	-	-167,049,643	-	-	-	-	-	-	-	-	-	310,095,115	143,045,472
b) cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) foreign currency differences	-242,544	-	-242,544	-	-	-	-	-	-	-	-	-	-	-242,544
d) special revaluation laws	30,992,968	-	30,992,968	-	-	-	-	-	-	-	-	-	-	30,992,968
e) other	-6,264,747	-	-6,264,747	-	-	-	-	-	-	-	-	-	-2,579,898	-8,844,645
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	**-6,120,840**	-	**-6,120,840**	-	-	**780,615**	-	-	-	-	-	-	-	**-5,340,225**
Profit (loss) for the year	**71,339,741**	-	**71,339,741**	**-16,395,490**	**-54,944,251**	-	-	-	-	-	-	-	**-918,436,689**	**-918,436,689**
Equity	**9,231,816,172**	-	**9,231,816,172**	-	**-54,944,251**	**746,294**	-	-	-	-	-	-	**-610,921,472**	**8,566,696,743**

Statement of changes in equity

Changes to 31st December 2013

Amounts in euro	Balances as at 31.12.2012	Restatement of opening balances	Balances as at 01.01.2013	Allocation of prior year profit		Changes during the year								Equity as at 31.12.2013
						Changes in reserves	Equity transactions						Comprehensive income	
				Reserves	Dividends and other uses		New share issues	Repurchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:	**2,254,367,512**		**2,254,367,512**				**3,918**							**2,254,371,430**
a) ordinary shares	2,254,367,512	-	2,254,367,512	-	-	-	3,918	-	-	-	-	-	-	2,254,371,430
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	**4,716,861,355**	-	**4,716,861,355**	-	-	-	**4,946**	-	-	-	-	-	-	**4,716,866,301**
Reserves:	**1,919,944,736**		**1,919,944,736**	**177,842,415**		**240,136,355**						-		**2,337,923,506**
a) retained earnings	1,483,811,752	-	1,483,811,752	177,842,415	-	-	-	-	-	-	-	-	-	1,661,654,167
b) other	436,132,984	-	436,132,984	-	-	240,136,355	-	-	-	-	-	-	-	676,269,339
Valuation reserves:	**-502,574,408**		**-502,574,408**			**-27,513,291**							**387,523,733**	**-142,563,966**
a) available-for-sale	-526,706,935	-	-526,706,935	-	-	-28,431,406	-	-	-	-	-	-	388,088,698	-167,049,643
b) cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) foreign currency differences	-242,544	-	-242,544	-	-	-	-	-	-	-	-	-	-	-242,544
d) special revaluation laws	29,297,305	-	29,297,305	-	-	1,695,663	-	-	-	-	-	-	-	30,992,968
e) other	-4,922,234	-	-4,922,234	-	-	-777,548	-	-	-	-	-	-	-564,965	-6,264,747
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	**-4,375,290**	-	**-4,375,290**	-	-	-	-	**-1,745,550**	-	-	-	-	-	**-6,120,840**
Profit for the year	**223,496,468**	-	**223,496,468**	**-177,842,415**	**-45,654,053**	-	-	-	-	-	-	-	**71,339,741**	**71,339,741**
Equity	**8,607,720,373**	-	**8,607,720,373**	-	**-45,654,053**	**212,623,064**	**8,864**	**-1,745,550**	-	-	-	-	**458,863,474**	**9,231,816,172**

Statement of cash flows (indirect method)

amounts in euro	2014	2013
A. OPERATING ACTIVITIES		
1. Ordinary activities	**781,680,249**	**162,032,679**
- profit (loss) for the year (+/-)	-918,436,689	71,339,741
- gains/losses on financial assets held for trading and financial assets/liabilities designated at fair value (-/+)	28,985,742	-12,176,945
- gains/losses on hedging activities (-/+)	8,068,567	4,181,723
- net impairment losses on loans (+/-)	121,551,807	228,481,441
- net impairment losses on property, plant and equipment and intangible assets (+/-)	21,503,361	22,849,575
- net provisions for risks and charges and other expense/income (+/-)	310,860	1,354,332
- outstanding taxes and duties (+)	7,067,012	-245,891,036
- net impairment losses on groups of assets held for disposal net of tax (+/-)	-	-
- net impairment losses/reversals on equity investments (+/-)	1,255,741,179	310,220,413
- other adjustments (+/-)	256,888,410	-218,326,565
2. Net cash flows from/used by financial assets	**-771,462,295**	**9,351,827,132**
- financial assets held for trading	696,349,883	2,139,196,301
- financial assets designated at fair value	18,054,717	-4,908,024
- available-for-sale financial assets	-2,213,249,797	-2,170,541,427
- loans to banks: repayable on demand	-	-
- loans to banks: other loans	-563,960,816	4,536,751,987
- loans to customers	1,720,154,633	3,500,604,196
- other assets	-428,810,915	1,350,724,099
3. Net cash flows from/used by financial liabilities	**517,626,470**	**-9,353,068,630**
- amounts due to banks repayable on demand	-	-
- amounts due to banks: other payables	-5,067,236,436	-6,127,039,902
- due to customers	-154,937,324	-682,482,850
- debt securities issued	5,873,471,143	648,626,664
- financial liabilities held for trading	-784,549,956	-1,504,809,045
- financial liabilities designated at fair value	-	-
- other liabilities	650,879,043	-1,687,363,497
Cash flows generated/used by operating activities	**527,844,424**	**160,791,181**
B. INVESTING ACTIVITIES		
1. Cash flows from	**3,534,523,054**	**290,638,826**
- disposals of equity investments	265,108,000	53,245,002
- dividends received on equity investments	268,301,013	237,388,487
- disposals of held-to-maturity financial assets	3,000,000,000	-
- disposals of plant. property and equipment	1,114,041	5,337
- disposals of intangible assets	-	-
- disposals of lines of businesses	-	-
2. Cash flows used in	**-3,999,020,998**	**-455,568,746**
- purchases of equity investments	-452,343,462	-427,275,653
- purchases of held-to-maturity investments	-3,543,158,750	-
- purchases of plant, property and equipment	-3,518,786	-28,293,093
- purchases of intangible assets	-	-
- purchases of lines of business	-	-
Net cash flows from/used in investing activities	**-464,497,944**	**-164,929,920**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-	-1,736,686
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	-54,944,251	-45,654,053
Net cash flows from/used in financing activities	**-54,944,251**	**-47,390,739**
CASH FLOWS GENERATED/USED DURING THE YEAR	**8,402,229**	**-51,529,478**

Key: (+) generated (-) absorbed

Reconciliation of the statement of cash flows

Balance sheet items	2014	2013
Cash and cash equivalents at the beginning of the year	151,927,476	203,441,643
Business combination transactions	-	15,311
Total net cash flows generated/used during the year	8,402,229	-51,529,478
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at end of year	160,329,705	151,927,476

Notes to the Separate Financial Statements

The figures contained in the tables in the notes to the financial statements are stated in ***thousands of euro****, unless specified otherwise*

Part A - Accounting policies

A.1 – GENERAL PART

Section 1 Statement of compliance with international financial reporting standards

This annual report has been prepared in compliance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and with the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission and in force as at 31st December 2014, implemented in Italian law by Legislative Decree No. 38/2005, which exercised the option under EC Regulation 1606/2002 concerning international accounting standards.
No exceptions have been made in the application of IFRS international accounting standards.

The separate financial statements, consisting of the balance sheet, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and the notes to the financial statements, are accompanied by the Management report on operations.

The Management report on operations and the Notes to the financial statements furnish information required by international reporting standards, by law, by the Bank of Italy and by the *Commissione Nazionale per le Società e la Borsa* (Consob – National Commission for Companies and the Stock Exchange), in addition to other information which is not compulsory, but is considered equally necessary for the purposes of a true and fair presentation of the accounts.

The proposed annual financial statements approved by the Management Board on 11th February 2015 and submitted to the Supervisory Board for approval on 11th March 2015, contain a statement by the Chief Executive Officer and the Senior Officer Responsible pursuant to Art. 154 *bis* of Legislative Decree No. 58/1998 and they have been subjected to audit by the independent auditors Deloitte & Touche Spa.

Section 2 Basis of preparation

These financial statements have been prepared in accordance with measurement criteria, adopted on the basis of a going concern assumption and in compliance with accrual accounting principles, the relevance of the information and the predominance of substance over form.

The financial statements have been clearly stated and give a true and fair view of the capital and financial position, the result for the year, the changes in equity and the cash flows.

Unless otherwise indicated, the information contained in this annual report is expressed in euro as the accounting currency and the financial information, the balance sheet and income statement, the notes and comments and the explanatory tables are presented in thousands of euro. The relative rounding of the figures has been performed on the basis of Bank of Italy instructions.

The mandatory financial statements used in this annual report comply with those defined in Bank of Italy Circular No. 262/2005 and subsequent amendments and additions. Therefore, for the purposes of the presentation of these financial statements, the provisions pursuant to the third update[1] of the aforementioned circular issued on 22nd January 2014 by the Bank of Italy have been observed.

[1] That update implements the new provisions on disclosure contained in IFRS 12 *"Disclosure of interests in other entities"*.

In addition to information on the accounts as at and for the period ended 31st December 2014, these financial statements also provide the same comparative information as at and for the year ended 31st December 2013 (which did not require adjustments with respect to the figures published in those financial statements) and they do not include items for which there was no data for the current and the previous year. More specifically, as fully reported later in these notes, the application of the new accounting standards IFRS 10, IFRS 11 and IFRS 12 from 1st January 2014 did not determine any modification to the comparative figures as at and for the year ended 31st December 2013.

To complete the information, account was also taken of the following documents in the preparation of this separate annual report:

- the ESMA[2] document of 28th October 2014, *"European common enforcement priorities for 2014 financial statements"*, designed to promote uniform application of IFRS to ensure transparency and the proper functioning of financial markets by identifying certain issues considered particularly significant for the 2014 financial statements of listed European companies, in consideration, amongst other things, of current market conditions;
- Consob Communication No. 3907 of 19th January 2015 entitled *"Communication concerning issues of greater importance to 2014 financial reports"*, designed to call the attention of the authors of financial reports to particular areas considered of greater importance, also underlined in the above-mentioned ESMA document, and to the relative disclosures that listed companies must make in their financial reports as at and for the period ended 31st December 2014 and in future reports.

Accounting policies

The accounting policies contained in Part A.2 concerning the classification, measurement and derecognition stages are essentially the same as those adopted for the preparation of the 2013 annual financial statements, except for some provisions, consisting basically of definitions, pursuant to IFRS 10 and IFRS 11 on the question of control and joint control.

Where it is impossible to measure items in the financial statements with precision, the application of those policies involves the use of estimates and assumptions which may have a significant effect on the amounts recognised in the balance sheet and in the income statement.
The use of reasonable estimates forms an essential part of the preparation of financial statements and we have listed here those items in the financial statements in which the use of estimates and assumptions is most significant:

- measurement of loans and receivables;
- measurement of financial assets not listed on active markets;
- measurement of indefinite useful life intangible assets and equity investments;
- quantification of provisions for risks and charges;
- quantification of deferred taxes;
- definition of the depreciation and amortisation charges for property, plant and equipment and intangible assets with finite useful lives;
- measurement of the provision for post-employment benefits

An adjustment may be made to an estimate following a change in the circumstances on which it was based or if new information is acquired or yet again on the basis of greater experience.
A change in an estimate is applied prospectively and it therefore generates an impact on the income statement in the year in which it is made and, if it is the case, also in future years.
No changes were made in 2014 to the criteria previously employed for estimates in the financial statements as at and for the year ended 31st December 2013.

The following is reported with regard to changes in IFRS accounting standards.

[2] European Securities Market Authority.

International accounting standards in force from 2014

Some provisions relating to regulations issued by the European Union came into force in 2014. A brief report on the most important and on the possible impacts on the UBI Group is given below.

Regulation EU 1254/2012 which:

- introduced IFRS 10 "*Consolidated financial statements*", IFRS 11 "Joint arrangements" and IFRS 12 "*Disclosure of interests in other entities*";
- amended IAS 27 "*Consolidated and separate financial statements*" renamed IAS 27 "*Separate financial statements*" and IAS 28 "*Investments in associates*"; inserting changes to the rules for the preparation of and compulsory disclosures for consolidated and separate financial statements.

The main changes introduced result from the introduction of IFRS 10, IFRS 11 and IFRS 12 and therefore concern changes for compliance to the financial statements as at and for the year ended 31st December 2014 following the introduction of IFRS 12, as well is in compliance with the provisions of the third update to Bank of Italy circular No. 262/2005.

A description of the implications in terms of control and consolidation is given in this same section of the consolidated financial report.

Regulation EU No. 313/2013 amends IFRS 10 "*Consolidated financial statements*", IFRS 11 "*Joint arrangements*" and IFRS 12 "*Disclosure of interests in other entities*" in order to clarify the intentions of the IASB when it first published its guide to the transitional provisions of IFRS 10 and to make the changeover to the new standards less burdensome by limiting the obligation to provide adjusted comparative information to the previous comparative period only.

Regulation EU No. 1256/2012 amends IAS 32 "*Financial instruments: presentation*" in order to provide additional guidelines to reduce inconsistencies in the practical application of the standard on the question of offsetting financial assets and liabilities.

Regulation EU 1174/2013 amends IFRS 10 "*Consolidated financial statements*", IFRS 12 "*Disclosure of interests in other entities*" and IAS 27 "*Separate financial statements*" in order to specify that "*investment entities*" measure their investments in controlled companies at FVPL instead of consolidating them.
The requirements for a company to be defined as an "*investment entity*" are as follows:

- to obtain funds from one or more investors in order to provide professional investment management services;
- to commit to its investors to invest funds only for the purpose of obtaining a return in terms of the capital appreciation of the investment and/or income from it;
- to measure the performance of substantially all its investments on a fair value basis.

Regulation EU No. 1374/2013, which endorses "*Recoverable amount disclosures for non-financial assets*", makes amendments to IAS 36 "*Impairment of assets*" designed to clarify that the information to be provided on the recoverable amount of the assets, when the value is based on the fair value net of disposal costs, regards only those assets that are impaired.

Regulation EU No. 1375/2013 which adopts "*Novation of derivatives and continuation of hedge accounting*" makes amendments to IAS 39 "*Financial instruments: recognition and measurement*" designed to regulate situations where a derivative designated as a hedge is subject to novation from one counterparty to a central counterparty as a consequence of laws or regulations. The hedge accounting may therefore continue regardless of the novation, a possibility not allowed without this amendment.

The adoption of the above-mentioned provisions has no appreciable impacts on the financial statements of UBI Banca.

International accounting standards with application subsequent to 2014

On 13th June 2014, the European Commission endorsed **Regulation EU No. 634/2014** which made the introduction of the interpretation IFRIC 21 "*Levies*"[3] compulsory as of the 2015 financial statements.
The document in question addresses the accounting treatment for a liability relating to a levy where the liability is covered by the application of IAS 37 "*Provisions, contingent liabilities and contingent assets*". It clarifies aspects of interpretation considered problematic with regard to the payment of a levy for which the timing and the amount are uncertain.

On 18th December 2014 the European Commission used **Regulation EU No. 1361/2014** to endorse amendments to accounting standards in accordance with "*Annual Improvements to IFRSs: 2011-2013 Cycle*"[4] as part of the annual process to improve them with regard to the following:

IFRS 3 *Business Combinations – Scope exception for joint ventures*. This amendment makes it clear that the formation of all types of joint arrangement, as defined by IFRS 11, are excluded from the application of IFRS 3.

IFRS 13 *Fair Value Measurement – Scope of portfolio exception* (Par. 52). This amendment makes clear that the exception contained in paragraph 52 of IFRS 13 concerning the possibility of measuring the fair value of a net position applies to all contracts included within the scope of application of IAS 39 (and in future of IFRS 9) regardless of whether it satisfies the definition of financial assets and liabilities provided in IAS 32.

IAS 40 *Investment Properties – Interrelationship between IFRS 3 and IAS 40*. This amendment makes it clear that IFRS 3 and IAS 40 are not mutually exclusive and that reference must be made to the specific instructions contained in the respective standards to determine whether the purchase of a property falls within the scope of application of IFRS 3 or IAS 40.

The adoption of the above interpretation and also the amendments to the aforementioned standards will not result in any significant impacts on the separate financial statements of UBI Banca.

International accounting standards not endorsed as at 31st December 2014

Standard (IAS/IFRS) Interpretation (SIC/IFRIC)	**Amendments**	**Date of publication**	
IAS 19	Defined benefit plans: employee contributions	21/11/2013	(*)
IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38	Annual Improvements to IFRSs (2010-2012 cycle)	12/12/2013	(*)
IFRS 14	Regulatory deferral accounts	30/01/2014	
IFRS 11	Accounting for acquisition of interests in joint operation	06/05/2014	
IAS 16, IAS 38	IAS 16 Property, Plant and Equipment - IAS 38 Intangible Assets	12/05/2014	
IFRS 15	Revenue from contracts with customers	28/05/2014	
IAS 16, IAS 41	IAS 16 Property, Plant and Equipment - IAS 41 Agriculture	30/06/2014	
IFRS 9	Financial Instruments	24/07/2014	
IAS 27	Equity method in separate financial statements	12/08/2014	
IFRS 10, IAS 28	Sale contribution of assets between an investor and its Associate or Joint Venture	11/09/2014	
IFRS 5, IFRS 7 IAS 19 e IAS 34	Annual Improvements to IFRSs (2012-2014 cycle)	25/09/2014	

(*) The European Commission endorsed those amendments on 17th December 2014 with the publication in the Official Journal of the European Union of specific EU Regulations on 9th January 2015 (Reg. EU 2015/29 and Reg. EU 2015/28 respectively). Application of those amendments is compulsory from the date of the start of the first year which begins on the 1st February 2015 and that is for the 2016 annual report.

[3] Compulsory application from 1st January 2015.
[4] Compulsory application from 1st January 2015.

The standards listed above are not applicable for the purposes of the preparation of the 2014 annual report because their application is subject to endorsement by the European commission through the issue of specific EU Regulations.

Amendments to IAS 39

With the publication on 24th July 2014 of IFRS 9 "*Financial Instruments*", the IASB concluded a process, divided into three stages "*Classification and measurement*", "*Impairment*" and "*General hedge accounting*", which fully revised IAS 39 "*Financial instruments: recognition and measurement*".
This standard, currently subject to an endorsement process by the European Commission[5], and which will only become actually applicable in EU member countries on conclusion of that process, sets 1st January 2018 as the date on which adoption of the new provisions becomes compulsory.
The provisions of the new standard are summarised below.

Classification and measurement

IFRS 9 lays down the following criteria for the classification of financial assets[6]:
a) the business model of the company to manage financial assets; and
b) the characteristics of the contractual cash flows from the financial assets,

and on this basis it gives the following three categories in which they may be classified:

- *"Amortised cost"* (AC)
- *"Fair value through other comprehensive income (FVOCI)"*
- *"Fair value through profit or loss (FVPL)"*

The "Amortised cost" category
Financial assets held to collect their contractual cash flows are classified in this category.
The presence of sales activities is not necessarily inconsistent with the definition of a business model required for classification in the "amortised cost" category. For example infrequent sales of modest amount may take place as part of that business model if they are performed in cases of increased credit risk[7].

The "Fair value through other comprehensive income (FVOCI)" category
This category is for the classification of financial assets:

- for which the contractual cash flows consist exclusively of the payment of principal and interest;
- held to collect the contractual cash flows and also cash flows from the sales of the assets.

This business model involves greater sales activity than that of the business model associated with the "Amortised cost" category.
The interest income, gains and losses from exchange rate losses and write-downs due to impairment of financial instruments classified in the FVOCI category together with reversals of impairment losses are recognised through profit or loss, while other changes in fair value are recognised through other comprehensive income (OCI).
At the time of sale (or possible reclassification into other categories due to a change of business model), cumulative profits or losses recognised in OCI are reclassified through profit or loss.

The"fair value through profit or loss" category
Those financial assets that are not managed on the basis of the two business models specified for the "amortised cost" and "fair value through other comprehensive income" categories are classified in this category and they are basically held for trading purposes[8].

[5] At present this is expected in the second half of 2015.
[6] Financial assets are classified in their entirety, and therefore those that contain embedded derivatives are not subject to bifurcation rules.
[7] Nevertheless if the sales carried out by a company are not infrequent and of insignificant amount, it must be considered within which limits that sales activity is consistent with a business model that consists mainly of collecting contractual cash flows.
[8] To complete the information given, the "OCI option" is available for this category, but only for equity instruments. Under this option only dividends are recognised through profit or loss, while all other components whether value movements or amounts actually realised, inclusive of gains and losses realised on the sale of an asset, are recognised within the statement of other comprehensive income (OCI).

As concerns financial liabilities, the provisions of IAS 39 have been reproduced almost entirely in IFRS 9. As provided for by IAS 39, this standard allows financial liabilities to be measured on the basis of the “fair value through profit or loss” criterion (i.e. the “fair value option”) in the presence of determined conditions, providing for changes in the fair value of financial liabilities due to changes in the credit rating of the issuer to be recognised through other comprehensive income and no longer through profit or loss.

Impairment

The IFRS 9 model is forward-looking and requires immediate recognition of credit losses expected during the lifetime of the financial instrument.
As opposed to IAS 39, according to which the measurement of credit losses is based solely on those resulting from past events and current conditions, the IFRS 9 impairment model requires an estimate of credit losses to be made on the basis of supportable information, that is available without undue cost or effort and that includes historical, current and forecast information[9].
As opposed to IAS 39, IFRS 9 has a single impairment model to be applied to different financial instruments such as financial assets measured at amortised cost and those measured at fair value through other comprehensive income.
More specifically, for financial assets that are not impaired when purchased (or originated) the loss allowance for expected credit losses must be calculated by one of the following methods:

- basing it on the amount of the expected credit losses in the following twelve months (expected losses resulting from default events on financial assets considered possible within twelve months from the date of the end of the financial year). That method must be applied when the credit risk at the balance sheet date is low or has not increased significantly since initial recognition; or,
- basing it on the amount of the expected credit losses over the full lifetime of the instrument (expected losses resulting from default events on financial assets considered possible over the full lifetime of the financial asset). This method must be applied when the credit risk has increased significantly since initial recognition and also for contractual assets and trade loans and receivables which do not contain significant financial components on the basis of IFRS 15 definitions.

Hedge accounting

IFRS 9 contains provisions relating to what is termed the “general hedge accounting model” designed to better reflect risk management policies.
To give examples, but not limited to these, the standard therefore broadens the range of risks for which hedge accounting may be applied to non-financial assets, it eliminates the compulsory quantitative effectiveness test and it no longer requires retroactive assessment of the effectiveness of a hedge.
While more flexibility is introduced, the new standard requires even more detailed disclosure on risk management activities by management.

For full information and with particular regard to “macro hedge accounting” we report that last April the IASB published the discussion paper “Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging” which, in line with the dynamic procedures for the management of interest rate risk adopted by banks, sets out a possible accounting approach (a “portfolio revaluation approach”) designed to better reflect the dynamic management of risk by management in the financial statements of an entity.

[9] The standard defines expected credit losses as “weighted average credit losses based on the probability of default”. Expected losses must be estimated by considering possible scenarios and therefore by considering the best available information on past events, current conditions and supportable forecasts of future events, known as a “forward looking approach”.

Section 3 Subsequent events

With regard to the provisions of IAS 10, subsequent to 31st December 2013, the reporting date, and until 11th February 2015, the date on which the proposed Annual Report was authorised by the Management Board for submission to the Supervisory Board, no events occurred to make adjustments to the figures presented in the report necessary.

For information purposes, the following events are mentioned:

- on 12th January 2015, as part of a programme to progressively discontinue non-core Group operations, the sale to Corporate Family Office SIM 100% of the share capital of UBI Gestioni Fiduciarie SIM, a "dynamic" the fiduciary company indirectly controlled through UBI Fiduciaria, was completed;
- on 29th January 2015, the natural maturity date for the first LTRO refinancing operation, UBI Banca repaid the last €2 billion. The financing of €6 billion had been acquired on 21st December 2011 and it had already been partially and progressively repaid from October 2014 by a total of €4 billion. As at 11th February 2015 €5 billion of the second refinancing operation that the Group had been granted on 29th April 2012 remained after a first initial repayment.

Section 4 Other aspects

Leaving incentives – Company reorganisation

The programme to reorganise the Group's distribution network is fully described in the section "Significant events that occurred during the year" in the Management Report, which may be consulted.
As concerns the more strictly accounting aspects of the operation, the procedures relating to the trade union negotiations were concluded on 26th November 2014, with an agreement containing provisions which basically involve a reduction in staff numbers by means of early retirement and recourse to flexible working and reductions in working hours and temporary lay-offs from work.
Subsequently, on 9th January 2015 the verification stage with trade unions was completed concerning the redundancies scheme and the reduction/suspension of working hours in accordance with the aforementioned agreement.
An expense of €12 million net of taxes was recognised within the item "staff costs" in the income statement for 2014 in relation to the operation as a whole. It was subject to normalisation given its non-recurring nature.

Forbearance

"Forborne" exposures are those loan agreements to which "forbearance measures" have been applied which consist of granting concessions to debtors who are encountering, or are about to encounter, difficulties in meeting their financial commitments ("financial difficulty[10]").

A "forborne" exposure is identified when both the following conditions are met:
1. a concession: an amendment is made to the previous terms and conditions of the contract and/or the debt is partially or totally refinanced;
2. financial difficulty: the customer is in a situation of financial difficulty at the time the concession is made.

The term "forborne" is not defined in international financial reporting standards, according to which two general categories exist in which financial instruments may be classified and that is impaired and unimpaired. It is a concept defined by the supervisory authority, the EBA, in the ITS

[10] Definition from ITS EBA par. 163.

"Implementing Technical Standards on supervisory reporting on forbearance and non-performing exposures", approved on 9th January 2015 by the European Commission, which issued an EU regulation that has not yet been published in the Official Journal of the European Union. The objective of that document is to define common criteria and elements of harmonisation for supervisory purposes in order to reduce divergences in the implementation of the definition of default and impairment.

The ITSs constitute an addendum to the body of the regulations on supervisory reporting (FINREP - financial Reporting). The new reporting provisions in force are applicable from 30th September 2014 and the first supervisory report was filed on 23rd January 2015.

It is important to underline that the definition of "forborne" introduced by the EBA does not replace the concept of impairment and default contained in international accounting standards and Basel 3 rules respectively, but adds to them in pursuit of harmonisation on the subject of asset quality within the European Union.

"Forborne" status applies to both performing and non-performing exposures and is seen in both performing and impaired portfolios because it is found in the following situations:

1. a concession arises from commercial reasons or in any event not from the financial difficulties of the debtor: in this circumstance the exposure remains in the performing portfolio;
2. a concession arises from the financial difficulties, but does not involve losses for the bank: in this circumstance the exposure remains in the performing portfolio as "forborne performing";
3. a concession arises from the financial difficulties of the debtor and involves losses for the bank or the concession is made to a "non-performing" exposure at the time when the forbearance status is recognised: in this circumstance exposure is classified in the impaired portfolio and it is qualified as "forborne non-performing".

More specifically, "forborne" positions in the performing, past due and impaired portfolios represent particular cases in the specific portfolio to which they belong, while they represent all positions classified in the "restructured" portfolio.

Identification and assessment of forborne exposures

The rules introduced by the EBA involve the need to define objective and subjective criteria, the application of which identifies which exposures are to be classified as "forborne".

Priority is given in the identification of forborne exposures to the application of objective criteria. More specifically, an initial selection is made by considering loans to which certain concessions have been granted, which for the UBI Group currently consists of the following:

- internal moratoria;
- banking system level moratoria;
- deferred repayments;
- "restructured" loans;
- changes to terms and conditions and renegotiations;
- same basis renewals.

The possible presence of financial difficulties which originated the forbearance concession granted is verified for the perimeter of the exposures identified in this way. The UBI Group considers the presence of a high rating or a repayment instalment unpaid for at least 30 days at the time when the concession was granted to be possible indicators of financial difficulties.

Finally, the loans included in the perimeter as defined above are subjected to subjective assessment designed to exclude positions from that perimeter which have been granted concessions for reasons other than financial difficulties of the debtor.

On the basis of the above, we report that as at 31st December 2014, forborne exposures identified in application of the rules described amounted to €472 million (net) and they were divided as follows:

- performing €208 million;
- non-performing €264 million.

To complete the information, we report that the third update of Bank of Italy Circular No. 262/2005 applies to the financial statements as at and for the year ended 31st December 2014 and it requires loans to be classified in accordance with the provisions of Bank of Italy Circular No. 272/2008 in force as at 31st December 2014[11]. That last circular does not show forborne exposures separately, but "distributed" among the performing, past due, impaired and restructured categories, and they are assessed by applying the usual criteria employed for each category.
The loan assessment criteria employed for the financial statements as at 31st December 2013 were therefore maintained in the accounts as at 31st December 2014.

Collective measurement of performing loans: update of the historical data series

The approach used to measure performing loans is based on calculation methods that involve an estimate of expected loss according to Basel 2 rules, based on internal estimates of probability of default (PD) and loss given default (LGD) if the counterparty has an internal rating. In this context the collective write-down takes account of the credit rating of the debtor, the level of risk taken and the capacity to recover in the event of default.

The risk parameters mentioned above are calculated on the basis of long-term historical data series, which are updated at least annually in compliance with supervisory authority provisions under EU Regulation No. 575/2013.

The risk parameters were therefore updated in 2014 not just by lengthening the historical data series, as required by the ordinary annual process, but also by removing old data and by managing the phenomenon of past due exposures (90 days in place of 180 days employed previously), in compliance with Bank of Italy communications on the process for validating retail models (extended where appropriate also to the corporate segment).

The update in question had a negative impact on the calculation of impairment losses on the loan portfolio amounting to approximately €5.2 million.

Interbank deposit protection fund

In November 2013, the Bank of Italy requested intervention to support the Interbank Deposit Protection Fund (IDPF) on behalf of Banca Tercas to cover its capital shortfall as ascertained by an extraordinary Commissioner, relating to the period prior to its extraordinary administration.
The IDPF sent a letter to its members in January 2014 in which it set the financial commitment to be borne by the banking sector at a maximum of €280 million and as a consequence, on the basis of the current rates, the UBI Banca could have been required to pay a maximum amount of €4 thousand which, moreover, would only be subject to final quantification when the due diligence was completed, scheduled for the first months of 2014.

Since it is probable that the maximum contribution requested may have to be paid, the above amount had been recognised in the income statement for 2013 within the item "130d Net impairment losses on: other financial transactions" in compliance with the provisions of Bank of Italy Circular No. 262/2005 which considers the IDPF basically as financial guarantees, with the balancing entry in item 100 "other liabilities".

In September 2014 the IDPF sent its members a further letter stating that in addition to the amount in cash of €265 million, in place of the previous €280 million, the action taken to support

[11] The 7th update of Bank of Italy Circular No. 272/2008 was published by the Bank of Italy on 20th January 2015. Application of the relative provisions is subsequent to the 2014 annual financial statements.

Banca Tercas had given rise to the assumption of further commitments by the fund connected with the occurrence of future events for which additional costs could therefore be incurred by the fund.

That change did not involve any additional costs to be borne by UBI Banca as at 31st December 2014. The relative section of the consolidated annual report may be consulted for the quantification at Group level.

The national consolidated tax option

The *Testo Unico delle Imposte sui Redditi* (Consolidated Income Tax Act) grants the option for companies belonging to the same Group to calculate a single total income corresponding, generally speaking, to the algebraic sum of the taxable income of the different companies (the Parent and companies directly and/or indirectly controlled by more than 50% according to certain requirements) and as a consequence to calculate a single tax on the income of the companies in the Group (known as a "national tax consolidation", regulated by articles 117-129 of the Consolidated Income Tax Act).
In view of this option, the Italian companies in the Group adhered to the national tax consolidation of the Parent, UBI Banca, and calculated the tax expense relating to them by transferring the corresponding taxable income to the Parent.

A.2 – THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

1. Financial assets and liabilities held for trading and financial assets and liabilities designated at fair value

This category includes:

1.1. Definition of financial assets and liabilities held for trading

A financial asset or liability is classified as held for trading (at fair value through profit or loss – FVPL) and is stated within either item 20 "Financial assets held for trading" or item 40 "Financial liabilities held for trading", if it is:

- acquired or incurred for sale or repurchase in the short term;
- part of a portfolio of identified financial instruments which are managed together and for which there is evidence of a recent and effective strategy of short term profit taking;
- a derivative (except for derivatives designated and effective as a hedging instrument – see the relative section below).

1.1.1. Derivative financial instruments

A "derivative" is defined as a financial instrument or other contract with the following characteristics:

- its value changes in response to the change in an interest rate, in the price of a financial instrument, in a commodity price, in a foreign currency exchange rate, in a price, interest rate or credit rating index, or credit worthiness index or other specific variable;
- it requires no initial investment, or a net initial investment that is smaller than would be required for other types of contract from which a similar response to changes in market factors would be expected;
- it is settled at a future date.

The Bank holds derivative financial instruments for both trading and for hedging purposes (see the relative section below for information on the latter).

1.1.2. Embedded derivative financial instruments

An "embedded derivative financial instrument" is defined as a component of a hybrid (combined) instrument which also includes a “host” non derivative contract such that some of the cash flows of the combined instrument behave in a way similarly to the derivative as a stand-alone instrument. The embedded derivative is separated from the host contract and treated in the accounts as a stand-alone derivative if and only if:

- the economic risks and characteristics of the embedded derivative are not closely related to the economic risks and characteristics of the host contract;
- a separate instrument with the same conditions as the embedded derivative would satisfy the definition of a derivative;
- the hybrid (combined) instrument is not recognised within financial assets or liabilities held for trading.

1.2. Definition of financial assets and liabilities designated at fair value

Financial assets and liabilities may be designated on initial recognition within “financial assets and liabilities designated at fair value” and recognised within items 30 “Financial assets designated at fair value” and 50 “Financial liabilities designated at fair value”.

A financial asset/liability is designated at fair value through profit or loss on initial recognition only when:
a) it is a hybrid contract containing one or more embedded derivatives and the embedded derivative significantly alters the cash flows that would otherwise be generated by the contract;
b) the designation at fair value through profit or loss allows better information to be provided because:

- it eliminates or considerably reduces an asymmetry in the measurement or in the recognition, which would otherwise result from the valuation of assets or liabilities or from recognition of the relative profits and losses on a different basis;

or

- a group of financial assets, financial liabilities or of both is managed and its performance is measured on the basis of its fair value according to a documented risk management procedure or investment strategy and the information on the group is provided internally on that basis to senior managers with strategic responsibilities.

1.3. Recognition criteria

The financial instruments “Financial assets and liabilities held for trading and financial assets and liabilities designated at fair value” are recognised either:

- at the time of settlement if they are debt or equity instruments; or,
- on the trade date, if they are derivative contracts.

Measurement on initial recognition is at cost considered to be the fair value of the instrument without considering any transaction costs or income directly attributable to the instruments themselves.

1.4. Measurement criteria

Subsequent to initial recognition, the financial instruments in question are measured at fair value with changes recognised in the income statement within item 80 “Net trading income (loss)”, for assets/liabilities held for trading and within item 110 “Net income/expense on financial assets and liabilities designated at fair value” for financial assets/liabilities designated at fair value”. The measurement of the fair value of the assets and liabilities in question is based on prices quoted on active markets or on internal valuation models which are generally used in financial practice as described in greater detail in Part A.4 “Information on fair value” of the Notes to the consolidated financial statements.

1.5. Derecognition criteria

“Financial assets and liabilities held for trading and financial assets and liabilities designated at fair value” are derecognised in the accounts when the rights to the cash flows from the financial assets or liabilities expire or when the financial assets or liabilities are transferred with the substantial transfer of all the risks and rewards deriving from ownership of them. The result of the transfer of financial assets or liabilities held for trading is recognised in the income statement within item 80 “Trading income (loss)”, while the result of the transfer of financial assets or liabilities designated at fair value is recognised within item 110 “Net income/expense on financial assets and liabilities designated at fair value.

2. Available-for-sale financial assets

2.1. Definition

Available-for-sale financial assets (AFS) are defined as non-derivative financial assets designated on initial recognition as such or that are not classified as:

(1) loans and receivables (see section below);
(2) financial investments held until maturity (see section below);
(3) financial assets held for trading and measured at fair value recognised through profit or loss (see section below).

These financial assets are recognised within item 40 “Available-for-sale financial assets”.

2.2. Recognition criteria

Available-for-sale financial assets are recognised initially when, and only when, the company becomes a party in the contract clauses of the instrument and that is on the date of settlement, at fair value which generally coincides with the cost of them. This value includes costs or income directly connected with the instruments themselves.
The recognition of available-for-sale financial assets may result also from the reclassification out of “held-to-maturity investments” or, but only in rare circumstances and in any case only if the asset is no longer held for sale or repurchase in the short term, out of “financial assets held for trading”; in these cases the recognition value is the same as the fair value at the moment of reclassification.

2.3. Measurement criteria

Subsequent to initial recognition, available-for-sale financial assets continue to be recognised at fair value with interest (resulting from application of the amortised cost) recognised through profit or loss and changes in fair value recognised in equity within item 140 “Valuation reserves”, except for losses due to impairment, until the financial asset is derecognised, at which time the profit or loss previously recognised in equity must be recognised through profit or loss. Equity instruments for which the fair value cannot be reliably measured are recognised at cost.

The measurement of the fair value of available-for-sale financial assets is based on the prices quoted on active markets or on internal measurement models which are generally used in financial practice as described in greater detail in Part A.4 “Information on fair value” of the Notes to the consolidated financial statements.

At the end of each financial year or interim reporting period, objective evidence of impairment is assessed, which in the case of equity instruments is also held to be significant or prolonged.

As concerns the significance of the impairment, significant indications of impairment exist where the market value of an equity instrument is less than 35% of its historical cost of acquisition. In this case impairment is recognised through profit or loss without further analysis. If the impairment is less then it is recognised only if the measurement of the instrument performed on the basis of its fundamentals does not confirm the soundness of the company and that is its earning prospects.

As concerns the permanence of the impairment, it is defined as prolonged when the fair value remains below its historical cost of purchase for a period of longer than 18 months. In this case the impairment is recognised through profit or loss without further analysis. If the fair value continues to remain below its historical purchase cost for periods shorter than 18 months, then the impairment to be recognised through profit or loss is determined by considering, amongst other things, whether the impairment is attributable to general negative performance by stock markets rather than to the specific performance of the individual counterparty.

If there is permanent impairment, the cumulative change, including that previously recognised in equity under the aforementioned item, is recognised directly in the income statement within item 130 "Net impairment losses on b) available-for-sale financial assets".
Permanent impairment loss is recognised when the acquisition cost (net of any repayments of principal and amortisation) of an available-for-sale financial asset exceeds its recoverable amount. Any recoveries of value, which are only possible when the causes of the original permanent impairment no longer exist are treated as follows:

- if they relate to investments in equity instruments, then with a balancing entry directly in the equity reserve;
- if they relate to investments in debt instruments, they are recognised in the income statement within item 130 "Net impairment losses on b) available-for-sale financial assets".

The amount of the reversal of the impairment loss may not in any case exceed the amortised cost which, in the absence of previous impairment losses, the instrument would have had at that time.

Because UBI Banca applies IAS 34 "Interim financial reporting" to its half year interim reports with consequent identification of a half year "interim period", any impairment losses are recognised historically at the end of the half year.

2.4. Derecognition criteria

Available-for-sale financial assets are derecognised in the accounts when the contractual rights to the cash flows from the financial assets expire or when the financial assets are sold with the substantial transfer of all the risks and benefits deriving from ownership of them. The result of the disposal of available-for-sale financial assets is recognised in the income statement within item 100 "Income/expense from the disposal or repurchase of b) available-for-sale financial assets". Upon derecognition, any corresponding amount of what was previously recognised in equity under item 140 "Valuation reserves" is written off against the income statement".

3. Held-to-maturity investments

3.1. Definition

Held-to-maturity investments (HTM) are defined as non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity intends and is able to hold to maturity. Exception is made for those:

(a) held for trading and those designated upon initial recognition at fair value through profit or loss (see previous section);
(b) designated as available for sale (see previous section);
(c) which satisfy the definition of loans and receivables (see section below).

When annual and interim reports are prepared the intention and ability to hold financial assets until maturity is assessed.

The assets in question are recognised under item 50 "Held-to-maturity investments".

3.2. Recognition criteria

Held-to-maturity investments are recognised initially when, and only when, the company becomes a party in the contract clauses of the instrument and that is on the date of settlement, measured at cost inclusive of any costs and income directly attributable to it. If the recognition of assets in this category is the result of the reclassification out of "available-for-sale financial assets" or, but only and only in rare circumstances if the asset is no longer held for sale or repurchase in the short-term, out of the "financial assets held for trading", the fair value of the assets as measured at the time of the reclassification is taken as the new measure of the amortised cost of the assets.

3.3. Measurement criteria

Held-to-maturity investments are valued at amortised cost using the criteria of the effective interest rate (see the section below "loans and receivables" for a definition). The result of the application of this method is recognised in the income statement within item 10 "Interest and similar income".

When annual financial statements or interim reports are prepared, objective evidence of the existence of an impairment of the value of the assets is assessed. If there is permanent impairment, the difference between the recognised value and the present value of expected future cash flows discounted at the original effective interest rate is included in the income statement under the item 130 "Net impairment losses on c) held-to-maturity investments". Any recoveries of value recorded, should the cause that gave rise to the previous recognition of impairment loss no longer exist, are recognised under the same item in the income statement.

The fair value of held-to-maturity investments is measured for disclosure purposes or where effective currency and credit risk hedges exist (in relation to the risk hedged) and it is estimated as described in greater detail in Part A.4 "Information on fair value" of the Notes to the consolidated financial statements.

3.4. Derecognition criteria

Held-to-maturity investments are derecognised when the rights to the cash flows from the financial assets expire or when the financial assets are sold with the substantial transfer of all the risks and rewards deriving from ownership of them. The result of the disposal of held-to-maturity financial assets is recognised in the income statement under the item 100 "Income/expense from disposal or repurchase of c) held-to-maturity investments".

4. Loans and receivables

4.1. Definition

Loans and receivables (L&R) are defined as non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The following are exceptions:

(a) those which it is intended to sell immediately or in the short-term, that are classified as held for trading and those that may have been designated on initial recognition as at fair value through profit or loss;
(b) those designated upon initial recognition as available for sale;
(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration; in this case they are classified as available-for-sale.

Loans and receivables are recognised under the items 60 “Loans and advances to banks” and 70 “Loans and advances to customers”.

4.2. Recognition criteria

Loans and receivables are initially recognised in the accounts when the company becomes part of a loan contract, which is to say when the creditor acquires the right to the payment of the sums agreed in the contract. That moment corresponds to the date on which the loan is granted.
Recognition in this category may result also from the reclassification out of “available-for-sale financial assets” or, but only and only in rare circumstances if the asset is no longer held for sale or repurchase in the short term, out of “financial assets held for trading”.
The amount initially recognised is that of the fair value of the financial instrument which is the same as the amount granted inclusive of costs or income directly attributable to it and determinable from the outset, independently of when they are paid. The amount of the initial recognition does not include all those expenses that are reimbursed by the debtor counterparty or that are attributable to internal expenses of an administrative character.
If the recognition is the result of reclassification, the fair value of the asset recognised at the time of the reclassification is taken as the new measure of the amortised cost of the assets.
For loans not granted under market conditions, the initial fair value is calculated by using special measurement techniques described below; in these circumstances the difference between the fair value that is calculated and the amount granted is included directly in the income statement within the item interest.
Contango and repo agreements with the obligation or right to repurchase or resell at term are recognised in the accounts as funding or lending transactions. For transactions with a spot sale and forward repurchase, the spot cash received is recognised in the accounts as borrowings, while the spot purchase transactions with forward resale are recognised as lending for the spot amount paid.

4.3. Measurement criteria

Loans and receivables are measured at amortised cost using the criteria of effective interest.
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability was measured upon initial recognition net of principal repayments, plus or minus the cumulative amortisation using the effective interest criterion on any difference between that initial amount and the maturity amount, minus any reduction (arising from an impairment or uncollectability).
The effective interest criterion is a method of calculating amortised cost of an asset or liability (or group of assets and liabilities) and of distributing the interest income or expense over its relative life. The effective interest rate is the rate that exactly discounts the estimated flow of future cash payments or receipts until the expected maturity of the financial instrument. To determine the effective interest rate, the cash flows must be estimated taking into consideration all the contractual conditions of the financial instrument (e.g. payment in advance, a purchase option or similar), but future impairments of the loan are not considered. The computation includes all fees

and basis points paid or received between parties to the contract which are integral parts of the effective interest, the transaction costs and all other premiums or discounts.

At each reporting date or when interim reports are prepared, any objective evidence that a financial asset or group of financial assets has suffered impairment loss is assessed. This circumstance occurs when it is probable that a company may not be able to collect amounts due on the basis of the original contracted conditions or, for example, in the presence of:

(a) significant financial difficulties of the issuer or obligor;
(b) a breach of contract such as a default or delinquency in interest or principal payments;
(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(d) the probability of the beneficiary declaring procedures for loan restructuring;
(e) the disappearance of an active market for that financial asset due to financial difficulties;
(f) observable data which indicates an appreciable decrease in expected future cash flows for a similar group of financial assets since the time of the initial recognition of those assets, although the decrease cannot yet be identified with the single financial assets of the group.

The measurement of non-performing loans (loans which, according to the definitions formulated by the supervisory regulations in force issued by the Bank of Italy, are non-performing, impaired, restructured or past due) is performed on a case-by-case basis. The remaining loans are measured using, collective, statistical methods which group uniform classes of risk together.

The method for calculating the impairment losses recognised on non-performing loans is based on discounting expected future cash flows for principal and interest, taking account of any guarantees attached to positions and of any advances received. The basic elements for determining the present value of cash flows are the identification of the estimated receipts, the relative maturity dates and the discount rate to apply. The amount of the loss is equal to the difference between the recognised value of the asset and the present value of expected future cash flows, discounted at the original effective interest rate.

The measurement of performing loans relates to asset portfolios for which no objective evidence of impairment exist and which are therefore valued collectively. Percentage rates of loss, calculated from historical data series estimated according to the measurement method based on Basel 2 regulations, to which appropriate corrective factors are applied to give a measurement consistent with that required by the relative accounting standard, are applied to the estimated cash flows from the assets, grouped into uniform classes with similar characteristics in terms of credit risk.

If a loan is subject to individual measurement and shows no objective impairment loss, it is placed in a class of financial assets with similar credit risk characteristics and subjected to collective measurement.

Permanent impairment that is found is immediately recognised in the income statement under the item 130 "Net impairment losses on a) loans" as are reversals of part or all of the impairment losses previously recognised. Reversals of impairment losses are recognised where there is an improvement in credit quality sufficient to provide reasonable certainty of prompt collection of the principal and the interest according to the original conditions of the original loan contract, or in the presence of a progressive reversal of the present value calculated at the time of recognising the impairment loss. Where loans are measured on a collective basis, any upward value adjustments or reversals of impairment losses are recalculated as differences in relation to each performing loan at the measurement date.

The methods used to determine the fair value of loans and receivables are described in Part A.4 "Information on fair value" of the Notes to the financial statements. The fair value is measured for all loans for information purposes only. For loans and receivables subject to effective hedging, the fair value is calculated in relation to the risk that is hedged for measurement purposes.

4.4. Derecognition criteria

Loans are derecognised from the balance sheet when the rights to the cash flows from the financial assets expire or when the financial assets are sold with the substantial transfer of all the risks and rewards deriving from ownership of them and also when events to extinguish the debt occur, in accordance with the definition provided in the supervisory regulations in force. Otherwise loans continue to be recognised on the balance sheet for an amount equal to the remaining involvement, even if legal title has been transferred to a third party.
The assets in question are derecognised in the balance sheet even when the Bank maintains the contractual right to receive cash flows from them, but when at the same time it has a contractual obligation to pay those cash flows to a third party.
If it results from disposals, the profit or loss from the derecognition of loans and receivables is recognised in the income statement within item 100 "Income (loss) from the disposal or repurchase of a) loans", or if it results from the aforementioned events to extinguish debt, within item 130 "Net impairment losses on a) loans and receivables". In the latter case the events to extinguish debt consist of either official actions taken by the competent bodies of the Bank from which the total or partial non-recoverability of the financial asset results or the waiver of recovery activities for reasons of financial expediency.

5. Hedging derivatives

5.1. Definition

Hedging transactions are designed to neutralise potential losses on a specific item (or group of items) attributable to a determined risk, by means of the gains realised on another instrument or group of instruments if that particular risk should actually result in losses.
The Bank uses the following type of hedging transactions, appropriately represented in the accounts and described below:

- a fair value hedge: the objective is to offset adverse changes in the fair value of the asset or liability hedged;
- a cash flow hedge: the objective is to hedge against the exposure to variability in expected cash flows with respect to the initial expectations.

Derivative contracts stipulated with external counterparties are designated as hedging instruments.

5.2. Recognition criteria

As with all derivatives, derivative financial instruments used for hedging are initially recognised and subsequently measured at fair value and are classified in the balance sheet under assets within item 80 "Hedging derivatives" and under liabilities within item 60 "Hedging derivatives".

A relationship qualifies as a hedge and is appropriately represented in the accounts if, and only if, all the following conditions are satisfied:

- at the start of the hedging transaction the relationship is formally designated and documented, including the company's risk management objective and strategy for undertaking the hedge. This documentation includes identification of the hedging instrument, the item or transaction hedged, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposures to changes in the fair value of the item hedged or in the cash flows attributable to the risk hedged;
- the hedging is expected to be highly effective;
- the planned transaction hedged, for hedging cash flows, is highly probable and presents an exposure to changes in cash flows that could have effects on the income statement;
- the effectiveness of the hedging can be reliably measured;

- the hedging is measured on an ongoing basis and is considered highly effective for all the financial years in which it was designated.

5.2.1. Methods for testing effectiveness

A hedge relationship is judged effective, and as such is appropriately represented in the accounts, if at its inception and during its life the changes in the fair value or cash flows of the hedged item attributable to the hedged risk are almost always completely offset by the changes in the fair value or cash flows of the hedging instrument. This conclusion is reached when the actual result falls within a range of between 80% and 125%.
The effectiveness of a hedge is tested at inception and at each reporting date by means of a prospective test designed to demonstrate the expected effectiveness of the hedge during its life.
Further retrospective tests are conducted monthly on a cumulative basis where the objective is to measure the degree of effectiveness of the hedge in the reporting period and therefore to verify whether the hedge has actually been effective in the period.
Derivative financial instruments that are considered hedges from a profit and loss viewpoint but which do not satisfy the requirements to be considered effective instruments for hedging are recognised under item 20 "Financial assets held for trading" or under item 40 "Financial liabilities held for trading" and the profits and losses under the corresponding item 80 "Trading income (loss)".
If the above tests do not confirm the effectiveness of the hedge, then if it is not derecognised, the derivative contract is reclassified within derivatives held for trading and the instrument hedged is again measured according to the criterion applied for its balance sheet classification.

5.3. Measurement criteria

5.3.1. Fair value hedging

Fair value hedging is treated as follows:

- the profit or loss resulting from measuring a hedging instrument at fair value is included in the income statement under item 90 "Net hedging income (loss)";
- the profit or loss on the item hedged attributable to the hedged risk adjusts the value in the accounts of the hedged item and is recognised immediately, regardless of the type of asset or liability hedged, in the income statement within the aforementioned item.

Hedge accounting is discontinued prospectively in the following cases:

1. the hedging instrument expires or is sold, terminated, or exercised;
2. the hedge no longer meets the hedge accounting criteria described above;
3. the entity revokes the designation.

If the asset or liability hedged is measured at amortised cost, the higher or lower value resulting from measuring them at fair value as a result of the hedge becoming ineffective is recognised through profit or loss, according to the effective interest rate method or at constant rates in the event of a hedge on a portfolio of assets and liabilities where that method is not feasible, or in a single amount if the hedge is derecognised.
The methods used for measurement of the fair value of the risk hedged in the assets or liabilities subject to hedging are described in Part A.4 "Information on fair value" of the Notes to the consolidated financial statements.

5.3.2. Cash flow hedging

When a derivative is designated as a hedge of exposure to changes in expected cash flows from an asset or liability in the balance sheet or a future transaction considered highly probable, the accounting treatment of the hedge is as follows:

- the profits or losses (from the measurement of the hedging derivative) attributable to the effective portion of the hedge are recognised in a special reserve in equity named 130 “Valuation reserves”;
- the profits or losses (from measurement of the hedging derivative) attributable to the ineffective portion of the hedge are recognised directly in the income statement under item 90 “Net hedging income (loss)”;
- the asset or liability hedged is measured according to the class of asset or liability to which it belongs.

If a future transaction occurs which involves recognising non-financial assets and liabilities, the corresponding profits or losses initially recognised under item 130 “Valuation reserves” are then transferred from that reserve and included as an initial cost of the asset or liability that is recognised. If the future hedged transaction subsequently involves recognition of a financial asset or liability, the associated profits or losses that were originally recognised under the item 130 “Valuation reserves” are reclassified to the income statement in the same reporting period or periods during which the assets acquired or liabilities incurred have an effect on the income statement. If a portion of the profits or losses recognised in the aforementioned reserve are not considered recoverable, it is reclassified into the income statement within item 80 “Net trading income (loss)”.

In all cases other than those already described, the profits or losses initially recognised under the item 130 “Valuation reserves” are transferred to the income statement to reflect the time and manner in which the future transaction is recognised in the income statement.

An entity must discontinue hedge accounting prospectively in each of the following circumstances:

(a) the hedging instrument expires or is sold, terminated, or exercised (for this purpose the replacement or exchange of one hedging instrument with another hedging instrument is not a conclusion or termination if that replacement or exchange forms part of an entity’s documented hedging strategy). In this case the total profit (or loss) on the hedging instrument continues to be recognised directly in equity until the reporting period in which the hedge became effective and it continues to be recognised separately until the programmed hedging transaction occurs;

(b) the hedge no longer satisfies the criteria for hedge accounting. In this case the total profit or loss on the hedging instrument continues to be recognised directly in equity starting from the reporting period in which the hedge became effective and it continues to be recognised separately in equity until the programmed hedging transaction occurs;

(c) it is no longer considered that the future transaction should occur, in which case any related total profit or loss on the hedging instrument recognised directly in equity starting from the reporting period in which the hedge became effective must be recognised through profit or loss;

(d) the entity revokes the designation. For hedges of a programmed transaction, total profits or losses on the hedging instrument recognised directly in equity starting from the reporting period in which the hedge became effective continues to be recognised separately in equity until the programmed transaction occurs or it is expected that it will no longer occur.

If it is expected that the transaction will no longer occur the total profit (or loss) that had been recognised directly in equity is transferred to the income statement.

5.3.3. Hedging portfolios of assets and liabilities

Hedging of portfolios of assets and liabilities (“macrohedging”) and appropriate accounting treatment is possible after first:
- identifying the portfolio to be hedged and dividing it by maturity dates;
- designating the risk to be hedged;
- identifying the interest rate risk to be hedged;
- designating the hedging instruments;

- determining the effectiveness.

The portfolio for which the interest rate risk is hedged may contain both assets and liabilities. This portfolio is divided on the basis of expected maturity or repricing dates of interest rates after first analysing the structure of the cash flows.

Changes in the fair value of the hedged instrument are recognised in the income statement under item 90 “Net hedging income (loss)” and in the balance sheet under item 90 “Fair value change in hedged financial assets” or under item 70 “Fair value change in hedged financial liabilities”.

Changes occurring in the fair value of the hedging instrument are recognised in the income statement within item 90 “Net hedging income (loss)” and under assets in the balance sheet within item 80 “Hedging derivatives” or under liabilities side within item 60 “Hedging derivatives”.

6. Equity investments

6.1. Definition

6.1.1. Subsidiaries

A “subsidiary” is defined as a company over which the Parent exercises control. Such a condition occurs when the latter is exposed to variable returns or holds rights on those returns resulting from its relationship with the subsidiary and at the same time it has the ability to influence those returns by exercising its power over that entity.
The existence of control is also determined by considering the presence of potential voting rights which empower the owner to significantly influence the returns of the subsidiary.

6.1.2. Companies subject to joint control

A “company subject to joint control” is defined as a company governed by a contractual arrangement whereby the parties to it that hold joint control enjoy rights over the net assets of the arrangement. Joint control assumes that control over the arrangement is shared contractually and that it only exists when the unanimous consent of all the parties that share the control is required for decisions that regard important activities.

6.1.3. Associates

An “associate” is defined as a company in which the investor exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the company invested in but not to control or have joint control of it.

6.2. Recognition criteria

Equity investments are recognised at the cost of purchase inclusive of any accessory costs, with exception made for controlled equity investments acquired in business combinations.

6.3. Measurement criteria

Equity investments are measured at cost. Any objective evidence that an equity investment has been subject to impairment is assessed as at each annual or interim reporting date. The recoverable amount is then calculated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value. If the recoverable amount calculated in this way is less than carrying value, the difference is recognised in the income statement under item 210 “Profit (loss) of equity investments”. Any future reversals of impairment are also included in the item where the reasons for the original impairment no longer apply.

6.4. Derecognition criteria

Equity investments are derecognised in the balance sheet when the contractual rights to the cash flows from the financial assets expire or when the financial assets are sold with the substantial transfer of all the risks and rewards deriving from ownership of them. The result of the disposal of equity-accounted investees is recognised in the income statement within item 210 “Profits (losses) of equity investments”.

7. Property, plant and equipment

7.1. Definition of assets for functional use

“Assets for functional use” are defined as tangible assets possessed to be used for the purpose of carrying on a company’s business and where the use is planned to last longer than one year.
Assets for functional use also include properties rented to employees, ex employees and their heirs, as well as works of art.

7.2. Definition of investment property

“Investment property” is defined as properties held in order to earn rentals or for capital appreciation. As a consequence, investment property is to be distinguished from assets held for the use of the owner because they generate cash flows that are very different from the other assets held by the Bank.

Finance lease contracts are also included within tangible assets (for functional use and held for investment) even if the legal title to the assets remains with the leasing company.

7.3. Recognition criteria

Tangible assets for functional use and other tangible assets are initially recognised at cost (item “110 Property, equipment and investment property”), inclusive of all costs directly connected with bringing it to working condition for the use of the assets and purchase taxes and duties that are not recoverable. This amount is subsequently increased to include expenses incurred from which it is expected future benefits will be obtained. The costs of ordinary maintenance are recognised in the income statement at the time at which they are incurred, while extraordinary maintenance costs (improvements) from which future benefits are expected are capitalised by increasing the value of the relative asset.
Improvements and expenses incurred to increase the value of leased assets from which future benefits are expected are recognised:

- within the most appropriate category of item 110 “Property, plant and equipment” if they are independent and can be separately identified, whether they are third party assets held on the basis of an ordinary leasing contract or whether they are held under a finance lease contract;
- within item 110 “Property, plant and equipment”, if they are not independent and cannot be separately identified, as an increase to the type of assets concerned if held by means of a finance lease contract or within item 150 “Other assets” if they are held under an ordinary lease contract.

The cost of property, plant and equipment is recognised as an asset if, and only if:

- it is probable that the future economic benefits associated with the asset will flow to the enterprise;
- the cost of the asset can be reliably determined.

7.4. Measurement criteria

Subsequent to initial recognition, items of property, plant and equipment for use in operations are recognised at cost, as defined above, net of accumulated depreciation and any permanent cumulative impairment. The depreciable amount, equal to cost less the residual value (i.e. the amount that would be normally obtained from disposal, less disposal costs, if the asset was normally in the conditions, including age, expected at the end of its useful life), should be allocated on a systematic basis over the asset's useful life by adopting the straight line method of depreciation. The useful life of an asset, which is reviewed periodically to detect any significant change in estimates compared to previous figures, is defined as:

- the period of time over which it is expected that the asset can be used by a company or,
- the quantity of products or similar units that an entity expects to obtain from the use of the asset.

Since property, plant and equipment may consist of items with different useful lives, land, whether by itself or as part of the value of a building is not depreciated since it constitutes a fixed asset with an indefinite life. The value attributable to the land is deducted from the total value of a property for all buildings in proportion to the percentage of ownership. Buildings, on the other hand, are depreciated according to the criteria described above.
Works of art are not depreciated because they generally increase in value over time.

Depreciation of an asset starts when it is available for use and ceases when the asset is written off the accounts, which is the most recent of when it is classified as for sale and the date of elimination from the accounts. As a consequence depreciation does not stop when an asset is left idle or is no longer in use, unless the asset has already been fully depreciated.

Improvements and expenses which increase the value are depreciated as follows:
– if they are independent and can be separately identified, according to the presumed useful life as described above;
– if they are not independent and cannot be separately identified, then if they are held under an ordinary leasing contract, over the shorter of the period in which the improvements and expenses can be used and that of the remaining life of the contract taking account of any individual renewals, or if the assets are held under a finance lease contract, over the expected useful life of the assets concerned.
The depreciation of improvements and expenses to increase the value of leased assets recognised under item 150 “Other assets” is recognised within the item 190 “Other operating income (expense)”.

At the end of each annual or interim reporting period the existence of indications that demonstrate the impairment of the value of an asset are assessed. The loss is determined by comparing the carrying amount of the tangible asset with the lower recoverable amount. The latter is the greater of the fair value, net of any sales costs, and the relative use value intended as the present value of future cash flows generated by the asset. The loss is immediately recognised in the income statement within item 170 “Net impairment losses on property, plant and equipment”; the item also includes any future reversal of impairment losses if the causes of the original impairment no longer exist.

7.4.1. Definition and measurement of fair value

7.4.1.1. Properties

The methods used to determine the fair value of properties are described in Part A.4 “Information on fair value” of the Notes to the financial statements.

7.4.1.2. Determination of the value of land

The methods used to determine the fair value of land are described in Part A.4 “Information on fair value” of the Notes to the financial statements.

7.5. Property, plant and equipment acquired through finance leases

A finance lease is a contract that substantially transfers all the risks and rewards incident to ownership of an asset. Legal title may or may not be transferred at the end of the lease term.

The beginning of the lease term is the date on which the lessee is authorised to exercise his right to use the asset leased and therefore corresponds to the date on which the lease is initially recognised.

When the contract commences, the lessee recognises the financial lease transactions as assets and liabilities in its balance sheet at the fair value of the asset leased or, if lower, at the present value of the minimum payments due. To determine the present value of the minimum payments due, the discount rate used is the contractual interest rate implicit in the lease, if practicable, or else the lessee's incremental borrowing rate is used. Any initial direct costs incurred by the lessee are added to the amount recognised for the asset.

The minimum payments due are apportioned between the finance charges and the reduction of the residual liability. The former are allocated over the lease term so as to produce a constant rate of interest on the residual liability.
The finance lease contract involves recognition of the depreciation charge for the asset leased and of the finance charges for each financial year. The depreciation policy used for assets acquired under finance leases is consistent with that adopted for owned assets. See the relative paragraph for a more detailed description.

7.6. Derecognition criteria

Property, plant and equipment are derecognised in the balance sheet when they are disposed of or when they are permanently retired from use and no future economic benefits are expected from their disposal. Any gains or losses resulting from the retirement or disposal of the tangible asset, calculated as the difference between the net consideration on the sale and the carrying amount of the asset are recognised in the income statement under item 240 "Profit (loss) on the disposal of investments".

8. Intangible assets

8.1. Definition

An intangible asset is defined as an identifiable non-monetary asset without physical substance that is used in carrying on a company's business.
The asset is identifiable when:

- it is separable, which is to say capable of being separated and sold, transferred, licensed, rented, or exchanged;
- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from other rights and obligations.

An asset possesses the characteristic of being controlled by the enterprise as a result of past events and the assumption that its use will cause economic benefits to flow to the enterprise. An entity has control over an asset if it has the power to obtain future economic benefits arising from the resource in question and may also limit access by others to those benefits.
Future economic benefits arising from an intangible asset might include receipts from the sale of products or services, savings on costs or other benefits resulting from the use of the asset by an enterprise.

An intangible asset is recognised if, and only if:
(a) it is probable that the expected future economic benefits attributable to the asset will flow to the entity;
(b) the cost of the asset can be measured reliably.

The probability of future economic benefits occurring is assessed on the basis of reasonable and supportable assumptions that represent the best estimate of the economic conditions that will exist over the useful life of the asset.
The degree of probability attaching to the flow of economic benefits attributable to the use of the asset is assessed on the basis of the sources of information available at the time of initial recognition, giving greater weight to external sources of information.

The main items considered to be intangible assets are goodwill and third party, or internally generated software, used over several years as well as customer relationships resulting from granting property loans to private individuals.

8.1.1. Intangible assets with a finite useful life

A finite useful life is defined for an asset where it is possible to estimate a limit to the period over which the related economic benefits are expected to be produced.
Intangible assets considered as having a finite useful life include software, customer relationships resulting from granting property loans to private individuals.

8.1.2. Intangible assets with an indefinite useful life

An indefinite useful life is defined for an asset where it is not possible to estimate a predictable limit to the period over which the asset is expected to generate economic benefits for the Bank. The attribution of an indefinite useful life to an asset does not arise from having already programmed future expenses which restore the standard level of performance of the asset over time and prolong its useful life.

8.2. Recognition criteria

Assets recognised under the balance sheet item 120 "Intangible assets" are recognised at cost and any expenses subsequent to the initial recognition are only capitalised if they are able to generate future economic benefits and only if those expenses can be reliably determined and attributed to the assets.

The cost of an intangible asset includes:

- the purchase price including any non recoverable taxes and duties on purchases after commercial discounts and bonuses have been deducted;
- any direct costs incurred in bringing the asset into use.

8.3. Measurement criteria

Subsequent to initial recognition intangible assets with a finite useful life are recognised at cost net of total amortisation and any losses in value that may have occurred. Amortisation is calculated on a systematic basis over the estimated useful life of the asset (see definition included in the sub-section "Property, plant and equipment") using the straight line method for all intangible assets with the exception of customer relationships resulting from granting property loans to private individuals which are amortised on the basis of the average life of the relationships or in other words of the portfolio of loans granted.

Amortisation begins when the asset is available for use and ceases on the date on which the asset is eliminated from the accounts.

Intangible assets with an indefinite useful life (see, goodwill, as defined in the section below if positive) are recognised at cost net of any impairment loss resulting from periodic reviews when tests are performed to verify the appropriateness of the carrying amount of the assets (see section below). As a consequence amortisation of these assets is not calculated.

No intangible assets arising from research (or from the research phase of an internal project) are recognised. Research expenses (or the research phase of an internal project) are recognised as expenses at the time at which they are incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if the following can be demonstrated:

(a) the technical feasibility of completing the intangible asset so that it becomes available for sale or use;
(b) the intention of the company to complete the intangible asset to use it or sell it;
(c) the capacity of the company to use or sell the intangible asset.

At the end of each annual or interim reporting period the existence of potential impairment of the value of intangible assets is assessed. The impairment loss is given by the difference between the carrying amount of the assets and the recoverable amount and is recognised, as are any reversals of impairment losses, within the item 180 "Net impairment losses on intangible assets", with the exception of impairment losses on goodwill which are recognised within item 230 "Net impairment losses on goodwill".

8.4. Goodwill

Goodwill is defined as the difference between the purchase cost and the fair value of assets and liabilities acquired as part of a business combination which consists of the union of separate enterprises or businesses in a single entity required to prepare financial statements. The result of almost all business combinations consists in the fact that a sole entity, an acquirer, obtains control over one or more separate businesses of the acquiree. When an entity acquires a group of activities or net assets that do not constitute a business it allocates the cost of the group to individual assets and liabilities identified on the basis of their relative fair value at the date of acquisition.
A business combination may give rise to a holding relationship between a parent company and a subsidiary in which the acquirer is the parent company and the acquiree is the subsidiary.

All business combinations are accounted for using the purchase method of accounting.
The purchase method involves the following steps:

(a) identification of the acquirer (the acquirer is the combining enterprise that obtains control of the other combining enterprises or businesses);

(b) determination of the acquisition date;

(c) determination of the cost of the business combination, intended as the consideration transferred by the purchaser to the shareholders of the acquiree;

(d) the allocation, as at the acquisition date, of the cost of the business combination by means of the recognition, classification and measurement of the identifiable assets acquired and the identifiable liabilities assumed;

(e) recognition of any existing goodwill.

Business combinations performed with subsidiary undertakings or with companies belonging to the same group are recognised on the basis of the significant economic substance of the transactions.
In application of that principle, the goodwill arising from those transactions is recognised:

(a) within asset item 120 of the balance sheet if significant economic substance is found;

(b) as a deduction from equity if it is not found.

8.4.1. Allocation of the cost of a business combination to assets and liabilities and contingent liabilities

The acquirer:

(a) recognises the goodwill acquired in a business combination as assets;

(b) measures that goodwill at its cost to the extent that it is the excess of the cost of the business combination over the acquirer's share of interest in the net fair values of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill acquired in a business combination represents a payment made by the acquirer in the expectation of receiving economic future benefits from the asset which cannot be identified individually and recognised separately.
After initial recognition, the acquirer values the goodwill acquired in a business combination at the relative cost net of cumulative impairment.
The goodwill acquired in a business combination must not be amortised. The acquirer tests the asset for impairment annually or more frequently if specific events or changed circumstances indicate that it may have suffered a reduction in value, according to the relative accounting standard.

The standard states that an asset (including goodwill) has suffered value impairment when the value recognised in the accounts exceeds the recoverable amount understood as the greater of the fair value, net of any sales expenses and its value in use, defined by section 6 of IAS 36.
In order to test for impairment, goodwill must be allocated to cash generating units or to groups of cash generating units, in observance of the maximum aggregation limit which cannot exceed the operating segment identified in accordance with IFRS 8.

8.4.2. Negative goodwill

If the acquirer’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination the acquirer:

(a) reviews the identification and measurement of the identifiable assets, liabilities and contingent liabilities of the acquiree and the determination of the cost of the business combination;

(b) immediately recognises any excess existing after the new measurement in the income statement.

8.5. Derecognition criteria

Intangible assets are derecognised in the balance sheet following disposal or when no economic future benefit is expected from its use or disposal.

9. Liabilities, debt securities issued (and subordinated liabilities)

The various forms of interbank and customer funding are recognised within the balance sheet items 10 “Due to banks”, 20 “Due to customers” and 30 “Debt securities issued”. These items also include liabilities recognised by a lessee in financial leasing operations.

9.1. Recognition criteria

The liabilities in question are recognised in the balance sheet at the time when the funding is received or when the debt securities are issued. The amount recognised is the fair value, which is normally the same as either the consideration received or the issue price, inclusive of any additional expenses or income that are directly attributable to the transaction and determinable from the outset, regardless of when they are paid. The amount of the initial recognition does not include all those costs that are reimbursed by the creditor counterparty or that are attributable to internal costs of an administrative character.

9.2. Measurement criteria

After initial recognition medium to long-term financial liabilities are measured at amortised cost using the effective interest method as defined in previous paragraphs.
Short-term liabilities, for which the time factor is insignificant, are measured at cost.
The methods used to determine the fair value of liabilities and debt securities issued, performed for information purposes only, are described in Part A.4 “Information on fair value” of the Notes to the financial statements.

9.3. Derecognition criteria

Financial liabilities are derecognised in the balance sheet when they mature or are extinguished.
The repurchase of own securities issued results in derecognition of the securities with the consequent redefinition of the liability for debt instruments issued. Any difference between the repurchase value of the own securities and the corresponding carrying value of the liabilities is recognised in the income statement under the item 100 “Income from the disposal or repurchase of d) financial liabilities”. Any subsequent re-issue of the securities previously subject to derecognition in the accounts constitutes a new issue for accounting purposes with the consequent recognition at the new issue price without any effect in the income statement.

10. Tax assets and liabilities

Tax assets and liabilities are stated in the balance sheet within the items 130 “Tax assets” and 80 “Tax liabilities”.

10.1. Current tax assets and liabilities

Current tax for the current and prior periods is recognised as a liability to the extent that it has not yet been settled; any excess compared to the amount due is recognised as an asset.

Current tax liabilities (assets) for the current and prior years, are measured at the amount expected to be paid to/recovered from taxation authorities, using the tax rates and tax laws in force.

Current tax assets and liabilities are derecognised in the accounts in the year in which the assets are realised or the liabilities are extinguished.

10.2. Deferred tax assets and liabilities

Deferred tax liabilities are recognised for all taxable temporary differences unless the deferred tax liability arises from:

- goodwill for which amortisation is not deductible for tax purposes or
- the initial recognition of an asset or a liability in a transaction which:

– is not a business combination and
– at the time of the transaction, affects neither the accounting nor the taxable profit.

Deferred tax assets are not calculated for higher values of assets for which the tax regime has been suspended relating to equity investments and to reserves for which the tax regime has been suspended because it is considered there are no reasonable grounds to assume they will be taxed in future.

Deferred tax liabilities are recognised within the balance sheet item 80 “Tax liabilities b) deferred”. A deferred tax asset is recognised for all deductible temporary differences if it is probable that a taxable income will be used against which it will be possible to use the deductible temporary difference, unless the deferred tax asset arises from:

- negative goodwill which is treated as deferred income;
- the initial recognition of an asset or liability in a transaction which:

– is not a business combination and
– affects neither the accounting profit nor the taxable profit at the time of the transaction.

Deferred tax assets are recognised within the balance sheet item 130 “Tax assets b) deferred”.

Deferred tax assets and deferred tax liabilities are subject to constant monitoring and are measured using the tax rates that it is expected will apply in the period in which the tax asset will be realised or the tax liability will be extinguished on the basis of the tax regulations established by laws currently in force.

Deferred tax assets and deferred tax liabilities are derecognised in the accounts in the year in which:

- the temporary difference which gave rise to them becomes payable with regard to deferred tax liabilities or deductible with regard to deferred tax assets;
- the temporary difference which gave rise to them is no longer valid for tax purposes.

Deferred tax assets and deferred tax liabilities must not normally be discounted to present values nor offset one against the other,

11. Non-current assets and disposal groups held for sale – Liabilities associated with disposal groups held for sale

Non-current assets and liabilities and groups of non-current assets and liabilities for which it is presumed that the carrying value will recovered by selling them rather than by continued use are

classified respectively under items 140 “Non-current assets and disposal groups held for sale” and 90 “Liabilities associated with assets held for sale”.
In order to be classified within these items the assets or liabilities (or disposal groups) must be immediately available for sale and there must be active, concrete programmes to sell the assets or liabilities in the short term.
These assets or liabilities are measured at the lower of the carrying amount and their fair value net of disposal costs.
Profits and losses attributable to groups of assets or liabilities held for sale are recognised in the income statement under item 280 “Pre-tax profit (loss) of non-current assets and groups of assets held for disposal”.
Profits and losses attributable to individual assets held for disposal are recognised in the income statement under the most appropriate item.

12. Provisions for risks and charges

12.1. Definition

A provision is defined as a liability of uncertain timing or amount.

A contingent liability, however, is defined as:

- a possible obligation, the result of past events, the existence of which will only be confirmed by the occurrence or (non-occurrence) of future events that are not totally under the control of the enterprise;
- a present obligation that is the result of past events, but which is not recognised in the accounts because:

– it is improbable that financial resources will be needed to settle the obligation;
– the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the accounts, but are only reported, unless they are considered a remote possibility.

12.2. Recognition criteria and measurement

A provision is recognised if and only if:

- there is a present obligation (legal or implicit) that is the result of a past event and
- it is probable that the use of resources suitable for producing economic benefits will be required to fulfil the obligation; and
- a reliable estimate can be made of the amount arising from fulfilment of the obligation.

The amount recognised as a provision represents the best estimate of the expenditure required to settle the present obligation at the reporting date and reflects the risks and uncertainties that inevitably characterise a number of facts and circumstances. The amount of a provision is measured by the present value of the expenditure that it is assumed will be necessary to settle the obligation where the effect of the present value is a substantial aspect. Future events that might affect the amount required to settle the obligation are only taken into consideration if there is sufficient objective evidence that they will occur.

Provisions made for risks and charges include those for the risk attaching to any existing tax litigation.

12.3. Derecognition criteria

The provision is reversed when it becomes improbable that the use of resources suitable for producing economic benefits will be required to settle the obligation.

13. Foreign currency transactions

13.1. Definition

A foreign currency is a currency other than the functional currency of the entity, which is the currency of the primary economic environment in which an entity operates.

13.2. Recognition criteria

A foreign currency transaction is recorded at the time of initial recognition in the functional currency applying the spot exchange rate between the functional currency and the foreign currency ruling on the date of the transaction.

13.3. Measurement criteria

At each reporting date:

(a) foreign currency monetary[12] amounts are translated using the closing rate;
(b) non-monetary items[13] measured at historical cost in foreign currency are translated using the exchange rate at the date of the transaction;
(c) non-monetary items carried at fair value in a foreign currency are translated using the exchange rates that existed on the dates when the fair values were determined.

Exchange differences arising from the settlement of monetary items or from the translation of monetary items at rates different from those at which they were translated when initially recognised during the year or in previous financial statements are recognised in the income statement for the year in which they originated.
Exchange rate differences arising from a monetary item that forms part of a net investment in a foreign operation of an entity that prepares financial statements are recognised in the income statement of the individual company financial statements of the entity that prepares the financial statements or the individual company financial statements of the foreign operation.

When a profit or loss on a non-monetary item is recognised directly in equity, each change in that profit or loss is also recognised directly in equity. However, when a profit or loss on a non-monetary item is recognised in the income statement each change in that profit or loss is recognised in the income statement.

14. Other information

- Treasury shares

Treasury shares held in portfolio are deducted from equity. No profit or loss arising from the purchase, sale, issue or cancellation of treasury shares is recognised in the income statement. The differences between the purchase and sale price arising from these transactions are recorded in equity reserves.

- Provisions for guarantees granted and commitments

Provisions made on a cases by case and collective basis to estimate possible payments to be made connected with the assumption of credit risks attaching to guarantees granted and commitments assumed are calculated by applying the same criteria as that reported for loans.

[12] “Monetary” items are defined as relating to determined sums in foreign currency, which is to say to assets and liabilities which must be received or paid for a determined amount in foreign currency. The defining characteristic of a monetary item is therefore the right to receive or an obligation to pay a set or calculable number of foreign currency units.
[13] See the note on “monetary” items for the contrary.

These provisions are recognised within the item 100 “Other liabilities” against the item in the income statement 130d “Net impairment losses on: other financial transactions”.

- Employee benefits

Definition
Employee benefits are defined as all forms of consideration given by an enterprise in exchange for services rendered by employees. Employee benefits can be classified as follows:

- short-term benefits (not including benefits due to employees for end of contract) which it is planned to pay entirely within twelve months from the end of the year in which the employees provided their services;
- post-employment benefits at the end of an unemployment contract due after the contract of employment has terminated;
- benefits due to employees for the ending of an employment contract;
- other long-term benefits, other than the previous, which it is not planned to pay entirely within the twelve months from end of the financial year in which employee rendered the relative employment service.

Post-employment benefits and defined service provisions

Recognition criteria
Following the reform of supplementary pensions pursuant to Legislative Decree No. 252/2005, portions of post-employment benefit funds maturing from 1st January 2007 constitute a “defined benefit plan”.
The liability relating to those portions is measured on the basis of the contributions due without the application of any actuarial methods.
However, post-employment benefits maturing up until 31st December 2006 continue to constitute a “post-employment benefit” belonging to the “defined benefit plan” series and as such require the amount of the obligation to be determined on an actuarial basis and to be discounted to present values because the debt may be extinguished a long time after the employees have rendered the relative service.
The amount is accounted for as a liability amounting to:

(a) the present value of the defined benefit obligation as at the reporting date;
(b) plus any actuarial gains (less any actuarial losses) recognised in a separate reserve in equity;
(c) less the fair value at the reporting date of any assets at the service of the plan.

Measurement criteria

“Actuarial gains/losses”, recognised in a special valuation reserve in equity, comprise the effects of adjustments arising from the reformulation of previous actuarial assumptions as a result of actual experience or from changes in the actuarial assumptions themselves.

The “Projected Unit Credit Method” is used to calculate the present value. This considers each single period of service as giving rise to an additional unit of severance payment and therefore measures each unit separately to arrive at the final obligation. This additional unit is obtained by dividing the total expected service by the number of years that have passed from the time service commenced until the expected payment date. Application of the method involves making projections of future payments based on historical analysis of statistics and of the demographic curve and discounting these flows on the basis of market interest rates. The rate used for discounting to present value is calculated with reference to market interest rates published on the reporting date of bonds issued by major companies, as the average of the swap, bid and ask rates appropriately interpolated for intermediate maturity dates.

Stock Options/Stock Grants

Stock option and stock granting plans are defined as personnel remuneration schemes where the service rendered by an employee or a third party is remunerated by using equity instruments (including options on shares).
The cost of these transactions is measured at the fair value of equity instruments granted and is recognised in the income statement under item 150 "Administrative expenses a) personnel expense" on a straight line basis over the original life of the plan. The fair value determined relates to the equity instruments granted at the time of grant and takes account of market prices, if available, and the terms and conditions upon which the instruments were granted.

- Segment reporting

Segment reporting is defined as the manner in which financial information on an enterprise is reported by operating segment.
No segment reporting is given in this document because the separate company Annual Report for UBI Banca is published together with the consolidated annual report of the UBI Banca Group which gives that information for the Group as a whole.

- Revenues

Definition

Revenues are the gross inflow of economic benefits resulting from business arising from the ordinary operating activities of an enterprise when these inflows create an increase in equity other than an increase resulting from payments made by shareholders.

Recognition criteria

Revenues are measured at the fair value of the consideration received or due and are recognised in the accounts when they can be reliably estimated.

The result of the rendering of services can be reliably estimated when the following conditions are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits arising from the transaction will flow to the company;
- the stage of completion of the operation as at the reporting date can be measured reliably;
- the costs incurred, or to be incurred, to complete the transaction can be measured reliably.

Revenue recognised in return for services rendered is recognised by reference to the stage of completion of the transaction.
Revenue is only recognised when it is probable that the economic benefits arising from the transaction will be enjoyed by the company. Nevertheless when the recoverability of an amount already included within revenues is uncertain, the amount not recoverable or the amount for which recovery is no longer probable is recognised as a cost instead of adjusting the revenue originally recognised.

Revenue arising from the use by third parties of the company's assets which generate interest or dividends are recognised when:

- it is probable that the economic benefits arising from the transaction will be received by the enterprise;
- the amount of the revenue can be reliably measured.

Interest is recognised on an accruals basis that takes into account the effective yield of the asset.
In detail:

- interest income includes the amortisation of any discounts, premiums or other differences between the initial carrying amount of a security and its value at maturity;
- arrears of interest that are considered recoverable are recognised within the item 10 “Interest and similar income”, but only the part considered recoverable.

Dividends are recognised when shareholders acquire the right to receive payment.

Expenses or revenues resulting from the sale or purchase of financial instruments, determined by the difference between the amount paid or received for the transaction and the fair value of the instrument are recognised in the income statement on initial recognition of the financial instrument when the fair value is determined:
- by making reference to current and observable market transactions in the same instrument;
- by using measurement techniques which use, as variables, only data from observable markets.

- Expenses

Expenses are recognised in the accounts at the time at which they are incurred while following the criteria of matching expenses to revenues that result directly and jointly from the same transactions or events. Expenses that cannot be associated with revenues are recognised immediately in the income statement.
Expenses directly attributable to financial instruments measured at amortised cost and determinable from the outset, regardless of the time at which they are settled, flow to the income statement by applying the effective interest rate, a definition of which is given in the section “Loans and receivables”.
Impairment losses are recognised through profit and loss in the year in which they are measured.

A.3 – INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

No reclassifications have been performed either in the current year, or in the previous year in financial asset portfolios from asset classes recognised at fair value into classes recognised at amortised cost with regard to the possibilities introduced by EC Regulation No. 1004/2008 of the European Commission.

A.4 – INFORMATION ON FAIR VALUE

Qualitative information

IFRS 13 – "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This value is therefore what is known as an "exit price" which reflects the properties of the asset or liability subject to measurement from the perspective of a third party market participant.

A fair value measurement relates to an ordinary transaction carried out or which could be carried out between market participants, where, the market is defined as:

- the principal market, which is the market with the highest volume and level of transactions for the asset or liability in question to which the Bank has access;
- or, in the absence of a principal market, the most advantageous market, which is that in which it is possible to obtain the highest price for the sale of an asset or the lowest purchase price for a liability with account taken of transaction and transport costs.

To increase consistency and comparability in fair value measurements and related disclosures, IFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value.
The objective of this classification is to establish a hierarchy in terms of the objectivity of the fair value as a function of the degree of discretion adopted, by giving priority to observable market inputs which reflect the assumptions that market participants would use in the measurement of assets and liabilities.

The fair value hierarchy is defined on the basis of the data inputs (with reference to their origin, type and quality) using the models for determining fair value and not on the basis of the measurement models themselves. In this perspective the highest priority is given to input level one.

Fair value determined on the basis of level one inputs:

Fair value is determined on the basis of observable inputs, i.e. quoted prices in active markets for the financial instrument, that the entity can access at the measurement date of the instrument. The existence of quoted prices in an active market is the most reliable evidence of fair value and therefore these quoted prices shall be given priority as the input to be used in the valuation process.

According to IFRS 13, a market is defined as active when transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

More specifically, equities and bonds quoted on a regulated market (e.g. MOT/MTS – electronic corporate/government bond markets) and those not quoted on regulated markets for which prices are available on a continuous basis from the main information platforms which represent actual and orderly market transactions.
The fair value of listed securities on regulated markets is normally given by the reference price published on the last trading day of the reporting period on the respective markets on which they

are quoted. For securities not quoted on regulated markets, the fair value is given by the price on the last transaction date considered representative on the basis of internal policies.

As concerns other financial instruments with a level one input such as for example, derivatives, exchange traded funds and listed property funds, the fair value is given by the closing price on the respective listed markets on the measurement date or in the case of listed UCITS, mutual funds, Sicav's and hedge funds, it is given by the official NAV (net asset value), if this is considered representative according to internal policies.

Fair value determined on the basis of level two inputs

Where no prices are available on active markets, the fair value is measured by using prices observable on inactive markets or by using measurement models which make use of market inputs.

The valuation is performed by using inputs that are either directly or indirectly observable, such as for example:
- prices listed on active markets for identical assets or liabilities;
- observable inputs such as interest rates or yield curves, implicit volatilities, early repayment risk, default rates and illiquidity factors.

On the basis of the above, the valuation resulting from the technique adopted involves marginal use of unobservable inputs because the most important inputs used in the valuation are taken from the market and the results of the calculation methods used replicate quotations on active markets.

The following are included in level two:

- OTC derivatives;
- equity instruments;
- bonds;
- shares of private equity funds

Assets and liabilities measured at cost or at amortised cost, for which the fair value is given in the notes to the financial statements purely for information purposes, are classified in level two only if the unobservable inputs do not have a significant impact on the result of the valuation. Otherwise they are classified in level three.

Fair value determined on the basis of level three inputs

The valuation is determined by the use of significant inputs not taken from the market, which therefore involve the adoption of estimates and internal assumptions.

The following are included in level three of the fair value hierarchy:

- OTC derivatives
- equity instruments measured:
    a. with the use of significant unobservable inputs;
    b. using methods based on an analysis of the fundamentals of the investee;
    c. at cost.
- hedge funds, for which consideration is given not only to the official NAVs but also to liquidity and/or counterparty risk;
- options on financial equity investments;
- bonds resulting from the conversion of loans and receivables.

Finally, fair value is classified in level three as a result of the use of market inputs that have been adjusted significantly to reflect valuation aspects inherent to the instrument measured.

A.4.1 Fair value levels two and three: measurement techniques and the inputs used

This sub-section provides information on the measurement techniques and inputs used to determine the fair value of assets and liabilities subject to measurement in the balance sheet and those for which the fair value is given purely for information purposes.

Assets and liabilities subject to fair value measurement

OTC derivatives

The method adopted to calculate the fair value of OTC derivatives involves the use of closed formula models. In detail, the main pricing models used for OTC derivatives are: Black Yield, Black Fwd, Black Swap Yield, Cox Fwd, Trinomial, Lnormal and CMS Convexity Analytical.
Derivative instruments that are not managed in the target software applications, relating to instruments used to hedge some types of embedded options in structured bonds issued, are measured using internal models (stochastic models with MonteCarlo simulations).
The pricing models implemented for derivatives are used on an ongoing basis and are subject to periodic verification designed to assess their reliability over time.

The market data used to calculate the fair values of derivatives is classified, according to its availability, as follows:

- the prices of quoted instruments: all products quoted by major international exchanges or on the main data provider platforms;
- market inputs available on info provider platforms: all instruments which, although not quoted on an official market, are readily available on info provider networks by means of guaranteed ongoing contributions from brokers and market makers.

The inputs used to calculate the fair value of OTC derivatives include yield curves and Cap&Floor volatilities for major currencies (euro, US dollar, GBP, yen, CHF), the main exchange rates and the relative volatilities and the FX swap points. As explained later in greater detail, the fair value of some types of OTC derivatives takes counterparty risk into account. The calculation of this component is carried out by using default probabilities and the percentage of credit recovery from counterparties.

As concerns credit risk, market practice is to adopt two measures capable of identifying the impacts of possible changes in counterparty credit rating and incorporating this in the fair value: credit value adjustment (counterparty non-performance risk) and debt value adjustment (own non-performance risk).
The approach adopted by the Group to calculate these measurements, termed the “spread curve” method, is a development of the method previously implemented to calculate credit risk adjustment (used to calculate counterparty non-performance risk) and it involves the use of credit spread curves to calculate the two components. More specifically it involves the following steps:

- an estimate of the future cash flows of the OTC derivative using risk free curves. The resulting net cash flow calculated is then discounted using counterparty credit curves (for positive cash flows) or UBI Banca’s credit curve (negative cash flows) described in the points below;
- the creation of an “adjusted” curve for the counterparty, obtained by applying the relative spread to the risk-free discount curve, for each maturity;
- the creation of an “adjusted” curve for UBI Banca, obtained by applying the relative spread to the risk-free discount curve, for each maturity.

The method implemented by the group is applied to OTC derivatives in the Group’s portfolio, entered into with external counterparties for which CSA agreements exist with complete daily or weekly margin accounts.

Given the predominant use of unobservable inputs, the fair value of OTC derivatives is classified in level two of the hierarchy, except for those derivatives where the CVA (estimated internally) is important for determination of the fair value. The fair value of these instruments is classified in fair level three of the hierarchy.

The UBI Banca Group's policy for options on equities is to measure the fair value by taking account of the probability of exercise given the specific nature of the options in question. The fair value calculated in this way is classified in level three of the hierarchy.

Equity instruments

As concerns the methods used to measure the fair value of equity instruments not quoted on an active market, the UBI Banca Group has identified the following hierarchy of valuation techniques:

1) the direct transactions method;
2) the comparable transactions method;
3) the stock market multiples method;
4) financial and earnings methods;
5) balance sheet methods.

Equity instruments are measured by considering the applicability of the methods in the order given above. In the final instance, where it is impossible to use the above techniques, these instruments are measured at cost.

The characteristics of the valuation techniques used as at 31st December 2014 are given below.

The direct transactions method;

Application of the direct transactions method involves applying the implicit value resulting from the most recent significant transaction recorded on the shares of the investee. By using observable inputs, the fair value thereby obtained is classified in level two of the hierarchy.

If the transaction that occurred on the market involved a controlling stake or one which gave significant influence over the investee by the acquirer, then it is possible that the price paid incorporated a premium for control. This aspect is considered by a possible adjustment to the value of the investment. Therefore the pro rata value of the economic capital of the company is reduced by between 25% and 35%. That adjustment, resulting from the use of unobservable and significant inputs results in classification of the fair value in level three of the hierarchy.

The comparable transactions method

Application of the comparable transactions method involves analysis of transactions to purchase shares in companies with operating and capital characteristics of the same type as those of the investee and the subsequent calculation of an implicit multiple given by the transaction price. By using observable inputs, the fair value thereby obtained is classified in level two of the hierarchy.

If the transaction that occurred on the market involved a controlling stake or one which gave significant influence over the investee by the acquirer, then it is possible that the price paid incorporated a premium for control. This aspect is considered by a possible adjustment to the value of the investment. Therefore the pro rata value of the economic capital of the company is reduced by between 25% and 35% to reflect the lack of powers within the investee. That adjustment, resulting from the use of unobservable and significant inputs results in classification of the fair value in level three of the hierarchy.

The stock market multiples method

This method allows a company to be valued on the basis of data derived from quotations of comparable companies (in terms of sales turnover, equity, leverage) observed on the relative stock market in a period within the last 30 days and last year prior to the measurement date. It is performed by processing the most significant multipliers (stock market multiples) resulting from the ratio between the value that the stock market attributes to these companies and those of their operating and capital performance indicators that are considered most significant. By using observable inputs, the fair value thereby obtained is classified in level two of the hierarchy.

The need to adjust the valuations obtained, which is not infrequent, when applying the stock market multiple methods in order to take account of possible differences in the compatibility of the companies used and the liquidity of the instruments measured, the pro rata value of the economic capital of the company is reduced by between 10% and 40% to reflect the limited liquidity of the investment and/or significant differences in size between the investee and the companies in the sample. This adjustment, resulting from the use of unobservable and significant inputs results in the classification of the fair value in level three of the hierarchy.

Balance sheet methods

Balance sheet methods provide a calculation of the fair value of an investee based on balance sheet figures, adjusted in the light of gains and losses implicit in the assets and liabilities of the investee and the possible valuation of intangible components. The fair value determined by using these methods, based on unobservable inputs, is classified in level three of the hierarchy.

Bonds

The procedure for estimating the fair value adopted by the UBI Banca Group for bonds involves the use of a specific valuation model, the discounted cash flow model. The valuation process in question can be summarised in the following steps:

1. an estimate of the cash flows paid by the instrument both in terms of interest and repayment of capital;
2. an estimate of the spread which represents the credit rating of the issue of the instrument;
3. an estimate of a spread which represents the illiquidity of the instrument in order to take account of the low liquidity which characterises the pricing of a "non-contributed" instrument (not officially quoted).

Given the predominant use of unobservable inputs, the fair value thereby calculated is classified in level two of the hierarchy, except for those instruments where the component of the spread that represents the illiquidity is important for determining the fair value and for some bonds resulting from the conversion of loans and receivables, which are classified in level three of the hierarchy.

The following are comprised within the inputs used to calculate the fair value of bonds: interest rate curves of major currencies (euro, US dollar, GBP, yen, CHF), the credit spreads of the issuers of the bond subject to measurement (taken from instruments quoted on markets considered active) and a spread representative of the illiquidity of the instrument measured, calculated on the basis of the credit spread of the issuer.

Shares of private equity funds

The fair value of shares in private equity funds is calculated on the basis of the last NAV available and considering the various communications received from the fund (e.g. redemptions, dividend distributions) from the date of the last available NAV until the measurement date. The NAV is then adjusted if necessary to take into consideration situations of particular risk and non-performance associated with the investment.

Shares of hedge funds

The fair value of shares of hedge funds is classified in level three of the hierarchy and is calculated on the basis of the official NAV adjusted by a percentage of at least 20% to take account of liquidity and/or counterparty risks.

Assets and liabilities, the fair value of which is given in the notes to the financial statements

Loans and receivables

Determination of the fair value of loans and advances to customers, calculated for disclosure in the notes to the financial statements, is carried out by using valuation techniques, except for those loans and receivables for which the book value is considered an adequate representation of the fair value, such as for example defaulted loans, transactions with no repayment schedules (current account overdrafts and unsecured guarantees) and loans due in less than one year which for that reason are classified in level three of the hierarchy.

The method adopted by the UBI Banca Group to estimate the fair value of loans and receivables involves discounting cash flows, defined as the sum of the principal and interest resulting from the different due dates of the repayment schedule, reduced by the amount of the expected loss and discounted at a rate which incorporates the risk-free component and a spread representing the cost of capital and funding.

More specifically, the following inputs are used:

i) a base discount rate, based on the Euribor yield curve;
ii) default risk and risk of potential loss, expected and unexpected, measured on the specific loan during its entire life. These values are represented by internal credit risk measurement parameters such as the rating, the PD and LGD, differentiated by customer segment. The PD associated with each rating is measured on a multi-year basis. Finally, the unexpected loss component takes account of the Group's cost of equity;
iii) the UBI Banca Group's funding components. These components are based on the average cost of financing incurred by the Group in the wholesale, retail and covered bond markets with a ten-year cap.

In order to identify the correct level in the fair value hierarchy obtained using the above valuation technique, the level of significance of the unobservable inputs must be properly assessed.
In this respect, the fair value resulting from the application of the method described above is compared with a benchmark that is calculated which employs a discount curve composed from observable market data.
If the comparison shows that the fair value is significantly different from that calculated using the aforementioned benchmark, the fair value is classified in level three. Otherwise it is classified in fair value level two.

The fair value of loans and advances to banks is normally calculated for the purposes of disclosure in the notes to the financial statements for on-balance sheet transactions with a time horizon of longer than one year.
The method adopted involves calculating the net present value of the cash flows from these instruments on the basis of the current market interest rate for transactions of the same duration, inclusive of the risk factors implicit in the transaction. Because this method is based on observable inputs, it results in classification of the fair value in level two of the hierarchy.

For transactions with no repayment schedules (current account overdrafts and unsecured guarantees), for defaulted loans and for transactions with a maturity of shorter than one year, the book value is considered an adequate approximation of the fair value, which as a consequence results in classification in level three of the hierarchy.

Tangible assets held for investment

Reference is made for the determination of the fair value of investment properties to the market value, determined mainly by means of outside appraisers, defined as the highest price at which the sale of a property might reasonably be expected to have been concluded unconditionally for cash consideration on the measurement date between independent counterparties.

The procedures adopted for determining the market value are based on the following methods:

- the direct comparative or market method, based on a comparison between the asset in question and other similar assets subject to sale or currently on sale on the same market or on competing markets;
- the income method based on the present value of potential market incomes for a similar property, obtained by capitalising the income at a market interest rate.

The above methods are carried out individually and the values obtained are appropriately averaged.

The method used for identifying the percentage of the market value attributable to land is based on an analysis of the location of the property, taking account of the type of construction, the state of conservation and the cost of rebuilding the entire building.

The fair value determined in this manner is classified in level three of the hierarchy due to the absence in the Italian market of reference indicators which might confirm the reliability of the valuation. As a consequence, the inputs used cannot be classified in level two.

Borrowings and payables

The fair value of amounts due to banks and customers is normally calculated for the purposes of disclosure in the notes to the financial statements for liabilities due after one year.
The valuation is carried out by discounting future cash flows using an interest rate that incorporates the component relating to its own credit risk. Since it is based on observable inputs from the relative market, this method results in the classification of the fair value in level two of the hierarchy.

For liabilities due within one year or with an indeterminate due date, the book value recognised can be considered an adequate approximation of the fair value, which as a consequence results in classification in level three of the hierarchy.
This classification is also adopted for amounts due to the European Central Bank.

Securities issued

As these are liabilities issued, held as assets by third parties, the valuation techniques used have been developed from the perspective of a market participant who holds the debt securities as assets. In this specific case the components considered are as follows:

- the time value of the money, measured by the risk-free yield curve;
- the risk of failing to satisfy own obligations, measured by own credit spread.

The inputs used to measure the fair value include the yield curves of major currencies (euro, US dollar, GBP, yen, CHF) and UBI Banca's issue spreads, measured from the funding conditions existing as at the reporting date, classified by type of counterparty for whom the security issued is destined.

The inputs used are observable and result in classification in level two of the hierarchy, except for bonds issued by the Bank linked to loans granted to customers. In these cases the fair value of the security is determined using the loan inputs themselves and both instruments are classified in level three of the hierarchy.

A.4.2 Valuation processes and sensitivities

The UBI Banca Group has set a special policy for the determination of fair values officially set out in special regulations approved by the members of governing bodies. The purpose of these policies is to ensure proper and consistent application of the provisions of IFRS 13

An analysis is given below of the sensitivity of equity instruments for which the fair value measurement is classified in level three of the hierarchy as a result of the use of unobservable significant inputs.
This analysis was conducted by formulating a stress test for the inputs in question, which takes account of the minimum and maximum value that these inputs can take, reported for each valuation technique used in the previous sub-section A.4.1 "Fair value levels two and three".

For equity instruments classified within the AFS portfolio for which sensitivity analysis is possible, on the basis of the valuation model used, if the maximum value for the unobservable inputs is used, the gross valuation reserve would be €7.6 million lower than the book value recognised if no further impairment was detected. Otherwise, if the minimum value is used, the gross valuation reserve would be €15.3 million higher than the book value recognised.
For equity instruments classified as designated at fair value for which sensitivity analysis is possible, on the basis of the valuation model used, marginal differences from the book value are found.

As concerns other financial instruments subject to fair value measurement and classified within level three of the fair value hierarchy (OTC derivatives, hedge funds, bonds resulting from the conversion of loans and options on equity investments), no sensitivity analysis is conducted either because the methods of quantifying the fair value do not allow alternative hypotheses to be made concerning the unobservable inputs used for the purposes of valuation, or because the effects of changing those inputs are not considered important.

A.4.3 Fair value hierarchy

With regard to assets and liabilities subject to fair value measurement on a recurring basis, classification in the right level of the fair value hierarchy is carried out by making reference to rules and methods contained in Bank regulations. Possible transfers to a different level of the hierarchy are identified on a monthly basis. Examples might be transfers resulting from the "disappearance" of an active market on which they are quoted or the use of a different method of measurement not previously applicable.

A.4.4 Other information

No situations exist in the UBI Banca Group in which the maximum or best use of a non-financial asset is different from its current use.
Furthermore, no situations exist in which financial assets and liabilities managed on a net basis in relation to market or credit risk are subject to fair value measurement on the basis of the price that would be received from the sale of a net long position or from the transfer of a net short position.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: distribution by fair value level

Assets/liabilities measured at fair value	31.12.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	799,921	742,235	2,679	2,584,378	605,001	1,701
2. Financial assets designated at fair value	120,026	3,000	70,141	117,129	927	90,087
3. Available-for-sale financial assets	17,006,618	942,590	117,675	13,726,705	895,804	130,767
4. Hedging derivatives	-	647,972	-	-	215,310	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**17,926,565**	**2,335,797**	**190,495**	**16,428,212**	**1,717,042**	**222,555**
1. Financial liabilities held for trading	300	721,881	-	979,014	551,777	645
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	937,018	-	-	377,702	-
Total	**300**	**1,658,899**	**-**	**979,014**	**929,479**	**645**

The main figures on the amounts and movements in the exposures compared with the previous year are given in the Management Report and in the tables in the notes to the financial statements. Greater detail is given below on the main amounts within level three:

- financial assets held for trading:

bond Cogemeset 09/14 Step Coupon: €253.5 thousand
XMark Opportunity Fund LTD (UCITS): €522 thousand
The Drake ABSOL B1 (UCITS): €78.8 thousand
Centro Servizi Metalli Spa MAC: €444.7 thousand
Trading derivatives: €1.38 million

- financial assets designated at fair value:

Humanitas Spa: €20.5 million
Property Mirasole Spa ordinary €35.6 million and privileged: €3.5 million
Car Testing Srl: €2.2 million
E.C.A.S. Spa: €1.7 million
Medinvest International SCA: €1.3 million
Residual shares in hedge funds: approximately €5.2 million

- available-for-sale financial assets:

Soc. Aeroporto Civile di Bergamo Orio al Serio: €53.4 million
Istituto Centrale Banche Popolari Italiane: €32.5 million
Autostrada Pedemontana Lombarda Spa: €9.3 million
GGP Greenfield A3 ordinary shares: €3.5 million
Net Insurance Spa: €2.8 million
Autostrade Lombarde Spa ord: €2.5 million
Panini Spa: €2.8 million
Bergamo Fiera Nuova Spa: €1.5 million
Visa Inc.: €1.6 million
Earchimede: €1.3 million
Banca Emilveneta Spa: €1.3 million
other minor investments: €5.2 million

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level three)

	Financial assets held for trading	Financial assets designated at fair value	Available-for-sale financial assets	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balances	**1,701**	**90,087**	**130,767**	**-**	**-**	**-**
2. Increases	**2,072**	**20,200**	**11,440**	**-**	**-**	**-**
2.1. Purchases	36	-	5,645	-	-	-
2.2. Profits recognised in:	78	3,081	5,795	-	-	-
2.2.1. Income statement	78	3,081	-	-	-	-
- of which gains	-	1,446	-	-	-	-
2.2.2. Equity	X	X	5,795	-	-	-
2.3. Transfers from other levels	1,874	-	-	-	-	-
2.4. Other increases	84	17,119	-	-	-	-
3. Decreases	**(1,094)**	**(40,146)**	**(24,532)**	**-**	**-**	**-**
3.1.Sales	(711)	(18,886)	(15,574)	-	-	-
3.2. Redemptions	(1)	(2,367)	(1,550)	-	-	-
3.3. Losses recognised in:	(382)	(2,346)	(2,559)	-	-	-
3.3.1. Income statement	(382)	(2,346)	(2,559)	-	-	-
- of which losses	(382)	(2,333)	-	-	-	-
3.3.2. Equity	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-
3.5. Other decreases	-	(16,547)	(4,849)	-	-	-
4. Closing balances	**2,679**	**70,141**	**117,675**	**-**	**-**	**-**

The main items subject to movement regarded the following:

- financial assets held for trading:

Increases included transfers to fair value level three consisting mainly of derivatives for which the counterparty credit valuation risk was 10% higher than the gross fair value carrying amount (€1.4 million).

Losses recognised through profit or loss related mainly to the convertible bond Cogemeset 09/14 Step Coupon amounting to €364 thousand.

- financial assets designated at fair value:

The other increases and decreases relate to two corporate ownership operations which resulted in the replacement of securities held in portfolio.

Property Mirasole Spa: an increase in ordinary shares and Class B privileged shares by €13.6 million and a decrease in privileged shares by €13.6 million;

Car Testing Srl: a conversion of the securities due to the transformation of the company into an “srl” (limited liability company) for an amount of €2.2 million.

The amount of €3.1 million recognised in the income statement consists of:

- profits of €1.7 million realised on disposals mainly of the hedge fund Pardigma (€912 thousand) and the company Manisa Srl (€650 thousand).

- gains of €1.4 million relating almost totally to Immobiliare Mirasole Spa

Decreases due to sales of €15 million for the company Humanitas Spa and of €3.9 million for the investment in Manisa Srl.

Redemptions related mainly to shares in the hedge fund Paradigma GLB amounting to €2 million.

Losses recognised through profit or loss mainly regarded the following shares: ECAS Spa (€498 thousand), Humanitas Spa (€729 thousand) and hedge funds (€1.1 million).

- available-for-sale financial assets:

Increases included the following:

Purchases mainly of Panini Spa shares (€2.8 million) and Bergamo Fiera Spa shares (€1.5 million).

Movements in equity regarded gains on the company SACBO amounting to €3.6 million and transfers of negative reserves to the income statement amounting to €2.2 million.

Decreases regarded sales of Sia Spa amounting to €15.6 million, while losses recognised through profit or loss related to impairment losses on the company Autostrada Pedemontana Spa, amounting to €2.2 million and the stakes held in Targetti Spa amounting to €0.3 million.

A.4.5.3 Annual changes in financial liabilities measured at fair value (level three)

UBI Banca does not hold any financial liabilities measured at fair value.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: distribution by fair value level

Financial assets/liabilities measured at fair value	31.12.2014				31.12.2013			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Held-to-maturity investments	3,576,951	3,607,673	-	-	3,086,815	3,153,553		
2. Loans and advances to banks	14,055,649	-	10,695,978	3,362,424	13,487,366		3,378,915	10,007,130
3. Loans and advances to customers	23,330,321	-	13,178,073	10,373,558	25,168,913		5,633,388	19,571,568
4. Tangible assets held for investment	512,568	-	-	689,032	525,465			525,465
5. Non-current assets and disposal groups held for sale	507	-	-	-	2,329			2,329
Total	**41,475,996**	**3,607,673**	**23,874,051**	**14,425,014**	**42,270,888**	**3,153,553**	**9,012,303**	**30,106,492**
1. Due to banks	19,140,417	-	-	19,207,310	24,285,811		2,540,469	21,758,898
2. Due to customers	7,065,270	-	-	7,075,825	7,223,913			7,224,689
3. Debt securities issued	36,545,668	16,277,423	21,108,815	-	30,211,092	17,653,559	12,551,693	
4. Liabilities associated with assets held for sale	-	-	-	-				
Total	**62,751,355**	**16,277,423**	**21,108,815**	**26,283,135**	**61,720,816**	**17,653,559**	**15,092,162**	**28,983,587**

A.5 – INFORMATION ON "DAY ONE PROFIT/LOSS"

The information relates to paragraph 28 of the IFRS which concerns differences between transaction prices and the value obtained by using measurement techniques that emerge on initial recognition and that are not immediately recognised through profit and loss on the basis of paragraph AG76 of IAS 39.
Where this type of event occurs, indication must be given of the accounting policies adopted by the bank for recognition through profit or loss of the differences that arise in this manner subsequent to initial recognition of the instrument.
UBI Banca has not performed any transactions for which a difference between the purchase price and the value of the instrument obtained using internal measurement techniques has arisen on initial recognition.

Part B – Notes to the balance sheet

ASSETS

Section 1 Cash and cash equivalents - Item 10 -

1.1 Cash and cash equivalents: composition

	31.12.2014	31.12.2013
a) Cash in hand	160,330	151,927
b) Deposits with central banks	-	-
Total	**160,330**	**151,927**

The amount for cash and cash equivalents relates to the centralisation at the Parent of the central treasury service for all the banks of the Group.

Section 2 Financial assets held for trading - Item 20 -

2.1 Financial assets held for trading: composition by type

Items/Amounts	31.12.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance sheet assets						
1. Debt instruments	794,399	407	253	2,580,188	8	618
1.1 Structured instruments	1	402	253	-	-	618
1.2 Other debt instruments	794,398	5	-	2,580,188	8	-
2. Equity instruments	4,504	-	445	3,864	-	445
3. Units in UCITS	241	-	601	168	-	638
4. Financing	-	-	-	-	-	-
4.1. Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**799,144**	**407**	**1,299**	**2,584,220**	**8**	**1,701**
B. Derivative instruments						
1. Financial Derivatives:	777	741,828	1,380	158	604,993	-
1.1 for trading	777	741,828	1,380	158	604,993	-
1.2. connected with fair value options	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 connected with fair value options	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**777**	**741,828**	**1,380**	**158**	**604,993**	**-**
Total (A+B)	**799,921**	**742,235**	**2,679**	**2,584,378**	**605,001**	**1,701**

Financial derivatives (level two) relate to OTC transactions connected with trading activity and were composed mainly of interest rate swaps of €691 million, options of €34.3 million and forwards of €16.5 million.

2.2 Financial assets held for trading: composition by debtors/issuers

Items/Amounts	31.12.2014	31.12.2013
A. ASSETS		
1. Debt instruments	**795,059**	**2,580,814**
a) Governments and central banks	794,397	2,580,186
b) Other public authorities	-	-
c) Banks	5	10
d) Other issuers	657	618
2. Equity instruments	**4,949**	**4,309**
a) Banks	-	-
b) Other issuers:	4,949	4,309
- insurance companies	2	-
- financial companies	596	343
- non financial companies	4,351	3,966
- other	-	-
3. Units in UCITS	**842**	**806**
4. Financing	**-**	**-**
a) Governments and central banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other	-	-
Total A	**800,850**	**2,585,929**
B. DERIVATIVE INSTRUMENTS		
a) Banks		
- fair value	*442,911*	*407,769*
b) Customers		
- fair value	*301,074*	*197,382*
Total B	**743,985**	**605,151**
Total (A+B)	**1,544,835**	**3,191,080**

2.3 Financial assets held for trading: annual changes

	Debt instruments	Equity instruments	Units in UCITS	Financing	Total
Opening balances	**2,580,814**	**4,309**	**806**	**-**	**2,585,929**
B. Increases	**4,659,930**	**2,847**	**506**	**-**	**4,663,283**
B.1 Purchases	4,577,193	2,218	366	-	4,579,777
B.2 Positive changes in fair value	675	578	14	-	1,267
B.3 Other changes	82,062	51	126	-	82,239
C. Decreases	**(6,445,685)**	**(2,207)**	**(470)**	**-**	**(6,448,362)**
C.1 Sales	(5,461,765)	(1,905)	-	-	(5,463,670)
C.2 Redemptions	(6)	-	(431)	-	(437)
C.3 Negative changes in fair value	(366)	(299)	(29)	-	(694)
C.4 Transfers to other portfolios	-	-	-	-	-
C.5 Other changes	(983,548)	(3)	(10)	-	(983,561)
D. Final balances	**795,059**	**4,949**	**842**	**-**	**800,850**

Within debt instruments, item C.5 “other changes” (decreases), includes an amount of €954.6 million relating to uncovered short positions existing at the end of the year before on German government securities (€600 million nominal), French goverment securities (€300 million nominal) and Italian government securities (€20 million nominal amount). These transactions no longer existed as at 31st December 2014.

Section 3 Financial assets designated at fair value - Item 30 -

3.1 Financial assets designated at fair value: composition by type

Items/Amounts	31.12.2014			31.12.2013		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt instruments	-	-	-	-	-	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	-	-	-	-	-	-
2. Equity instruments	3,224	3,000	64,904	-	927	83,016
3. Units in UCITS	116,802	-	5,237	117,129	-	7,071
4. Financing	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**120,026**	**3,000**	**70,141**	**117,129**	**927**	**90,087**
Cost	**120,026**	**3,000**	**70,141**	**117,129**	**927**	**90,087**

Level one investments in units of UCITS consisted of a hedge fund of the company Tages Capital SGR. The amount stated within level three relates to the remaining value of other investments in hedge funds.

3.2 Financial assets designated at fair value: composition by debtors/issuers

Items/Amounts	31.12.2014	31.12.2013
1. Debt instruments	**-**	**-**
a) Governments and central banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity instruments	**71,128**	**83,943**
a) Banks	-	-
b) Other issuers:	71,128	83,943
- insurance companies	-	-
- financial companies	24,049	39,778
- non financial companies	47,079	44,165
- other	-	-
3. Units in UCITS	**122,039**	**124,200**
4. Financing	**-**	**-**
a) Governments and central banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other	-	-
Total	**193,167**	**208,143**

3.3 Financial assets designated at fair value: annual changes

	Debt instruments	Equity instruments	Units in UCITS	Financing	Total
Opening balances	**-**	**83,943**	**124,200**	**-**	**208,143**
B. Increases	**-**	**24,224**	**2,349**	**-**	**26,573**
B.1 Purchases	-	3,886	-	-	3,886
B.2 Positive changes in fair value	-	3,565	63	-	3,628
B.3 Other changes	-	16,773	2,286	-	19,059
C. Decreases	**-**	**(37,039)**	**(4,510)**	**-**	**(41,549)**
C.1 Sales	-	(19,574)	-	-	(19,574)
C.2 Redemptions	-	-	(2,367)	-	(2,367)
C.3 Negative changes in fair value	-	(1,647)	(1,399)	-	(3,046)
C.4 Other changes	-	(15,818)	(744)	-	(16,562)
D. Final balances	**-**	**71,128**	**122,039**	**-**	**193,167**

Details of movements in units in UCITS are given at the foot of table 7.1 in income statement Section 7 – “Net value change in financial assets designated at fair value”, which may be consulted.

Section 4 Available-for-sale financial assets - Item 40 -

4.1 Available-for-sale financial assets: composition by type

Items/Amounts	31.12.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt instruments	16,921,010	899,134	-	13,470,640	845,777	4,050
1.1 Structured instruments	75,316	641,276	-	248,700	582,907	2,500
1.2 Other debt instruments	16,845,694	257,858	-	13,221,940	262,870	1,550
2. Equity instruments	1,726	45	117,675	1,426	-	126,717
2.1 At fair value	1,726	45	60,568	1,426	-	123,195
2.2 At cost	-	-	57,107	-	-	3,522
3. Units in UCITS	83,882	43,411	-	254,639	50,027	-
4. Financing	-	-	-	-	-	-
Total	**17,006,618**	**942,590**	**117,675**	**13,726,705**	**895,804**	**130,767**

Structured instruments under item 1, debt instruments, are composed as follows:

- nvestments in bonds issued by major national and international banks and financial institutions for an amount of €75.3 million classified in level one;

- the investments in Italian banks amounting to €171.9 million and in Italian government securities amounting to €469.4 million classified in level two.

Other debt instruments were composed as follows:

- €197.6 million of investments in bonds issued by major national and international banks, financial institutions and companies and €16.6 billion of Italian government securitiesn level one;

- almost entirely the bond issued by Mediobanca 3.2015% 10/15 EMTN in level two.

The equity instruments and UCITS measured at fair value in level three were composed mainly as follows:

- level one: investments in the UCITS fund ISHARES EURO STOXX 5 (ETF) amounting to €73.8 million and Polis Portafoglio Immobiliare amounting to €10 million and in the share VISA Inc. amounting to €1.6 million.

- level two: mainly investments in private equity funds.

- level three, the investments were mainly in the following companies:

– SACBO Spa: €53.4 million;
– Istituto Centrale Banche Popolari: €32.5 million
– Autostrada Pedemontana Lombarda SpA: €9.3 million.
– Autostrade Lombarde Spa: €2.5 million
– Bergamo Fiera Nuova Spa: €1.5 million

4.2 Available-for-sale financial assets: composition by debtors/issuers

Items/Amounts	31.12.2014	31.12.2013
1. Debt instruments	**17,820,144**	**14,320,467**
a) Governments and central banks	17,122,835	13,391,776
b) Other public authorities	-	-
c) Banks	464,564	590,036
d) Other issuers	232,745	338,655
2. Equity instruments	**119,446**	**128,143**
a) Banks	33,980	33,980
b) Other issuers:	85,466	94,163
- insurance companies	2,825	2,825
- financial companies	3,382	3,172
- non financial companies	79,009	87,916
- other	250	250
3. Units in UCITS	**127,293**	**304,666**
4. Financing	**-**	**-**
a) Governments and central banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other	-	-
Total	**18,066,883**	**14,753,276**

4.3 Available-for-sale financial assets: subject to specific hedging

Items/Amounts	31.12.2014	31.12.2013
1. Financial assets subject to fair value specific hedge	13,083,168	3,450,280
a) interest rate risk	13,083,168	3,450,280
b) price risk	-	-
c) currency risk	-	-
d) credit risk	-	-
e) multiple risks	-	-
2. Financial assets subject to cash flow specific hedge	-	-
a) interest rate risk	-	-
b) currency risk	-	-
c) other	-	-
Total	**13,083,168**	**3,450,280**

The assets subject to specific fair value hedges on interest rate risk consisted of debt instruments issued by the Italian government and by major Italian banks. Fair value changes in the instruments in question and the relative hedging contracts are recognised within item 90 of the income statement – "net hedging income".

4.4 Available-for-sale financial assets: annual changes

	Debt instruments	Equity instruments	Units in UCITS	Financing	Total
Opening balances	**14,320,467**	**128,143**	**304,666**	**-**	**14,753,276**
B. Increases	**13,350,793**	**14,231**	**90,365**	**-**	**13,455,389**
B.1 Purchases	12,147,314	8,021	76,249	-	12,231,584
B.2 Positive changes in fair value	1,085,720	3,804	8,637	-	1,098,161
B.3 Reversal of impairment losses	914	2,240	-	-	3,154
- recognised in the income statement	914	x	-	-	914
- recognised in equity	-	2,240	-	-	2,240
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	116,845	166	5,479	-	122,490
C. Decreases	**(9,851,116)**	**(22,928)**	**(267,738)**	**-**	**(10,141,782)**
C.1 Sales	(7,910,700)	(17,831)	(249,968)	-	(8,178,499)
C.2 Redemptions	(1,813,695)	-	(15,311)	-	(1,829,006)
C.3 Negative changes in fair value	(4,522)	-	(1,072)	-	(5,594)
C.4 Impairment losses	(16)	(2,677)	(1,387)	-	(4,080)
- recognised in the income statement	(16)	(2,677)	(1,217)	-	(3,910)
- recognised in equity	-	-	(170)	-	(170)
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	(122,183)	(2,420)	-	-	(124,603)
D. Final balances	**17,820,144**	**119,446**	**127,293**	**-**	**18,066,883**

Purchase and sales of debt securities regarded primarily Italian government securities made with a view to profit-taking and repositioning designed to support net interest income.

Section 5 Held-to-maturity investments - Item 50 -

5.1 Held-to-maturity investments: composition by type

	31.12.2014				31.12.2013			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt instruments	3,576,951	3,607,673	-	-	3,086,815	3,153,553	-	-
- structured	-	-	-	-	-	-	-	-
- other	3,576,951	3,607,673	-	-	3,086,815	3,153,553	-	-
2. Financing	-	-	-	-	-	-	-	-

This item is composed of government securities acquired with a view to supporting net interest income.

5.2 Held-to-maturity investments: debtors/issuers

Type of transaction/Values	31.12.2014	31.12.2013
1. Debt instruments	**3,576,951**	**3,086,815**
a) Governments and central banks	3,576,951	3,086,815
b) Other public authorities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Financing	**-**	**-**
a) Governments and central banks	-	-
b) Other public authorities	-	-
c) Banks	-	-
d) Other	-	-
Total	**3,576,951**	**3,086,815**
Total fair value	**3,607,673**	**3,153,553**

5.3 Held-to-maturity investments subject to specific hedging

There are no held-to-maturity financial assets subject to specific hedging.

5.4 Held-to-maturity investments: annual changes

	Debt instruments	Financing	Total
Opening balances	**3,086,815**	**-**	**3,086,815**
B. Increases	**3,543,159**	**-**	**3,543,159**
B.1 Purchases	3,543,159	-	3,543,159
B.2 Reversals of impairment losses	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	-	-	-
C. Decreases	**(3,053,023)**	**-**	**(3,053,023)**
C.1 Sales	-	-	-
C.2 Redemptions	(3,000,000)	-	(3,000,000)
C.3 Net impairment losses	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	(53,023)	-	(53,023)
D. Final balances	**3,576,951**	**-**	**3,576,951**

Other decreases related to matured investments recognised through profit and loss directly against the book value of the securities in the balance sheet. The items in question regarded the market discount of €40 million, interest accruing of €19 million and the negative amortised cost component of €112 million.

Section 6 Loans and advances to banks - Item 60 -

6.1 Loans and advances to banks: composition by type

Type of transaction/Amounts	31.12.2014				31.12.2013			
	BV	FV Level 1	FV Level 2	FV Level 3	BV	FV Level 1	FV Level 2	FV Level 3
A. Loans to central banks	**528,311**	**-**	**-**	**528,311**	**776,842**	**-**	**-**	**776,842**
1. Term deposits	-	X	X	X	-	X	X	X
2. Compulsory reserve requirement	528,311	X	X	X	776,842	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Loans to banks	**13,527,338**	**-**	**10,695,978**	**2,834,113**	**12,710,524**	**-**	**3,378,915**	**9,230,287**
1. Financing	7,794,294	-	4,960,628	2,834,113	9,612,394	-	387,328	9,230,287
1.1. Current accounts and deposits	2,767,764	X	X	X	3,072,078	X	X	X
1.2. Term deposits	2,430,572	X	X	X	1,994,591	X	X	X
1.3. Other financing:	2,595,958	X	X	X	4,545,725	X	X	X
- Reverse repurchase agreements	1,872,501	X	X	X	4,110,910	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	723,457	X	X	X	434,815	X	X	X
2. Debt instruments	5,733,044	-	5,735,350	-	3,098,130	-	2,991,587	-
2.1. Structured securities	437,422	X	X	X	402,486	X	X	X
2.2. Other debt instruments	5,295,622	X	X	X	2,695,644	X	X	X
Total	**14,055,649**	**-**	**10,695,978**	**3,362,424**	**13,487,366**	**-**	**3,378,915**	**10,007,129**

The item A.2 contains the deposit with the Bank of Italy relating to the compulsory reserve.

UBI Banca performs its lending activities mainly to the banks in the Group.

The main items included the following:

- current accounts and deposits with Group banks amounting to €1.8 billion and to €1 billion with other banks (mainly margin deposits on derivatives);
- term deposits amounting to €2.4 billion relating primarily to transactions with Group banks;
- other financing includes reverse repurchase agreements of €1.4 billion entered into with Group banks and of €512 million with other institutes;
- debt instruments – intragroup amounting to €5.7 billion (of which €1.6 billion a mirror PO).

6.2 Loans and advances to banks subject to specific hedging

The Bank has no specific hedging contracts for loans to banks.

6.3 Finance leases

The Bank has no existing loans for finance leases

Section 7 Loans and advances to customers - Item 70 -

7.1 Loans and advances to customers: composition by type

Type of transaction/Amounts	31.12.2014						31.12.2013					
	Carrying amount			Fair Value			Carrying amount			Fair Value		
	Performing	Deteriorated		L1	L2	L3	Performing	Deteriorated		L1	L2	L3
		Purchased	Other					Purchased	Other			
Financing	**21,938,184**	**-**	**1,280,777**	**-**	**13,072,445**	**10,372,541**	**23,434,096**	**-**	**1,393,606**	**-**	**5,304,947**	**19,571,565**
1. Current account overdrafts	1,025,653	-	674	X	X	X	1,295,337	-	2,306	X	X	X
2. Reverse repurchase agreements	1,253,175	-	-	X	X	X	1,053,956	-	-	X	X	X
3. Mortgages	9,539,754	-	1,065,071	X	X	X	10,172,355	-	1,161,847	X	X	X
4. Credit cards, personal loans and salary-backed loans	769,791	-	98,160	X	X	X	1,091,971	-	117,507	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	6,118	-	-	X	X	X	6,054	-	-	X	X	X
7. Other financing	9,343,693	-	116,872	X	X	X	9,814,423	-	111,946	X	X	X
Debt instruments	**111,360**	**-**	**-**	**-**	**105,628**	**1,017**	**341,211**	**-**	**-**	**-**	**328,441**	**3**
8. Structured securities	110,100	-	-	X	X	X	339,944	-	-	X	X	X
9. Other debt instruments	1,260	-	-	X	X	X	1,267	-	-	X	X	X
Total	**22,049,544**	**-**	**1,280,777**	**-**	**13,178,073**	**10,373,558**	**23,775,307**	**-**	**1,393,606**	**-**	**5,633,388**	**19,571,568**

Details are given below of the most important positions:

- current accounts accounted for intragroup transactions amounting to €842 million. The remaining €184.2 million relates to business with institutional customers;

- reverse repurchase agreements relate to transactions with UBI Leasing SpA amounting to €712 million and to €541 million with the *Cassa di Compensazione e Garanzia* (central counterparty clearing house) as part of liquidity management;

- mortgages relate to intragroup transactions of €1.7 billion and to non-intragroup transactions of €8.8 billion. These include the portion arising from the merger of Centrobanca amounting to €4.4 billion (of which €580 million classified as deteriorated), while those mortgages relating to the former B@nca 24-7 amount to €4.4 billion (including €485 million of deteriorated positions);
- the other transactions regarded financing for Group companies of €8.2 billion, while non-intragroup positions amounting to €1.2 billion relate mainly to secured financing with the Cassa di Compensazione e Garanzia Spa of €463.8 million and €473.4 million of financing arising from the Centrobanca Spa merger (of which €97.8 million deteriorated);
- debt instruments consist of intragroup transactions of €110 million all subject to subordination clauses.

7.2 Loans and advances to customers: composition by debtors/issuers

Type of transaction/Amounts	31.12.2014			31.12.2013		
	Performing	Deteriorated		Performing	Deteriorated	
		Purchased	Other		Purchased	Other
1. Debt instruments	111,360	-	-	341,211	-	-
a) Governments	-	-	-	-	-	-
b) Other public authorities	-	-	-	-	-	-
c) Other issuers	111,360	-	-	341,211	-	-
- non financial companies	1,263	-	-	1,270	-	-
- financial companies	110,097	-	-	339,941	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Financing to:	21,938,184	-	1,280,777	23,434,096	-	1,393,606
a) Governments	4,651	-	-	4,690	-	-
b) Other public authorities	24,856	-	-	29,820	-	-
c) Other	21,908,677	-	1,280,777	23,399,586	-	1,393,606
- non financial companies	3,771,468	-	649,262	4,194,290	-	668,757
- financial companies	13,051,110	-	27,421	13,590,441	-	35,773
- insurance companies	98,050	-	-	98,051	-	105
- other	4,988,049	-	604,094	5,516,804	-	688,971
Total	**22,049,544**	**-**	**1,280,777**	**23,775,307**	**-**	**1,393,606**

7.3 Loans and advances to customers: assets subject to specific hedging

Type of transaction/Amounts	31.12.2014	31.12.2013
1. Loans subject to fair value specific hedge:	29,609	59,637
a) interest rate risk	29,609	59,637
b) currency risk	-	-
c) credit risk	-	-
d) multiple risks	-	-
2. Loans subject to cash flow specific hedge:	-	-
a) interest rate risk	-	-
b) currency risk	-	-
c) other	-	-
Total	**29,609**	**59,637**

Assets subject to specific fair value hedges on interest rate risk consisted of loans granted to customers outside the Group, the change in the fair value of which together with that of the relative hedging contracts, is recognised within item 90 of the income statement – “net hedging income”.

7.4 Finance leases

No finance leases with customers were recognised.

Section 8 Hedging derivatives - Item 80 -

8.1 Hedging derivatives: composition by type of hedge and hierarchical level

	FAIR VALUE 31.12.2014			NOMINAL AMOUNT 31.12.2014	FAIR VALUE 31.12.2013			NOMINAL AMOUNT 31.12.2013
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**647,972**	**-**	**23,526,955**	**-**	**215,310**	**-**	**16,711,482**
1) Fair value	-	647,972	-	23,526,955	-	215,310	-	16,711,482
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**647,972**	**-**	**23,526,955**	**-**	**215,310**	**-**	**16,711,482**

Financial derivatives consist exclusively of interest rate hedges of the interest rate swap type on bonds issued. The fair value movement is recognised in item 90 of the income statement – Net profit hedging income (loss).

8.2 Hedging Derivatives: composition by portfolios hedged and type of hedge

Transactions / Type of hedge	Fair Value						Cash flow		Foreign investments
	Specific					Macro-hedge	Specific	Macro-hedge	
	Interest rate risk	Currency risk	Credit risk	Price risk	Multiple risks				
1. Available-for-sale financial assets	-	-	-	-	-	x	-	x	x
2. Loans	-	-	-	x	-	x	-	x	x
3. Held-to-maturity investments	x	-	-	x	-	x	-	x	x
4. Portfolio	x	x	x	x	x	-	x	-	x
5, Other transactions	-	-	-	-	-	x	-	x	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	647,972	-	-	x	-	x	-	x	x
2. Portfolio	x	x	x	x	x	-	x	-	x
Total liabilities	**647,972**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	x	x	x	x	x	x	-	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x	-	x	-	-

Section 9 Change in the fair value of financial assets subject to macro-hedge - Item 90 -

9.1 Fair value change in hedged assets: composition by portfolios hedged

Fair value change in hedged assets / Amounts	31.12.2014	31.12.2013
1. Positive changes	**5,583**	**5,418**
1.1 of specific portfolios:	5,583	5,418
a) loans and receivables	5,583	5,418
b) available-for-sale financial assets	-	-
1.2 general	-	-
2. Negative changes	-	**-**
2.1 of specific portfolios	-	-
a) loans and receivables	-	-
b) available-for-sale financial assets	-	-
2.2 general	-	-
Total	**5,583**	**5,418**

9.2 Assets subject to interest rate risk macro hedge

Hedged assets	31.12.2014	31.12.2013
1. Loans	108,283	130,283
2. Available-for-sale financial assets	-	-
3. Portfolio	-	-
Total	**108,283**	**130,283**

Total assets subject to fair value macro hedges on interest rate risk consisted of loans, the change in value of which together with that of the relative hedging contracts, is recognised within item 90 of the income statement – “net hedging income”.

Section 10 Equity investments - Item 100 -

10.1 Equity investments: information on investments

Name	Registered address	Operating headquarters	Percentage owned	% of votes
A. Companies subject to exclusive control				
Banca Carime Spa	Cosenza	Cosenza	99.99%	99.99%
Banca di Valle Camonica Spa	Breno (Bs)	Breno (Bs)	75.29%	84.13%
Banca Popolare Commercio e Industria Spa	Milan	Milan	83.76%	83.76%
Banca Popolare di Ancona Spa	Jesi (An)	Jesi (An)	99.53%	99.53%
Banca Popolare di Bergamo Spa	Bergamo	Bergamo	100.00%	100.00%
Banca Regionale Europea Spa	Cuneo	Cuneo	79.88%	75.60%
Banco di Brescia San Paolo CAB Spa	Brescia	Brescia	100.00%	100.00%
BPB Immobiliare Srl	Bergamo	Bergamo	100.00%	100.00%
Centrobanca Sviluppo Impresa Sgr Spa	Milan	Milan	100.00%	100.00%
Coralis Rent Srl	Milan	Milan	100.00%	100.00%
IW Bank Spa	Milan	Milan	100.00%	100.00%
Lombarda Lease Finance 4 Srl	Brescia	Brescia	10.00%	10.00%
Prestitalia Spa	Bergamo	Bergamo	100.00%	100.00%
Società Bresciana Immobiliare Mobiliare - S.B.I.M. Spa	Brescia	Brescia	100.00%	100.00%
Società Lombarda Immobiliare Srl - SOLIMM	Brescia	Brescia	100.00%	100.00%
UBI Academy Scrl	Bergamo	Bergamo	68.50%	100.00%
UBI Banca International Sa	Luxembourg	Luxembourg	91.20%	100.00%
UBI Banca Private Investment Spa	Brescia	Brescia	100.00%	100.00%
UBI Factor Spa	Milan	Milan	100.00%	100.00%
UBI Fiduciaria Spa	Brescia	Brescia	100.00%	100.00%
UBI Finance CB 2 Srl	Milan	Milan	60.00%	60.00%
UBI Finance Srl	Milan	Milan	60.00%	60.00%
UBI Finance 2 Srl	Brescia	Brescia	10.00%	10.00%
UBI Finance 3 Srl	Brescia	Brescia	10.00%	10.00%
UBI Lease Finance 5 Srl	Milan	Milan	10.00%	10.00%
UBI Leasing Spa	Brescia	Brescia	99.62%	99.62%
UBI Pramerica SGR Spa	Bergamo	Milan	65.00%	65.00%
UBI Sistemi e Servizi SCpA	Brescia	Brescia	71.87%	98.56%
UBI SPV BBS 2012 Srl	Milan	Milan	10.00%	10.00%
UBI SPV BPA 2012 Srl	Milan	Milan	10.00%	10.00%
UBI SPV BPCI 2012 Srl	Milan	Milan	10.00%	10.00%
24-7 Finance Srl	Brescia	Brescia	10.00%	10.00%
B. Companies subject to joint control				
C. Companies subject to significant influence				
Aviva Vita Spa	Milan	Milan	20.00%	20.00%
Aviva Assicurazioni Vita Spa	Milan	Milan	20.00%	20.00%
By you Spa	Milan	Milan	10.00%	10.00%
Lombarda Vita Spa	Brescia	Brescia	40.00%	40.00%
Polis Fondi SGRpA	Milan	Milan	19.60%	19.60%
SF Consulting Srl	Bergamo	Mantova	35.00%	35.00%
Zhong Ou Fund Management Co.	Shanghai (China)	Shanghai (China)	35.00%	35.00%

The percentage ownership reported for Banca Regionale Europea Spa relates to the ordinary shares held. If the privileged and savings shares are also included, then the percentage interest held is 74.76%.

The percentage of votes available includes those available through interests held by subsidiaries of the Bank.

10.2 Significant investments: book value, fair value and dividends received

Information on this item is given in the Consolidated Annual Report, which may be consulted.

10.3 Significant investments: accounting information

Information on this item is given in the Consolidated Annual Report, which may be consulted.

10.4 Non-significant investments: accounting information

Information on this item is given in the Consolidated Annual Report, which may be consulted.

10.5 Annual changes in equity investments

	31.12.2014	31.12.2013
A. Opening balances	**10,608,614**	**10,911,721**
B. Increases	**588,149**	**477,318**
B.1 Purchases	452,349	407,233
of which business combination transactions	-	5,109
B.2 Reversals of impairment losses	-	69,439
B.3 Revaluations	-	-
B.4 Other changes	135,800	646
C. Decreases	**(1,572,752)**	**(780,425)**
C.1 Sales	(265,108)	(394,965)
of which business combination transactions	-	(341,720)
C.2 Impairment losses	(1,255,741)	(379,659)
C.3 Other changes	(51,903)	(5,801)
D. Final balances	**9,624,011**	**10,608,614**
E. Total revaluations	**-**	**-**
F. Total impairment losses	**(3,652,641)**	**(2,398,315)**

Purchases relate mainly to the repurchase of stakes held in the network banks held by Aviva Vita Spa (€110.5 million in Banca Carime Spa; €71.4 million in Banca Popolare di Ancona Spa; and €145.7 million in Banca Popolare Commerce Industry Spa). We also report increases in the share capital of UBI Leasing Spa of €100 million and in that of Banca di Valle Camonica Spa of €24.4 million.

Interests were sold during the year in UBI Assicurazioni (entire interest) for €92 million; in Aviva Vita Spa for €138.9 million and in Aviva Assicurazioni Vita for €34.2 million (partial disposals). Profits and losses from these disposals were recognised in the income statement as reported in detail in the relative section 14.

Details of impairment losses on equity investments are also given in section 14 on the income statement which may be consulted.
The item C.3, other changes, relates mainly to operations to increase the share capital of the subsidiary IW Bank Spa approved by an extraordinary general meeting of that bank on 17th September 2014.
The operation was carried out in a series of steps as follows:
1) elimination of the nominal value of shares outstanding;
2) an increase in the share capital, offered as an option to UBI Banca for €1,764,705 with a total share premium of €10,235,289, to be performed by the issuance of 7,058,820 shares at a

price of €1.70 per share (of which €0.25 as a capital contribution and therefore included in the share capital and €1.45 as a share premium to give a total of €11,999,994);
3) to be carried out by drawing on the "reserve for future capital increases" created following a payment made by the Parent in September 2011 for a total of €60,179,000 for the corresponding amount of €11,999,994.
4) distribution of the remaining amount in the "reserve for future capital increases" (recognised in the balance sheet in 2013 within the item "160 – reserves") of €48,179,006 to the sole shareholder and consequent reduction of that capital to zero.

10.6 Commitments relating to equity investments in companies subject to joint control

No commitments relating to equity investments in companies subject to joint control to report.

10.7 Commitments relating to equity investments in companies subject to significant influence

Information on this item is given in the corresponding item in the Consolidated Annual Report, which may be consulted.

10.8 Significant restrictions

No positions subject to restrictions to report.

10.9 Other information

No other information to report.

Section 11 Property, plant and equipment - Item 110 -

11.1 Property, plant and equipment for functional use: composition of assets valued at cost

Assets/amounts	31.12.2014	31.12.2013
1.1 Owned assets	**121,610**	**125,277**
a) land	73,321	73,321
b) buildings	40,647	42,993
c) furnishings	2,579	3,029
d) electronic equipment	345	568
e) other	4,718	5,366
1.2 assets acquired in finance leases	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total	**121,610**	**125,277**

11.2 Tangible assets held for investment: composition of assets valued at cost

Assets/amounts	31.12.2014				31.12.2013			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owned assets	**485,393**	**-**	**-**	**661,926**	**496,151**	**-**	**-**	**658,248**
a) land	253,480	-	-	257,182	250,816	-	-	273,139
b) buildings	231,913	-	-	404,744	245,335	-	-	385,109
2. Assets acquired through finance leases	**27,175**	**-**	**-**	**27,106**	**29,314**	**-**	**-**	**28,725**
a) land	15,074	-	-	13,553	15,719	-	-	14,120
b) buildings	12,101	-	-	13,553	13,595	-	-	14,605
Total	**512,568**	**-**	**-**	**689,032**	**525,465**	**-**	**-**	**686,973**

11.3 Property, plant and equipment for functional use: composition of assets revalued

No revalued property, plant and equipment for functional use exists at UBI Banca.

11.4 Tangible assets held for investment: composition of assets measured at fair value

No tangible assets held for investment recognised at fair value exist at UBI Banca.

11.5 Property, plant and equipment for functional use: annual changes

	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balances	**87,016**	**99,038**	**68,176**	**162,318**	**145,878**	**562,426**
A.1 Total net reductions in value	(13,695)	(56,045)	(65,147)	(161,750)	(140,512)	**(437,149)**
A.2 Net opening balances	**73,321**	**42,993**	**3,029**	**568**	**5,366**	**125,277**
B. Increases	**-**	**-**	**618**	**-**	**3,206**	**3,824**
B.1 Purchases	-	-	309	-	1,603	**1,912**
of which business combination transactions	-	-	-	-	-	**-**
B.2 Capitalised improvement expenses	-	-	-	-	-	**-**
B.3 Reversal of impairment losses	-	-	-	-	-	**-**
B.4 Positive changes in fair value recognised in:	-	-	-	-	-	**-**
a) equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
B.5 Positive exchange rate differences	-	-	-	-	-	**-**
B.6 Transfers from properties held for investment	-	-	-	-	-	**-**
B.7 Other changes	-	-	309	-	1,603	**1,912**
C. Decreases	**-**	**(2,346)**	**(1,068)**	**(223)**	**(3,854)**	**(7,491)**
C.1 Sales	-	-	-	-	(20)	**(20)**
C.2 Depreciation	-	(2,346)	(760)	(222)	(2,227)	**(5,555)**
C.3 Impairment losses recognised in:	-	-	-	-	-	**-**
a) equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
C.4 Negative changes in fair value recognised in:	-	-	-	-	-	**-**
a) equity	-	-	-	-	-	**-**
b) income statement	-	-	-	-	-	**-**
C.5 Negative exchange rate differences	-	-	-	-	-	**-**
C.6 Transfers to:	-	-	-	-	-	**-**
a) tangible assets held for investment	-	-	-	-	-	**-**
b) assets held for sale	-	-	-	-	-	**-**
C.7 Other changes	-	-	(308)	(1)	(1,607)	**(1,916)**
D. Final net balances	**73,321**	**40,647**	**2,579**	**345**	**4,718**	**121,610**
D.1 Total net reductions in value	(13,695)	(58,391)	(65,859)	(161,036)	(142,045)	**(441,026)**
D.2 Final gross balances	**87,016**	**99,038**	**68,438**	**161,381**	**146,763**	**562,636**
E. Value at cost	-	-	-	-	-	**-**

11.6 Tangible assets held for investment: annual changes

	31.12.2014	
	Land	**Buildings**
A. Opening balances	**281,686**	**566,185**
A.1 Total net reductions in value	(15,150)	(307,256)
A.2 Net opening balances	**266,536**	**258,929**
B. Increases	**4,581**	**5,218**
B.1 Purchases	802	804
B.2 Capitalised improvement expenses	-	213
B.3 Positive changes in fair value	-	-
B.4 Reversals of impairment losses	-	-
B.5 Positive exchange rate differences	-	-
B.6 Transfers from properties used in operations	-	-
B.7 Other changes	3,779	4,201
C. Decreases	**(2,562)**	**(20,134)**
C.1 Sales	(545)	(549)
C.2 Depreciation	-	(15,852)
C.3 Negative changes in fair value	-	-
C.4 Impairment losses	(67)	(29)
C.5 Negative exchange rate differences	-	-
C.6 Transfers to other asset portfolios:	-	-
a) properties for functional use	-	-
b) non-current assets held for disposal	-	-
C.7 Other changes	(1,950)	(3,704)
D. Final balances	**268,555**	**244,013**
D.1 Total net reductions in value	(16,455)	(325,154)
D.2 Final gross balances	**285,010**	**569,167**
E. Fair value	270,735	418,297

External appraisers were appointed for impairment testing purposes to appraise the entire real estate portfolio; it found the value consistent with the carrying amounts. In this context the fair value of properties was determined on the basis of generally accepted valuation principles, by applying the following valuation criteria:

- the direct comparative or market method, based on a comparison between the asset in question and other similar assets subject to sale or currently on sale on the same market or competing markets;
- the income method, based on the present value of potential market incomes for a property, obtained by capitalising the income at a market rate.

Depreciation was calculated on the basis of the estimated useful life of the assets from the date on which use of the assets began.
The estimated useful life for the main asset classes is given in months in the table below.

Description	Depreciation	Useful life
Land relating to properties	NO	Not depreciated
Properties - Leased properties	YES	On basis of appraisal
Lifting and weighing equipment	YES	160 months
Light constructions and scaffolding	YES	120 months
Furnishings sundry fixtures	YES	120 months
Ordinary office furnishings and equipment	YES	100 months
ATM installations	YES	96 months
Safes and strong rooms	YES	80 months
Machinery and sundry equipment	YES	80 months
Fire fighting equipment	YES	40 months
Sundry machinery, furnishings and fixtures	YES	80 months
Bullet proof counters or with bullet proof glass	YES	60 months
Personal computers	YES	60 months
Canteen equipment	YES	48 months
Special internal communication equipment	YES	48 months
Alarm systems	YES	40 months
Electrical and electronic office machinery	YES	30 months
Motor vehicles	YES	30 months
Automobiles	YES	24 months
Leased automobiles	YES	Based on duration of contract

11.7 Commitments to purchase property, plant and equipment (IAS 16/74.c)

No commitments for the purchase property, plant and equipment exist.

Section 12 Intangible assets - Item 120 -

12.1 Intangible assets: composition by type of asset

Assets/amounts	31.12.2014		31.12.2013	
	Finite useful life	**Indefinite useful life**	**Finite useful life**	**Indefinite useful life**
A.1 Goodwill	**X**	**-**	**X**	**-**
A.2 Other intangible assets	**373**	**37**	**373**	**37**
A.2.1 Assets measured at cost:	373	37	373	37
a) Internally generated intangible assets	-	-	-	-
b) Other assets	373	37	373	37
A.2.2 Assets at fair value	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**373**	**37**	**373**	**37**

12.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		31.12.2014
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Opening balances	**569,694**	**-**	**-**	**90,756**	**37**	**660,487**
A.1 Total net reductions in value	(569,694)	-	-	(90,383)	-	**(660,077)**
A.2 Net opening balances	**-**	**-**	**-**	**373**	**37**	**410**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Purchases	-	-	-	-	-	-
of which business combination transactions	-	-	-	-	-	-
B.2 Increases in intangible internal assets	x	-	-	-	-	-
B.3 Reversal of impairment losses	x	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- in equity	x	-	-	-	-	-
- in the income statement	x	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-
- Amortisation	x	-	-	-	-	-
- Impairment losses	-	-	-	-	-	-
+ equity	x	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
- in equity	x	-	-	-	-	-
- in the income statement	x	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Final net balances	**-**	**-**	**-**	**373**	**37**	**410**
D.1 Total net impairment losses	(569,694)	-	-	(90,383)	-	**(660,077)**
E. Final gross balances	**569,694**	**-**	**-**	**90,756**	**37**	**660,487**
F. Value at cost	-	-	-	-	-	-

12.3 Other information

The useful life used for calculating the amortisation of the other finite useful life intangible assets is reported below for each type of asset.

	31.12.2014	
	Useful life	Net amount
List of intangibles		
- software	36 months	373

The software recognised within intangible assets has not yet entered into service and therefore has not yet been amortised.

There were no contractual commitments to purchase intangible assets.

Section 13 Tax assets and tax liabilities – Asset item 130 and Liability item 80

13.1 Deferred tax assets: composition

	31.12.2014	31.12.2013
Goodwill from merger realigned	1,023,210	1,026,462
Impairment loss on loans and advances to customers	211,739	211,923
Impairment losses on AFS securities	86,417	123,674
Property, plant and equipment - greater IAS depreciation	10,808	10,255
Write-down of non-banking loans and unsecured guarantees not deducted	9,047	11,220
Provisions for staff costs	3,835	3,856
Provisions for risks and charges not deducted	9,082	12,499
Goodwill on depository bank operations from group member companies	1,445	1,445
Share capital increases deductible over five years	1,232	2,504
Mathematical reserve for Separately Managed Pension Fund former 21.03.89 account	294	372
Non-recurring expenses not deducted	252	232
Other minor items	207	648
Total	**1,357,568**	**1,405,090**

13.2 Deferred tax liabilities: composition

	31.12.2014	31.12.2013
Revaluation of AFS securities	135,443	38,814
Purchase price allocation - equity investments	35,854	39,672
Property, plant and equipment - non-accounting excess depreciation deducted	4,646	4,851
Purchase price allocation - merger expenses	5,274	5,274
Leased properties recognised at fair value	1,370	1,370
Fair value changes of securities designated at fair value	645	343
Post-employment benefit fund valuation	255	175
Total	**183,487**	**90,499**

13.3 Changes in deferred tax assets (balancing entry in the income statement)

	31.12.2014	31.12.2013
1. Opening balance	**1,276,957**	**948,805**
2. Increases	**31,577**	**347,187**
2.1 Deferred tax assets arising during the year	31,577	270,622
a) relating to previous years	-	212,645
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	31,577	57,977
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	76,565
of which business combination transactions	-	76,565
3. Decreases	**(41,247)**	**(19,035)**
3.1 Deferred tax assets derecognised during the year	(41,247)	(19,035)
a) reversals of temporary differences	(41,247)	(17,363)
b) impairment losses on non-recoverable items	-	(1,672)
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
a) transformation in tax credits pursuant to Law 214/2011	-	-
b) other	-	-
of which business combination transactions	-	-
4. Final balance	**1,267,287**	**1,276,957**

Deferred tax assets are recognised on the basis of the probability of there being sufficient future taxable income and also taking into account the consolidated tax regime adopted in accordance with articles 117 *et seq* of Presidential Decree No. 917/86. They also depend on the ability, under determined conditions, to convert deferred tax assets into tax credits, that were recognised in the balance sheet relating to write-downs and losses on loans to customers and also to realign the value of goodwill and other intangible assets.

Since the tax year ended 31st December 2011, it has in fact been possible to convert into tax credits deferred tax assets (IRES –corporate income tax) recognised in the balance sheet against tax losses resulting from the deferred deduction of temporary differences relating to impairment losses on loans to customers and on goodwill (Art. 2, paragraph 56-*bis*, Decree Law No. 225 of 29th December 2010, introduced by Art. 9, Decree Law No. 201 of 6th December 2011). A similar conversion has been allowed with effect from the tax year 2013, if an IRAP (regional production tax) return declares a net negative value for production, relating to the deferred tax assets for IRAP which relate to the aforementioned temporary differences that led to the determination of a net negative value for production (Art. 2, paragraph 56-*bis* 1, Decree Law No. 225 of 29th December 2010, introduced by Law No. 147/21013). These conversion hypotheses – which are in addition to that already provided where an individual balance sheet records a loss for the year (Art. 2, paragraphs 55 and 56, Decree Law No. 225/2010, as last amended by Law No. 147/2013) – have introduced an additional and supplementary procedure for recovery designed to ensure the recovery of the deferred tax assets in question in all situations, independently of the future profits of a company.

The opening balance is the amount for deferred tax assets arising up until 2013 with the balancing entry in the income statement.

The deferred tax assets were recognised for IRES purposes at a rate of 27.5% and for IRAP (local production tax) purposes at a rate of 5.57%.

The deferred tax assets recognised during the year amounted to €31.577 million and were composed as follows: €29.090 million from the share of write-downs and losses on loans deductible over the four following years for IRES and IRAP purposes, in accordance with the provisions introduced for credit and financial institutions by article 1, paragraph 160, letter c), No. 1), of Law No. 147 of 27th December 2013; €1.093 million from write-downs of unsecured guarantees; €790 thousand from non-deductible depreciation and amortisation; €502 thousand from non-deductible provisions for risks and charges; €102 thousand from expenses recognised in the current year but deductible in the following year.

Deferred tax assets of €41.247 million derecognised during the year were composed as follows: €12.060 million from the straight-line recovery for IRES purposes of write-downs on the loans of the merged companies B@nca 24-7 Spa and Centrobanca Spa; €12.194 million from the recovery, for IRES and IRAP purposes, of the portion of the write-downs and losses on loans recognised in 2013, 20% instalments each year; €4.712 million from the use/derecognition of taxed provisions; €3.252 million from the amortisation of goodwill recognised for tax purposes; €2.827 million from the extinction of impaired loans to banks; €593 thousand from the reversal of impairment on unsecured guarantees; €274 thousand from expenses which became deductible during the year; €236 thousand from the depreciation of tangible assets and other expenses which became deductible during the year; and €78 thousand from recoveries resulting from payouts from the pension fund.

The remaining portion amounting to €5.020 million is due to an adjustment to deferred tax assets, which could be used against current taxes as a result of a favourable interpretation by the tax authorities on the tax regime for reversals of impairment due to cash repayments of loans to customers (for which taxation in 20% instalments was confirmed, in place of full taxation during the year) received after the end of year but before 2013 income tax return was filed.

13.3.1 Changes in deferred tax assets pursuant to Law No. 214/2011 (balancing entry in the income statement)

	31.12.2014	31.12.2013
1. Opening balance	**1,238,386**	**920,811**
2. Increases	**29,090**	**329,876**
3. Decreases	**(32,527)**	**(12,301)**
3.1 Reversals of temporary differences	(27,507)	(12,143)
3.2 Transformation in tax credits	-	-
a) resulting from loss for the year	-	-
b) resulting from tax losses	-	-
3.3 Other decreases	(5,020)	(158)
4. Final balance	**1,234,949**	**1,238,386**

13.4 Changes in deferred tax liabilities (balancing entry in the income statement)

	31.12.2014	31.12.2013
1. Opening balance	**51,685**	**50,643**
2. Increases	**432**	**2,129**
2.1 Deferred tax liabilities arising during the year	432	1,000
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	432	1,000
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	1,129
of which business combination transactions	-	1,129
3. Decreases	**(4,074)**	**(1,087)**
3.1 Deferred tax liabilities derecognised during the year	(4,074)	(1,087)
a) reversals of temporary differences	(4,074)	(364)
b) due to changes in accounting principles	-	-
c) other	-	(723)
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final balance	**48,043**	**51,685**

Deferred tax liabilities are recognised on the basis of temporary differences between the book value of an asset or liability and its value for tax purposes.

As concerns revaluations of equity investments which satisfied the requirements for equity exemption, deferred taxes were recognised on the 5% taxable portion.

No deferred tax liabilities were recorded on untaxed reserves, because no events occurred to remove the tax exemption regime.

The opening balance is the amount for deferred tax liabilities arising up until 2013 with the balancing entry in the income statement.

Deferred tax liabilities of €432 thousand recognised during the year consisted of €411 thousand attributable to the taxable portion of the revaluation of equity instruments classified as designated at fair value and of €22 thousand attributable to depreciation and amortisation of property, plant and equipment and intangible assets relating to prior years.

Deferred tax liabilities derecognised during the year amounted to €4.074 million and consisted of: €3.847 million from impairment losses on equity investments to which the purchase price of the merger was allocated following the merger of Banca Lombarda Piemontese and of €227 thousand from differences between statutory and tax accounting depreciation on property, plant and equipment.

13.5 Changes in deferred tax assets (balancing entry in equity)

	31.12.2014	31.12.2013
1. Opening balance	**128,133**	**244,225**
2. Increases	**28,507**	**12,719**
2.1 Deferred tax assets arising during the year	28,507	357
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	28,507	357
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	12,362
of which business combination transactions	-	12,362
3. Decreases	**(66,359)**	**(128,811)**
3.1 Deferred tax assets derecognised during the year	(66,359)	(128,811)
a) reversals of temporary differences	(66,359)	(126,737)
b) impairment losses on non-recoverable items	-	-
c) due to changes in accounting principles	-	-
d) other	-	(2,074)
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Final balance	**90,281**	**128,133**

The opening balance is the amount for deferred tax assets arising up until 2013 with the balancing entry in equity.

Deferred tax assets of €28.507 million recognised during the year consisted of €1.967 million attributable to the fair value movements in available for sale securities and equity investments and of -€771 thousand attributable to the portion of the negative reserve for the post employment benefit provision not fully deductible during the year.

The remaining portion, amounting to €25.769 million, relates to the reassessment of IRAP deferred tax assets on securities classified as available-for-sale not recognised in prior years.

Tax assets derecognised, amounting to €66.359 million, consisted of €65.127 million for the change in the fair value of available-for-sale securities and of €1.232 million for expenses incurred for the share capital increase deductible in 2014.

13.6 Changes in deferred tax liabilities (with balancing entry in equity)

	31.12.2014	31.12.2013
1. Opening balance	**38,814**	**14,555**
2. Increases	**118,906**	**35,305**
2.1 Deferred tax liabilities arising during the year	118,906	35,305
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	118,906	35,305
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
of which business combination transactions	-	-
3. Decreases	**(22,277)**	**(11,046)**
3.1 Deferred tax liabilities derecognised during the year	(22,277)	(11,040)
a) reversals of temporary differences	(22,277)	(11,040)
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	(6)
4. Final balance	**135,443**	**38,814**

The opening balance is the amount for deferred tax arising up until 2013 with the balancing entry in equity.

Deferred tax liabilities recognised during the year amounted to €118.906 million and consisted of €11.532 million from the recognition of IRAP tax not recognised in prior years on securities and equity investments classified as available-for-sale and of €107.374 million from fair value movements in the same securities at the end of the year.

Deferred tax liabilities of €22.277 million derecognised during the year relate to the tax effect of fair value movements in available-for-sale securities and equity investments.

13.7 Other information

Current tax assets

The table below reports amounts for current tax assets.

	31.12.2014
Taxes paid on account	208,096
Withheld at source	3,013
Tax credits from transformation of DTAs in tax credits pursuant to Law 214/	-
Tax credits for irap purposes	80,486
Other tax credits	39,567
Balance as at 31.12.2014	**331,162**

Current tax liabilities

The table below reports amounts for current tax liabilities.

	31.12.2014
Balance as at 31.12.2013	232,645
Tax provision	173,174
Uses for payment of tax	(236,423)
Other changes	-
Balance as at 31.12.2014	**169,396**

Probability test on deferred taxes

As reported in Part A – Accounting Policies in these notes to the financial statements – the recognition of deferred tax liabilities and assets is performed in compliance with the criteria of IAS 12, as follows:

– with account taken of all taxable temporary differences, for deferred tax liabilities, except in some specific cases;

– with account taken of all taxable temporary differences, for deferred tax assets, if it is probable that future taxable income will be earned, against which the temporary difference may be used. The effects, amongst other things, of article 117 et seq of the Consolidated Income Tax Act (Tax Consolidation) are taken into consideration in the calculation of taxable income.

Tax assets are measured on the basis of the tax rates that it is expected will apply in the year in which the tax asset will be realised. These assets are tested periodically to measure the degree of recoverability and to verify the level of the rates applicable as well as the obligation to measure assets not recognised or derecognised because they did not satisfy the requirements in prior years ("reassessment").
At the date of this report, deferred tax assets recognised within the item "130 Tax assets b) deferred" totalled €1,358 million and were generated by the following:

- excess of impairment losses recognised on loans pursuant to Art. 106 c.3 of the Consolidated Income Tax Act: €212 million (of which €11.3 million recognised for IRAP purposes in accordance with the new tax regime introduced by Art. 1, paragraph 158, of the 2014, *Legge Stabilità*, which made this deductible for the purposes of this regional tax effective from 2013);
- goodwill and other intangible assets, subject, amongst other things, to tax relief in accordance with the law, for which the amortisation is deductible in subsequent years: €1,023 million, with regard to the amounts reported in both the separate and the consolidated financial statements (article 15 paragraph 10 *bis* of Decree Law No. 185/2008 introduced by Decree Law No. 98/2011 converted by Law No. 111/2011);
- impairment losses on the AFS securities portfolio and provisions and expenses not deductible for accrual reasons in accordance with Consolidated Income Tax Act: €123 million.

When the probability test was carried out on deferred tax assets recognised in the balance sheet as at 31st December 2014, those resulting from deductible temporary differences relating to write-downs and losses on loans, goodwill and other indefinite useful life intangible assets (known as "qualified deferred tax assets") were considered separately.

Since the tax year ended 31st December 2011, it has in fact been possible to convert into tax credits deferred tax assets (IRES –corporate income tax) recognised in the balance sheet against tax losses resulting from the deferred deduction of temporary differences relating to impairment losses on loans to customers and on goodwill (Art. 2, paragraph 56-*bis*, Decree Law No. 225 of 29th December 2010, introduced by Art. 9, Decree Law No. 201 of 6th December 2011). A similar conversion has been allowed with effect from the tax year 2013, if an IRAP (regional production tax) return declares a net negative value for production, relating to the deferred tax assets for

IRAP which relate to the aforementioned temporary differences that led to the determination of a net negative value for production (Art. 2, paragraph 56-*bis* 1, Decree Law No. 225 of 29th December 2010, introduced by Law No. 147/21013). These conversion hypotheses – which are in addition to that already provided where an individual balance sheet records a loss for the year (Art. 2, paragraphs 55 and 56, Decree Law No. 225/2010, as last amended by Law No. 147/2013) – have introduced an additional and supplementary procedure for recovery designed to ensure the recovery of the deferred tax assets in question in all situations, independently of the future profits of a company.

The convertibility of deferred tax assets on IRES tax losses and on a net negative value of production for IRAP purposes which are determined by qualified temporary differences therefore amount to a sufficient condition for the recognition of the aforementioned deferred tax assets in the balance sheet which makes the relative probability test obsolete. This approach is also confirmed in a joint document No. 5 issued by the Bank of Italy, the Consob (securities market authority) and Isvap (insurance authority) on 15th May 2012 (issued in respect of a co-ordination committee on the application of the IFRS) relating to the tax accounting treatment for tax assets resulting from law No. 214/2011 and in the subsequent IAS Italian Banking Association document No. 112 of 31st May 2012 ("Tax credit resulting from the transformation of deferred tax assets: Bank of Italy, Consob and ISVAP clarifications on the application of IFRS").

On the basis of those assumptions, UBI Banca has carried out the following tests:

- identification of deferred tax assets, other than those relating to write-downs and losses on loans, goodwill and other indefinite useful life intangible assets ("non-qualified deferred tax assets") recognised in the balance sheet;
- analysis of those non-qualified deferred tax assets and deferred tax liabilities recognised in the balance sheet distinguishing them by type for probable timing for use;
- forecasts of future income designed to verify its capacity to realise deferred tax assets.

The calculations carried out resulted in a broad tax base able to use the deferred tax assets recognised as at 31st December 2014.

Section 14 Non-current assets and liabilities and groups of assets and the associated liabilities held for disposal - Asset item 140 and Liability item 90 -

14.1 Non current assets and disposal groups held for sale: composition by type of asset

	31.12.2014	31.12.2013
A. Single assets		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	-	2,329
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**-**	**2,329**
of which measured at cost	-	2,329
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
B. Groups of assets (discontinued operating units)		
B.1 Financial assets held for trading	-	-
B.2 Financial assets designated at fair value	-	-
B.3 Available-for-sale financial assets	-	-
B.4 Held-to-maturity investments	-	-
B.5 Loans and advances to banks	-	-
B.6 Loans and advances to customers	507	-
B.7 Equity investments	-	-
B.8 Property, plant and equipment	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
Total B	**507**	**-**
of which measured at cost	507	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. Liabilities associated with single assets held for sale		
C.1 Borrowings	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. Liabilities associated with assets held for sale		
D.1 Due to banks	-	-
D.2 Due to customers	-	-
D.3 Debt securities issued	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities designated at fair value	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
Total D	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

14.2 Other information

There is no other significant information to report.

14.3 Information on equity investments in companies subject to significant influence not accounted for using the equity method

There are no equity investments in companies subject to significant influence classified within non-current assets and groups of assets held for disposal.

Section 15 Other assets - Item 150 -

15.1 Other assets: composition

Description/Amounts	31.12.2014	31.12.2013
Balance of illiquid portfolio items	-	18,044
Other assets - tax consolidation	184,614	223,837
Items in transit	90,302	154,049
Debtor items in transit not yet posted to destination accounts	110,165	84,289
Bills, securities, coupons and fees to be debited to customers and correspondents	34,802	29,457
Currency differences on currency transactions	3,555	4,095
Cheques drawn on the bank	2,287	3,217
Tax credits on withholding tax	7,225	4,140
Stocks	3,571	3,592
Improvements to leased assets	404	531
Items relating to covered bond operations and securitisations	181,089	120,156
Sundry debtor items	24,325	11,268
Total	**642,339**	**656,675**

For full information we report that the figure exchange rate differences on currency transactions have been reclassified with respect to 31.12.2013, initially classified within the item illiquid portfolio items.

LIABILITIES

Section 1 Due to banks - Item 10 -

1.1 Amounts due to banks: composition by type

Type of transaction/Amounts	31.12.2014	31.12.2013
1. Due to central banks	**10,305,964**	**12,166,333**
2. Due to banks	**8,834,453**	**12,119,478**
2.1 1. Current accounts and deposits	2,408,747	2,648,228
2.2 Term deposits	5,010,334	7,548,582
2.3 Financing	1,349,898	1,681,052
2.3.1 Repurchase agreements	613,158	770,153
2.3.2 Other	736,740	910,899
2.4 Amounts due for commitments to repurchase own equity instruments	-	-
2.5 Other payables	65,474	241,616
Total	**19,140,417**	**24,285,811**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**2,540,469**
Fair value - level 3	**19,207,310**	**21,758,898**
Total fair value	**19,207,310**	**24,299,367**

The item “Due to central banks” contains the carrying amount of the remaining financing received from the ECB.

The item “Due to banks – Current accounts and deposits” includes intragroup amounts of €1.9 billion and financing from other banks of €483 million.

Term deposits include financing from Group banks of €4.9 billion and financing from other banks of €47 million.

Repurchase agreements include €333 million with Group counterparties and €280 million relating to positions with other banks.

The item “Financing – other” mainly relates to outstanding transactions with the EIB amounting to €735.3 million. The remaining amount relates to intragroup transactions.

1.2 Details of item 10 “Due to banks”: subordinated liabilities

No subordinated loans to banks to report.

1.3 Details of item 10 “Due to banks”: structured debts

The Bank has issued no structured debt to other banks.

1.4 Due to banks: liabilities subject to specific hedging

No liabilities due to banks subject to specific hedging to report.

1.5 Amounts due for finance leases

No amounts due to banks for finance leases have been recognised.

Section 2 Due to customers - Item 20 -

2.1 Amounts due to customers: composition by type

Type of transaction/Amounts	31.12.2014	31.12.2013
1. Current accounts and deposits	1,032,687	671,987
2. Term deposits	-	-
3. Financing	6,006,451	6,535,873
3.1 Repurchase agreements	5,531,586	5,499,671
3.2 Other	474,865	1,036,202
4. Amounts due for commitments to repurchase own equity instrume	-	-
5. Other payables	26,132	16,053
Total	**7,065,270**	**7,223,913**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**7,075,825**	**7,224,689**
Fair value	**7,075,825**	**7,224,689**

The item "Current accounts and deposits" includes cash of €251.2 million from managed portfolios and funds deposited by UBI Pramerica SGR and €572.1 million of intragroup transactions.

Repurchase agreements relate to financing transactions with *Cassa di Compensazione e Garanzia* (a central counterparty clearing house).

The main "other" financing liabilities consisted of €446.7 million of transactions with the *Cassa Deposito e Prestiti* (state controlled fund and deposit institution) and of €24.4 million of intragroup transactions.

2.2 Details of item 20 "Due to customers": subordinated liabilities

Description/Amount	31.12.2014	31.12.2013
Due to customers		
Subordinated liabilities	-	572,479

Subordinated liabilities in respect of customers existing in 2013 consisted of deposits relating to preference share issues with: Banca Popolare di Bergamo Funding LLC for €301.8 million, Banca Lombarda Preferred Capital Company LLC for €155.6 million and Banca Popolare Commercio e Industria Funding LLC for €115.1 million.

2.3 Details of item 20 "Due to customers": structured debts

The Bank has issued no structured debt to customers

2.4 Due to customers: liabilities subject to specific hedge

No outstanding amounts due to customers exist subject to specific hedges.

2.5 Amounts due for finance leases

	31.12.2014	31.12.2013
Residual debt to leasing companies		
- within 1 year	1,023	1,066
- between 1 and 5 years	4,757	4,482
- more than 5 years	18,657	19,954

Section 3 Debt securities issued - Item 30 -

3.1 Debt securities issued: composition by type

Type of security/Amounts	31.12.2014				31.12.2013			
	Carrying Amount	Fair Value			Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	36,514,980	16,277,423	21,078,127	-	30,161,233	17,653,559	12,501,835	-
1.1 structured	3,539,451	978,676	2,544,021	-	2,828,329	303,426	2,374,354	-
1.2 other	32,975,529	15,298,747	18,534,106	-	27,332,904	17,350,133	10,127,481	-
2. other securities	30,688	-	30,688	-	49,859	-	49,859	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	30,688	-	30,688	-	49,859	-	49,859	-
Total	**36,545,668**	**16,277,423**	**21,108,815**	**-**	**30,211,092**	**17,653,559**	**12,551,694**	**-**

At the end of the year bonds issued in relation to covered bond operations amounted to €9.1 billion nominal (the carrying amount inclusive of the amortised cost and the delta fair value of the hedge was €9.8 billion).

The book value of bond issues on the EMTN market totalled €3.1 billion.

3.2 Details of item 30 "Debt securities issued": subordinated securities

Description/Amounts	31.12.2014	31.12.2013
Debt securities issued		
Debt securities issued - subordinated	3,583,881	4,383,082

A list of the individual bond issues is given in section 2 - Part F of this report which provides information on capital.

3.3 Debt securities issued subject to specific hedge

	31.12.2014	31.12.2013
1. Securities subject to specific fair value hedge:	20,355,012	13,336,929
a) interest rate risk	20,355,012	13,336,929
b) currency risk	-	-
c) multiple risks	-	-
2. Securities subject to specific cash flow hedge:	-	-
a) interest rate risk	-	-
b) currency risk	-	-
c) other	-	-

Changes in fair value of the underlying bonds and of the relative hedging contracts generated a net result recognised within item 90 in the income statement – "Net hedging income".

Section 4 Financial liabilities held for trading - Item 40 -

4.1 Financial liabilities held for trading: composition by type

Type of transaction/Amounts	31.12.2014					31.12.2013				
	NOMINAL AMOUNT	FV			FV*	NOMINAL AMOUNT	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Due to banks	-	-	-	-	-	902,000	959,994	-	-	959,994
2. Due to customers	-	-	-	-	-	18,000	18,968	-	-	18,968
3. Debt instruments	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	x	-	-	-	-	x
3.1.2 Other bonds	-	-	-	-	x	-	-	-	-	x
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	x	-	-	-	-	x
3.2.2 Other	-	-	-	-	x	-	-	-	-	x
Total A	**-**	**-**	**-**	**-**	**-**	**920,000**	**978,962**	**-**	**-**	**978,962**
B. Derivative instruments										
1. Financial derivatives	x	300	721,881	-	x	x	52	551,777	-	x
1.1 For trading	x	300	721,881	-	x	x	52	551,777	-	x
1.2 Connected with fair value options	x	-	-	-	x	x	-	-	-	x
1.3 Other	x	-	-	-	x	x	-	-	-	x
2. Credit derivatives	x	-	-	-	x	x	-	-	645	x
2.1 For trading	x	-	-	-	x	x	-	-	645	x
2.2 Connected with fair value options	x	-	-	-	x	x	-	-	-	x
2.3 other	x	-	-	-	x	x	-	-	-	x
Total B	**x**	**300**	**721,881**	**-**	**x**	**x**	**52**	**551,777**	**645**	**x**
Total (A+B)	**-**	**300**	**721,881**	**-**	**-**	**920,000**	**979,014**	**551,777**	**645**	**978,962**

Legend
FV = fair value
FV* = Fair value calculated excluding changes in value resulting from a change in the credit rating of the issuer since the date of issue
NA = nominal or notional amount

Financial derivatives (level two) relate to OTC transactions connected with trading activity and were composed mainly of interest rate swaps of €664.9 million, options of €37 million, forwards of €16.4 million and commodities of €3.6 million.
The changes should be interpreted in relation to the corresponding item recognised within financial assets held for trading.

4.2 Details of item 40 “Financial liabilities held for trading”: subordinated liabilities

The Bank has issued no subordinated financial liabilities held for trading.

4.3 Details of item 40 “Financial liabilities held for trading”: structured debt

The Bank has issued no structured financial liabilities held for trading.

4.4 Financial liabilities held for trading (excluding "uncovered short positions"): annual changes

The financial liabilities held for trading by the Bank as at 31st December 2013 consisted solely of uncovered short positions which reduced to zero during the course of 2014.

Section 5 Financial liabilities designated at fair value - Item 50 -

The Bank holds no financial liabilities designated at fair value to report.

Section 6 Hedging derivatives - Item 60 -

6.1 Hedging derivatives: composition by type of hedge and hierarchical level

	Fair Value 31.12.2014			NOMINAL AMOUNT 31.12.2014	Fair Value 31.12.2013			NOMINAL AMOUNT 31.12.2013
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**937,018**	**-**	**11,329,852**	**-**	**377,702**	**-**	**3,860,401**
1) Fair value	-	937,018	-	11,329,852	-	377,702	-	3,860,401
2) Cash flow	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flow	-	-	-	-	-	-	-	-
Total	**-**	**937,018**	**-**	**11,329,852**	**-**	**377,702**	**-**	**3,860,401**

Financial derivatives consist exclusively of interest rate hedges of the interest rate swap type.

6.2 Hedging Derivatives: composition by portfolios hedged and type of hedge

Transactions / Type of hedge	Fair Value						Cash flow		Foreign investments
	Specific					Macro-hedge	Specific	Macro-hedge	
	Interest rate risk	Currency risk	Credit risk	Price risk	Multiple risks				
1. Available-for-sale financial assets	921,427	-	-	-	-	x	-	x	x
2. Loans	7,775	-	-	x	-	x	-	x	x
3. Held-to-maturity investments	x	-	-	x	-	x	-	x	x
4. Portfolio	x	x	x	x	x	6,653	x	-	x
5. Other transactions	-	-	-	-	-	x	-	x	-
Total assets	**929,202**	**-**	**-**	**-**	**-**	**6,653**	**-**	**-**	**-**
1. Financial liabilities	1,163	-	-	x	-	x	-	x	x
2. Portfolio	-	-	-	-	-	-	-	-	x
Total liabilities	**1,163**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	x	x	x	x	x	x	-	x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x	x	x	-	-

With regard to specific hedges, the amount for hedging derivatives on available-for-sale financial assets relates mainly to positions on debt instruments issued by the Italian government.

Section 7 Fair value change in financial liabilities subject to macro-hedge - Item 70 -

The Bank has no contracts for macro-hedging of financial liabilities.

Section 8 Tax liabilities - Item 80 -

See Asset Section 13.

Section 9 Liabilities associated with disposal groups held for sale -Item 90 -

See Asset Section 14.

Section 10 Other liabilities - Item 100 -

10.1 Other liabilities: composition

Description / Amounts	31.12.2014	31.12.2013
Balance of illiquid portfolio items	77,638	-
Other liabilities - tax consolidation	287,111	219,056
Credit items in transit in departments or branches pending posting to accounts	106,761	58,829
Items in transit	32,462	23,797
Tax withheld on income paid to third parties	8,401	6,666
Indirect taxes payable	3,101	6,202
Dividends and sums due to shareholders	86	82
Currency differences on currency transactions	264	4,119
Amounts due to suppliers	41,138	66,875
Payables for educational, cultural, charitable and social purposes	6,564	6,503
Payables for guarantees and commitments	23,627	26,587
Due to personnel	29,141	20,731
Residual creditor items	134,776	191,630
Total	**751,070**	**631,077**

Section 11 Post-employment benefit provision - Item 110 -

11.1 Annual changes in post-employment benefits

	31.12.2014	31.12.2013
A. Opening balances	**40,166**	**43,612**
B. Increases	**6,706**	**6,766**
B.1 Allocation for the year	168	256
B.2 Other changes	6,538	6,510
of which business combination transactions	-	5,713
C. Decreases	**(1,429)**	**(10,212)**
C.1 Payments made	(1,300)	(5,037)
C.2 Other changes	(129)	(5,175)
D. Final balances	**45,443**	**40,166**

11.2 Other information

The demographic and actuarial hypotheses adopted to value the post-employment benefit provision and leaving entitlements

Methodology used as at 31.12.2014

Mortality rate	2012 SIM (Italian male statistics) and SIF (Italian female statistics) tables (Italian National Office of Statistics data) were used .
Post-employment benefit advances	The probability of advance payments, calculated on the basis of historical data for the Group, is 2%, while the average amount requested is between 45% and 100% of the available provision.
Inflation rates	Long term forecasts of the scenario for inflation led to the use of a rate of 1.5%
Discount rates	A discount rate of 1.0766%, was used, calculated as the weighted average of the EUR Composite AA curve as at 31.12.2014, using, as weights, the ratios between the amount paid and advanced for each maturity date and the total amount to be paid and advanced until the extinction of the population considered. This was performed because IAS 19 states that reference should be made to the market yields of “high quality corporate bonds”, or to yields on securities with a low credit risk. By making reference to the definition of “investment grade” securities, where a security qualifies for that classification if its rating is equal to or higher than BBB for S&P or Baa2 for Moodys, it was decided to consider only securities issued by corporate issuers with a class “A” rating with the assumption that this class identifies an average level for “investment grade” securities and thereby excludes higher risk securities. Since IAS 19 makes no explicit reference to a specific market sector for the bonds, it was decided to opt for a “composite” market curve which therefore summarises the prevailing market conditions on the valuation date for securities issued by companies belonging to different sectors, including utilities, telephone, financial, banking and industrial sectors. The euro area was used for the geographical area.

Method used as at 31.12.2013

Mortality rate	The "RGS48" tables (prepared by the State General Accounting Office) were used appropriately modified on the basis of historical data for the Group.
Post-employment benefit advances	The probability of advance payments, calculated on the basis of historical data for the Group, is 2% while the average amount requested is between 45% and 100% of the available provision.
Inflation rates	Long-term forecasts of the scenario for inflation led to the use of a rate of 2%.
Discount rates	A discount rate of 2.1780%, was used, calculated as the weighted average of the EUR Composite AA curve as at 31.12.2013, using, as weights, the ratios between the amount paid and advanced for each maturity date and the total amount to be paid and advanced until the extinction of the population considered. This was performed because IAS 19 states that reference should be made to the market yields of "high quality corporate bonds", or to yields on securities with a low credit risk. By making reference to the definition of "investment grade" securities, where a security qualifies for that classification if its rating is equal to or higher than BBB for S&P or Baa2 for Moodys, it was decided to consider only securities issued by corporate issuers with a class "A" rating with the assumption that this class identifies an average level for "investment grade" securities and thereby excludes higher risk securities. Since IAS 19 makes no explicit reference to a specific market sector for the bonds, it was decided to opt for a "composite" market curve which therefore summarises the prevailing market conditions on the valuation date for securities issued by companies belonging to different sectors, including utilities, telephone, financial, banking and industrial sectors. The euro area was used for the geographical area.

Section 12 Provisions for risks and charges - Item 120 -

12.1 Provisions for risks and charges: composition

Items/Amounts	31.12.2014	31.12.2013
1. Company pension funds	**1,144**	**1,061**
2. Other provisions for risks and charges	**44,074**	**57,427**
2.1 litigation	27,861	27,670
2.2 costs for staff	8,262	11,117
2.3 other	7,951	18,640
Total	**45,218**	**58,488**

The most significant part of the decrease in provisions for risks and charges compared with the previous year relates to the closure of the position relating to By You Spa, amounting to €13 million as at 31.12.2013. Closing the position involved use of the existing provision amounting to €10.7 million to meet the amounts due and release to the income statement of the remaining €2.4 million.

The most important positions were as follows:

- within litigation: the positions of the former Centrobanca Spa amounting to €18.6 million; €4.6 million for litigation relating to non-captive personal loans (the former B@nca 24-7 Spa); and other numerous positions, but for small amounts;
- provisions for staff costs related to exposures that are probable but uncertain with regard to the precise amount and timing of the payment.

12.2 Provisions for risks and charges: annual changes

	Pension funds	Other provisions	Total
A. Opening balances	**1,061**	**57,427**	**58,488**
B. Increases	**151**	**12,104**	**12,255**
B.1 Allocation for the year	-	11,595	11,595
B.2 Changes due to passage of time	27	47	74
B.3 Changes due to changes in discount rate	-	18	18
B.4 Other changes	124	444	568
C. Decreases	**(68)**	**(25,457)**	**(25,525)**
C.1 Use for the year	(68)	(15,618)	(15,686)
C.2 Changes due to changes in discount rate	-	(1)	(1)
C.3 Other changes	-	(9,838)	(9,838)
D. Final balances	**1,144**	**44,074**	**45,218**

12.3 Defined benefit company pension funds

This consists of a supplementary pension fund in which there are now nine remaining pensioners from Centrobanca Spa participating. No changes in the population of the participants has occurred since the previous year.
The contribution for the 2014 as specified by the "Fund Regulations" was calculated on the basis of the weighted average rate used in the valuation performed (1.04%).
Against that contribution the Bank benefited from the returns on using the assets of the fund. The sums in the fund are not invested in specific assets.
Except for the amount recognised within liability item 120 a), no other liabilities and/or assets were recognised in the financial statements of the bank.
The main actuarial hypotheses on which the valuation of the fund as at 31.12.2014 was based are as follows:
- demographic assumptions deduced from the RG48 mortality tables prepared by the State General Accounting Office, separately by gender;
- a discount rate calculated as the weighted average of the EUR Composite AA curve as at 31.12.2014, using, as weights, the ratios between the amount paid for each due date and the total amount to be paid until the extinction of the population.
The present value of the fund, calculated on the basis of those assumptions, resulted in an "actuarial loss" of €124 thousand (point B.4).

Changes in liabilities in 2014 for IAS 19 purposes

A	**OPENING BALANCES**	**1,061**
B	**INCREASES**	**151**
B1	Interest expense	27
B2	Actuarial losses	
B3	Provisions	
B4	Other changes	124
C	**DECREASES**	**(68)**
C1	Benefit paid	(68)
C2	Actuarial gains	
C3	Other changes	
D	**FINAL BALANCES**	**1,144**
	NO. OF PARTICIPANTS	9
	of which ACTIVE	0

12.4 Provisions for risks and charges - other provisions

Items/Components	31.12.2014	31.12.2013
Other provisions for risks and charges		
1. Provision for revocation (clawback) risks	2,500	2,000
2. Provision for adjustments on interest, commissions and expenses	612	630
3. Provision for bonds in default	-	-
4. Other provisions for risks and charges	4,839	16,010
Total	**7,951**	**18,640**

Contingent liabilities

	Contingent liabilities
For tax litigation	67,353
For revocation (clawback) action	531
For other litigation	348,216
Total	**416,100**

The liabilities regulated by IAS 37, characterised by the absence of certainty over the timing or the amount of future expense required to settle presumed liabilities, can be classified as being of the following types:

- probable liabilities;
- contingent liabilities (possible or remote).

The correct identification of the nature of liabilities is of fundamental importance because it determines whether or not the risk deriving from an obligation must be recognised in the financial statements.

The recognition of a provision for risks and charges in the financial statements represents a probable liability of uncertain timing or amount[14] and the amount recognised in the accounts represents the best estimate of the expenditure required to settle the obligation existing as at the reporting date and reflects the risks and uncertainties that inevitably characterise a number of different facts and circumstances.

The amount of a provision is measured by the present value of the expenditure that it is assumed will be necessary to settle the obligation where the effect of the present value is significant.

Future events that might affect the amount required to settle the obligation are only taken into consideration if there is sufficient objective evidence that they will occur.

The measurement of provisions is periodically reviewed to verify that they are reasonable.

The general and theoretical legal parameters which govern the process of determining the present value of provisions, which is performed for each single case of litigation and for the relative residual life, are given below:

• **type/nature of the litigation**, to be assessed in the light of the legal claims formulated by the counterparty. Various "macro-families" are identifiable in this respect such as corporate litigation, labour law cases, financial intermediation litigation, litigation generically definable as compensation for damages (resulting from non-performance of contract obligations, illegal actions, violation of regulations) etc.;

• **degree of "innovation" in the litigation**, to be assessed by considering whether the issues turn on matters already known and "weighed" by the Bank or on completely new matters which therefore require study (e.g. resulting from a change in the legislation or in legal orientations);

• **degree of "strategic importance" of the litigation to the bank**: for commercial reasons the Bank might for example decide to end a case very rapidly even if it had grounds of defence that would allow it to resist in court for a long time;

[14] Details of the criteria for recognising provisions are given in Part A.2 of the notes to the financial statements "*The main items in the financial statements*", sub-section 12 "*Provisions for risks and charges*", which may be consulted.

• **average length of litigation**, to be weighted taking account of geographical factors, which is to say the location of the jurisdiction in which the case is tried and the state of progress of the trial. In this respect a decision must be taken on the source of the statistics from which data is obtained and assistance can be obtained from the lawyers who represent the Bank in litigation and who have direct knowledge of the jurisdictions concerned for each case;

• **the "nature" of the counterparty** (e.g. a private individual or a legal entity, a professional operator or not, a consumer or not, etc.).

A contingent liability is defined as:

- a possible obligation, the result of past events, the existence of which will only be confirmed by the occurrence or (non-occurrence) of future events that are not totally under the control of the enterprise;
- a present obligation that is the result of past events, but which is not recognised in the accounts because:
  - it is improbable that financial resources will be needed to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the accounts, but if they are considered "possible", they are reported only. On the other hand, in compliance with IAS 37, contingent liabilities that are considered remote require no disclosure.

As occurs for amounts relating to provisions (for probable liabilities), the amounts for contingent liabilities are also subject to periodic verification because it is possible that events may occur which make them remote or probable with the possible need, in the latter case, to make a provision for them in the financial statements.

A list of contingent liabilities of a tax nature are listed below.

Assessment notices

Substitute tax pursuant to Presidential Decree No. 601/1973 on medium to long-term loans

With Resolution No. 20/E of 28th March 2013, the tax authorities addressed the issue of the application of a substitute tax of 0.25% (provided for by articles 15 *et seq* of Presidential Decree No. 601/1973) on medium to long-term loans, in relation to the specific case of finance agreements for which the contracts are signed abroad.

More specifically, the tax authorities considered that signing these contracts abroad – and therefore outside the scope of the substitute tax – was not relevant, while the actual formation of the contract in Italy was relevant (see agreement of the parties). On the basis of that orientation and on the basis of documentation acquired during tax inspections, including those made at other banks participating in loan pool operations, some local offices of the financial authorities have sent payment demands to some Group banks (including the Parent UBI Banca as the survivor of the Centrobanca merger) for the tax years 2009 and 2010 relating mainly to pooled loans granted jointly with other major national banks, which also received payment demands.

In agreement with each borrower and that is together with the other banks participating in the loan pool, the banks which received the payment demands sent well-grounded appeals based mainly on the non-existence of the alleged documentary evidence and also on the established practice of the Ministry on the question of the "paper" nature of the tax in question as clarified for the purposes of registration tax.

During the reporting period introductory hearings were held in connection with litigation in the competent courts to seek the annulment of the payment demands mentioned. More specifically and with regard to UBI Banca:

- Tax Commission of the Province of Milan – hearing of 30th June 2014 regarding UBI Banca as the survivor of the Centrobanca merger, at which a ruling was issued in favour of the appeal.

The successful rulings for the UBI Group are in line with similar proceedings initiated by other banks and in general the tax authorities are oriented towards issuing "internal review" provisions except in cases where documents are found which fully replicate the content, including the signature, of a contract subsequently signed abroad.

PREFERENCE SHARES

This litigation concerns the tax regime applied from time to time by UBI Banca and Banco di Brescia on interest paid to subsidiaries resident in Delaware (USA) on bank deposits held by those companies as a result of issues of financial instruments termed "preference shares" on international markets.

The operation as a whole was put in place to strengthen capital and had been submitted for prior examination to the Bank of Italy, which had approved it because it fully complied with the provisions issued by that supervisory authority.

In line with the provisions of the contracts underlying the operation, the sums received by the United States companies were classified as "bank deposits" for accounting and tax purposes. On the basis of that classification the bank considered that no form of withholding tax at source was applicable to the amounts paid to non-resident parties as remuneration on bank deposits. On the contrary, however, the tax authorities reached the conclusion that the bank deposits made by the Delaware companies should in reality be considered as "financing". As a result of that different classification, the tax authorities considered the withholding tax pursuant to article 26, paragraph 5, of Presidential Decree No. 600/1973 to be applicable to the amounts paid.

Recent recent developments on this matter, which has gone on for many years since 2004, can be summarised as follows:

- on 5th May 2014 the Tax Commission of the Province of Milan rejected the appeal lodged by UBI Banca for the year 2006, confirming that the withholding taxes (€4.41 million) were due, but excluding the application of fines of €1.32 million due to uncertainty concerning the legislation. UBI Banca appealed against the ruling limited to the part which deemed the withholding taxes due, while the tax authorities appealed against the part of the ruling which did not apply fines;
- on 11th September 2014 the Regional Tax Commission of Milan rejected the appeal lodged by UBI Banca for the year 2004, confirming that the withholding taxes (€4.41 million) were due, but excluding the application of fines of €6.55 million due to uncertainty concerning the legislation. The time limit for appeal to the Supreme Court of Cassation has not yet expired;
- on 19th November 2014 the Tax Commission of the Province of Milan accepted the appeal lodged by UBI Banca for 2005, quashing the tax claim (withholding taxes of €4.41 million and the related fines) as a consequence of failure by the tax authorities to invite a preliminary defence which by tax and judicial law applies to all cases of tax evasion and avoidance.

Similar proceedings were initiated by the subsidiary Banco di Brescia.

In view of the above, and also on the basis of authoritative professional opinion, the Bank considers it has acted properly and that the arguments made in its defence rest on objective legal foundations. Finally, we must underline that the matters in question involve other major banking groups and consequently the affair will also be monitored in terms of the results of litigation affecting other banks.

As already reported, the amount so far assessed for UBI Banca for withholding taxes is €26.50 million for the years from 2004 to 2009 (in addition to fines of €45.3 million).

To complete the information, in the first quarter of 2014 the preference shares were redeemed due to a changed regulatory context, which had changed the rules for the inclusion of these instruments in regulatory capital.

REGISTRY TAX FOR BRANCH CONTRIBUTION TRANSACTIONS

In the first 10 days of October UBI Banca together with some network banks received multiple payment demands for registry tax from the competent offices of the tax authorities for alleged failure to register contracts for the transfer of companies carried out in 2010.

Briefly the reorganisation of the UBI Group's branch network carried out in that year involved the following:

- a project to optimise the geographical market coverage of the banks reported above, designed to focus the activities of those banks on their respective core geographical areas;
- the consequent intragroup transfer of 316 branches through 14 contributions of company operations;

- the subsequent transfer to the Parent, UBI Banca, (and other entities) of the shares resulting from the contributions for the purpose of restoring the original shareholder structure.

All the payment demands issued by the various offices of the tax authorities in relation to the optimisation of the distribution network contain a demand for the payment of registry tax (and in some cases also mortgage tax and cadastral tax) on a *pro rata* basis on the grounds that – according to the tax authorities – the branch network reorganisation involved the existence of contracts for the transfer of company operations entered into from time to time between the individual contributing banks and the "UBI Group" (the latter entity was not identified more precisely by the tax authorities in the payment demands).

The total amount claimed by the tax authorities, with regard to the payment demands received by the Parent UBI Banca (as the co-obligor, together with other parties) amounted to €33.1 million net of fines.

In consideration of the provisions of the legislation on registry tax and with account also taken of case law arising on the matter in the meantime, the Group considers that the reorganisation carried out did not involve any form of tax avoidance or infringement of the law. This consideration is also based on authoritative opinions received, because it is supported by sound economic reasons and European directives themselves grant similar transactions exemption from registry tax.

With regard to the above, appeals were lodged against these demands in the last part of December 2014 with a formal application to appear before the competent provincial tax commissions.

IRES (corporate income tax)

In November 2011 UBI Banca (formerly BPU Banca before 1st April 2007) was served with a notice of assessment in relation to its tax treatment for IRPEG (former corporate income tax) purposes of the contribution of a bank made on 1st July 2003 to the then newly formed Popolare di Bergamo Spa and Banca Popolare Commercio e Industria Spa. In particular, the full deduction (i.e. tax recovery) by the transferor BPB Banca of the taxed provisions for risks and charges set aside in previous years was disputed.

That notice of assessment led to claims for €17.9 million in additional tax and €25.2 million in penalties and interest. In view of how high those figures were, the Criminal Court of Bergamo was alerted. However, on 21st July 2010 the latter dropped the case for lack of specific intent and also because by then the suspected crime had become statute barred.

The Bank promptly appealed against the notice of assessment in question at the competent Provincial Tax Commission preliminarily pointing out that the assessment deadline had expired: the time limit for assessing taxes for 2003 expired on 31st December 2008 pursuant to article 43 of Presidential Decree No. 600/1973, whereas the assessment had been made in 2011. In any event the doubling of the time limit, referred to in the Constitutional Court judgment No. 247 of 25th July 2011 presupposes that the tax authorities have not filed a criminal complaint for the sole purpose of being able to double the assessment time limit. In the case in question, the tax inspection – the findings of which were referred to in the challenged notice of assessment – had been improperly initiated even though the suspected crime was by then statute barred and the ordinary time limit for making the assessment had expired. As is known, this matter is subject to review under the powers on taxation conferred by Law No. 23/2014 (see conditions for doubling time limits).

With an order of 14th July 2014, following a provisional tax demand for the payment of €8.3 million, the Tax Commission of the Province of Milan granted a suspension applied for by the bank relating to that demand and also to a writ of attachment from third parties submitted by Equitalia Nord S.p.A.. A preliminary hearing to discuss the matter is scheduled for 9th March 2015.

In light of authoritative opinions received as well as the successful outcome of the application for a suspension, the risk of losing is considered unlikely.

MORTGAGE AND LAND REGISTRY DUTIES

A notice of payment issued to UBI Banca in July 2011 alleged failure to pay mortgage and land registry taxes for a total of €0.56 million, in relation to the sale in 2010 of a property (the sale was, however, subject to VAT). The Bank appeal before the Tax Commission of the Province of Milan, which fully upheld the appeal with a ruling deposited on 1st October 2012. That ruling was appealed in April 2013 with an application made to the Regional Tax Commission by the tax authorities. With a ruling deposited on 28th May 2014, the Regional Tax Commission confirmed the favourable decision of the court of first instance. In January 2015 the tax authorities notified the Bank of an appeal lodged with the Supreme Court of Cassation, in relation to which the Bank will apply to appear before the court within the legal time limits with its own counter appeal.

The risks relating to tax litigation are subject to constant analysis and monitoring in order to promptly detect any changes in the classification of risks and as a consequence to be able to maintain adequate capital to meet them.

See Section 4 Operational Risks in Part E of these Notes to the Financial Statements for information on litigation.

Section 13 Redeemable shares

No shares have been issued with redemption rights.

Section 14 Equity - Items 130, 150, 160, 170, 180, 190 and 200 -

14.1 "Share capital" and "Treasury shares": composition

	31.12.2014	31.12.2013
Number of ordinary shares	901,748,572	901,748,572
Number of treasury shares held in portfolio	1,481,392	1,700,000

The share capital of UBI Banca Scpa as at 31st December 2014 amounted to €2,254,371,430.00 divided into 901,748,572 shares with no nominal value and it has not changed compared with 31st December 2013.

14.2 Share capital - Number of shares: annual changes

Items/Type	Ordinary	Other
A. Shares existing at the beginning of the year	**901,748,572**	**-**
- fully paid up	901,748,572	-
- not fully paid up	-	-
A.1 Treasury shares (-)	(1,700,000)	-
B.2 Outstanding shares: initial number	**900,048,572**	**-**
B. Increases	**216,808**	**-**
B.1 New issues	-	-
- by payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	216,808	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Company disposal operations	-	-
C. 4 Other changes	-	-
D. Outstanding shares: closing balances	**900,265,380**	**-**
D.1 Treasury shares (+)	1,483,192	-
D.2 Shares outstanding at the end of the year	901,748,572	-
- fully paid up	901,748,572	-
- not fully paid up	-	-

14.3 Share capital: other information

A total of 216,808 treasury shares were granted during the year, as part of remuneration and incentive policies for “key personnel” as described fully in part I of these notes.

A total of 1,483,192 treasury shares were held in portfolio as at 31.12.2014 with a book value in equity of €5,340,225.00.

14.4 Reserves of profits: other information

	31.12.2014	31.12.2013
Statutory reserve	573,912	566,778
Reserve under Art. 22 Legislative Decree No. 153/1999	36,494	36,494
Extraordinary reserve	1,040,797	1,039,347
Reserve for the repurchase of treasury shares	7,250	7,250
Taxed profit reserve	4	4
Reserve under Art. 13 par.6 Legislative Decree No. 124/	762	762
Reserve under Art. 6 Legislative Decree No. 38/2005	16,515	8,653
Reserves of profits for ACT - health policy	2,267	2,267
Retained earnings	49	99
Reserves of profits	**1,678,050**	**1,661,654**

	31.12.2014	31.12.2013
Reserve for valuation of equity-accounted investees	12,153	12,153
Reserve for reversal of prior year depreciation and amortisation	61,649	61,649
Reserve under art. 7 par. 2 Law No. 218/1990	75,213	75,213
Reserve pursuant to Art. 7 par. 3 Law No. 218/1990	71,885	71,885
Reserves for transactions under common control	437,854	437,854
Reserves for supplementary pension reforms	-3,618	-3,618
Other reserves	21,099	21,134
Other reserves	**676,235**	**676,270**

The summary table below gives the origin, the availability for use and distribution of the items of equity (figures given to one hundredth of a euro) in compliance with Art. 2427, paragraph 1, No. 7-*bis*) of the Italian Civil Code.

	Amount as at 31.12.2014	Amount available	Possibility of use	Tax constraint (1)	Uses in the last 3 years
A) SHARE CAPITAL					
Share capital	2,254,371,430.00			512,559,822.43	
B) CAPITAL RESERVES					
Share premium reserve	4,716,866,300.80	4,716,866,300.80	AB (2)(3)	142,676,307.98	2,713,053,965.45
B) RESERVES OF PROFITS					
Statutory reserve	573,911,871.93	573,911,871.93	B (4)		
Extraordinary reserve	1,040,797,246.40	1,040,797,246.40	ABC		45,027,337.95
Reserve under Art. 22 Legislative Decree No. 153/1999	36,494,083.45	36,494,083.45	ABC		
Reserve for the repurchase of treasury shares	7,250,000.00	1,909,775.04	ABC		
Reserve under Art. 13 par. 6 Legislative Decree No. 124/93	762,160.51	762,160.51	ABC	762,160.51	
Reserves unavailable pursuant to Art. 6 Legislative Decree No. 38/2005	16,514,823.94				
Reserves of profits for ACT - health policy	2,266,865.22				
Other reserves of profits and retained earnings	52,605.46	52,605.46	ABC		
C) OTHER RESERVES					
Reserve for valuation of equity-accounted investees	12,152,680.05	12,152,680.05	AB	12,152,680.05	
Reserve for reversal of prior year depreciation and amortisation (5)	61,649,339.66	61,649,339.66	ABC (6)	61,649,339.66	
Reserve pursuant to Art. 7 par. 2 Law No. 218/1990 (5)	75,213,372.10	75,213,372.10	AB (5) (6)	65,769,618.41	
Reserve pursuant to Art. 7 par. 3 Law No. 218/1990	71,884,949.60	71,884,949.60	AB (5)	71,884,949.60	
Reserves for transactions under common control	437,853,778.96		AB (7)	39,125,309.00	
Reserves for supplementary pension reforms	-3,618,366.73				
Other reserves	21,099,264.38	21,099,264.38	ABC		
D) VALUATION RESERVES					
Revaluation reserve Law No. 350/2003	1,844,167.38	1,844,167.38	AB (5)	1,844,167.38	
Fair value reserve - available-for-sale financial assets	143,045,472.26				
Fair value reserve – adoption of fair value in place of cost (5)	29,148,801.10	27,453,137.73	AB	27,453,137.73	
Reserve for actuarial gains/losses on post-employment benefit provision	-8,844,645.14				
Other valuation reserves	-242,544.13				
E) Treasury shares	-5,340,224.96				
TOTAL	**9,485,133,432.24**	**6,642,090,954.49**		**935,877,492.75**	
Profit	**-918,436,688.78**				
Total equity as at 31st December 2014	**8,566,696,743.46**				

A = for increase in the share capital
B = to cover losses
C = for distribution to shareholders
(1) Amounts on which tax is deferred
(2) An amount of €2,713,053,965.45 was drawn from the share premium reserve in 2012 to replenish the 2011 loss.
(3) Following the merger with Banca Lombarda Piemontese, the share premium reserve increased by €5,790,132,233.70, but that increase was reduced to €3,077,078,268.25 in 2012 as a result of replenishing the loss incurred in 2011. That replenishment was performed by drawing on part of that increase which originally amounted to €4,096,625,123, (reduced to €1,383,571,157.55), relating to the revaluation of items in the accounts of the merged bank and the recognition of goodwill following the allocation of the purchase price.
In consideration of the lack of clarity in the legislation over whether the reserve that arose following the merger transaction recognised in the accounts in accordance with IFRS 3 is available for distribution to shareholders, the following is considered distributable: a) only the pre-existing portion amounting to €1,310,245,825.91; b) the portion set aside following the increase in the share capital that occurred in 2011, amounting to €329,534,764.34; c) the portion resulting from the conversion of convertible bonds €7,422.30. It therefore follows that the amount distributable is €1,639,788,032.55.
(4) Only that part of the reserve which exceeds one fifth of the share capital is available, even for an increase in capital and for distribution (Art. 2430, paragraph 1, Italian Civil Code).
(5) Distribution to shareholders is dependent on compliance with the provisions of paragraphs 2 and 3 of Art. 2445 of the Italian Civil Code. If it is used to cover losses, no distribution can be made until the reserve has been replenished.
(6) The "Value realignment reserve" under Law No. 266/2005 with taxation deferred amounting to a total of €90,607,559.00 consisted of €27,453,137.73 recognised in the "Valuation reserve – adoption of fair value to replace cost", €61,649,339.66 in the "Reserve for reversal of prior year amortisation and depreciation" and €1,505,081.61 in the "Reserve under Art. 7, Par. 2, Law No. 218/90".
(7) The reserve for transactions under common control was increased during last year by €239,338,214.08 as a result of the cancellation of the investment in Centrobanca Spa due to the merger concluded during the year. As a result of that increase, the reserves of the merged bank that are only taxable if distributed were reconstituted in the surviving bank on the basis of Art. 172, paragraph 5 of the Consolidated Income Tax Act

(€39,114,523 on the basis of the reference made by Art.1, paragraph 473 of Law No. 266/2005 to Art. 13 of Law No. 342/2000 and €10,786 pursuant to Art. 13, paragraph 6 of Legislative Decree No. 124/1993).

When a dividend was distributed for the financial year 2008, an amount of €273,579,193.83 was drawn from the extraordinary reserve, while €45,027,337.95 was drawn for the distribution of the 2011 dividend.

As already reported, the 2011 incentive scheme for the Senior Management of the UBI Group requires the Parent, UBI Banca, to deliver treasury shares to its employees and to grant shares to the employees of its subsidiaries.
According to IFRS 2 “share-based payments”, that scheme constitutes an “equity settled” operation where payment is based on shares and made using equity instruments. On this basis, because the objective of IFRS 2 is to recognise the impact on profit and loss of the remuneration paid by means of equity instruments in the income statement in the form of staff costs, UBI Banca and the subsidiaries involved in the scheme recognised the cost for the year within the item 150a “Administrative expense: staff costs” against an increase in equity made by posting the amount to a separate reserve in equity because the obligation of the company will be extinguished by the delivery of equity instruments and that obligation will be settled in any event by UBI Banca.
In this context, the item “reserves – other” also includes stock grant reserves relating to the share component of the incentive scheme for UBI Banca personnel amounting to €538 thousand and for the personnel of Group member companies amounting to €470 thousand.

14.5 Capital instruments: composition and annual changes

The Bank has no capital instruments.

Other information

1. Guarantees granted and commitments

Transactions	31.12.2014	31.12.2013
1) Guarantees granted of a financial nature	10,085,508	10,578,953
a) Banks	8,500,266	8,894,241
b) Customers	1,585,242	1,684,712
2) Guarantees granted of a commercial nature	463,754	412,737
a) Banks	414,767	407,049
b) Customers	48,987	5,688
3) Irrevocable commitments to pay funds	1,632,712	2,289,674
a) Banks	647,782	47,861
i) of certain use	636,807	47,861
ii) of uncertain use	10,975	-
b) Customers	984,930	2,241,813
i) of certain use	29,663	1,071,726
ii) of uncertain use	955,267	1,170,087
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged to guarantee obligations to third parties	-	500
6) Other commitments	8,786,031	8,068,818
Total	**20,968,005**	**21,350,682**

2. Assets pledged to secure own liabilities and commitments

Portfolios	31.12.2014	31.12.2013
1. Financial assets held for trading	415,950	1,166,735
2. Financial assets designated at fair value	-	-
3. Available-for-sale financial assets	10,508,152	5,509,733
4. Held-to-maturity investments	1,850,111	3,086,815
5. Loans and advances to banks	-	2,184
6. Loans and advances to customers	3,719,615	3,970,220
7. Property, plant and equipment	-	-

The financial assets contained in the table relate to securities owned, pledged to guarantee liabilities and commitments of the Bank as follows:

Portfolios	**To guarantee**	**Own securities**	
	Liabilities or commitments	**issued by third parties**	**issued by group member companies**
Financial assets for trading:	Repurchase agreements	**415,950**	
Financial assets for-sale:	Bank of Italy Advances	6,479,965	
	Repurchase agreements	3,486,135	
	Credit card exposure	241,667	
	EIB Financing	268,163	
	Other transactions	32,222	
		10,508,152	
Financial investments held to maturity:	Repurchase agreements	**1,850,111**	
Loans to customers:	EIB Financing	572,722	**321,944**
	Covered Bond Issuance	1,980,950	
	Bank of Italy Advances	843,999	
		3,397,671	

The table does not report financing (amounting to approximately €1.066 billion) pledged to guarantee the former B@nca 24-7 Spa securitisation, because the bonds are not issued by UBI Banca but by a special purpose entity.
In addition to the assets reported above, securities were also pledged as guarantees as follows:

To guarantee	Nominal amount of securities	
Liabilities or commitments	issued by a special purpose entity	own issue securities
Bank of Italy Advances	3,555,732	4,360,000
	3,555,732	**4,360,000**

Notes, senior tranches, acquired through reverse repurchase agreements were issued by special purpose entities for securitisations created by the following "originators":

- UBI Leasing Spa: €837 million nominal;

- Banca Popolare di Ancona Spa: €538 million nominal;
- Banco di Brescia Spa: €389 million nominal;
- Banca Popolare di Bergamo Spa: €433 million nominal;
- Banca Popolare Commercio e Industria Spa: €293 million nominal.

Notes issued as part of the UBI Banca (former B@nca 24-7 Spa) securitisation included instruments amounting to €1.065 billion lodged with the Bank of Italy to guarantee advances.

The instruments issued by the Bank consisted of covered bonds issued at a floating rate for €4.360 billion nominal.

3. Information on operating leases

No operating lease contracts were entered into.

4. Management and intermediation on behalf of third parties

Type of services	31.12.2014
1. Execution of orders on behalf of customers	
a) Purchases	800,343
1. Settled	800,109
2. Not settled	234
b) Sales	646,861
1. Settled	645,036
2. Not settled	1,825
2. Portfolio management	
a) individual	-
b) collective	-
3. Custody and administration of securities	
a) securities of third parties held on deposit : connected with depository bank activity (not including portfolio management)	-
1. securities issued by the reporting bank	-
2. other securities	-
b) securities of third parties held on deposit (not including portfolio management): other	67,189,116
1. securities issued by the reporting bank	19,965,457
2. other securities	47,223,659
c) securities belonging to third parties, deposited with third parties	67,029,383
d) own securities deposited with third parties	29,753,178
4) Other transactions	**21,916,775**

The “Custody and administration of securities” relates to financial instruments belonging to ordinary customers of the network banks.

5. Financial assets subject to offsetting in the financial statements, or subject to master netting arrangements or similar agreements.

Type of instrument	Gross amount of the financial assets (a)	Amount of the financial liabilities offset in the accounts (b)	Net amount of the financial assets reported in the accounts (c=a-b)	Related amounts not offset in the accounts		Net amount 31.12.2014 (f=c-d-e)	Net amount 31.12.2013
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	814,515	-	814,515	504,500	305,570	4,445	1,053
2. Repurchase agreements	540,882	-	540,882	539,230	-	1,652	584
3. Stock lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31.12.2014	**1,355,397**	**-**	**1,355,397**	**1,043,730**	**305,570**	**6,097**	**x**
Total 31.12.2013	**1,369,912**	**-**	**1,369,912**	**1,259,898**	**108,377**	**x**	**1,637**

6. Financial liabilities subject to offsetting in the financial statements, or subject to master netting arrangements or similar agreements.

Type of instrument	Gross amount of the financial liabilities (a)	Amount of financial assets offset in the accounts (b)	Net amount of the financial liabilities reported in the accounts (c=a-b)	Related amounts not offset in the accounts		Net amount 31.12.2014 (f=c-d-e)	Net amount 31.12.2013
				Financial instruments (d)	Cash deposits lodged as collateral (e)		
1. Derivatives	1,562,244	-	1,562,244	504,500	1,033,216	24,528	26,597
2. Repurchase agreements	5,811,734	-	5,811,734	5,794,700	17,034	-	-
3. Stock lending	-	-	-	-	-	-	-
4. Other transactions	-	-	-	-	-	-	-
Total 31.12.2014	**7,373,978**	**-**	**7,373,978**	**6,299,200**	**1,050,250**	**24,528**	**x**
Total 31.12.2013	**6,578,370**	**-**	**6,578,370**	**6,062,972**	**488,801**	**x**	**26,597**

With regard to derivatives, no offsetting has been carried out in the accounts between the same counterparties, because no significant material positions were found for listed derivatives, while for unlisted derivatives no contract clauses existed which allowed settlement on a netting basis with individual counterparties, in compliance with the provisions of IFRS.
The following has been reported in the columns for related amounts not subject to offsetting: the value of the related derivative by single counterparty up to the full amount under financial instruments, while the margin deposits are given up to the full amount, again for single related counterparty under the column for deposits received or made.

As a consequence, given the related items for derivatives assets and liabilities and the amount of the respective margin deposits received or made, the column for the net amount (table 5) represents the residual exposure of UBI Banca by counterparty of €4.4 million, while the residual exposure of third parties (table 6) is €24.5 million.

The table also includes derivative contracts connected with the B@nca 24-7 Spa securitisation which are classified within other assets (for a fair value of €5.5 million).

The conditions were also not met for offsetting asset and liability repo positions with the same counterparties in the financial statements.
The following has been reported in the columns for related amounts not subject to offsetting: the fair value of the underlying security by single counterparty up to the full amount under financial instruments, while the margin deposits are given similarly up to the full amount, also by single related counterparty under the column for deposits received. (Table 5. credit balance of €1.7 million).

7. Stock lending transactions

No stock lending transactions to report.

8. Information on joint arrangements

Information on this item is given in the Consolidated Annual Report, which may be consulted.

Part C – Notes to the Income Statement

Section 1 Interest - Items 10 and 20 -

1.1 Interest income and similar: composition

Items / Type	Debt instruments	Financing	Other transactions	2014	2013
1. Financial assets held for trading	22,305	-	-	**22,305**	**50,127**
2. Available-for-sale financial assets	408,737	-	-	**408,737**	**418,007**
3. Held-to-maturity investments	97,731	-	-	**97,731**	**108,802**
4. Loans and advances to banks	63,009	23,111	-	**86,120**	**50,259**
5. Loans and advances to customers	9,071	455,118	-	**464,189**	**598,453**
6. Financial assets designated at fair value	-	-	-	**-**	**-**
7. Hedging derivatives	X	X	43,234	**43,234**	**3,771**
8. Other assets	X	X	155	**155**	**195**
Total	**600,853**	**478,229**	**43,389**	**1,122,471**	**1,229,614**

Interest on deteriorated assets amounted to €47.398 million (it amounted to €51.244 million in 2013).

1.2 Interest income and similar: hedging differentials

Items	2014	2013
A. Positive differentials on hedging transactions	308,874	276,427
B. Negative differentials on hedging transactions	(265,640)	(272,656)
C. Balance (A-B)	**43,234**	**3,771**

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets held in foreign currency

Items	2014	2013
Interest income on financial assets held in foreign currency	8,403	10,836

1.3.2 Interest income on finance lease transactions

No interest income on finance lease transactions was recognised.

1.4 Interest expense and similar: composition

Items/Type	Borrowings	Securities	Other transactions	2014	2013
1. Due to central banks	(19,846)	X	-	**(19,846)**	**(67,417)**
2. Due to banks	(78,973)	X	-	**(78,973)**	**(191,583)**
3. Due to customers	(20,143)	X	-	**(20,143)**	**(59,860)**
4. Debt securities issued	X	(890,745)	-	**(890,745)**	**(746,943)**
5. Financial liabilities held for trading	(15,959)	-	-	**(15,959)**	**(44,003)**
6. Financial liabilities designated at fair value	-	-	-	**-**	**-**
7. Other liabilities and provisions	X	X	(361)	**(361)**	**(418)**
8. Hedging derivatives	X	X	-	**-**	**-**
Total	**(134,921)**	**(890,745)**	**(361)**	**(1,026,027)**	**(1,110,224)**

The item interest expense payable to central banks consists of interest accruing during the year on financing obtained from the ECB. As at 31st December 2014 the remaining amount consisted of the following financing:

- €2 billion nominal, maturity 29.1.2015, rate 0.05%
- €5 billion nominal, maturity 26.2.2015, rate 0.05%
- €3.2 billion nominal, maturity 26.9.2018, rate 0.15% (TLTRO loan)

1.5 Interest expense and similar: hedging differentials

Interest expense contained no differentials relating to hedging transactions.

1.6 Interest expense and similar: other information

1.6.1 Interest expense on liabilities held in foreign currency

Items	2014	2013
Interest expense on liabilities held in foreign currency	(1,038)	(1,158)

1.6.2 Interest expense on liabilities for finance lease transactions

Items	2014	2013
Interest expense on liabilities for finance lease transactions	(361)	(418)

Section 2 Fees and commissions - Items 40 and 50 -

2.1 Fee and commission income: composition

Type of service/Amounts	2014	2013
a) guarantees granted	8,360	6,937
b) credit derivatives	-	-
c) management, trading and advisory services:	17,665	18,071
1. trading in financial instruments	9,667	7,845
2. foreign exchange trading	961	920
3. portfolio management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. custody and administration of securities	999	739
5. depository banking	-	-
6. placement of securities	524	1,721
7. receipt and transmission of orders	(1)	7
8. advisory activities	4,361	5,933
8.1 on investments	4,361	5,933
8.2 on financial structure	-	-
9. distribution of third party services	1,154	906
9.1. portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	426	188
9.3. other products	728	727
d) collection and payment services	18,107	19,594
e) servicer activities for securitisation transactions	-	6
f) services for factoring transactions	-	-
g) tax collection and payment services	-	-
h) management of multilateral trading systems	-	-
i) current account administration	22	23
j) other services	39,320	50,149
Total	**83,474**	**94,789**

The decrease within commission income on other services is due mainly to lower income on former Centrobanca Spa loans (merged into UBI Banca in 2013).

In 2013 a reclassification was carried out for commission income received from credit card networks. These commissions amounting to €18.3 million were reclassified out of item j) other services and into item D) collection and payment services.

2.2 Fee and commission income: distribution channels for products and services

Channels/Values	2014	2013
a) Through own branches:	**1,678**	**2,627**
1. Portfolio management	-	-
2. Placement of securities	524	1,721
3. Third party services and products	1,154	906
b) through indirect networks:	**-**	**-**
1. Portfolio management	-	-
2. Placement of securities	-	-
3. Third party services and products	-	-
c) Other distribution channels:	**-**	**-**
1. Portfolio management	-	-
2. Placement of securities	-	-
3. Third party services and products	-	-

2.3 Fee and commission expense: composition

Services/Amounts	2014	2013
a) guarantees received	(18,845)	(46,866)
b) credit derivatives	-	-
c) management and trading services:	(24,625)	(26,417)
1. trading in financial instruments	(2,537)	(2,845)
2. foreign exchange trading	(5)	(9)
3. portfolio management:	-	-
3.1. own	-	-
3.2. on behalf of third parties	-	-
4. custody and administration of securities	(1,411)	(1,080)
5. placement of financial instruments	-	-
6. financial instruments, products and services distributed through i	(20,672)	(22,483)
d) collection and payment services	(2,958)	(4,975)
e) other services	(12,791)	(11,292)
Total	**(59,219)**	**(89,550)**

Commissions for guarantees received relate mostly to expenses for guarantees issued by the Ministry of Economics and Finance on bonds issued and lodged as a collateral to back ECB financing (€46.5 million in 2013 and €18.4 million in 2014). These positions were progressively closed in 2014.

Fee and commission expense for the distribution of financial instruments through indirect networks consisted mainly of commissions for the sale of credit cards by Group banks and companies and commissions for the distribution of insurance products, as part of business originated by the former B@nca 24-7 Spa.

Section 3 Dividends and similar income - Item 70 -

3.1 Dividends and similar income: composition

Items/Income	2014		2013	
	Dividends	Income from units in UCITS	Dividends	Income from units in UCITS
A. Financial assets held for trading	34	-	93	-
B. Available-for-sale financial assets	4,812	1,173	6,420	2,180
C. Financial assets at fair value	2,169	-	1,124	-
D. Equity investments	268,301	X	237,388	X
Total	**275,316**	**1,173**	**245,025**	**2,180**

The main dividends received on available-for-sale financial assets included those received from SIA SpA amounting to €3.1 million, while dividends of €3.9 million were received from Intesa Sanpaolo Spa in 2013.

Details are given below of dividends received from equity investments in subsidiaries and companies subject to significant influence.

	2014	2013
On equity investments in subsidiaries	**235,771**	**165,363**
Banca Carime Spa	11,180	-
Banca Popolare Commercio e Industria Spa	25,800	11,551
Banca Popolare di Ancona Spa	4,146	-
Banca Popolare di Bergamo Spa	129,109	107,433
Banca Regionale Europea Spa	36,111	-
Banco di Brescia San Paolo CAB Spa	3,151	13,372
BPB Immobiliare Srl	984	1,168
Società Bresciana Immobiliare Mobiliare - S.B.I.M. Spa	1,400	1,610
UBI Banca Private Investment Spa	3,837	2,270
UBI Factor Spa	-	2,276
UBI Pramerica SGR Spa	20,053	25,683
On equity investments in companies subject to significant influence	**32,530**	**72,025**
Aviva Assicurazioni Vita Spa	5,000	3,500
Aviva Vita Spa	6,000	12,000
Lombarda Vita Spa	14,083	45,361
Polis Fondi SGRpA	119	65
UBI Assicurazioni Spa	7,328	11,099
Total	**268,301**	**237,388**

Section 4 Net trading income - Item 80 -

4.1 Net trading income: composition

Transactions/Components of income	Gains (A)	Income from trading (B)	Losses (C)	Losses from trading (D)	Net income (loss) [(A+B)-(C+D)]
1. Financial assets held for trading	**1,685**	**29,442**	**(701)**	**(1,815)**	**28,611**
1.1 Debt instruments	1,093	28,218	(372)	(1,067)	27,872
1.2 Equity instruments	578	51	(299)	(3)	327
1.3 Units in UCITS	14	42	(30)	(10)	16
1.4 Financing	-	-	-	-	-
1.5 Other	-	1,131	-	(735)	396
2. Financial liabilities held for trading	**-**	**13,176**	**-**	**(3,519)**	**9,657**
2.1 Debt instruments	-	13,176	-	(3,519)	9,657
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	**x**	**x**	**x**	**x**	**770**
4. Derivative instruments	**355,285**	**365,232**	**(386,607)**	**(340,906)**	**(5,368)**
4.1 Financial derivatives:	355,285	365,232	(386,607)	(340,363)	(4,825)
- on debt instruments and interest rates	351,082	360,072	(382,805)	(333,701)	(5,352)
- on equity instruments and share indices	554	623	(276)	(1,996)	(1,095)
- on currencies and gold	x	x	x	x	1,628
- Other	3,649	4,537	(3,526)	(4,666)	(6)
4.2 Credit derivatives	-	-	-	(543)	(543)
Total	**356,970**	**407,850**	**(387,308)**	**(346,240)**	**33,670**

Trading activity recorded a net profit of €27.9 million on debt instruments against a loss linked to them in management terms of €5.4 million, incurred on debt instrument and interest rate derivatives.

The loss for equity instruments net of the linked derivatives was €768 thousand.

The result for foreign exchange trading must be interpreted in combination with item 1.5 “Trading activities – other”, and it amounted to €1.2 million.

Item 2.1 “Financial liabilities held for trading – debt instruments”, shows the result for uncovered short positions, which was positive by €9.7 million.

Section 5 Net hedging income - Item 90 -

5.1 Net hedging income: composition

Income components/Amounts	2014	2013
A. Income relating to:		
A.1 Fair value hedge derivatives	469,047	265,174
A.2 Hedged financial assets (fair value)	610,960	1,679
A.3 Hedged financial liabilities (fair value)	39,129	142,796
A.4 Cash flow hedge financial derivatives	-	-
A.5 Assets and liabilities in foreign currency	-	-
Total income from hedging activity (A)	**1,119,136**	**409,649**
B. Expense relating to:	-	
B.1 Fair value hedge derivatives	(663,982)	(145,458)
B.2 Hedged financial assets (fair value)	(14,359)	(260,282)
B.3 Hedged financial liabilities (fair value)	(448,864)	(8,091)
B.4 Cash flow hedge financial derivatives	-	-
B.5 Assets and liabilities in foreign currency	-	-
Total expense from hedging activity (B)	**(1,127,205)**	**(413,831)**
C. Net hedging income (loss) (A-B)	**(8,069)**	**(4,182)**

Details of the income and expense for hedging transactions in relation to the items hedged are as follows:

Description	net income
Assets:	
Available-for-sale debt instruments	-12,944
Loans and advances to customers	182
Liabilities:	
bonds in issue	4,693
Net income on hedging	**-8,069**

Section 6 Income/expense from disposal or repurchase - Item 100 -

6.1 Income (loss) from disposals/repurchases: composition

Items/Income components	2014			2013		
	Profits	Losses	Net income	Profits	Losses	Net income
Financial assets						
1. Loans and advances to banks	-	-	-	-	-	-
2. Loans and advances to customers	2,447	(11,771)	(9,324)	166	(2,504)	(2,338)
3. Available-for-sale financial assets	167,893	(1,150)	166,743	192,759	(4,567)	188,192
3.1 Debt instruments	138,261	(1,079)	137,182	141,615	(4,526)	137,089
3.2 Equity instruments	9,910	(71)	9,839	51,144	(41)	51,103
3.3 Units in UCITS	19,722	-	19,722	-	-	-
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	**170,340**	**(12,921)**	**157,419**	**192,925**	**(7,071)**	**185,854**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities issued	59	(7,999)	(7,940)	6,764	(3,603)	3,161
Total liabilities	**59**	**(7,999)**	**(7,940)**	**6,764**	**(3,603)**	**3,161**

The net result for the disposal of loans to customers, a loss of €9.3 million, related to an operation to dispose of loans, part of operations designed to reduce the impact of positions difficult to dispose of and with very large operating costs.

As concerns “Available-for-sale financial assets - debt instruments”, the profits were mainly attributable to disposals of government securities and amounted to €128.9 million.

The most significant components for equity instruments regarded the profit of €9.9 million on the disposal of SIA Spa shares.

The repurchase of bonds subscribed by institutional counterparties and retail customers generated a net loss of €7.9 million.

Section 7 Net income/expense on assets and liabilities designated at fair value - Item 110 -

7.1 Net change in financial assets/liabilities designated at fair value: composition

Transactions/Components of income	Gains (A)	Income from trading (B)	Losses (C)	Losses from trading (D)	Net income (loss) [(A+B)-(C+D)]
1. Financial assets	**3,629**	**1,933**	**(3,047)**	**(14)**	**2,501**
1.1 Debt instruments	-	-	-	-	-
1.2 Equity instruments	3,566	949	(1,648)	-	2,867
1.3 Units in UCITS	63	984	(1,399)	(14)	(366)
1.4 Financing	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities issued	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Other financial assets and liabilities in foreign currency: foreign currency differences	**x**	**x**	**x**	**x**	**572**
4. Credit and financial derivatives	**-**	**-**	**-**	**-**	**-**
Total	**3,629**	**1,933**	**(3,047)**	**(14)**	**3,073**

The table below gives the most significant changes in fair value that occurred in the UCITS portfolio in 2014.

Description	Opening balances	Other changes net	Redemptions	profits/losses	gains/losses	exchange rate effects	closing balance
Tages Funds	117,129				-327		116,802
Other hedge funds	7,071	729	-3,096	970	-1,009	572	5,237
Total	**124,200**	**729**	**-3,096**	**970**	**-1,336**	**572**	**122,039**

Section 8 Net impairment losses - Item 130 -

8.1 Net impairment losses on loans: composition

Transactions/Components of income	Impairment losses			Reversals				2014	2013
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Of interest	Other reversals	Of interest	Other reversals		
A. Loans and advances to banks	-	-	-	-	-	-	-	-	217
- Financing	-	-	-	-	-	-	-	-	217
- Debt instruments	-	-	-	-	-	-	-	-	-
B. Loans and advances to customers	(8,540)	(165,016)	-	18,860	33,376	-	4,582	(116,738)	(188,332)
Deteriorated loans purchased	-	-	-	-	-	-	-	-	-
- Financing	-	-	x	-	-	x	x	-	-
- Debt instruments	-	-	x	-	-	x	x	-	-
Other loans and receivables	(8,540)	(165,016)	-	18,860	33,376	-	4,582	(116,738)	(188,332)
- Financing	(8,540)	(165,016)	-	18,860	33,376	-	4,582	(116,738)	(188,332)
- Debt instruments	-	-	-	-	-	-	-	-	-
C. Total	**(8,540)**	**(165,016)**	**-**	**18,860**	**33,376**	**-**	**4,582**	**(116,738)**	**(188,115)**

Specific impairment losses on loans to customers consisted of impairment losses on mortgages and personal loans, resulting from the acquisition of B@nca 24-7 SpA, and on loans acquired from the former subsidiary Centrobanca Spa.

8.2 Net impairment losses on available-for-sale financial assets: composition

Transactions/Components of income	Impairment losses		Reversals		2014	2013
	Specific		Specific			
	Write-offs	Other	of interest	other reversals		
A. Debt instruments	-	(16)	-	914	**898**	**(11,720)**
B. Equity instruments	-	(2,676)	-	-	**(2,676)**	**(1,290)**
C. Units in UCITS	-	(1,217)	x	x	**(1,217)**	**(8,758)**
D. Loans to banks	-	-	x	-	**-**	**-**
E. Loans to customers	-	-	-	-	**-**	**-**
Total	**-**	**(3,909)**	**-**	**914**	**(2,995)**	**(21,768)**

Impairment losses on debt instruments consisted of €0.9 million on the security Banca Marche 05/15 TV.

With regard to equity instruments, available-for-sale assets were written-down by €2.7 million and they include that on the minority interest held in Autostrada Pedemontana Lombarda Spa amounting to €2.2 million.

Impairment losses on units in UCITS consisted of write-downs of private equity funds amounting to €1.2 million.

8.3 Net impairment losses on held-to-maturity investments: composition

No net impairment losses were recognised on held-to-maturity investments.

8.4 Net impairment losses on other financial transactions: composition

Transactions/Components of income	Impairment losses			Reversals				2014	2013
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Of interest	Other reversals	Of interest	Other reversals		
A. Guarantees granted	-	(1,575)	(1,516)	-	1,091	-	-	**(2,000)**	**(19,907)**
B. Credit derivatives	-	-	-	-	-	-	-	**-**	**-**
C. Commitments to pay funds	-	-	-	-	-	-	182	**182**	**1,308**
D. Other transactions	-	-	-	-	-	-	-	**-**	**-**
E. Total	**-**	**(1,575)**	**(1,516)**	**-**	**1,091**	**-**	**182**	**(1,818)**	**(18,599)**

The item, “Impairment losses – other”, relates to losses recognised on specific guarantees granted, while portfolio impairment is determined by using the calculation methodology employed to calculate recognition of collective impairment losses in all the banks in the Group.

Section 9 Administrative expenses - Item 150 -

9.1 Staff costs: composition

Type of expense/Amounts	2014	2013
1) Employees	**(218,191)**	**(183,417)**
a) Wages and salaries	(140,427)	(128,725)
b) Social security charges	(37,650)	(34,135)
c) Post-employment benefits	(7,846)	(7,160)
d) Pension expense	-	-
e) Provision for post-employment benefits	(1,031)	(681)
f) Provision for pension and similar:	(27)	(29)
- defined contribution	-	-
- defined benefit	(27)	(29)
g) Payments to external supplementary pension plans:	(6,378)	(6,068)
- defined contribution	(6,378)	(6,068)
- defined benefit	-	-
h) Expenses resulting from share based payments	-	-
i) Other employee benefits	(24,832)	(6,619)
2) Other staff in service	**(308)**	**(227)**
3) Directors and statutory auditors	**(6,388)**	**(6,824)**
4) Expenses for retired staff	**-**	**-**
5) Recoveries of expenses for staff on secondment to other companies	**87,638**	**66,970**
6) Reimbursements of expenses for staff on secondment at the Bank	**(32,721)**	**(29,955)**
Total	**(169,970)**	**(153,453)**

A discussion is given in the relative section of the Management Report which may be consulted.

9.2 Average number of employees by category

	2014	2013
1) EMPLOYEES	**1,579**	**1,569**
a. number of senior managers	135	141
b. number of middle managers	875	853
c. remaining employees	569	575
2) OTHER PERSONNEL	**32**	**32**
TOTAL	**1,611**	**1,601**

9.3 Defined benefit company pension funds: expenses and income

See section 12 sub-section 12.3 "Defined benefit company pension funds" in the balance sheet liabilities section.

9.4 Other benefits for employees

Details are given below of other benefits for employees.

	2014	2013
Leaving incentives	(17,370)	(211)
Expenses for luncheon vouchers	(2,274)	(2,217)
Insurance expenses	(2,905)	(2,367)
Expenses for medical visits	(20)	(27)
Expenses for attendance on personnel training courses	(795)	(345)
Expenses for internal communications and conventions	(857)	(423)
Other expenses	(611)	(1,029)
Total	**(24,832)**	**(6,619)**

9.5 Other administrative expenses: composition

Type of service/Amounts	2014	2013
A. Other administrative expenses	**(155,774)**	**(157,978)**
Rent payable	(7,197)	(8,963)
Professional and advisory services	(23,907)	(25,401)
Rentals on hardware, software and other assets	(3,668)	(3,924)
Maintenance of hardware, software and other assets	(506)	(803)
Tenancy of premises	(7,131)	(7,748)
Property and equipment maintenance	(3,239)	(3,412)
Counting, transport and management of valuables	(10)	(4)
Membership fees	(3,613)	(2,312)
Information services and land registry searches	(773)	(729)
Books and periodicals	(349)	(386)
Postal	(1,459)	(2,606)
Insurance premiums	(4,110)	(5,262)
Advertising	(3,249)	(3,412)
Entertainment expenses	(699)	(939)
Telephone and data transmission expenses	(11,047)	(11,449)
Outsourced services	(7,994)	(5,981)
Travel expenses	(3,419)	(3,933)
Instalments on services provided by Group companies	(62,094)	(56,967)
Credit recovery expenses	(8,408)	(10,388)
Printing, stationery and consumables	(418)	(1,042)
Transport and removals	(311)	(419)
Security	(1,528)	(1,258)
Other expenses	(645)	(640)
B. Indirect taxes	**(15,696)**	**(15,157)**
- Indirect taxes and duties	(1,278)	(729)
- Stamp duty	(6,844)	(6,532)
- IMU/ICI (municipal property taxes)	(5,965)	(5,693)
- Other taxes	(1,609)	(2,203)
Total	**(171,470)**	**(173,135)**

A discussion is given in the relative section of the Management Report which may be consulted.

Section 10 Net provisions for risks and charges - Item 160 -

10.1 Net provisions for risks and charges: composition

	Provisions	Releases	Net provisions as at:	Provisions	Releases	Net provisions as at:
			'2014			'2013
Provision for revocation (clawback) risks	(500)	-	(500)	-	-	-
Staff costs	-	-	-	-	-	-
Provision for bonds in default	-	-	-	-	-	-
Net provisions for litigation	(1,327)	992	(335)	(942)	896	(46)
Provisions for risks and charges	(1,954)	2,478	524	(2,109)	801	(1,308)
Total	**(3,781)**	**3,470**	**(311)**	**(3,051)**	**1,697**	**(1,354)**

Provisions for risks and charges related to risks and to tax and other litigation amounting to €3.8 million.
Releases of provisions included the By You position amounting to €2.4 million due to the non-use of existing provisions during the closure of the liquidation procedures.
Releases for litigation relate to a number of different positions for insignificant amounts for which the reasons for maintaining the provision to meet potential payments by the Bank no longer existed.

Section 11 Net impairment losses on property, plant and equipment - Item 170 -

11.1 Net impairment losses on property, plant and equipment: composition

Assets/Income components	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Net result (a+b-c)	'2013
A. Property, plant and equipment					
A.1 Owned	(20,906)	(96)	-	**(21,002)**	**(22,326)**
- for functional use	(5,555)	-	-	**(5,555)**	(6,975)
- For investment	(15,351)	(96)	-	**(15,447)**	(15,351)
A.2 Acquired through finance lease	(501)	-	-	**(501)**	**(524)**
- for functional use	-	-	-	**-**	-
- For investment	(501)	-	-	**(501)**	(524)
Total	**(21,407)**	**(96)**	**-**	**(21,503)**	**(22,850)**

Section 12 Net impairment losses on intangible assets - Item 180 -

12.1 Net impairment losses on intangible assets: composition

No net impairment losses on intangible assets were recognised.

Section 13 Other operating income and expense - Item 190 -

13.1 Other operating expense: composition

	2014	2013
Other operating expenses	**(4,628)**	**(4,081)**
Depreciation of improvements to third party leased assets	(127)	(127)
Expenses for securitisation/covered bond operations	-	(255)
Social bond operation expenses	(500)	(500)
Other expenses and prior year expense	(4,001)	(3,199)

13.2 Other operating income: composition

	2014	2013
Other operating income	**124,789**	**120,415**
Recoveries of taxes	7,855	8,144
Income for services to Group member companies	64,797	60,334
Charges to third parties for expenses on deposit and current accounts	2	1
Recovery of insurance premiums	5,140	5,494
Other income for intragroup rents and property management	31,999	31,381
Rent income - other	1,457	1,422
Income from securitisation/covered bond operations	616	-
Other income, expense recoveries and prior year income	12,923	13,639

The item “Other income, expense recoveries and prior year income” comprises the following:

- recoveries of expenses for credit card business amounting to €3 million;
- receipt of expenses connected with the management of former B@nca 24-7 Spa financing amounting to €800 thousand;
- recoveries on litigation proceedings amounting to €2 million;
- recovery of board members fees of €523 thousand;
- income relating to intragroup transactions with the company Prestitalia Spa amounting to €4 million;
- other prior year income of €2.6 million.

Section 14 Profits (losses) of equity investments - Item 210 -

14.1 Profits (losses) of equity investments: composition

Component of income/Amounts	2014	2013
A. Income	136,393	69,909
1. Revaluations	-	-
2. Profits on sale	135,380	470
3. Reversals of impairment losses	-	69,439
4. Other income	1,013	-
B. Expense	(1,258,519)	(386,306)
1. Write-downs	-	-
2. Impairment losses	(1,255,741)	(379,659)
3. Losses on sale	(2,081)	(6,561)
4. Other expense	(697)	(86)
Net income	**(1,122,126)**	**(316,397)**

As reported in Section A.2 of the notes to the financial statements of the separate company financial statements the "Main balance sheet items", the value of equity investments is subject to systematic testing for impairment of the carrying amount.
This impairment test required verifying that the carrying amount recognised for each single investment was not greater than the higher of the value in use and the fair value after sales costs (the recoverable amount).

The value used for impairment test purposes was the value in use for subsidiaries, except for IW Bank and UBI Pramerica, because there were no transactions for comparable companies in the latest period. In the case of IW Bank and UBI Pramerica, the fair value less costs to sell was obtained from multiples of comparable companies.

The values in use for equity investments was that of the corresponding values of the cash generating units (CGUs) to which the carrying amount of the equity investments held among the assets of the specific legal entity subject to impairment testing were added. The dividend currently being distributed was added to the amount obtained in this manner.

Consistency was maintained between the consolidated financial statements and the separate financial statements in carrying out impairment tests on CGUs, although the impacts on the two balance sheets are different because of the different carrying amounts. Also in the consolidated financial statements, impairment cannot exceed the equity of the assets subject to impairment testing and that is it cannot write down the carrying amounts of assets outside the field of application of IAS 36. Impairment of subsidiaries recognised in the separate financial statements, which are assigned to a given CGU subject to impairment in the consolidated financial statements, is recognised in accordance with the relative standards down to the value in use and it may therefore differ from the amount recognised in the consolidated financial statements.

Details of the factors underlying the projections and the assumptions made are given in asset sub-section 13.3, "Impairment tests on goodwill", in the notes to the consolidated financial statements, which may be consulted.

Impairment losses recognised on equity investments in the separate financial statements totalled €1,255,741 thousand before deferred taxation.

Details are given below of write-downs on Group equity investments.

Investment	value of investment before impairment	2014 impairment	carrying amount 31.12.2014
Banca Carime Spa	1,587,159	(521,518)	1,065,641
Ubi Banca International Sa	105,607	(33,340)	72,267
Banca Popolare di Ancona Spa	1,096,715	(90,578)	1,006,137
Banca Regionale Europea Spa	1,265,688	(270,726)	994,962
Banco di Brescia San Paolo Cab Spa	2,347,331	(260,920)	2,086,411
Ubi Leasing Spa	403,208	(78,659)	324,549
	6,805,708	**(1,255,741)**	**5,549,967**

The most important movements included profits on the sale of the investments in Aviva Vita Spa amounting to €92.2 million and in UBI Assicurazioni Spa amounting to €43.2 million.
The sale of the investment in Aviva Assicurazioni Vita Spa resulted in a loss of €1.2 million.

Section 15 Net result of fair value changes in property, plant and equipment and intangible assets – Item 220 –

No items of this type exist for the Bank.

Section 16 Net impairment losses on goodwill - Item 230 -

Goodwill was completely written-off in prior years.

Section 17 Profits (losses) on disposal of investments - Item 240 -

17.1 Profits (losses) on disposal of investments: composition

Component of income/Amounts	2014	2013
A. Properties	82	-
- Profits on sale	133	-
- Losses on sale	(51)	-
B. Other assets	(21)	7
- Profits on sale	-	12
- Losses on sale	(21)	(5)
Net income	**61**	**7**

Section 18 Taxes on profit for the year for continuing operations - item 260 -

18.1 Taxes on profit for the year from continuing operations: composition

Income components/Amounts	2014	2013
1. Current taxes (-)	(6,059)	(7,042)
2. Change in current taxes of prior years (+/-)	5,020	1,259
3. Reduction in current taxes for the year (+)	-	-
3.a Reduction in current taxes for the year for tax credits pursuant to Law 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(9,670)	251,587
5. Change in deferred tax liabilities (+/-)	3,642	87
6. Taxation for the year (-) (-1+/-2+3+3a+/-4+/-5)	(7,067)	245,891

Current taxes amounted to €6.059 million and were composed of €7.585 million from the IRES (corporate income tax) provision and of IRAP (local production tax) for the year.

That amount was adjusted for items of tax income resulting from participation in the tax consolidation by a total of €1.222 million and by €304 thousand resulting from changes in the fair value of AFS securities.

The increase in prior year current taxation by €5.020 million is a result of an adjustment to current taxation against changes in deferred tax assets due to a more favourable interpretation by the tax authorities on the tax regime for reversals of impairment due to cash repayments of loans to customers (for which taxation in 20% instalments was confirmed, in place of full taxation during the year) received after the end of year but before 2013 income tax return was filed.

The change in deferred tax assets amounting to €9.67 million consists of the difference between the balance on increases and decreases shown in Table 13.3 (items 2 and 3).

The change in deferred tax liabilities of €3.642 million consists of the balance on increases and decreases reported in table 13.4 (items 2 and 3).

18.2 Reconciliation between theoretical taxation and actual taxation recorded in the accounts

IRES (corporate income tax)	Taxable income	IRES	%
Theoretical IRES payable	**(911,370)**	**250,627**	**27.50%**
Permanent increases			
- Non-deductible losses and impairment	1,246,775	(342,863)	-37.62%
- Non-deductible interest expense	36,456	(10,025)	-1.10%
- Non-deductible costs and other provisions	11,803	(3,246)	-0.36%
- Municipal and other taxes not paid	4,552	(1,252)	-0.14%
- Less amounts non-deductible on disposal of equity investments	2,849	(784)	-0.09%
- Tax litigation provision	1,954	(537)	-0.06%
- Non-deductible auto expenses	1,291	(355)	-0.04%
- Non-deductible donations	538	(148)	-0.02%
- Representative office expenses	499	(137)	-0.02%
- Entertainment expenses	257	(71)	-0.01%
- Buildings non-business	277	(76)	-0.01%
- Taxes previously exempt	-	(550)	
- provision for litigation risks	-	(5,816)	-0.64%
Permanent decreases			
- Exempt dividends	(260,854)	71,735	7.87%
- PEX gains	(138,026)	37,957	4.16%
- 2014 ACE (growth law) concession	(19,324)	5,314	0.58%
- One-off 10% IRAP (local production tax) and labour expense deduction	(3,008)	827	0.09%
- Reversals of impairment on equity investments designated at fair value	(2,073)	570	0.06%
- Sterilisation of gain in disposal of equity investments with tax deduction	(493)	136	0.01%
- Other changes	(412)	113	0.01%
- Other minor impacts	-	-	0.00%
Effective IRES payable	**(28,307)**	**1,419**	**0.16%**

IRAP - (regional production tax)	Taxable income	IRAP	%
Theoretical IRAP payable	**(911,370)**	**50,763**	**5.57%**
Permanent increases			
- Impairment on equity investments (item 210)	1,122,126	(62,502)	-6.86%
- Staff costs (item 150 a)	169,970	(9,467)	-1.04%
- Impairment losses on AFS and unsecured guarantees (item 130 b and d)	4,814	(268)	-0.03%
- Non-deductible interest expense	41,041	(2,286)	-0.25%
- Recovery of taxation on operating income	24,960	(1,390)	-0.15%
- Administrative expenses - 10% (item 150 b)	17,147	(955)	-0.10%
- Depreciation and amortisation - 10% and non-operational (item 170)	15,227	(848)	-0.09%
#NOME?	5,087	(283)	-0.03%
- Other changes	3,039	(169)	-0.02%
- Prior year recoveries on equity investments disposed of	2,877	(160)	-0.02%
- Provisions for risks and charges (item 160)	311	(17)	0.00%
- Losses on disposals of operating investments (item 240)	73	(4)	0.00%
Permanent decreases			
- Untaxed dividends	(136,557)	7,606	0.83%
- Income not taxed for IRAP purposes (item 190)	(120,161)	6,693	0.73%
- Tax wedge	(50,083)	2,790	0.31%
- net impairment losses on loans disposed of	(36,155)	2,014	0.22%
Effective IRAP payable	**152,345**	**(8,486)**	**-0.93%**

Total effective IRES and IRAP tax expense	**(911,370)**	**(7,067)**	**-0.78%**

Section 19 Post-tax profit (loss) from discontinued operations - Item 280 -

No profits or losses on groups of assets held for disposal were recognised.

Section 20 Other information

There is no further information of significance.

Section 21 Earnings per share

21.1 The average number of ordinary shares with diluted share capital

International accounting standards (IAS 33) specify a precise method for calculating earnings per share (EPS) with two formulas: basic earnings and diluted earnings per share.

Basic EPS has been calculated by dividing the profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary outstanding shares during the year.

21.2 Other information

The relative figures for basic and diluted EPS for the separate UBI Banca accounts are given below, while greater details of the methods of calculation and figures for the Group are given in the relative section of the consolidated financial statements.

	2014			2013		
	Profit "attributable"	Weighted average ordinary shares	Earnings per share	Profit "attributable"	Weighted average ordinary shares	Earnings per share
Basic EPS	-917,775	900,157,867	-1.0196	62,534	900,134,245	0.0695
Diluted EPS	-917,775	900,157,867	-1.0196	62,534	900,134,245	0.0695

Part D – Comprehensive income

Detailed statement of comprehensive income

		31.12.2014		
	Items	**Gross amount**	**Tax on income**	**Net amount**
10.	**Profit (loss) for the year**	**X**	**X**	**(918,437)**
	Other comprehensive income without transfer to the income statement			
20.	Property, plant and equipment			
30.	Intangible assets			
40.	Defined benefit plans	(3,558)	978	(2,580)
50.	Non-current assets held for sale.			
60.	Shares of valuation reserves of equity accounted investees			
	Other comprehensive income with transfer to the income statement			
70.	**Hedging foreign investments:**			
	a) changes in fair value			
	b) transfer to the income statement			
	c) other changes			
80.	**Currency translation differences:**			
	a) changes in value			
	b) transfer to the income statement			
	c) other changes			
90.	**Cash flow hedges**			
	a) changes in fair value			
	b) transfer to the income statement			
	c) other changes			
100.	**Available-for-sale financial assets:**			
	a) changes in fair value	511,735	(154,000)	357,735
	b) transfer to the income statement			
	- impairment losses	2,070	(69)	2,001
	- profits and losses from sale	(69,384)	19,744	(49,640)
	c) other changes			
110.	**Non-current assets held for sale:**			
	a) changes in fair value			
	b) transfer to the income statement			
	c) other changes			
120.	**Shares of valuation reserves of equity accounted investees:**			
	a) changes in fair value			
	b) transfer to the income statement			
	- impairment losses			
	- profits and losses from sale			
	c) other changes			
130.	**Total other comprehensive income items**	**440,863**	**(133,347)**	**307,516**
140.	**Comprehensive income (item 10 + 130)**			**(610,921)**

Details are given below of the main changes in fair value and of recognition through profit and loss (impairment losses):

a) Changes in fair value

	Gross change in reserve	tax	Net change in reserve
Government securities	476,398	-138,801	337,597
Other debt instruments	23,968	-7,360	16,608
Other certificates	11,369	-7,839	3,530
	511,735	**-154,000**	**357,735**

The change in the reserve for government securities and debt instruments is determined by the credit risk component inherent in the market price of securities, while the interest rate risk component for hedged securities is recognised in the income statement within item 90 – "Net hedging income". A reduction in country risk for Italy occurred during the year, which resulted in a recovery in market prices for debt instruments issued by the Italian government and by banks.

b) transfer to the income statement (impairment losses)

	Gross change in reserve	tax	Net change in reserve
Autostrada Pedemontana	2,157	-120	2,037
Other	-87	51	-36
	2,070	**-69**	**2,001**

c) transfer to the income statement (profit and loss on the disposal)

	Gross change in reserve	tax	Net change in reserve
BTP-01AG16 3,75%	-6,312	2,087	-4,225
BTP-15NV16 2,75%	-3,908	1,292	-2,616
BTP-01NV2015 3%	-18,746	6,199	-12,547
BTP-15LG15 4,50%	-6,668	2,205	-4,463
BTP-01DC15 2,75%	-3,216	1,064	-2,152
SIA Spa	-12,259	851	-11,408
GEN FIN 07-PERP TV%	2,541	-840	1,701
ETF TRACK DJEUR50 EU	-3,059	1,011	-2,048
LYXOR ETF EU.ST50	-176	577	401
BPCE 10/PERP RC SUB	-2,794	924	-1,870
ISHS ESTOXX50	-9,569	3,164	-6,405
SKANDINAV 07	-2,579	853	-1,726
OTHER CERTIFICATES	-2,639	357	-2,282
	-69,384	**19,744**	**-49,640**

Part E - Information on risks and the relative hedging policies

In compliance with current regulations, the UBI Group has adopted a risk control system which disciplines and integrates the organisational, regulatory and methodological guidelines of the system of internal controls with which all Group member companies must comply in order to allow the Parent to perform its activities of strategic, management and operational control in an effective and economical manner.

The Bank works pro-actively to identify the risks to which it is subject and to define the relative criteria for measuring, managing and monitoring them.

The key principles on which Group risk analysis and management are based for the pursuit of an increasingly more knowledgeable and efficient allocation of economic and regulatory capital are as follows:

- rigorous containment of financial and credit risks and strong management of all types of risk;
- the use of a sustainable value creation approach to the definition of risk appetite and the allocation of capital;
- definition of the Group's risk appetite with reference to specific types of risk and/or specific activities in a set of policy regulations for the Group and for the single entities within it.

This part furnishes information on the risk profiles listed below, on the relative management and hedging policies pursued by the Bank and its activities relating to financial derivative instruments:

a) credit risk;
b) market risks:
   - interest rates,
   - price,
   - currency,
c) liquidity risk;
d) operational risks.

A report on the general framework of the risks and uncertainties to which the Bank is exposed is given in a special section of the Management Report, prepared in compliance with Legislative Decree No. 32 of 2nd February 2007, which implements EC Directive No. 2003/51/EC.

Section 1 Credit risk

Qualitative information

1. General aspects

The strategies, policies and instruments for the assumption and management of credit risk are defined at the Parent by the Risk Officer in co-operation with the Chief Lending Officer, with the support and co-ordination of the relative specialist units.

There is a particular focus in the formulation of policies to manage credit risk on maintaining an appropriate risk-yield profile and on assuming risks that are consistent with the risk appetite defined by senior management and, more generally, with the mission of the UBI Group.

The priorities in the orientation of the Group's credit management policies are to support local economies, families, businessmen, professionals and small to medium-sized enterprises.

The particular attention paid to maintaining relationships established with customers and to developing them over the years is one of the strong points of the Group and it helps to eliminate information asymmetries and offers continuity in customer relationships with a view to long term support.

Even in the continuing and difficult current economic situation, the Bank is ensuring that the economy has adequate access to credit by participating, amongst other things, in "Agreements" stipulated between the Italian Banking Association, the Ministry of Finance and trade associations, while preserving the quality of its assets and by employing an extremely selective approach to "non-core" exposures.

With regard to "business" customers in particular, lending rules have been formulated and are being followed for the grant and management of loans, which in operational terms translate into action which ranges from the development to the containment of exposures. These rules are based on a number of drivers as follows:

- internal counterparty rating (average weighted rating for Groups of companies), linked to the degree of protection provided by any accessory guarantees there may be;
- degree of engagement of the UBI Group with the counterparty or Group of companies;
- the economic sector to which the counterparty or Group of companies belongs with a view to:
  - the level of sector risk;
  - the overall level of concentration of the UBI Group in the individual economic sector (with verification also of the concentration at individual bank or company level).

Finally, particular attention is paid to the definition of guidelines for the treatment of new products, with adequate reporting to senior management concerning observance of risk-yield objectives, the calculation of minimum interest rates for granting loans, the quality of borrowers, guarantees received and expected rates of recovery in cases of insolvency.

2. Policies for the management of credit risk

2.1 Organisational aspects

In the performance of its traditional banking business, the Bank is exposed to the risk that the loans it grants will not be repaid by borrowers when they are due and that they must be partially or fully written down. More specifically the risk profile for lending is sensitive to the performance of the economy as a whole, to the deterioration in the financial position of counterparties (shortage of liquidity, insolvency, etc.), or to changes in their competitiveness, to structural or technological changes in corporate debtors and to other external factors (e.g. changes in legislation, deterioration in the value of financial guarantees and mortgages connected with market performance). A further risk factor to which particular attention is paid is the degree of diversification in the lending portfolio among different borrowers and among the different sectors in which they operate.

The organisational model on which the units which manage lending activity is based is as follows:

- Parent units for centralised monitoring and co-ordination;
- the General Managements of banks and Group companies, to which the following report:
  - Credit Departments;
  - Local Credit Centres;
  - Branches;

- "Private & Corporate Unity" units.

As a whole the characteristics of that organisational model ensure strong standardisation between the units of the Parent and the corresponding units in the network banks, with consequent linearity in the processes and the optimisation of information flows. Loan granting activity is also differentiated, at local level, by customer segment (retail/private banking/corporate and institutional) and specialised by the status of the loan: "performing" (managed by retail, private banking and corporate lending units) and "default" (managed by problem loan units).

Moreover, with regard to banks, the introduction of decentralised Local Credit Units to support retail branches and corporate banking and private banking units, ensures effective co-ordination and liaison between units operating on their respective markets. The Parent oversees policy management, overall portfolio monitoring, the refinement of assessment systems, problem loan management and compliance with regulations through the units that report to the Chief Lending Officer and the Risk Control and the Strategic Development and Planning units and the Audit Function of the Parent and the Group.

For all those entities (individual companies or groups) with authorised credit from banks and companies in the Group (including risk assets involving issuer and related risks), which totals more than €50 million (€35 million for single entities or groups of companies classified as "high-risk"), the Parent must set an operational limit which is the maximum credit that may be authorised for the counterparty at UBI Group level.

The banks and companies of the Group must also request a prior, consultative, non-binding opinion from the Parent for combinations of a) amounts of authorised credit and b) determined internal rating classes.

The various organisational units in banks and product companies are responsible for credit and commercial activities and they also hold responsibility for monitoring both the activity they perform directly and that performed by those units which report to them. More specifically, responsibility for managing and monitoring performing loans lies in the first instance with the account managers who handle daily relationships with customers and who have an immediate perception of any deterioration in credit quality. Nevertheless, all employees of Group member companies are required to promptly report all information that might allow difficulties to be identified at an early stage or which might recommend different ways of managing accounts, by concretely participating in the monitoring process.

In the second instance, the organisational unit responsible for monitoring credit risk is the Credit Quality Management and Monitoring Unit, which carries out monitoring, supervision and analysis of performing positions on both a case by case and a collective basis, where the intensity and degree of detail of the analysis is a function of the risk class attributed to the counterparties and the seriousness of the performance problems. It is assisted by Local Credit Units. This unit, not involved in loan approval procedures, either on its own initiative or on submission of a proposal, may assess a position and decide (or propose to a superior decision-making unit when the decision does not lie within its powers), to change the classification of performing counterparties to a more serious status. In these cases it asks the UBI Banca Credit Area – Credit Service Italy, to issue a prior non-binding opinion in cases where Credit Authorisation Regulations require it.

The UBI Banca Credit Policies and Quality Service is responsible for co-ordinating and defining guidelines for monitoring the lending portfolio, overseeing the development of monitoring tools, monitoring credit policies and preparing management reports.

Management of the "non-performing" positions of all the UBI Group's network banks is entrusted to the Problem Loan and Credit Recovery Area of UBI Banca, within the unit relating to the Chief Lending Officer.

This unit underwent substantial organisational change in 2013, as part of the implementation of the new model for the management of non-performing loans, designed to improve credit recovery processes, by means of the following:

– the introduction of segmentation approaches and division into portfolios of non-performing positions, on the basis of the size and complexity of the loan;
– the specialisation of recovery processes and the units responsible for it, consistent with the segments and portfolios identified;
– monitoring of processes for the management of positions;
– the assignment of recovery objectives to managers and assessment of results;
– the introduction of strategies designed to optimise recovery on specific portfolios, such as for example, recourse to property operators to value the properties which back mortgage loans.

As part of that initiative, three specialist services on specific segments have been created within the above mentioned areas:

– Small Sum Recovery Service, to manage non-performing unsecured loans to private individuals for amounts of less than €25,000;
– Large Loan Recovery Service, specialising in the management of non-performing loans to both private individuals and businesses for amounts of over €1 million, or with a net book value of over €500,000. Particularly complex types of position are also managed by this service (e.g. pool financing, etc.);
– Private Individual and Corporate Recovery Service, for the management of other types of loan which are not included within the scope of the two services just mentioned. This unit is organised into six specialist functions according to geographical criteria.

Furthermore, the management of counterparties being restructured or classified as restructured loans of the network banks, UBI Banca and UBI Leasing Spa was centralised in the Problem Loans and Credit Recovery Area of the Parent in 2014.

2.2 Management, measurement and control systems

The Credit Risk Control Area of the Parent is responsible for the Bank's reporting on credit risk in order to monitor changes in the risk attached to lending. The reports – submitted to the Management Board of the Bank each quarter – illustrate the distributions by internal rating classes, LGD and expected loss and they therefore show changes in average risk for the loan portfolio, with a focus on the Corporate Market and the Retail Market, separately for businesses and private individuals. They describe impairment rates for loans and contain a section on the quarterly monitoring of concentration policy and of credit quality in terms of the distribution of loans and the values for risk parameters.

The set of models which constitute the Group's internal rating system is managed by the unit that reports to the Risk Management Officer with the support of the Credit Area.

The system at present involves the use of automatic models for medium to large-size businesses, private individuals and small-sized businesses.

Ratings are calculated using a counterparty approach and they are normally reviewed and updated once a year. For the "exposures to corporates" supervisory portfolio, the PD models developed by the UBI Group provide an overall assessment of counterparty risk through a combination of a quantitative and a qualitative component. The quantitative component is developed and processed statistically: the technique selected is that of logistic regression, normally used to assess cases where the dependent variable (target) is dichotomous, either default or performing. The qualitative component of the rating model is based on information acquired by the account manager or a central unit of UBI Banca[15] for large corporate positions and it meets the need to incorporate qualitative factors and information on the client in ratings which accompanies and completes the quantitative analyses, in order to detect trends and assess creditworthiness more accurately.

The same considerations described above apply to retail exposure classes (for retail businesses and private individuals) except that the qualitative component is not considered. The quantitative component for monitoring and granting loans assesses the credit rating for small-size companies, by integrating it with geo-sectoral, economic and financial, and internal and external performance type assessments. The quantitative opponent for monitoring mortgages to private individuals assesses the credit rating by integrating it with information on personal details and external and internal performance. The quantitative component for granting mortgages to private individuals assesses counterparty risk by integrating it with information on personal details and on the product.

The output of the models consists of nine rating classes that correspond to the relative PDs.

The determining parameters for LGD are as follows: 1) Non-performing LGD 2) Downturn LGD 3) Danger Rate.

1) Non-performing LGD is calculated as the one's complement of the ratio of the net recoveries observed during the life of a non-performing position and exposure when the classification as non-performing occurs inclusive of the principal reclassified and the interest that has been capitalised. In accordance with the definition of economic LGD given in supervisory regulations, credit recoveries are discounted to present values at a risk-adjusted rate, which reflects the time value of money and a risk premium calculated on the basis of the volatility of credit recoveries observed compared to a preset market benchmark.

2) The approach adopted for the Downturn LGD was designed to take account of adverse economic conditions for recovery expectations, based on the identification of a period of recession on the basis of the current economic scenario and incorporating historical and prospective macroeconomic trends.

3) The Danger Rate parameter is used to correct the LGD estimated on non-performing loans only, by considering the following factors: 1) the composition of defaulted loans, because not all new expected defaults are non-performing positions that come directly from the performing category; 2) migration between default categories, because not all defaults that are not in the non-performing category arrive at the most serious and loss-incurring non-performing status; 3) change in the exposure because the exposure may change over time for defaulted positions which migrate to the non-performing category.

Credit processes work with information channelled from the rating system as described in detail below.

The operational units involved in the loan disbursement and renewal process use internal credit ratings, which constitute necessary and essential evaluation factors for credit authorisations when these are assessed and revised. Powers to authorise loans are based on the risk profiles of

[15] This solution was adopted in order to ensure centralised management by specialists in the assessment of large corporate positions in conformity with internal Group assessments.

the customers or the transactions as given by the credit rating and by the expected loss, while they are managed using Pratica Elettronica di Fido (electronic credit authorisation) software. The credit ratings are used, amongst other things, to monitor loans both by the management reporting system and in the information made available to units in banks involved in the lending process.

The assignment to rating classes that are different from those calculated by the internal rating system on the basis of the models adopted is made by proposing an override on the rating. These changes are made on the basis of information not already considered by the rating model, not adequately weighted by the model or where it is intended to anticipate the future influence of the information.

For the process of calculating collective impairment losses on loans, a method based on internal ratings and internal estimates of loss given default (LGD) is used.

Activity also continued in 2014 to revise, update and adopt policies and regulations for credit risk management.

Existing policies are listed below together with the principal contents.

– Credit Risk Management Policy, which unifies regulations for the management of different types of credit risk in a single document, which were previously contained in separate policies. This policy sets regulations for the following:

- ordinary customers, for which, regulations, principles and limits to manage credit risk are set on the basis of the availability of internal ratings. The definition of the limits is based on a series of indicators expressed in terms of: capital allocation, values for maximum risk (i.e. target and maximum expected loss), limits on risk-taking in terms of the distribution of exposures by credit rating class and the management of credit quality;
- institutional and ordinary counterparties resident in countries at risk for which the risk management policy, the relative regulations to implement it and the documents setting limits lay down rules and principles for managing credit granted to resident and non-resident institutional customers and also to ordinary customers in countries at risk. As with ordinary customers, the definition of the limits is based on a series of indicators expressed in terms of: capital allocation, limits on the assumption of risks in terms of the distribution of exposures by credit rating class and countries and the management of credit quality;
- single name concentration risk, which sets maximum exposure limits on single counterparties in order to limit risks of instability that would arise from high rates of concentration for loans to major borrowers if one of these should default;

– policy for the distribution of mortgage loans through brokers, which regulates the procedures for the use of external distribution networks for granting mortgages to non-captive customers in order to contain potential credit, operational and reputational risks;

– policy on the portability, renegotiation, substitution and early repayment of the mortgages of direct customers of the network banks, which provides UBI Group guidelines for the portability (in both directions), the renegotiation, the substitution and early repayment (partial or total) of mortgages. It is designed with a view to minimising the times required, the conditions and the related costs (by setting minimum service standards, amongst other things) and also to equipping the Group with appropriate processes and instruments to manage the relative risks (credit, operational and reputational);

– policy on the portability, renegotiation, substitution and early repayment of mortgages granted through brokers, which relates to mortgages granted on the basis of standing arrangements between the companies and banks in the Group and specific distribution networks;

– policy on risks resulting from securitisations, which sets guidelines for the Group to manage risks resulting from securitisations;

– policy on residual risk, which defines strategic orientations relating to the management of "residual risk", defining the process of control over the acquisition and use of techniques to reduce credit risk in order to mitigate the risk in question;

– policy on internal controls to manage risk assets and conflicts of interest with regard to associate companies, which implements Bank of Italy recommendations. The policy defines guidelines and criteria for the adoption by the Group as a whole and by individual Group banks and companies of appropriate organisational structures, internal control systems and specific internal policies to manage that risk within two areas defined by the regulations: prudential limits and approval procedures;

– policy to manage equity risk, which defines appropriate management controls designed to: contain the risk of locking up too much liquidity as a result of making equity investments in financial and non-financial companies and, with specific reference to non-financial companies, promote risk and conflicting interest management that complies with the criterion of sound and prudent management.

2.3 Techniques for mitigating credit risk

The Bank employs standard risk mitigation techniques used in the banking sector by acquiring security such as properties and financial instruments as well as personal guarantees from counterparties for some types of loan. Determination of the total amount of credit that can be granted to a given customer and/or group of companies to which the customer belongs takes account of special criteria for assigning weightings to the different categories of risk and to guarantees. Prudent "haircuts" are applied to the estimated value of collateral depending on the type of security.

The main types of security accepted by the Group are as follows:

- real estate mortgage
- pledge.

In order to ensure that general and specific requirements are met for recognition of collateral, as part of its credit risk mitigation techniques (CRM) in accordance with supervisory regulations, for prudent purposes the UBI Group has performed the following:

- redefined credit processes relating to the acquisition and management of collateral. With particular regard to mortgages, in network banks it is compulsory to enter all data on a property needed to render collateral eligible in account manager software systems. Particular attention was paid to the compulsory nature of expert appraisals and to the prompt recovery of the relative information, including notarial information (details of registrations), essential for guarantees to be accepted;
- acquired, for existing mortgages, all the information required to ensure that they are admissible, in line with the provisions of Basel 2 in terms of specific requirements.

2.4 Deteriorated financial assets

The classification of the problem loan portfolio complies with regulations and legislation and can be summarised as follows:

- loans past due and/or continuously in arrears;

- restructured positions;
- impaired loans;
- non-performing loans.

This classification was revised at the beginning of 2015 in line with supervisory provisions.

In addition to those classes, there remains a type of problem loan in respect of “country risk” for unsecured exposures to institutional and ordinary customers belonging to countries considered as “at risk” as defined by the supervisory authority.

With regard to “impaired” loans, in order to optimise management and solely for operational purposes, these are divided into positions for which it is considered that the temporary situation of objective difficulty can be overcome in a very short period of time and the remaining positions, for which it is felt best to disengage from the account with credit recovery out of court over a longer period of time. Additionally, loans past due and/or continuously in arrears are subject to controls to decide, within a maximum operational period of 180 days, whether to reclassify them as either “performing” or into another non-performing loan class.

The management of problem loans is performed on the basis of the level of risk and it is performed by the relative units responsible for management of the Bank’s problem loans with regard to “loans past due and/or continuously in arrears” and to “impaired loans”. The management of the “non-performing” positions and positions that are “restructured/undergoing restructuring” is by the Parent. More specifically, the management of counterparties undergoing restructuring or classified as restructured loans was centralised in the Problem Loans and Credit Recovery Area of the Parent in 2014.

Assessment of the appropriateness of impairment losses recognised is performed on a case by case basis for individual positions to ensure adequate levels of cover for expected losses.

The analysis of deteriorated exposures is performed continuously by the single operational units which manage risks and by the Parent.

The resolution of difficulties by counterparties is a determining factor for the return of positions to “performing” status. This event occurs principally and above all for accounts which are past due and/or continuously in arrears and for impaired accounts.

Quantitative information

A. CREDIT QUALITY

A.1 Deteriorated and performing credit exposures: amounts, impairment losses, changes, economic and geographical distribution

A.1.1 Distribution of credit exposures by portfolio and by credit quality (carrying amounts)

Portfolios/quality	Non-performing loans	Impaired loans	Restructured exposures	Past-due exposures deteriorated	Past-due exposures non deteriorated	Other assets	Total
1. Financial assets held for trading	255	104	-	-	-	1,538,684	**1,539,043**
2. Available-for-sale financial assets	-	-	36	-	-	17,820,109	**17,820,145**
3. Held-to-maturity investments	-	-	-	-	-	3,576,951	**3,576,951**
4. Loans and advances to banks	-	-	-	-	120,970	13,934,679	**14,055,649**
5. Loans and advances to customers	317,590	749,746	182,546	30,895	893,912	21,155,632	**23,330,321**
6. Financial assets designated at fair value	-	-	-	-	-	-	**-**
7. Financial assets held for disposal	507	-	-	-	-	-	**507**
8. Hedging derivatives	-	-	-	-	-	647,972	**647,972**
Total 31.12.2014	**318,352**	**749,850**	**182,582**	**30,895**	**1,014,882**	**58,674,027**	**60,970,588**
Total 31.12.2013	**295,805**	**853,271**	**177,436**	**67,372**	**1,356,002**	**56,714,950**	**59,464,836**

A.1.2 Distribution of credit exposures by portfolio and by credit quality (gross and net amounts)

Portfolios/Quality	Deteriorated assets			Performing			Total (net exposure)
	Gross exposure	Specific impairment losses	Net exposure	Gross exposure	Portfolio impairment losses	Net exposure	
1. Financial assets held for trading	375	(16)	359	X	X	1,538,684	**1,539,043**
2. Available-for-sale financial assets	36	-	36	17,820,109	-	17,820,109	**17,820,145**
3. Held-to-maturity investments	-	-	-	3,576,951	-	3,576,951	**3,576,951**
4. Loans and advances to banks	-	-	-	14,055,649	-	14,055,649	**14,055,649**
5. Loans and advances to customers	1,914,296	(633,519)	1,280,777	22,134,433	(84,889)	22,049,544	**23,330,321**
6. Financial assets designated at fair value	-	-	-	X	X	-	**-**
7. Financial assets held for disposal	25,667	(25,160)	507	-	-	-	**507**
8. Hedging derivatives	-	-	-	X	X	647,972	**647,972**
Total 31.12.2014	**1,940,374**	**(658,695)**	**1,281,679**	**57,587,142**	**(84,889)**	**59,688,909**	**60,970,588**
Total 31.12.2013	**2,063,493**	**(669,609)**	**1,393,884**	**54,766,682**	**(96,727)**	**58,070,952**	**59,464,836**

Deteriorated financial assets held for trading relate to positions in derivatives classified as non-performing and impaired in relation to the status of the financing with the main counterparties in question.

Deteriorated available-for-sale financial assets relate to Gabetti PS 23 Convertibile bonds.

Financial assets held for sale relate to non-performing credit positions for which contract arrangements had been drawn up for the disposal without recourse but which had not yet been concluded as at 31st December 2014.

A.1.2.1 Distribution of renegotiated and non-renegotiated performing credit exposures by portfolio

Portfolio/Credit quality		Exposure subject to renegotiation as part of collective agreements					Other exposures					Total (net exposure)
		Past due under 3 months	Past due over 3 months	Past due over 6 months	Past due over 1 year	Not past due	Past due under 3 months	Past due over 3 months	Past due over 6 months	Past due over 1 year	Not past due	
1. Financial assets held for trading		-	-	-	-	-	-	-	-	-	1,538,686	**1,538,686**
2. Available-for-sale financial assets		-	-	-	-	-	-	-	-	-	17,820,109	**17,820,109**
3. Held-to-maturity investments		-	-	-	-	-	-	-	-	-	3,576,951	**3,576,951**
4. Loans and advances to banks		-	-	-	-	-	120,970	-	-	-	13,934,679	**14,055,649**
5. Loans and advances to customers		-	-	-	-	-	813,171	51,201	29,539	-	21,155,633	**22,049,544**
6. Financial assets designated at fair value		-	-	-	-	-	-	-	-	-	-	-
7. Financial assets held for disposal		-	-	-	-	-	-	-	-	-	-	-
8. Hedging derivatives		-	-	-	-	-	-	-	-	-	647,972	**647,972**
Total	**31.12.2014**	**-**	**-**	**-**	**-**	**-**	**934,141**	**51,201**	**29,539**	**-**	**58,674,030**	**59,688,911**
Total	**31.12.2013**	**-**	**-**	**-**	**-**	**20,746**	**1,331,458**	**17,497**	**7,046**	**-**	**56,694,205**	**58,070,952**

A.1.3 On- and off-balance sheet exposures to banks: gross and net amounts

Type of exposure/amounts	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure
A. On-balance sheet exposure				
a) Non-performing loans	-	-	X	-
b) Impaired loans	-	-	X	-
c) Restructured exposures	-	-	X	-
d) Past due exposures deteriorated	-	-	X	-
e) Other assets	14,520,152	X	-	14,520,152
Total A	**14,520,152**	**-**	**-**	**14,520,152**
B. Off-balance sheet exposures				
a) Deteriorated	1	(1)	X	-
b) Other	18,369,160	X	(16)	18,369,144
Total B	**18,369,161**	**(1)**	**(16)**	**18,369,144**
Total A+B	**32,889,313**	**(1)**	**(16)**	**32,889,296**

A.1.4 On-balance sheet credit exposures to banks: changes in gross impaired exposures

No deteriorated exposures to banks were recognised.

A.1.5 On-balance sheet credit exposures to banks: changes in total impairment losses

No impairment losses on deteriorated exposures to banks were recognised.

A.1.6 On- and off-balance sheet credit exposures to customers: gross and net amounts

Type of exposure/amounts	Gross exposure	Specific impairment losses	Portfolio impairment losses	Net exposure
A. On-balance sheet exposure				
a) Non-performing loans	732,896	(414,544)	X	318,352
b) Impaired loans	918,211	(168,465)	X	749,746
c) Restructured exposures	256,723	(74,141)	X	182,582
d) Past due exposures deteriorated	32,423	(1,528)	X	30,895
e) Other assets	43,861,855	X	(84,951)	43,776,904
Total A	**45,802,108**	**(658,678)**	**(84,951)**	**45,058,479**
B. Off-balance sheet exposures				
a) Deteriorated	114,386	(4,061)	X	110,325
b) Other	3,396,354	X	(19,566)	3,376,788
Total B	**3,510,740**	**(4,061)**	**(19,566)**	**3,487,113**
Total A+B	**49,312,848**	**(662,739)**	**(104,517)**	**48,545,592**

A.1.7 On-balance sheet credit exposures to customers: changes in deteriorated exposures

Description/categories	Non-performing loans	Impaired loans	Restructured exposures	Past-due exposures
A. Initial gross exposure	**741,845**	**1,023,514**	**227,803**	**70,023**
- of which: exposures transferred not derecognised	-	-	-	-
B. Increases	**206,733**	**311,568**	**89,912**	**137,288**
B.1 transfers from performing credit exposures	1,710	105,811	36	132,524
B.2 transfers from other categories of impaired exposures	190,335	164,126	79,811	263
B.3 Other increases	14,688	41,631	10,065	4,501
C. Decreases	**(215,682)**	**(416,871)**	**(60,992)**	**(174,888)**
C.1 transfers to performing credit exposures	(521)	(96,727)	-	(38,141)
C.2 write-offs	(134,623)	(3,682)	(7,899)	-
C.3 payments received	(47,964)	(48,994)	(18,201)	(4,249)
C.4 from disposals	(21,125)	-	-	-
C.4.bis losses on the disposal	(10,876)	(200)	(695)	-
C.2 transfers to other categories of deteriorated exposures	(573)	(267,268)	(34,197)	(132,498)
C.6 other decreases	-	-	-	-
D. Final gross exposure	**732,896**	**918,211**	**256,723**	**32,423**
- of which: exposures transferred not derecognised	-	-	-	-

A.1.8 On-balance sheet credit exposures to customers: changes in total impairment losses

Description/categories	Non-performing loans	Impaired loans	Restructured exposures	Past-due exposures
A. Total initial net impairment	**(446,040)**	**(170,521)**	**(50,367)**	**(2,651)**
- of which: exposures transferred not derecognised	-	-	-	-
B. Increases	**(148,290)**	**(81,367)**	**(42,392)**	**(1,938)**
B.1 impairment losses	(87,806)	(67,348)	(21,900)	(1,125)
B.1.a losses on disposal	(10,876)	(200)	(695)	-
B.2 transfers from other categories of deteriorated exposures	(42,225)	(9,580)	(19,797)	(341)
B.3 other increases	(7,383)	(4,239)	-	(472)
C. Decreases	**179,786**	**83,423**	**18,618**	**3,061**
C.1 unrealised reversals of impairment losses	22,967	4,042	1,409	156
C.2 realised reversals of impairment losses	8,568	13,198	796	1,099
C.2.a profits on the disposal	2,447	-	-	-
C.3 write-offs	134,623	3,682	7,899	-
C.4 transfers to other categories of impaired exposures	17	62,301	7,818	1,806
C.5 other decreases	11,164	200	696	-
D. Total closing net impairment	**(414,544)**	**(168,465)**	**(74,141)**	**(1,528)**
- of which: exposures transferred not derecognised	-	-	-	-

The result for disposals of non-performing loans has been recognised within items ‘B1 losses on the disposal’ and ‘C.2.a profits on the disposal’ for a total gross amount of €131 million, written down by €100 million, with a disposal price of €22 million.

Loans to customers: gross and net amounts

	31.12.2014				
	Non-performing loans	Impaired loans	Restructured exposures	Past-due exposures	Performing loans
Gross exposure	**706,974**	**918,211**	**256,688**	**32,423**	**22,134,433**
- Financing	706,974	918,211	256,688	32,423	22,023,073
- Securities	-	-	-	-	111,360
Specific impairment losses	**(389,384)**	**(168,465)**	**(74,142)**	**(1,528)**	**X**
- Financing	(389,384)	(168,465)	(74,142)	(1,528)	X
- Securities	-	-	-	-	X
Portfolio impairment losses	**-**	**-**	**-**	**-**	**(84,889)**
- Financing	-	-	-	-	(84,889)
- Securities	-	-	-	-	-
Total	**317,590**	**749,746**	**182,546**	**30,895**	**22,049,544**

A.2 Classification of exposures on the basis of external and internal ratings

A.2.1 Distribution of on- and off-balance sheet credit exposures by external rating class

Exposures	External rating classes						Unrated	Intragroup	Total
	Classe 1	Classe 2	Classe 3	Classe 4	Classe 5	Classe 6			
A. On-balance sheet credit exposures	**165,060**	**5,860,325**	**21,776,072**	**42,861**	**14,117**	**2**	**7,814,301**	**24,156,067**	**59,828,805**
B. Derivatives	**10,920**	**109,070**	**49,666**	**2,183**	**-**	**-**	**374,872**	**333,349**	**880,060**
B.1 Financial derivatives	10,920	109,070	49,666	2,183	-	-	374,872	333,349	880,060
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-
C. Guarantees granted	**35**	**499,055**	**171,301**	**-**	**-**	**-**	**916,564**	**8,962,308**	**10,549,263**
D. Commitments to grant funds	**-**	**162,738**	**514,680**	**-**	**1,012**	**-**	**954,282**	**8,778,600**	**10,411,312**
E. Other	**-**	**1,024**	**-**	**-**	**-**	**-**	**14,600**	**-**	**15,624**
Total	**176,015**	**6,632,212**	**22,511,719**	**45,044**	**15,129**	**2**	**10,074,619**	**42,230,324**	**81,685,064**

The following table gives the relationship between external rating classes reported in the table and the classes of Moody's the agency concerned.

Class	Moody's Ratings
1	Aaa,Aa,Aa1,Aa2,Aa3
2	A,A1,A2,A3
3	Baa,Baa1,Baa2,Baa3
4	Ba,Ba1,Ba2,Ba3
5	B,B1,B2,B3
6	Caa,Caa1,Caa2,Caa3,Ca,C,DDD,DD,D

A.2.2. Distribution of on- and off-balance sheet credit exposures by internal rating class

Exposures	Internal rating classes														Unrated	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14		
A. On-balance sheet exposure	**54,229**	**312,326**	**484,888**	**386,724**	**4,153,440**	**66,612**	**1,575,926**	**855,481**	**101,780**	**348,732**	**214,586**	**113,998**	**70,582**	**60,004**	**50,779,324**	**59,578,632**
B. Derivatives	**-**	**30,653**	**-**	**7,372**	**39,445**	**4,548**	**134,109**	**7,897**	**3,160**	**8,860**	**751**	**82**	**-**	**-**	**643,183**	**880,060**
B.1 Financial derivatives	-	30,653	-	7,372	39,445	4,548	134,109	7,897	3,160	8,860	751	82	-	-	643,183	**880,060**
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-				-	-	**-**
C. Guarantees granted	**22,167**	**201,797**	**-**	**158,027**	**509,548**	**-**	**111,769**	**20,202**	**30**	**7,810**	**1,500**			**-**	**9,516,414**	**10,549,264**
D. Commitments to grant funds	**-**	**71,509**	**-**	**289,352**	**200,031**	**2,338**	**165,576**	**91,586**	**300**	**12,619**	**21,037**	**-**		**1,511**	**9,555,453**	**10,411,312**
E. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**15,624**	**15,624**
Total	**76,396**	**616,285**	**484,888**	**841,475**	**4,902,464**	**73,498**	**1,987,380**	**975,166**	**105,270**	**378,021**	**237,874**	**114,080**	**70,582**	**61,515**	**70,509,998**	**81,434,892**

On-balance sheet exposures include equity instruments and units in UCITS in accordance with the information already given in the preceding tables A.1.3 and A.1.6.
Only 13% of the on-balance sheet exposures were given an internal rating. This is due to the extremely small volume of the Bank's traditional lending business to customers and to the prevalence of positions in financial instruments.

A.3 Distribution of guaranteed/secured exposures by type of guarantee

A.3.1 Guaranteed/secured credit exposures to banks

	Amount of net exposure	Secured (1)				Personal guarantees (2)									Total (1)+(2)
		Properties		Securities	Other collateral	Credit derivatives					Unsecured guarantees				
						CLNs	Other derivatives				Govern-ments and central banks	Other public authorities	Banks	Other	
		Mortgages	Finance leases				Govern-ments and central banks	Other public authorities	Banks	Other					
1. On-balance sheet guaranteed/secured credit exposures															
1.1. fully guaranteed/secured	1,890,905	60,620	-	2,164,890	-	-	-	-	-	-	-	-	15	-	**2,225,525**
- of which deteriorated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2. partially guaranteed/secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which deteriorated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. Off-balance sheet guaranteed/secured credit exposures															
2.1. fully guaranteed/secured	69,473	-	-	-	71,290	-	-	-	-	-	-	-	-	-	**71,290**
- of which deteriorated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2. partially guaranteed/secured	75,684	-	-	-	71,765	-	-	-	-	-	-	-	-	-	**71,765**
- of which deteriorated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.3.2 Guaranteed/secured credit exposures to customers

	Amount of net exposure	Secured (1)				Personal guarantees (2)									Total (1)+(2)
						Credit derivatives					Unsecured guarantees				
		Properties		Securities	Other collateral	CLNs	Other derivatives				Govern-ments and central banks	Other public authorities	Banks	Other	
		Mortgages	Finance leases				Govern-ments and central banks	Other public authorities	Banks	Other					
1. On-balance sheet guaranteed/secured credit exposures															
1.1. fully guaranteed/secured	8,935,938	13,211,348	-	1,719,042	-	-	-	-	-	-	-	265	173,751	3,326,369	**18,430,775**
- of which deteriorated	917,162	2,514,289	-	1,861	-	-	-	-	-	-	-	265	3,593	762,338	**3,282,346**
1.2. partially guaranteed/secured	585,961	17,318	-	88,823	-	-	-	-	-	-	-	-	98,009	77,386	**281,536**
- of which deteriorated	31,294	1,470	-	9,819	-	-	-	-	-	-	-	-	343	12,714	**24,346**
2. Off-balance sheet guaranteed/secured credit exposures															
2.1. fully guaranteed/secured	276,749	10,503	-	58,597	166,380	-	-	-	-	-	-	-	262	31,239	**266,981**
- of which deteriorated	5,564	8,889	-	-	-	-	-	-	-	-	-	-	-	-	**8,889**
2.2. partially guaranteed/secured	10,217	-	-	213	-	-	-	-	-	-	-	-	-	-	**213**
- of which deteriorated	659	-	-	183	-	-	-	-	-	-	-	-	-	-	**183**

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Distribution by sector of on- and off-balance sheet credit exposures to customers (carrying amount)

Exposures/Counterparties	Governments			Other public authorities			Financial companies			Insurance companies			Non-financial companies			Other		
	Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses
A. On-balance sheet exposure																		
A.1 Non-performing loans	2	-	x	-	-	x	12,200	(13,450)	x	-	-	x	95,060	(87,635)	x	211,090	(313,459)	x
A.2 Impaired loans	-	-	x	-	-	x	10,868	(2,851)	x	-	-	x	366,012	(73,626)	x	372,866	(91,988)	x
A.3 Restructured exposures	-	-	x	-	-	x	4,353	(2,659)	x	-	-	x	178,230	(71,482)	x	-	-	x
A.4 Past-due exposures	-	-	x	-	-	x	-	-	x	-	-	x	10,287	(443)	x	20,608	(1,085)	-
A.5 Other exposures	21,493,468	x	(61)	24,856	x	(69)	13,211,365	x	(2,741)	108,826	x	-	3,950,337	x	(25,566)	4,988,052	x	(56,514)
Total A	**21,493,470**	**-**	**(61)**	**24,856**	**-**	**(69)**	**13,238,786**	**(18,960)**	**(2,741)**	**108,826**	**-**	**-**	**4,599,926**	**(233,186)**	**(25,566)**	**5,592,616**	**(406,532)**	**(56,514)**
B. Off-balance sheet exposures																		
B.1 Non-performing loans	-	-	x	-	-	x	921	(1,710)	x	-	-	x	1,445	(786)	x	-	-	x
B.2 Impaired loans	-	-	x	-	-	x	-	-	x	-	-	x	94,307	(16)	x	-	-	x
B.3 Other deteriorated assets	-	-	x	-	-	x	-	-	-	-	-	x	13,652	(1,549)	x	-	-	x
B.4 Other exposures	412,003	x	-	89,626	x	(374)	826,193	x	(10,209)	24,956	x	(51)	1,898,840	x	(3,380)	125,170	x	(5,551)
Total B	**412,003**	**-**	**-**	**89,626**	**-**	**(374)**	**827,114**	**(1,710)**	**(10,209)**	**24,956**	**-**	**(51)**	**2,008,244**	**(2,351)**	**(3,380)**	**125,170**	**-**	**(5,551)**
Total (A+B) 31.12.2014	**21,905,473**	**-**	**(61)**	**114,482**	**-**	**(443)**	**14,065,900**	**(20,670)**	**(12,950)**	**133,782**	**-**	**(51)**	**6,608,170**	**(235,537)**	**(28,946)**	**5,717,786**	**(406,532)**	**(62,065)**
Total (A+B) 31.12.2013	**19,103,630**	**-**	**-**	**119,554**	**-**	**(329)**	**15,990,605**	**(18,976)**	**(12,837)**	**133,820**	**(19)**	**(31)**	**7,106,714**	**(253,572)**	**(25,223)**	**6,272,593**	**(410,381)**	**(71,537)**

B.2 Geographical distribution of on- and off-balance sheet credit exposures to customers (carrying amount)

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet exposure										
A.1 Non-performing loans	318,350	(414,539)	1	(2)	1	-	-	(3)	-	-
A.2 Impaired loans	728,777	(161,681)	20,969	(6,784)	-	-	-	-	-	-
A.3 Restructured exposures	173,183	(72,001)	9,400	(2,140)	-	-	-	-	-	-
A.4 Past-due exposures	30,895	(1,528)	-	-	-	-	-	-	-	-
A.5 Other exposures	43,402,972	(84,015)	361,076	(930)	12,828	(6)	8	-	20	-
TOTAL A	**44,654,177**	**(733,764)**	**391,446**	**(9,856)**	**12,829**	**(6)**	**8**	**(3)**	**20**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing loans	2,365	(2,495)	-	-	-	-	-	-	1	-
B.2 Impaired loans	94,308	(16)	-	-	-	-	-	-	-	(1)
B.3 Other deteriorated assets	13,652	(1,549)	-	(1)	-	-	-	-	-	-
B.4 other exposures	3,187,611	(19,563)	189,177	(2)	-	-	-	-	-	-
TOTAL B	**3,297,936**	**(23,623)**	**189,177**	**(3)**	**-**	**-**	**-**	**-**	**1**	**(1)**
Total (A+B) 31.12.2014	**47,952,113**	**(757,387)**	**580,623**	**(9,859)**	**12,829**	**(6)**	**8**	**(3)**	**21**	**(1)**
Total (A+B) 31.12.2013	**47,720,959**	**(781,263)**	**620,424**	**(6,798)**	**385,502**	**(7)**	**10**	**(4,836)**	**21**	**(1)**

B.3 Geographical distribution of on- and off-balance sheet credit exposures to banks (carrying amount)

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet exposure										
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
A.2 Impaired loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past-due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	13,450,562	-	1,063,287	-	5,027	-	1,117	-	160	-
TOTAL A	**13,450,562**	**-**	**1,063,287**	**-**	**5,027**	**-**	**1,117**	**-**	**160**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Impaired loans	-	-	-	-	-	-	-	-	-	-
B.3 Other deteriorated assets	-	(1)	-	-	-	-	-	-	-	-
B.4 other exposures	2,721,616	-	15,631,906	(16)	-	-	-	-	-	-
TOTAL B	**2,721,616**	**(1)**	**15,631,906**	**(16)**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2014	**16,172,178**	**(1)**	**16,695,193**	**(16)**	**5,027**	**-**	**1,117**	**-**	**160**	**-**
Total (A+B) 31.12.2013	**17,739,547**	**(4)**	**13,731,951**	**(13)**	**15,268**	**-**	**4,994**	**-**	**539**	**-**

B.4 Large exposures

On the basis of circulars No. 285 of 17th December 2013 and No. 286 of 17th December 2013, the number of large exposures presented in the table was determined by making reference to the non-weighted "exposures", including those towards Group counterparties, with a nominal value equal to or greater than 10% of the regulatory capital, where "exposures" are defined as the sum of on-balance sheet risk assets and off-balance sheet commitments (excluding those deducted from regulatory capital) to a customer or group of connected customers, without the application of weighting factors.
These exposure criteria result also in the inclusion in the balance sheet table of large risk positions which – although they have a weighting factor of 0% - have a non-weighted exposure of greater than 10% of the capital valid for the purposes of large risks.
Individual banks belonging to banking groups are subject to an individual limit of 25% of their regulatory capital. The latter limit relates to the "risk position", which is the weighted exposure according to the rules of the current regulations.

		31.12.2014
Number of positions		4
Exposure		88,416,158
	of which intragroup	*58,299,674*
Risk position		319,080
	of which intragroup	*318,957*

Exposures to other Group companies amounted to €58,300 million (€319 million considering weighting factors). Other "large exposures" consisted of exposures amounting to €21.9 billion to the Ministry of the Treasury (zero considering weighting factors) mainly in relation to investments in government securities: €6,545 million to *Cassa di Compensazione e Garanzia* (a central counterparty clearing house) (€0.1 million considering weighting factors); €1.7 billion to tax authorities (€0 million considering weighting factors).

C. Securitisation operations

Qualitative information

Securitisations with underlying portfolios originated by banks in the Group UBI are not reported in this section, because all the securitised securities were fully subscribed by each originator at the time of issue. As allowed by regulations the relative sections of the notes to the financial statements have therefore not been compiled. For full information the main characteristics of the transactions existing at the time of preparing these notes to the financial statements have nevertheless been reported.

UBI Finance 2 transaction

A securitisation transaction was performed in the first half of 2009 by transferring mainly loans to small to medium-sized enterprises classified as performing and held by the Banco di Brescia Spa, to a special purpose entity named UBI Finance 2 Srl.

The portfolio transferred, which on the basis of the international accounting standards in force remained recognised among assets on the balance sheet of Brescia, originally amounted to over €2 billion.

The purpose of the transaction was to create securities to be used as collateral eligible for refinancing operations. To achieve this the notes issued backed by the portfolio transferred, were repurchased entirely by the originator Banco di Brescia, and subsequently the senior notes were made available to the Parent – by means of repurchase agreements – for use in refinancing operations with central banks.

The main characteristics of the UBI Finance 2 securities issued on 27th February 2009 were as follows:

- class A notes (senior tranches): nominal amount €1,559,500,000.00 at floating rate, initially assigned a maximum rating by Fitch and Moody's (subsequently downgraded to A+ by Fitch and to A2 by Moody's following the progressive downgrading of the rating for Italy and for Parent UBI Banca by the two agencies in 2011 and in 2012);

- class B securities (junior tranches): nominal amount €519,850,000.00 unrated and with a yield equal to the additional return on the transaction.

From 20th July 2011 the progressive amortisation of the class A notes commenced, for a total of €1.460 million.

During the first half of 2014, in consideration of the small remaining value of the securitised portfolio and of the eligible securities backed by it, a decision was taken to wind up the transaction in advance. On 14th April 2014 the securities were withdrawn from the collateral pool held with the Bank of Italy, while on the following 17th April, the preliminary documentation necessary to proceed to the repurchase of the portfolio by the originator and the consequent redemption of the securitised notes was signed by the various counterparties.

Consequently, on the extraordinary payment date of 29th May, in compliance with the provisions of the contract for the transaction, UBI Finance 2 redeemed the senior notes in full, closed the swap contracts, returned the sum of €16.3 million to UBI Banca paid to UBI Finance 2 in its capacity as liquidity facility provider, paid the excess spread and redeemed the junior notes amounting to €509,479,457 million (98% of the nominal value).

The table below reports the amount redeemed for the two classes of notes:

UBI FINANCE 2 – SECURITISED NOTES	ISIN number	Nominal amount when issued	Amount redeemed as at 31/12/2014	Remaining nominal value as at 31/12/2014	% redeemed
Class A	IT0004456197	1,559,500,000	1,559,500,000	0	100.0%
Class B	IT0004456171	519,850,000	509,479,457	0	98.0%
Total		2,079,350,000	2,068,979,457	0	99.5%

On that occasion the deposit to guarantee against "commingling risk"[16] amounting to €34 million as at the date of the close down of the operation was repaid to UBI Banca.

The roles of cash manager and English account bank were performed for the securitisation transaction by Bank of New York Mellon, while UBI Banca, as the Parent, filled the roles of Italian account bank, calculation agent and servicer. Acting as the subservicer, the originator, Banco di Brescia, was responsible for collecting payments and managing relations with customers for the securitised assets (except for those positions classified as non-performing which were handled by the Credit Area of the Parent).

UBI Banca received consideration for the activities mentioned above, which for 2014 until the close down of the transaction totalled €58 thousand.

[16] The risk of commingling relates to the account bank role and represents the risk that if a downgrade which resulted in the transfer of the SPE's current accounts from the UBI Group to a third-party company, the immediate transfer to those accounts of sums received by the servicer might not occur.

UBI Finance 3 transaction

The structuring of the UBI Finance 3 securitisation was commenced at the end of 2010 with the transfer to a special purpose entity named UBI Finance 3 Srl of a portfolio of loans mainly to small and medium-sized businesses of €2.8 billion, classified as performing, and held by Banca Popolare di Bergamo Spa, while the securities resulting from the securitisation were then issued by the special purpose entity in the following year 2011.

The purpose of the transaction was to create securities to be used as collateral eligible for refinancing operations. Consequently the notes issued were repurchased entirely by the originator Banca Popolare di Bergamo, which subsequently made the senior notes available to the Parent – by means of repurchase agreements – for use in refinancing operations with central banks.

The characteristics of the notes issued were as follows:

- class A notes (senior tranches): nominal amount €1,863,600,000.00 at floating rate, maturity in 2050, assigned ratings by Fitch and Moody's.

- class B notes (junior tranches): nominal amount €897,300,000.00, maturity 2050, unrated and with a yield equal to the additional return on the transaction. These notes are fully held by the originator, Banca Popolare di Bergamo.

The amortisation of the class A note began on the payment date of 24th April 2013. The table below reports the amount redeemed and the remaining amount of the notes as at 31st December 2014.

UBI FINANCE 3 – SECURITISED NOTES	ISIN	Nominal amount when issued	Amount redeemed as at 31/12/2014	Remaining nominal value as at 31/12/2014	% redeemed
Class A	IT0004675861	1,863,600,000	1,430,656,406	432,943,594	76.8%
Class B	IT0004675879	897,300,000	0	897,300,000	0.0%
Total		2,760,900,000	1,430,656,406	1,330,243,594	51.8%

For full information, we report that on 24th January 2015 the next amortisation date, a further €86 million was repaid on the class A note, while no repayment has been received on the Class B note, in view of the subordination clauses.

The class A notes initially assigned a maximum rating by Fitch and Moody's possessed an A+ rating from Fitch and A2 from Moody's as at 31.12.2014 affected by the progressive downgrading of the rating for Italy and for the Parent, UBI Banca, by the two agencies in 2011 and in 2012. To complete the information, in January 2015 Moody's raised its rating for the notes to Aa2.

The ratings assigned to the above securities are compatible with the eligibility requirements for refinancing operations with the Central Bank.

The UBI Finance 3 securitisation is a "revolving" operation. Therefore two further transfers of loans had been made in 2012, before the beginning of the amortisation period, with which Banca Popolare di Bergamo transferred new assets to UBI Finance 3, with characteristics similar to those of the portfolio initially transferred. These operations, concluded in March and September 2012, involved loans of €594 million and €125 million respectively, in terms of the remaining principal. No further transfers are envisaged after the beginning of the amortisation period.

The securitised portfolio, which originally amounted to €3.5 billion (inclusive of the "revolving" transfers mentioned above), therefore amounted to €1.45 billion of the remaining principal debt at the end of 2014, as a consequence of the progressive repayment of the underlying mortgages.

The tables below give the distribution of the securitised portfolio by the quality of the loans as at 31.12.2014 on the basis of the classification in the balance sheet of the originator (in terms of the net book amount) and on the basis of the reporting classification of the transaction (in terms of the remaining principal debt "customer view"):

TYPE OF LOAN *(Balance sheet classification)*	Carrying amount as at *31/12/2014* *(thousands of euro)*
Performing loans	**1,257,442**
Loans past due or in arrears for over 90 days	**8,075**
Restructured loans	**692**
Impaired loans	**74,118**
Non-performing loans	**97,130**
TOTAL assets transferred from Banca Popolare di Bergamo to UBI FINANCE 3	1,437,457

TYPE OF LOAN *(Classification for the purposes of the transaction)*	Remaining principal debt as at 31/12/2014 *(thousands of euro)*
Performing Loans	1,209,738
Loans in arrears	42,931
COLLATERAL PORTFOLIO	***1,252,669***
Defaulted loans	201,592
TOTAL UBI FINANCE 3 PORTFOLIO	***1,454,261***

For the UBI Finance 3 also, the roles of cash manager and English account Bank were performed by Bank of New York Mellon, while UBI Banca, as the Parent, filled the roles of Italian account bank, calculation agent and servicer. However, the collection of payments and managing relations with customers for the securitised assets were delegated by the Parent to the originator, Banca Popolare di Bergamo, as the sub-servicer (here too, except for those positions reclassified as non-performing, which are handled by the Credit Area of the Parent).

UBI Banca received consideration for the activities mentioned above, which for 2014 totalled €304 thousand.

As already reported, UBI Banca as the liquidity facility provider and as a result of the downgrade of its rating at the end of 2011, made a sum available of €28 million on the accounts of the special purpose entity to meet the risk of possible temporary liquidity shortages and it has also made a further deposit to cover "commingling risk", which as at 31st December 2014 amounted to €33.7 million *(see section E.4, Covered Bond Operations later in these notes for a definition of "set off" and "commingling" risk).* With regard to the effects of the downgrade of UBI Banca's rating, in addition to the information given above, in the last quarter of 2011 the originator Banca Popolare di Bergamo also disbursed a subordinated loan of €50 million designed to cover potential payouts in relation to specific risks ("set-off risk"). That loan was subsequently supplemented with a further €72.6 million to cover the same risks underlying the revolving portfolio transferred in 2012.

Securitisation Transactions UBI SPV BPA 2012, UBI SPV BPCI 2012 and UBI SPV BBS 2012

The structuring of three new securitisations was completed simultaneously in 2012, with the transfer to three new special purpose entities, named UBI SPV BPA 2012 Srl, UBI SPV BPCI 2012 Srl and UBI SPV BBS 2012 Srl, of loans to small to medium-sized enterprises classified as performing, held by Banca Popolare di Ancona Spa, Banca Popolare Commercio Spa and Industria and Banco di Brescia Spa respectively.

These new securitisations were also structured with the objective of creating collateral for the Group eligible for refinancing with central banks, according to the model described above. As a consequence on this occasion too, the originator banks fully subscribed the entire amount of the securitised notes when they were issued and then made only the class A notes available to UBI Banca, by means of repurchase agreements.

The characteristics of the notes issued at the same time for all three securitisations on 30th October 2012 are as follows:

1) Securitisation UBI SPV BPA 2012

- class A notes (senior tranches): nominal amount €709,800,000 at floating rate, maturity in 2057, assigned ratings A- by Standard & Poor's and A (low) by DBRS at the time of issue;

- class B notes (junior tranches): nominal amount €307,800,000, maturity 2057, unrated and with a yield equal to the additional return on the transaction.

2) Securitisation UBI SPV BPCI 2012

- class A notes (senior tranches): nominal amount €575,600,000 at floating rate, maturity in 2057, assigned ratings A- by Standard & Poor's and A low by DBRS at the time of issue;

- class B notes (junior tranches): nominal amount €277,100,000, maturity 2057, unrated and with a yield equal to the additional return on the transaction.

3) Securitisation UBI SPV BBS 2012

- class A notes (senior tranches): nominal amount €644,600,000 at floating rate, maturity in 2057, assigned ratings A- by Standard & Poor's and A (low) by DBRS at the time of issue;

- class B notes (junior tranches): nominal amount €244,400,000, maturity 2057, unrated and with a yield equal to the additional return on the transaction.

Here too, the new ratings assigned to the above securities – which also remained valid as at 31st December 2014 – are compatible with the eligibility requirements for refinancing operations with the central bank.

The amortisation of the notes began on the payment date of 7th July 2014. The class A notes were partially redeemed from that date. The table below reports the amount redeemed and the remaining amount of the notes as at the reporting date for each transaction.

UBI SPV BPA 2012 Srl – SECURITISED NOTES	ISIN number	Nominal amount when issued	Amount redeemed as at 31.12.2014	Remaining nominal value as at 31.12.2014	% redeemed
Class A	IT0004841141	709,800,000	171,582,871	538,217,129	24.2%
Class B	IT0004841158	307,800,000	0	307,800,000	0.0%
Total		1,017,600,000	171,582,871	846,017,129	16.9%

UBI SPV BPCI 2012 Srl – SECURITISED NOTES	ISIN number	Nominal amount when issued	Amount redeemed as at 31.12.2014	Remaining nominal value as at 31.12.2014	% redeemed
Class A	IT0004840994	575,600,000	282,932,755	292,667,245	49.2%
Class B	IT0004841000	277,100,000	0	277,100,000	0.0%
Total		852,700,000	282,932,755	569,767,245	33.2%

UBI SPV BBS 2012 Srl – SECURITISED NOTES	ISIN number	Nominal amount when issued	Amount redeemed as at 31.12.2014	Remaining nominal value as at 31.12.2014	% redeemed
Class A	IT0004841125	644,600,000	255,382,862	389,217,138	39.6%
Class B	IT0004841133	244,400,000	0	244,400,000	0.0%
Total		889,000,000	255,382,862	633,617,138	28.7%

For full information, we report that on 7th January 2015 the next amortisation date, further redemptions on the class A notes were made of €50.2 million for UBI SPV BPA 2012, €36.4 million for UBI SPV BPCI 2012 and €37 million for UBI SPV BBS 2012.
In view of the subordination clauses no redemption has been paid on the class B notes for each operation.

As concerns the portfolio originally transferred, this totalled €2.76 billion, divided among the three originator banks as follows: Banca Popolare di Ancona Spa €1.017 billion; Banca Popolare Commercio ed Industria Spa €852 million; and Banco di Brescia Spa €889 million.

The transactions in question are "revolving" operations and therefore it was possible for further transfers of mortgages within 18 months of issue by the originator banks, to be financed by the special purpose entities with the receipts generated by each securitised portfolio. Consistent with that provision, in the first few months of 2014 a further transfer of assets was completed with effect for accounting and operating purposes from 17th March 2014 for a total of €647 million divided between the three securitisations as follows (in terms of remaining principal debt):

- Banca Popolare di Ancona / UBI SPV BPA 2012: €317 million
- Banca Popolare Commercio ed Industria / UBI SPV BPCI 2012: €137 million
- Banco di Brescia / UBI SPV BBS 2012: €193 million

In order to further improve the overall quality of the portfolio, in the first quarter of 2014 each originator bank concluded a voluntary repurchase of high-risk performing loans for a total of €136 million of loans from the portfolios initially transferred. The loans repurchased for each originator/SPE are as follows (in terms of the remaining principal debt):

- Banca Popolare di Ancona / UBI SPV BPA 2012: €42 million

- Banca Popolare Commercio ed Industria / UBI SPV BPCI 2012: €27 million

- Banco di Brescia / UBI SPV BBS 2012: €67 million

With account taken of the two transactions described above and the natural amortisation of the loans, the total portfolio transferred by the three originator banks – here too still recognised in the balance sheets of the originators – amounted to €1.934 billion of remaining principal debt as at the 31st December 2014.

The tables below give the distribution of the securitised portfolio for each transferring bank by the quality of the loans as at 31.12.2014 on the basis of the classification in the balance sheet of the originator (in terms of the net book amount) and the reporting classification of the transaction (in terms of the remaining principal debt "customer view"):

1) Securitisation UBI SPV BPA 2012

TYPE OF LOAN (Balance sheet classification)	Carrying amount as at 31.12.2014 *(thousands of euro)*
Performing loans	**738,989**
Loans past due or in arrears for over 90 days	**10,447**
Restructured loans	**2,046**
Impaired loans	**35,696**
Non-performing loans	**10,391**
TOTAL assets transferred from Banca Popolare di Ancona to UBISPV BPA 2012	**797,569**

TYPE OF LOAN (Classification for the purposes of the transaction)	Remaining principal debt as at 31.12.2014 *(thousands of euro)*
Performing Loans	729,942
Loans in arrears	9,348
COLLATERAL PORTFOLIO	***739,290***
Defaulted Loans	64,677
TOTAL PORTFOLIO UBI SPV BPA 2012	***803,967***

2) Securitisation UBI SPV BPCI 2012

TYPE OF LOAN *(Balance sheet classification)*	Carrying amount as at 31.12.2014 *(thousands of euro)*
Performing loans	**509,895**
Loans past due or in arrears for over 90 days	**1,828**
Restructured loans	**199**
Impaired loans	**15,724**
Non-performing loans	**5,943**
TOTAL assets transferred from Banca Pop. Comm. Industria to UBISPV BPCI 2012	**533,588**

TYPE OF LOAN (Classification for the purposes of the transaction)	Remaining principal debt as at 31.12.2014 *(thousands of euro)*
Performing loans	499,814
Loans in arrears	9,817
COLLATERAL PORTFOLIO	***509,631***
Defaulted loans	26,700
TOTAL PORTFOLIO UBI SPV BPCI 2012	***536,331***

3) Securitisation UBI SPV BBS 2012

TYPE OF LOAN (Balance sheet classification)	Carrying amount as at 31.12.2014 *(thousands of euro)*
Performing loans	544,115
Loans past due or in arrears for over 90 days	5,373
Restructured loans	1,974
Impaired loans	23,478
Non-performing loans	13,995
TOTAL assets transferred from Banco di Brescia to UBISPV BBS 2012	588,935

TYPE OF LOAN *(Classification for the purposes of the transaction)*	Remaining principal debt as at 31.12.2014 *(thousands of euro)*
Performing loans	540,914
Loans in arrears	5,112
COLLATERAL PORTFOLIO	*546,026*
Defaulted loans	47,808
TOTAL PORTFOLIO UBI SPV BPA 2012	*593,834*

The structure of the transaction, which also conformed to the model adopted for the other transactions, consisted of UBI Banca as the Parent in the role of servicer, while the collection of payments and managing relations with customers for the securitised assets were delegated to the three originator banks as the sub-servicers (here too, except for those positions reclassified as non-performing, which will be handled by the Credit Area of the Parent).
The consideration due to UBI Banca in 2014 for the above servicing activities totalled €526 thousand.

The three originator banks also fill the role of subordinated loan provider. In order to create a cash reserve to meet risks connected with the operations, in 2012 subordinated loans were granted by each originator bank for the following amounts:
- €26.6 million by Banca Popolare di Ancona, increased by €8.8 million in 2013 and by a further €11.3 million in 2014, at the time of the "revolving" transfer;
- €26.3 million by Banca Popolare Commercio ed Industria, increased by a further €4.9 million in 2014, at the time of the "evolving" transfer;
- €23 million by Banco di Brescia, increased subsequently by €2.8 million in 2013 and by a further €3.6 million in 2014 at the time of the "revolving" transfer.

As for the other securitisations described above, the roles of cash manager and English account bank are performed for all three transactions by The Bank of New York Mellon.

24-7 Finance transaction

The securitisation 247 Finance Srl was performed in 2008 with the underlying assets held by B@nca 24-7 Spa, a company which, as is known, was merged into UBI Banca in 2012.

The assets types which were securitised by transfer to a single special purpose entity, 24-7 Finance Srl, consisted of three different portfolios:

1) mortgages: performing loans resulting from mortgages granted to private individuals resident in Italy, secured by a prime grade mortgages on residential properties located in Italy all fully built;

2) salary backed loans: performing loans resulting from salary backed loans to private individuals resident in Italy, secured by a "deducted for non-payment" clause and by a loss of employment insurance policy;

3) consumer loans: performing loans resulting from personal loans and dedicated loans to private individuals resident in Italy;

Three different issuances of securitised notes were structured by the special purpose entity 24-7 Finance Srl on those assets.

The securitisation transaction for salary backed loans was wound up in advance in 2011.
Similarly the securitisation transaction with consumer loans for the underlying portfolio was also wound up in advance in 2012.
Therefore only the mortgages transaction was still in existence as at 31.12.2014 for which the portfolio amounted on that date to €1.440 billion (remaining principal debt).

The tables below give the distribution of the securitised portfolio by the quality of the loans as at 31.12.2014 on the basis of the classification in the balance sheet of the originator (in terms of the net book amount) and the reporting classification of the transaction (in terms of the remaining principal debt "customer view"):

TYPE OF LOAN (Balance sheet classification)	Carrying amount as at 31.12.2014 *(thousands of euro)*
Performing loans	**1,279,995**
Loans past due or in arrears for over 90 days	**6,530**
Restructured loans	**0**
Impaired loans	**99,426**
Non-performing loans	**78,380**
TOTAL assets transferred from UBI Banca to 24-7 Finance	**1,464,330**

TYPE OF LOAN *(Classification for the purposes of the transaction)*	Remaining principal debt as at 31.12.2014 *(thousands of euro)*
Performing loans	1,205,988
Loans in arrears	37,716
COLLATERAL PORTFOLIO	***1,243,704***
Defaulted loans	195,854
TOTAL PORTFOLIO 24-7 FINANCE	***1,439,558***

The characteristics of the notes issued were as follows:

- class A notes (senior notes): nominal amount €2,279,250,000, at floating rate, and initially assigned a rating of Aaa by Moody's; the current rating by Moody's is A2, while the second rating - assigned by DBRS in 2011, in order to comply with eligibility ring requirements, is A (high);

- class B notes (junior securities): nominal amount €225,416,196, maturity 2055, unrated and with a yield equal to the additional return on the underlying portfolio.

The securitised notes are wholly owned by UBI Banca which, as for the securitisations described above, uses the senior tranche as collateral eligible for the financing operations with central banks.

The amortisation of the class A notes began from February 2010. The table below reports total amortisation and the remaining value of the notes as at 31.12.2014:

24/7 FINANCE SRL – SECURITISED NOTES	ISIN	Nominal amount when issued	Amount redeemed as at 31.12.2014	Remaining nominal value as at 31.12.2014	% redeemed
Class A	IT0004376437	2,279,250,000	1,213,853,813	1,065,396,187	53.3%
Class B	IT0004376445	225,416,196	0	225,416,196	0.0%
Total		2,504,666,196	1,213,853,813	1,290,812,383	48.5%

For this transaction, the role of cash manager and calculation agent is filled by Bank of New York Mellon which acts as the account bank. B@nca 24-7 filled not only the role of originator, but it also performed servicer functions for the transaction, a role that is now filled by UBI Banca following the merger of the two entities.
The consideration due to UBI Banca for servicing activities carried out in 2014, totalled €379 thousand.

For full information we report that Banca 247 Finance also filled the role of subordinated loan provider, having granted a subordinated loan designed to create an initial cash reserve to meet possible shortages of liquidity for the operation. At the time of the merger into UBI Banca in 2012, a subordinated loan of approximately €24.4 million was outstanding, which was subsequently increased in 2013 by a further €73 million.

Quantitative information

C.1. Exposures resulting from securitisation transactions by quality of the underlying assets

No exposures resulting securitisation transactions to report

C2 Exposures resulting from the principal “own” securitisation transactions by type of securitised assets and by type of exposure

No exposures resulting from “own” securitisation transactions to report.

C.3 Exposures resulting from the principal “third party” securitisation transactions by type of securitised assets and by type of exposure

No exposures resulting from “third party” securitisation transactions to report.

C.4 Exposures resulting from securitisation transactions by portfolio and type

Exposure/portfolio	Financial assets held for trading	Financial assets fair value options	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	31.12.2014	31.12.2013
1. On-balance sheet exposures	-	-	-	-	-	-	**2,938**
- " Senior"	-	-	-	-	-	-	-
- " Mezzanine"	-	-	-	-	-	-	**2,938**
- " Junior"	-	-	-	-	-	-	-
2. Off-balance sheet exposures	-	-	-	-	-	-	-
- " Senior"	-	-	-	-	-	-	-
- " Mezzanine"	-	-	-	-	-	-	-
- " Junior"	-	-	-	-	-	-	-

C.5 Total amount of the securitised assets underlying the junior securities or other forms of lending support

No securitised assets underlying the junior securities or other forms of lending support to report.

C.6 Securitisation special purpose entities

We report the only securitisation connected with 24-7 Finance, full details of which are given in the previous part on qualitative information.

C.7 Securitisation special purpose entities not consolidated

Information on this item is given in the Consolidated Annual Report, which may be consulted.

C.8 Servicer activity – payments received on securitised loans and redemptions of securities issued by the special purpose entity

As reported in Part C.1, the operation was wound up in April 2013.

D. Information on structured entities not included in the consolidated accounts (other than securitisation special purpose entities)

Information on this item is given in the Consolidated Annual Report, which may be consulted.

E. Transfers

A. Financial assets transferred and not fully derecognised

Quantitative information

E.1 Financial assets transferred not derecognised: carrying amount and full value

Type/ Portfolio	Financial assets held for trading			Financial assets designated at fair value			Available-for-sale financial assets			Held-to-maturity investments			Loans to banks			Loans to customers			Total	
	fully recognised (BV)	partially recognised (BV)	partially recognised (full value)	fully recognised (BV)	partially recognised (BV)	partially recognised (full value)	fully recognised (BV)	partially recognised (BV)	partially recognised (full value)	fully recognised (BV)	partially recognised (BV)	partially recognised (full value)	fully recognised (BV)	partially recognised (BV)	partially recognised (full value)	fully recognised (BV)	partially recognised (BV)	partially recognised (full value)	31.12.2014	31.12.2013
A. On-balance sheet assets	**415,950**	**-**	**-**	**-**	**-**	**-**	**3,486,135**	**-**	**-**	**1,850,111**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,752,196**	**5,854,621**
1. Debt instruments	415,950	-	-	-	-	-	3,486,135	-	-	1,850,111	-	-	-	-	-	-	-	-	5,752,196	5,854,621
2. Equity instruments	-	-	-	-	-	-	-	-	-	x	x	x	x	x	x	x	x	x	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	x	x	x	x	x	x	x	x	x	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	**-**	**-**	**-**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**-**	**-**
Total 31.12.2014	**415,950**	**-**	**-**	**-**	**-**	**-**	**3,486,135**	**-**	**-**	**1,850,111**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,752,196**	x
of which deteriorated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	x
Total 31.12.2013	**1,166,735**	**-**	**-**	**-**	**-**	**-**	**4,685,702**	**-**	**-**	**-**	**-**	**-**	**2,184**	**-**	**-**	**-**	**-**	**-**	x	**5,854,621**
of which deteriorated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	x	-

E.2 Financial liabilities resulting from financial assets transferred not derecognised: carrying amount

Liability/Asset portfolio	Financial assets held for trading	Financial assets designated at fair value	Available-for-sale financial assets	Held-to-maturity investments	Loans to banks	Loans to customers	Total
1. Due to customers	**415,669**	**-**	**3,122,594**	**1,856,404**	**-**	**-**	**5,394,667**
a) against fully recognised assets	415,669	-	3,122,594	1,856,404	-	-	**5,394,667**
b) against partially recognised assets	-	-	-	-	-	-	**-**
2. Due to banks	**-**	**-**	**330,010**	**-**	**-**	**-**	**330,010**
a) against fully recognised assets	-	-	330,010	-	-	-	**330,010**
b) against partially recognised assets	-	-	-	-	-	-	**-**
Total 31.12.2014	**415,669**	**-**	**3,452,604**	**1,856,404**	**-**	**-**	**5,724,677**
Total 31.12.2013	**1,165,110**	**-**	**4,646,546**	**-**	**1,998**	**-**	**5,813,654**

E.3 Transfers with liabilities backed exclusively by the assets transferred: fair value

Type/Portfolio	Financial assets held for trading		Financial assets designated at fair value		Available-for-sale financial assets		Held-to-maturity investments (fair value)		Loans and advances to banks (fair value)		Loans and advances to customers (fair value)		Total	Total
	A	B	A	B	A	B	A	B	A	B	A	B	31.12.2014	31.12.2013
A. On-balance sheet assets														
1. Debt instruments	415,950	-	-	-	3,486,135	-	1,850,111	-	-	-	-	-	5,752,196	5,854,631
2. Equity instruments	-	-	-	-	-	-	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	X	X	X	X	X	X	-	-
4. Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	-	-	X	X	X	X	X	X	X	X	X	X	-	-
Total assets	**415,950**	**-**	**-**	**-**	**3,486,135**	**-**	**1,850,111**	**-**	**-**	**-**	**-**	**-**	**5,752,196**	**5,854,631**
C. Associated liabilities														
1. Due to customers	415,669	-	-	-	3,122,594	-	1,856,404	-	-	-	-	-	5,394,667	X
2. Due to banks	-	-	-	-	330,010	-	-	-	-	-	-	-	330,010	X
Total liabilities	**415,669**	**-**	**-**	**-**	**3,452,604**	**-**	**1,856,404**	**-**	**-**	**-**	**-**	**-**	**5,724,677**	**5,813,654**
net value 31.12.2014	**281**	**-**	**-**	**-**	**33,531**	**-**	**(6,293)**	**-**	**-**	**-**	**-**	**-**	**27,519**	**X**
net value 31.12.2013	**1,625**	**-**	**-**	**-**	**39,156**	**-**	**-**	**-**	**196**	**-**	**-**	**-**	**X**	**40,977**

B. Financial assets transferred and fully derecognised with recognition of the continuous involvement

There are no financial assets transferred and fully derecognised with recognition of the continuous involvement to report.

E.4 Covered bond operations

Covered bond programme for €15 billion – "Residential Programme"

The objectives

In 2008 the Management Board of UBI Banca passed a resolution to proceed to implement a structured programme for the issuance of covered bonds designed to produce benefits in terms of funding while containing the cost at the same time.

In detail, the Management Board performed the following:

- it identified the objectives of the programme;
- it identified the basic structure of an operation to issue covered bonds in the light of the legislation and explained and examined the main elements, including the portfolio of loans, the criteria for selecting them, the structure of the financial transaction and the relative tests;
- it assessed and approved the impacts and the organisational, IT and accounting changes that would be required. These changes were performed to ensure proper risk management by the Parent and also by the single banks participating. Account was also taken, in drawing up the procedures, of the requirements set by regulations issued by the Bank of Italy;
- assessed the risks connected with the operation to issue covered bonds;
- it assessed the organisational and operating structure of the special purpose entity concerned in order to ensure that the contracts involved in the operation contained clauses that would guarantee the proper and efficient performance of the functions of the special purpose entity itself;
- it assessed the legal aspects through an in-depth examination of the parties and contract documents used, with particular attention paid to the nature of the guarantees given by the special purpose entity and the relations between the issuing bank, the originator banks and the special purpose entity.

More specifically the objectives of the programme are as follows:

- the acquisition of long-term institutional funding at more competitive costs than funding acquired using alternative instruments such as the EMTN programmes or securitisation transactions;
- access through the issuance of covered bonds to specialist investors who currently do not invest in the funding instruments used and which may be used by the UBI Banca Group.

The structure

The basic structure of the operation to issue covered bonds involved the performance of the following activities:

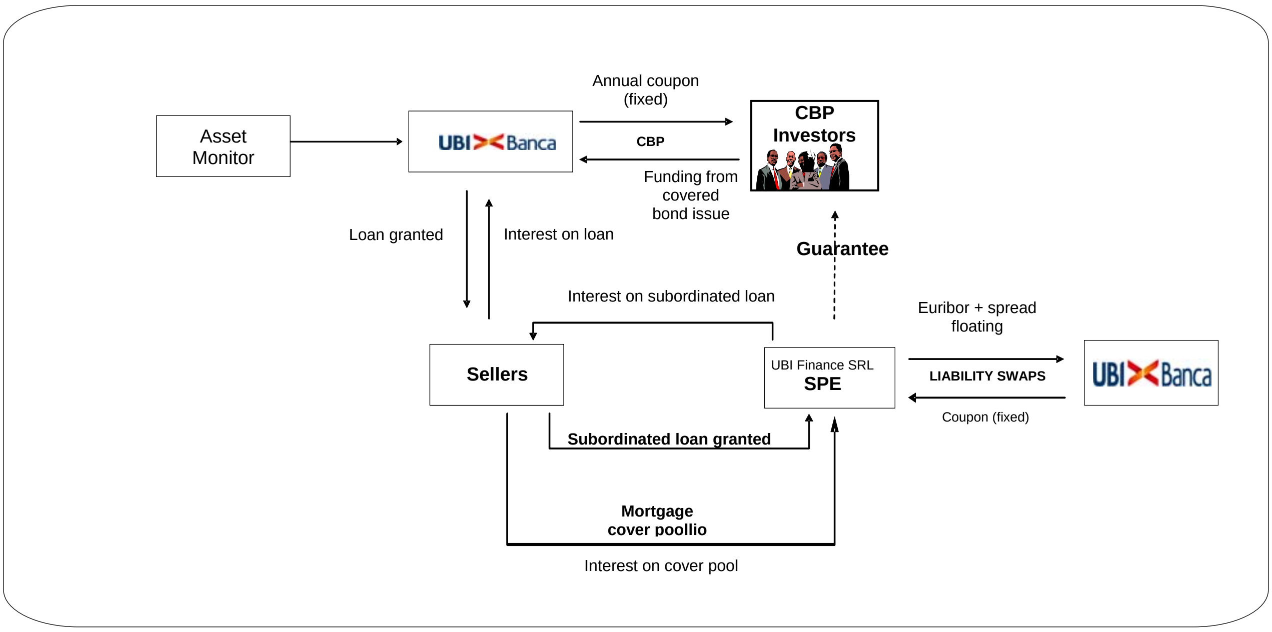
- one bank (the originator) transfers a set of assets with determined characteristics to a special purpose entity to form a separate set of assets termed a "cover pool". However, in compliance with international accounting standards in force, those assets are not derecognised from the financial statements of the originator bank;
- the originator bank (acting here as a financing bank) grants a subordinated loan to the special purpose entity designed to fund the purchase of the assets by the entity;
- the bank (the issuing bank) issues covered bonds backed by a primary, unconditional and irrevocable guarantee given by the special purpose entity to the sole benefit of the holders of the covered bonds and the hedging counterparties involved in the transaction. The guarantee is backed by all the assets transferred to the special purpose entity and which form part of the cover pool.

In the context of the procedures described above, the UBI Banca Group launched a covered bond programme (hereafter the "CBP") with a the ceiling on issuances of €10 billion which was increased in 2014 to €15 billion. The structure that was adopted also allows the transfer of the portfolios which constitute the segregated assets of the special purpose entity from more than one originator bank.

To achieve this, a special purpose entity, UBI Finance Srl was formed, in accordance with Law No. 130/1999, 60% held by UBI Banca[17], which as the guarantor of the issue performed by UBI Banca acquired a portfolio of residential mortgages transferred to it from network banks of the Group, which participated in the programme both as originator banks and as financing banks. These were added to in 2013 with UBI Banca as an originator and financing bank, which as the Parent, also fills the role of master servicer, calculation agent and cash manager for the operation.
The role of paying agent is filled by Bank of New York Mellon (Luxembourg) S.A., while the representative of the bondholders is BNY Corporate Trustee Services Limited.

UBI Banca then delegated responsibility for servicing activity, consisting of collecting payments and managing relations with customers for the portfolio transferred by each originator (except for positions reclassified as non-performing, handled by the Credit Area of the Parent), to the originator banks as sub-servicers.

A summary of the main features of the structure of UBI Banca's covered bond programme is given below.



A). Covered bonds. UBI Banca Scpa issues covered bonds under the programme;

B). Bond Loan. In order to allow the funding acquired on institutional markets from the issue of covered bonds to flow back to the originator banks, these banks may issue bonds and the right to require subscription of them by UBI Banca, within the limits of their quota of participation in the programme. These bonds shall have the same maturity as the covered bonds and a yield established on the basis of the Bank's funding policies.

[17] The company is consolidated by UBI Banca in the Consolidated Annual Report for the Group, according to the accounting standards in force.

C). Subordinated Loan. In order to fund the purchase of mortgages by the special purpose entity, the originator banks grant subordinated loans to it. The yield on these loans is calculated as a “premium” or “extra spread” equal to the amount of the interest received, which remains in the accounts of the special purpose entities once priority amounts in the chain of payments have been deducted, relating to items such as the expenses incurred by the entity, payments to swap counterparties and allocations to “reserve accounts”.

D). Swaps to hedge interest rate risk. If the covered bonds are issued at a fixed rate, UBI Banca may hedge the interest rate risk by entering into swap contracts with market counterparties, thereby transforming the exposure to a variable rate. These swaps lie outside the perimeter of the covered bond programme and the decision to use them is made with a view to interest rate risk management as part of the Parent’s ALM.

E). Liability swaps: also a liability swap contract is entered into between UBI Banca and UBI Finance for each covered bond fixed rate issue. These are designed to protect against interest rate risk, which might affect the cash flows received from the special purpose entity and the amounts due from the special purpose entity to investors (fixed rate coupons on the covered bonds) in the event of default by UBI Banca and the need by the special purpose entity to intervene to pay the coupons to the investors.

The notional amount of the liability swaps must be sufficient to hedge the interest rate risk related to the floating interest rate return portion of the underlying segregated assets of UBI Finance, since the fixed-rate portion of the mortgage portfolio constitutes a partial natural hedge in itself with respect to fixed-rate covered bonds. That portion currently stands at 70% and is consistent with what is requested by the agencies to maintain an adequate rating.

The structure of the liability swaps only requires the exchange of cash flows between UBI Banca and the special purpose entity in the event of default by UBI Banca or when UBI Banca assigns a swap contract to another eligible counterparty.

F). Current accounts. The programme involves a complex system of current accounts to pay and receive the cash flows involved in the operation. A series of accounts were opened in the name of the special purpose entity for each originator bank as follows:

- *collection account* at UBI Banca S.c.p.a. linked to each originator bank into which sums received are paid consisting of interest and principal on the portfolios of each originator, and, where applicable, other assets transferred to the special purpose entity under the programme (e.g. eligible assets and top-up assets);

- *interest account* with Bank of New York Mellon, London Branch linked to each originator bank into which all interest paid into the collections accounts will be paid on a daily basis and also all amounts paid to the special purpose entity by the counterparties of the swap contracts;

- *principal account* with Bank of New York Mellon, London Branch linked to each originator bank into which all the principal repayment amounts paid into the collection account will be paid on a daily basis;

- *a reserve fund account*, with Bank of New York Mellon, London Branch into which interest accruing on the covered bonds is paid monthly in order to guarantee the payment of current coupons;

- *an expense account*, into which the amounts required to meet the expenses of the special purposes entity are paid, drawn from interest accounts, in proportion to the quota of participation in the programme of each originator bank.

Effectiveness tests.

Effectiveness tests are performed monthly on the whole cover pool and separately on the portfolios transferred by each originator, in order to determine the financial integrity of each bank's portfolio. As required by the regulations, because it is a multioriginator programme, with cross-collateralisation of the originator banks' portfolios, the only valid test for investors is that performed on the whole cover pool, while the tests performed on the individual portfolios are used to determine the integrity of each originator's portfolio for the purposes of cross-collateralisation between the different originator banks.

In detail:

- *the nominal value test* verifies whether the nominal value of the loans in the transferred portfolio is greater than the nominal value of the covered bonds issued. In order to ensure an adequate degree of overcollateralisation in the portfolio, while the covered bonds are considered at their nominal value, the loans in the portfolio are weighted on the basis of the relative collateral backing them and the total amount is further reduced by an asset percentage. The calculation of the nominal value test also takes account of potential additional risks, such as for example "set-off" risk or "commingling risk";
- *the net present value test* verifies whether the present value of the loans remaining in the portfolio is greater than the present value of the covered bonds issued;
- *the interest cover test* verifies whether the interest received and held in accounts and the cash flows from interest to be received net of the entity's expense is greater than the interest to be paid to the holders of the covered bonds;
- *the amortisation test* (similar to the nominal value test, but only performed if UBI Banca is downgraded by rating agencies);
- *the top-up assets test* verifies whether, before UBI Banca defaults, the total amount of additional assets and liquidity is not 15% greater than the nominal value of the loans remaining in the portfolio transferred, in compliance with the Ministry of the Economy and Finance and Bank of Italy instructions.

If all the tests are passed simultaneously then the special purpose entity may proceed to pay all the parties involved in the programme, including the originator banks as the lenders of the subordinated loan, in the order of priority indicated in the "payment chain".

However, if the results of the tests are negative, then the contract states that the UBI Banca Group must increase the collateral of the portfolio by transferring new mortgages to it and that is "top up" with extra assets. Failure to pass the tests, once the time limit allowed for the Group to add assets has passed, results in an "issuer event of default" with a consequent enforcement of the guarantee issued by UBI Finance. In this event the originator banks would only receive the repayments of the subordinated loans granted after the redemption of the covered bonds by the special purpose entity and within the limits of the remaining funds.

Organisational action and control procedures

The organisational system currently adopted in the UBI Group for the structuring and management of covered bond programmes is the result of a general organisation revision carried out in 2013, following the development of management and issuance processes experimented with in the first years of the life of the programme.

A distinction is made in that system between two areas of action:

1) the first area concerns the activity needed to set up a programme, carried out once only in the period preparatory to the issuance of bonds, which can be described as follows:
proposals for the structuring of a new programme are assessed by the competent internal committees of UBI Banca and the underlying general policies are approved by the Supervisory Board. This is followed by the identification of external parties who must assist the Parent in the structuring and issuance of the programme (legal firms, arrangers, asset monitors, rating agencies). The assets which will form part of the portfolio are then defined together with the contracts relating to the operation for units internal and external to the Bank. Subsequently, the following is carried out:

- form the special purpose entity and carry out the activities needed to transfer assets to that entity and segregate the assets of the cover pool appropriately;

- assign a rating to the programme, inclusive of the site visit by the rating agency;
- present a compliance report for the programme.

2) the second area, on the other hand, regards recurring activities for management, monitoring and control, which are organised in four macro processes described as follows:

A. *annual planning:* a plan for the issuance of covered bonds to be carried out during the year is drawn up by the competent units at UBI Banca as part of a more general definition of the procedures to cover liquidity requirements on the basis of strategic policies and in accordance with the growth and risk objectives set by the competent corporate bodies. The annual planning of issuances is followed by an annual analysis stage designed to set the amount of the collateral that the Group must be able to post in the future in order to back existing and planned future issuances. After internal committees have carried out verifications, the Management Board of the Parent is then called upon, annually, to decide on:

- transfers of new mortgages by originator banks participating in the programme and possible repurchases;
- new covered bond issuances.

B. periodic transfers of assets to the special purpose entity. Portfolios of assets to be transferred are identified in detail on the basis of the guidelines defined in the previous point. With the support of legal firms and arrangers – where necessary – the competent units at the Parent prepare the contracts, carry out prior controls and proceed to comply with the technical requirements needed for the segregation and proper management of the portfolios by the servicers and subservicers. The originator banks also top up the subordinated financing as necessary in relation to the amount of the new portfolios transferred;

C. issuance of new covered bonds: as part of the issuance planned in accordance with the previous points, the competent units of UBI Banca decide on the characteristics of the issuance and form the syndicate of the banks participating in the issue. Assisted by legal firms and arrangers, they then draw up the necessary contracts for the new issuance followed by trading on markets and then the settlement of the notes themselves;

D. ongoing management of the issuance programme: this general process governs the activities needed for the daily management of the portfolios transferred to the SPE, the settlement of the cash flows, implementation of the controls required by regulations and the preparation of compulsory disclosures and other reports to markets. The main sub-processes, carried out by the competent units of the Parent (which acts as the master servicer and calculation agent for the programme) or of the network banks (as subservicers), are as follows:

- daily settlement of cash flows from the cover pool;
- monthly performance of effectiveness tests;
- calculation of the sequence of monthly payments and liquidity management;
- preparation of periodic reports to the various counterparties, investors and rating agencies (in compliance with disclosure requirements requested by supervisory provisions for the prudential treatment of the CBPs);
- settlement of coupons on outstanding issues (on an annual or interim basis depending on the issue);
- determination (half yearly) of the controls set by regulations to monitor requirements to ensure the quality and integrity of the cover assets transferred and assessment of any need to repurchase assets no longer eligible.

Internal Group rules and regulations specify the persons involved in the individual activities and the processes outlined above in detail.

The risks connected with the operation:

In 2012 and 2013 the Bank revised its analysis of the risks identified with the programme when it was approved in June 2008 and it prepared a new map of those risks. The risks identified, listed below, are derived from the current regulatory framework (EU and Italian) and they are based on the current methodologies used by rating agencies.

The different types of risk are attributable to the following four general categories:

1. **Risk of UBI Banca downgrade**, which includes the risk relating to the swap contracts to which UBI Banca is a counterparty and the risk relating to the account bank activities performed by UBI Banca, because in both cases a downgrade could result in UBI Banca losing its status as an "eligible" counterparty in the roles just mentioned. More specifically, with regard to the account bank role, if a downgrade involved the transfer of the SPEs current accounts to a third-party company, the failure to immediately transfer sums received onto those accounts would represent a "commingling risk", account of which is taken when calculations for regulatory tests are carried out;

2. **Risk relating to the underlying mortgages (collateral).** The issuance of covered bonds bases its rating on the credit enhancement provided by the portfolio of mortgages transferred to back the special purpose entity. The criteria used by the rating agencies require the amount of the mortgage portfolio that provides the guarantee to be maintained at levels higher than the value of the bonds issued (known as over-collateralisation). A decrease in the level of over-collateralisation would lead primarily to a downgrade of the operation and, in the most serious cases, to a default of the issuer, if the minimum level provided for in the contracts were not guaranteed and/or the regulatory tests were not passed. Various mechanisms are provided within the programme to address these risk. They include the following: a nominal value test and various degrees of over-collateralization, designed to ensure that the special purpose entity is able to fully guarantee the covered bonds issued even in the event of some defaults on the underlying assets; the ability to inject liquidity in order to guarantee the issues (within the limits of 15% of the total amount of the assets held by the special purpose entity); the ability to also insert assets with a higher rating in the cover pool and finally, with regard to redemption by the special purpose entity (or by UBI Banca in the event of its default) of the capital maturing, the maturity of the covered bonds may be extended by one year (termed a "soft bullet maturity").

In any event, the units responsible at UBI Banca periodically verify the adequate availability of mortgages among the assets of Group banks in order to ensure the necessary over-collateralization for covered bonds already issued and for those to be issued in the coming year.

3. **Risks connected with continuous management of the programme**: the programme involves various third parties (asset monitors, bank account providers, trustees, possible swaps providers), for each of which there is a risk of default. Counterparty replacement rules have been put in place to limit that risk if determined events occur.

The programme also requires continuous management of matters which include servicing activities, investment activities, the management of possible swap contracts, the calculation of regulatory tests and the production of reports. The adoption of the organisational model reported in the preceding pages led to a further improvement in the management of processes and the related operating risks. This increased the oversight and control points as a result of a more detailed official assignment of responsibilities to the competent units of the Parent.

4. **Legal risks**, which, due to the particular multi-originator structure of the UBI Banca programme, include the risk of cross-collateralisation. The participation of a number of originator banks in the programme mean that all the transferor banks are subordinated creditors on an equal basis of the special purpose entity and above all, they assume the obligation to restore the portfolio to the levels specified by the tests if these are failed, even if the failure is not caused by the assets for which they are responsible. To mitigate that risk, the contract documents state that if the transferor bank required to restore assets does not meet that obligation, in the first instance the Parent will be required to restore the cover pool until the required level of over-collateralization is reached, while the transferor banks will only be required to restore the cover pool if the Parent fails to do so.

History of the UBI Banca Residential Covered Bond Programme

In the context of the procedures described above, the UBI Banca Group launched a ten-billion euro programme for the issue of covered bonds in July 2008, with the first transfers of mortgages performed by two banks in the Group, Banco di Brescia and Banca Regionale Europea, for a total amount, as at that time, of approximately €2 billion. Subsequently, in the years 2008 – 2010, all the Group's network banks joined the programme progressively transferring portions of their assets. Further transfers of assets were then concluded in each of the following years.

More specifically, in 2014 two transfers of assets were carried out, the first on 1st June 2014 totalling €625 million and the second with effect from the 1st November 2014 for a total of €586 million. The distribution of assets transferred among the originator banks is as follows:

Transfer of assets to UBI FINANCE – year 2014 *(Figures in thousands of euro)*	**Total transfer**	***Originat-ed by BRE***	***Originat-ed by Banco di Brescia***	***Originated by Banca Popolare di Bergamo***	***Originat-ed by Banca Popolar e di Ancona***	***Originat -ed by UBI Banca***	***Originat-ed by Banca Popolare di Commerci o e Industria***	***Originat-ed by Banca Carime***	***Originat-ed by Banca di Valle Camonic a***	***Originat-ed by UBI Banca Private***
Transfer on 01/06/2014	**625,118**	***254,632***	***0***	***0***	***141,576***	***0***	***127,893***	***101,016***	***0***	***0***
Transfer on 01/11/2014	**586,162**	**0**	**243,586**	**244,927**	**0**	**54,555**	**0**	**0**	**22,542**	**20,551**
Total transfers 2014	**1,211,280**	**254,632**	**243,586**	**244,927**	**141,576**	**54,555**	**127,893**	**101,016**	**22,542**	**20,551**

For full information we report that in the second half of 2014 some assets which did not comply with the criteria for eligibility in the cover pool for the operation were returned from UBI Finance to the originator banks. The table below gives the amounts returned to each originator bank in terms of the remaining principal debt:

Returns of assets to the originator banks – year 2014 (*Figures in thousands of euro*)	Total returns	*Origina-ted by BRE*	*Originat-ed by Banco di Brescia*	*Originated by Banca Popolare di Bergamo*	*Originat-ed by Banca Popolare di Ancona*	*Originat-ed by UBI Banca*	*Originated by Banca Popolare di Commercio e Industria*	*Originat-ed by Banca Carime*	*Originat-ed by Banca di Valle Camonica*	*Originat-ed by UBI Banca Private*
Returned on 08/09/2014	4,923	*1,118*	*505*	*949*	*1,052*	*0*	*1,299*	*0*	*0*	*0*
Returned on 05/10/2014	17,247	*4,001*	*4,871*	*2,805*	*2,454*	*0*	*1,691*	*866*	*560*	*0*
Total returned in 2014	22,170	5,119	5,376	3,753	3,506	0	2,990	866	560	0

As at 31st December 2014 the cover pool of mortgages for the issues, which for accounting purposes is recognised within the assets of each originator bank, amounted to a total of over €14.530 billion in terms of the remaining principal debt.

The table below gives the distribution of the portfolio (remaining principal debt) for each originator bank and the total by class of credit quality as at 31.12.2014 according to the classification used in the documentation for the CBP:

Type of loan – figures as at 31.12.2014 (*Remaining principal debt - in thousands of euro*)	TOTAL PORTFOLIO	*Originated by BRE*	*Originated by Banco di Brescia*	*Originated by Banca Popolare di Bergamo*	*Originated by Banca Popolare di Ancona*	*Originated by UBI Banca*	*Originated by Banca Popolare di Commercio e Industria*	*Originated by Banca Carime*	*Originated by Banca di Valle Camonica*	*Originated by UBI Banca Private*
Performing loans	12,286,517	*1,407,450*	*2,238,520*	*2,872,063*	*1,054,581*	*1,712,784*	*1,735,308*	*851,856*	*208,779*	*205,176*
Loans in arrears	1,840,732	*233,263*	*380,631*	*364,622*	*191,759*	*241,471*	*254,636*	*108,835*	*39,106*	*26,408*
Cover pool (1+2)	**14,127,249**	**1,640,713**	**2,619,152**	**3,236,686**	**1,246,339**	**1,954,256**	**1,989,943**	**960,691**	**247,885**	**231,584**
Defaulted loans	402,865	*56,291*	*91,386*	*87,278*	*26,314*	*27,732*	*52,875*	*38,903*	*13,073*	*9,013*
Total UBI Finance cover pool	**14,530,115**	**1,697,004**	**2,710,538**	**3,323,963**	**1,272,653**	**1,981,988**	**2,042,818**	**999,595**	**260,959**	**240,597**

In 2014 this portfolio generated total payments received of approximately €1.644 billion, distributed as follows among the portfolios of the different originators:

Payments received (*Figures in thousands of euro*)	TOTAL PORTFOLIO	*Originat-ed by BRE*	*Originated by Banco di Brescia*	*Originated by Banca Popolare di Bergamo*	*Originated by nca Popolare di Ancona*	*Originated by UBI Banca*	*Originated by Banca Popolare di Commercio e Industria*	*Originated by Banca Carime*	*Originated by Banca di Valle Camonica*	*Originated by UBI Banca Private*
payments received in 2014 (*)	1,644,277	*198,600*	*300,802*	*405,336*	*157,548*	*149,471*	*239,641*	*136,205*	*31,725*	*24,950*

(*) Inclusive, where relevant, of the amounts resulting from the return of assets to the originators

Within the ceiling on the issues set under the programme, which as already mentioned was recently raised from an initial €10 billion to €15 billion, UBI Banca has issued covered bonds for a total of €11.515 billion. The table below gives details of the individual issues:

Number in order (*)	*ISIN Number*	*Name*	*Issue date*	*Maturity date*	*Principal (**)*	*Market*
1	IT0004533896	UBI BANCA 3,625% CB due 23/9/2016	23/09/2009	23/09/2016	1,000,000,000	Institutional investors
2	IT0004558794	UBI BANCA 4,000% CB due 16/12/2019	16/12/2009	16/12/2019	1,000,000,000	Institutional investors
3	IT0004599491	UBI BANCA TV CB due 30/04/2022	30/04/2010	30/04/2022	170,454,548	private - EIB
4	IT0004619109	UBI BANCA 3,375% CB due 15/09/2017	15/09/2010	15/09/2017	1,000,000,000	Institutional investors
5	IT0004649700	UBI BANCA 3,125% CB due 18/10/2015	18/10/2010	18/10/2015	500,000,000	Institutional investors
6	IT0004682305	UBI BANCA 5,250% CB due 28/01/2021	28/01/2011	28/01/2021	1,000,000,000	Institutional investors
7	IT0004692346	UBI BANCA 4,500% CB due 22/02/2016	22/02/2011	22/02/2016	750,000,000	Institutional investors
8	IT0004777444	UBI BANCA TV CB due 18/11/2021	18/11/2011	18/11/2021	194,400,000	private - BEI
12	IT0004966195	UBI BANCA 3,125% CB due 14/10/2020	14/10/2013	14/10/2020	1,500,000,000	Institutional investors
13	IT0004983760	UBI BANCA TV CB due 23/12/2018	23/12/2013	24/12/2018	1,000,000,000	Retained
14	IT0004992878	UBI BANCA 3,125% CB due 05/02/2024	05/02/2014	05/02/2024	1,000,000,000	Institutional investors
15	IT0005002677	UBI BANCA TV CB due 05/03/2019	05/03/2014	05/03/2019	700,000,000	Retained
16	IT0005057945	UBI BANCA TV CB due 13/10/2017	13/10/2014	13/10/2017	700,000,000	Retained
17	IT0005067076	UBI BANCA TV CB due 07/02/2025	07/11/2014	07/02/2025	1,000,000,000	Institutional investors
				TOTAL	11,514,854,548	

NOTES: (*) Issues numbers 9, 10 and 11 (retained) were closed down due to natural maturity in February 2014.

(**) For bonds subject to amortisation, the remaining nominal value is given as at the reporting date.

As at 31st December 2014, all the bonds reported above had been assigned an A+ rating (negative watch) by Fitch and an A2 rating (negative watch) by Moody's. Nevertheless in January 2015 Moody's raised its rating for the programme to Aa3.

Five-billion euro covered bond programme – "Retained programme"

In the first half of 2012, a new covered bond programme was structured for the issue of new bonds to be retained, and that is to be subscribed by UBI Banca itself, which will be used as collateral for posting with the European Central Bank in order to strengthen the pool of assets eligible for refinancing available to the Group.

To achieve this, a specific new special purpose entity, named UBI Finance CB2 Srl was formed, in which UBI Banca also holds a 60% stake[18], to function as the guarantor of the issues of the new series of covered bonds. Mainly commercial mortgages and, in addition, residential mortgages

[18] The company is consolidated by UBI Banca in the Consolidated Annual Report for the Group, according to the accounting standards in force.

eligible according to national legislation and regulations, but not covered by the rating agency methodologies for the first programme, are transferred by Group banks to UBI Finance CB2 Srl. In fact, as opposed to the residential programme, the retained programme was initially structured without assessment by the rating agencies and therefore it benefited only from the senior rating of the Parent UBI Banca.

However, in the following year 2013 the ability to issue "public" covered bonds was implemented under the programme. In order to achieve this, the agency Fitch was asked to also assign a rating to the five-billion euro programme. The rating assigned at the date of this report was BBB+.

UBI Banca will be able to issue covered bonds under that programme for a total amount, from time to time, of not greater than €5 billion.

Again, for this second programme, the Management Board has:

- identified the objectives of the programme and of the first issuance;
- identified the basic structure of the operation, examining the initial loan portfolio and the criteria used to select it as well as the financial structure of the transaction and the tests;
- assessed and approved the impacts and the organisational, IT and accounting changes that would be required, considering that those actions had already been carried out to ensure proper risk management for the first programme;
- assessed the risks connected with the operation to issue covered bonds;
- assessed the organisational and operating structure of the special purpose entity;
- assessed the legal aspects of the programme.

Reference is made to what has already been reported above concerning the residential programme for that which regards the structural, organisational and risk aspects of the operation, while here we report only those points where the five-billion euro programme differs from that which has already been reported:

A. *Liability swaps:* at present no fixed rate issuances have been made and therefore no liability swap contracts exist between the special purpose entity and third party counterparties;

B. Current accounts. Interest and principal collection accounts have been opened for the second programme with UBI Banca International and not with Bank of New York Mellon;

C. The liquidity generated by the programme. In consideration of the type of operation performed by the Group with the retained programme, designed to increase the quantity of assets available for refinancing operations with the Eurosystem, no issuance of bonds was put in place to channel funds back to the originator banks. If, on the other hand, "public" issuances should be made, as indicated above, each originator bank will be given the right, within the limits of its share of participation in the programme, to issue bonds and the right to ask for them to be subscribed by UBI Banca in the same way as occurs for the fifteen-billion euro programme.

History of the UBI Banca Retained Covered Bond Programme

The initial cover pool to back the issues of the retained programme was transferred in two tranches in the first half of 2012 and it consisted of assets totalling €3 billion. The following banks transferred assets: Banca Regionale Europea, Banca Popolare di Ancona, Banca Popolare Commercio ed Industria, Banca di Valle Camonica Banca Popolare di Bergamo, Banco di Brescia, Banco di San Giorgio (which was then merged into Banca Regionale Europea) and Banca Carime. UBI Banca Private also joined the second covered bond programme, but has not so far transferred any assets to it.

New transfers were completed in 2014 amounting to €350 million. The table below gives details of the amounts transferred in 2014 for each originator:

Transfer of assets to UBI FINANCE CB2 – year 2014 ***(Figures in thousands of euro)***	**Total transfers**	***Originated by BRE***	***Originated by Banco di Brescia***	***Originated by Banca Popolare di Bergamo***	***Originated by Banca Popolare di Ancona***	***Originated by Banca Popolare di Commercio e Industria***	***Originated by Banca Carime***	***Originated by Banca di Valle Camonica***
Transfer on 01/06/2014	**174,502**	***47,807***	***0***	***00***	***59,640***	***28,597***	***38,459***	***0***
Transfer on 01/11/2014	**175,270**	***0***	***90,344***	***84,926***	***0***	***0***	***0***	***0***
Total transfers in 2014	**349,772**	**47,807**	**90,344**	**84,926**	**59,640**	**28,597**	**38,459**	**0**

As with the first programme, the portfolio transferred continued to be recognised as assets on the books of each originator bank and totalled €3.154 billion as at 31st December 2014.
The table below gives the distribution of the portfolio (remaining principal debt) for each originator bank and the total by class of credit quality as at 31.12.2014.

Type of loan – figures as at 31.12.2014 *(Remaining principal debt - in thousands of euro)*	**TOTAL PORTFOLIO**	***Originated by BRE***	***Originated by Banco di Brescia***	***Originated by Banca Popolare di Bergamo***	***Originated by Banca Popolare di Ancona***	***Originated by Banca Popolare di Commercio e Industria***	***Originated by Banca Carime***	***Originated by Banca di Valle Camonica***
Performing loans	2,545,516	*491,157*	*494,417*	*609,684*	*352,799*	*266,223*	*246,303*	*84,934*
Loans in arrears	425,389	*78,519*	*81,508*	*72,198*	*122,131*	*23,748*	*30,324*	*16,961*
Cover pool (1+2)	**2,970,905**	***569,675***	***575,925***	***681,881***	***474,930***	***289,972***	***276,626***	***101,895***
Defaulted loans	183,705	*19,059*	*38,301*	*23,360*	*46,239*	*18,591*	*32,366*	*5,789*
Total UBI Finance CB2 portfolio	**3,154,611**	***588,735***	***614,226***	***705,241***	***521,169***	***308,563***	***308,992***	***107,684***

Also for the portfolio transferred to UBI Finance CB 2, the master servicer, UBI Banca, delegated responsibility for servicing activity, consisting of collecting payments and managing relations with customers for the portfolio transferred by each originator (except for positions reclassified as non-performing, handled by the Credit Area of the Parent), to the originator banks as sub-servicers.

The total sums received in payments on the portfolio in 2014 are given below:

Payments received *(Figures in thousands of euro)*	**TOTAL PORTFOLIO**	***Originated by BRE***	***Originated by Banco di Brescia***	***Originated by Banca Popolare di Bergamo***	***Originated by Banca Popolare di Ancona***	***Originated by Banca Popolare di Commercio e Industria***	***Originated by Banca Carime***	***Originated by Banca di Valle Camonica***
payments received in 2014	437,341	84,787	80,572	99,187	64,287	47,119	43,510	17,878

Two covered bond issuances were made under the programme in 2012 and in 2014 for a total of €2.3 billion. At the date of this report no public issuances have been made and therefore all outstanding issues to-date have been "retained" in the UBI Banca portfolio.

Details are given below of the individual issues:

Number in order	ISIN Number	Name	Issue Date	Maturity date	Principal (*)	Market
1	IT0004818701	UBI BANCA TV CB2 due 28/05/2018	28/05/2012	28/05/2018	1,260,000,000	Retained
2	IT0004864663	UBI BANCA TV CB2 due 29/10/2022	29/10/2012	29/10/2022	500,000,000	Retained
3	IT0005002842	UBI BANCA TV CB2 due 05/03/2019	05/03/2014	05/03/2019	200,000,000	Retained
				TOTAL	1,960,000,000	

Note: (*) For bonds subject to amortisation, the remaining nominal value is given as at the reporting date.

F. Models for the measurement of credit risk

With regard to the measurement of credit risk, the UBI Group has developed a portfolio credit risk model by using an Algorithmics PCRE – portfolio credit risk engine – which considers the total risk of a credit portfolio by modelling and capturing the component that results from the correlation of counterparty defaults, calculating credit losses and capital at credit risk at portfolio level. The model includes PD and LGD used for supervisory purposes among its input variables.

Section 2 Market risk

2.1 Interest rate risk and price risk – supervisory trading portfolio

Qualitative information

Information on general and organisational aspects is given in the corresponding section "interest rate risk - trading portfolio" in the consolidated report.

The main operational limits for 2014 (including reallocations and any new limits set in the second half of the year) are as follows:

• Maximum acceptable loss for the UBI trading book	€141.4 million
• Early warning threshold on maximum acceptable loss (MAL)	70% MAL
• One day VaR limit for the UBI trading book	€28.3 million
• Early warning threshold on VaR	80% VaR

Quantitative information

1.1 Supervisory trading portfolio: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives – Denominated in Euro

Type/Residual maturity	On demand	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	5 years to 10 years	Over ten years	Indeterminate maturity
1. On-balance sheet assets	**-**	**2**	**656**	**199,612**	**594,781**	**1**	**4**	**-**
1.1 Debt instruments	-	2	656	199,612	594,781	1	4	-
- with early redemption option	-	-	401	-	1	-	-	-
- other	-	2	255	199,612	594,780	1	4	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**415,669**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	415,669	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**(70,865)**	**(649,954)**	**373,813**	**39,730**	**466,329**	**150,260**	**443,643**	**-**
3.1 With underlying security	-	(397,862)	428	(22)	397,930	(92)	-	-
- Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(397,862)	428	(22)	397,930	(92)	-	-
- Long positions	-	40,264	17,299	332	399,441	2	-	-
- Short positions	-	438,126	16,871	354	1,511	94	-	-
3.2 Without underlying security	(70,865)	(252,092)	373,385	39,752	68,399	150,352	443,643	-
- Options	-	(122,715)	(4)	(7,688)	(7,333)	1,096	136,666	-
- Long positions	-	3,010,309	164,251	192,206	178,336	345,250	2,588,698	-
- Short positions	-	3,133,024	164,255	199,894	185,669	344,154	2,452,032	-
- Other derivatives	(70,865)	(129,377)	373,389	47,440	75,732	149,256	306,977	-
- Long positions	199,227	15,336,254	3,128,667	1,232,614	9,202,260	6,057,890	2,778,490	-
- Short positions	270,092	15,465,631	2,755,278	1,185,174	9,126,528	5,908,634	2,471,513	-

1.2 Supervisory trading portfolio: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives – Denominated in United States Dollars

Type/Residual maturity	On demand	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	5 years to 10 years	Over ten years	Indeterminate maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(5,133)**	**(8,220)**	**(4,316)**	**1,099**	**(412)**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(5,133)	(8,220)	(4,316)	1,099	(412)	-	-
- Options	-	(14)	-	(7)	-	-	-	-
- Long positions	-	105,249	140,905	183,602	57,951	-	-	-
- Short positions	-	105,263	140,905	183,609	57,951	-	-	-
- Other derivatives	-	(5,119)	(8,220)	(4,309)	1,099	(412)	-	-
- Long positions	-	615,316	15,422	30,880	32,585	41,183	-	-
- Short positions	-	620,435	23,642	35,189	31,486	41,595	-	-

1.3 Supervisory trading portfolio: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives – Denominated in Swiss Francs

Type/Residual maturity	On demand	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	5 years to 10 years	Over ten years	Indeterminate maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(603,098)**	**(749)**	**(715)**	**183**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(603,098)	(749)	(715)	183	-	-	-
- Options	-	-	-	-	-	-	-	-
- Long positions	-	-	4,005	8,327	-	-	-	-
- Short positions	-	-	4,005	8,327	-	-	-	-
- Other derivatives	-	(603,098)	(749)	(715)	183	-	-	-
- Long positions	-	5,670	-	366	183	-	-	-
- Short positions	-	608,768	749	1,081	-	-	-	-

1.4 Supervisory trading portfolio: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives – Denominated in UK Sterling

Type/Residual maturity	On demand	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	5 years to 10 years	Over ten years	Indeterminate maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(18,609)**	**(257)**	**514**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(18,609)	(257)	514	-	-	-	-
- Options	-	-	-	-	-	-	-	-
- Long positions	-	2,365	787	2,199	-	-	-	-
- Short positions	-	2,365	787	2,199	-	-	-	-
- Other derivatives	-	(18,609)	(257)	514	-	-	-	-
- Long positions	-	73,872	385	514	-	-	-	-
- Short positions	-	92,481	642	-	-	-	-	-

1.5 Supervisory trading portfolio: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives – Denominated in Canadian Dollars

Type/Residual maturity	On demand	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	5 years to 10 years	Over ten years	Indeterminate maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(26)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(26)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
- Long positions	-	56	-	110	-	-	-	-
- Short positions	-	56	-	110	-	-	-	-
- Other derivatives	-	(26)	-	-	-	-	-	-
- Long positions	-	9,724	-	-	-	-	-	-
- Short positions	-	9,750	-	-	-	-	-	-

1.6 Supervisory trading portfolio: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives – Denominated in Japanese Yen

Type/Residual maturity	On demand	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	5 years to 10 years	Over ten years	Indeterminate maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(606)**	**(109)**	**(344)**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(606)	(109)	(344)	-	-	-	-
- Options	-	-	-	-	-	-	-	-
- Long positions	-	112	335	317	207	-	-	-
- Short positions	-	112	335	317	207	-	-	-
- Other derivatives	-	(606)	(109)	(344)	-	-	-	-
- Long positions	-	156,348	-	-	-	-	-	-
- Short positions	-	156,954	109	344	-	-	-	-

1.7 Supervisory trading portfolio: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives – Denominated in Other Currencies

Type/Residual maturity	On demand	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	5 years to 10 years	Over ten years	Indeterminate maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(112,662)**	**702**	**234**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(112,662)	702	234	-	-	-	-
- Options	-	(1)	-	-	-	-	-	-
- Long positions	-	747	1,403	1,153	-	-	-	-
- Short positions	-	748	1,403	1,153	-	-	-	-
- Other derivatives	-	(112,661)	702	234	-	-	-	-
- Long positions	-	22,475	1,873	1,107	293	-	-	-
- Short positions	-	135,136	1,171	873	293	-	-	-

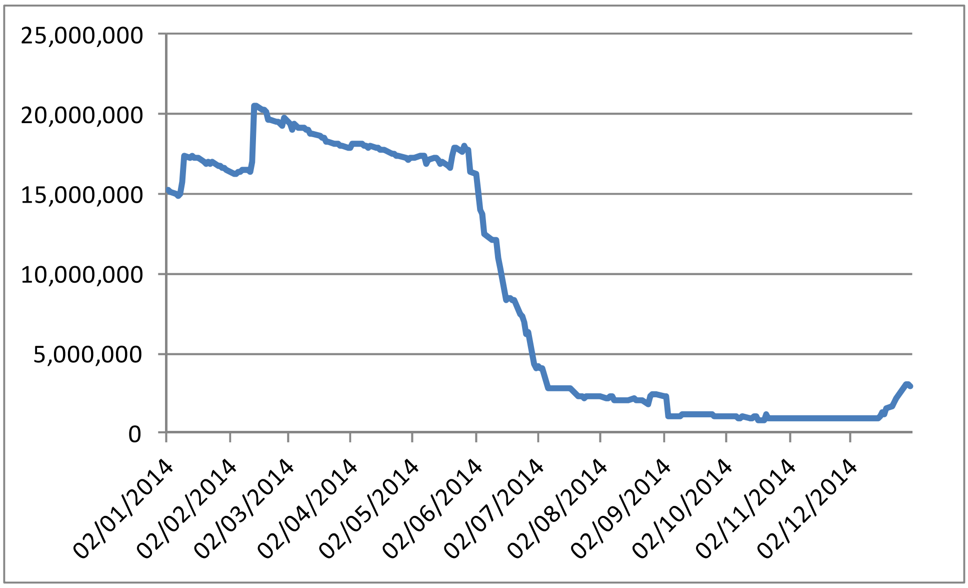
2. Supervisory trading portfolio: distribution of exposures in equities and share indices by the principal markets in which they are listed

Type of operation/Where listed	Listed			Unlisted
	ITALY	UNITED STATES	GERMANY	
A. Equity instruments	**4,504**	**-**	**-**	**445**
- long positions	4,504	-	-	445
- short positions	-	-	-	-
B. Trades in equity instruments not yet settled	**(1)**	**-**	**-**	**-**
- long positions	-	-	-	-
- short positions	1	-	-	-
C. Other derivatives on equity instruments	**-**	**-**	**-**	**-**
- long positions	-	-	-	-
- short positions	-	-	-	-
D. Derivatives on share indices	**1,907**	**(15,637)**	**16,635**	**-**
- long positions	1,907	-	16,635	-
- short positions	-	15,637	-	-

The item "A – Equity instruments – long positions" relates to owned equity instruments in currencies other than euro. The derivatives contracts relate to futures contracts on share indices and on equity instruments.

3. Supervisory trading portfolio: internal models and other methods of sensitivity analysis

The graph below shows the changes in daily VaR that occurred in 2014, for the trading portfolios.



VaR by risk factor calculated on the entire trading book of UBI Banca as at 31st December 2014. is given below.

Change in market risk: daily market VaR for UBI Banca in 2014

UBI Banca trading book	31.12.2014
Currency risk	4,262
Interest rate risk	1,154,672
Equity risk	386,859
Credit risk	2,254,334
Volatility risk	22,489
Diversification effect(1)	(829,406)
Total	2,993,209

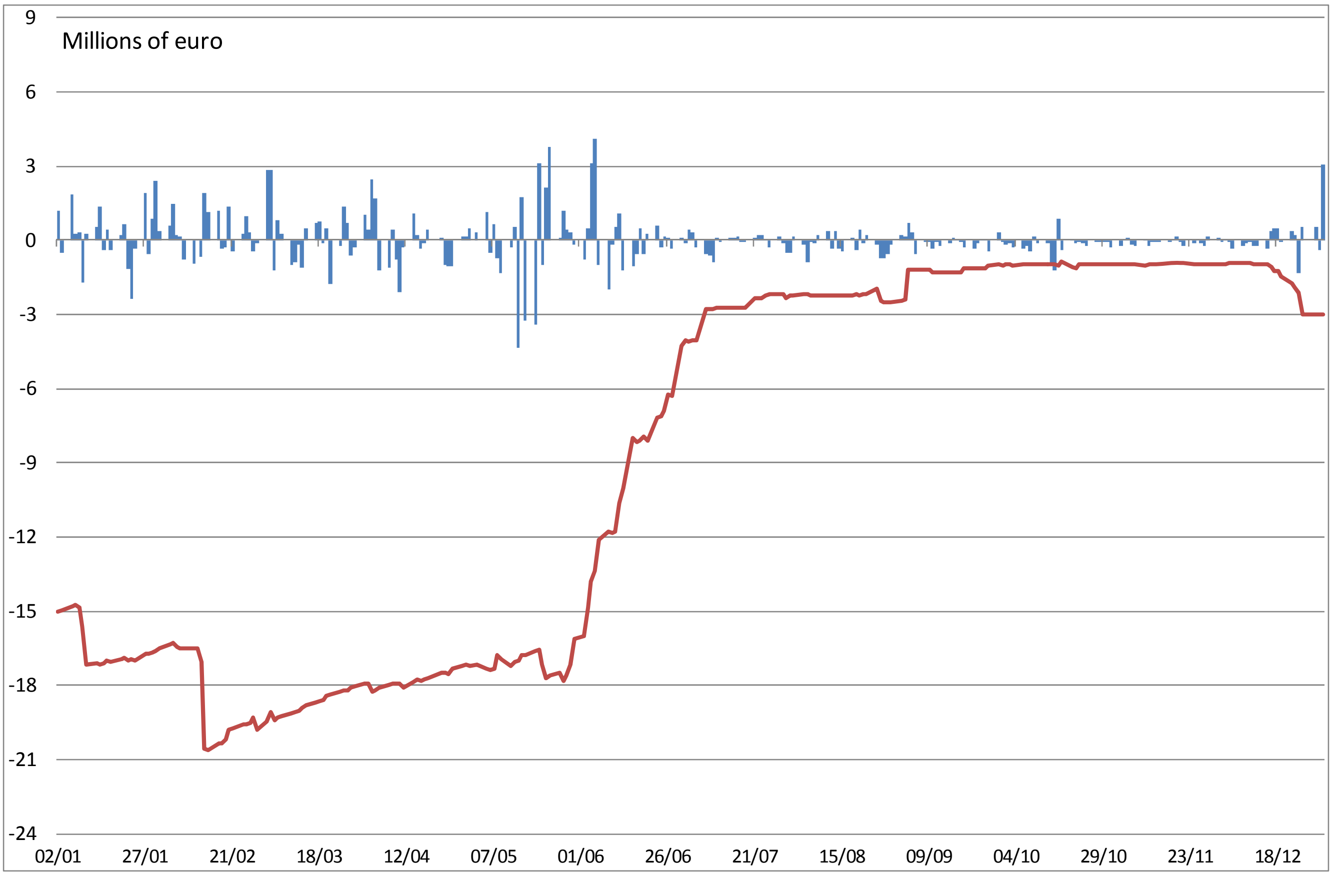
(1) The diversification effect is due to the imperfect correlation between the different risk factors present in the Group's portfolio.

Backtesting analyses

Backtesting analysis is designed to test the predictive power of the VaR model adopted. It uses an actual profit and loss calculated on the basis of returns on positions in the portfolio on the previous day.

A backtesting analysis for the UBI Banca trading book for 2014 is given below.

UBI Banca Group trading book: backtesting 2014



Stress test analyses

The Group has a stress testing programme designed to analyse the reaction of portfolios to risk factor shocks with the objective of verifying the ability of the regulatory capital to absorb very large potential losses and to identify possible measures needed to reduce risks and conserve the capital itself.

Stress tests based on theoretical shocks consist of specially created extreme shifts in interest rate (short, medium and long term), credit spread, exchange rate, equity price and volatility curves.

The table below gives the results of the theoretical stress tests performed on the UBI Banca portfolios.

The effect of theoretical shocks on the UBI Banca trading and banking books

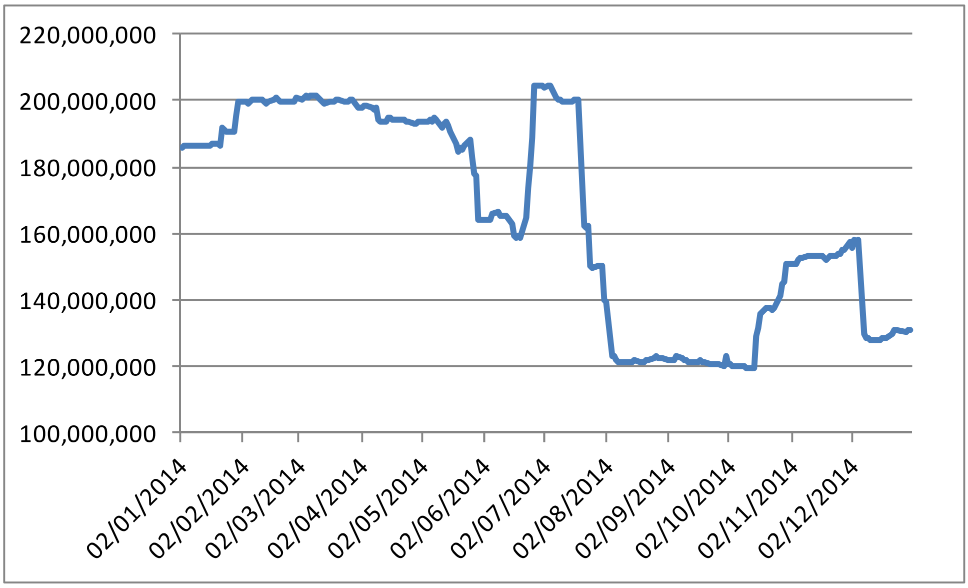
Data as at 31/12/2014	UBI TRADING BOOK VIG 31/12/14		UBI BANKING BOOK 31/12/14		TOTAL UBI 31/12/14	
	Change in NAV		Change in NAV		Change in NAV	
Risk Factors IR Shock Shock +1bp	-149,020	-0.01%	- 720,648	0.00%	-869,669	0.00%
Risk Factors IR Shock Shock -1bp	148,584	0.01%	719,739	0.00%	868,323	0.00%
Risk Factors IR Shock Bear Steepening	-996,414	-0.09%	- 7,383,478	-0.05%	-8,379,892	-0.05%
Risk Factors IR Shock Bull steepening	1,175,322	0.10%	27,148,174	0.17%	28,323,496	0.16%
Risk Factors IR Shock Bear Flattening	-1,146,486	-0.10%	- 28,001,139	-0.17%	-29,147,624	-0.16%
Risk Factors IR Shock Bull Flattening	979,367	0.08%	4,054,397	0.03%	5,033,764	0.03%
Risk Factors Equity Shock +10%	793,213	0.06%	8,964,112	0.05%	9,757,325	0.05%
Risk Factors Equity Shock -10%	-793,213	-0.06%	- 8,964,112	-0.05%	-9,757,325	-0.05%
Risk Factors Volatility Shock +20%	-22,964	0.00%	1,318,318	0.01%	1,295,353	0.01%
Risk Factors Volatility Shock -20%	33,166	0.00%	- 1,412,138	-0.01%	-1,378,972	-0.01%
Risk Factors Forex Shock +15%	-26,681	0.00%	- 745,128	0.00%	-771,809	0.00%
Risk Factors Forex Shock -15%	26,681	0.00%	745,128	0.00%	771,809	0.00%
Risk Factors Credit Spread Shock	-17,803,002	-1.45%	- 872,767,542	-5.14%	-890,570,544	-4.89%
Flight to quality scenario	-18,865,687	-1.54%	- 880,463,548	-5.18%	-899,329,235	-4.94%

The analysis shows the heightened sensitivity of the UBI Banca portfolios to credit spread shocks (consistent with the presence of Italian government securities and corporate securities) and to interest rate shocks (consistent with the presence of bonds and interest rate derivatives within UBI Banca's portfolios).

The system of controls for the trading book portfolios are also used for some of the portfolios in the banking book.

The graph below shows the changes in VaR that occurred in 2014 for the UBI Banca banking book portfolios.

Changes in market risk: daily market VaR for the UBI Banca banking portfolios in 2014



Market VaR does not include VaR on securities classified as held to maturity and the VaR on hedge funds.

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VaR by risk factor calculated on the entire UBI Banca banking book as at 31st December 2014. is given below.

UBI Banca banking book	31.12.2014
Currency risk	53,381
Interest rate risk	12,956,186
Equity risk	2,025,334
Credit risk	130,604,936
Volatility risk	316,405
Diversification effect(1)	(14,984,967)
Total	130,971,275

(1) The diversification effect is due to the imperfect correlation between the different risk factors present in the Group's portfolio.

2.2 Interest rate and price risk – Banking portfolio

The banking portfolio consists of all those financial instruments, assets and liabilities, not included in the trading portfolio, dealt with in section 2.1.

Qualitative information

A. General aspects, management processes and methods of measurement of interest rate risk and price risk

Interest rate risk consists of changes in interest rates which have the following effects:

- on net interest income and consequently on the profits of the bank (cash flow risk);
- on the net present value of assets and liabilities, which has an impact on the present value of future cash flows (fair value risk).

The control and management of structural interest rate risk - fair value and cash flow – is performed in a centralised manner by the Parent within the framework, defined annually, of the *Policy to Manage Financial Risks of the UBI Banca Group*, which identifies measurement methods and models and limits or early warning thresholds in relation to net interest income and the economic value of the Group.

Measurement, monitoring and reporting of interest rate risk exposure are performed at consolidated and individual level by the Financial, Operational and Structural Balance Risk Control Area of the Parent, which performs the following on a monthly basis:

- a sensitivity analysis designed to measure changes in the value of assets on the basis of parallel shocks on interest rate levels for all the time buckets of the curve;
- a simulation of the impact on net interest income for the current year by means of a static gap analysis (i.e. assuming that the positions remain constant during the period), considering the effect of elasticity on demand deposits.

On the basis of the periodic reports produced, the ALM service of the Parent Bank takes appropriate action to prevent the limits and early warning thresholds from being exceeded.

Exposure to interest rate risk is measured by using gap analysis and sensitivity analysis models on all those financial instruments, assets and liabilities, not included in the trading book, in accordance with supervisory regulations.

Sensitivity analysis of economic value includes an estimate of the impacts resulting from the early repayment of mortgages and long-term loans, regardless of whether early repayment options are contained in the contracts.

This is accompanied by an estimate of the change in net interest income. The analysis of the impact on net interest income is over a time horizon of twelve months, with account taken of both the variation in the profit on demand items (inclusive of viscosity phenomena) and that variation for items to held to maturity. This analysis also includes an estimate of the impact of reinvesting/refinancing maturing interest flows.

The *2014 Policy to Manage Financial Risks of the UBI Banca Group* sets a target level for the sensitivity of term and on demand items represented by the behaviour model equal to 7.5% of the separate company regulatory capital and an early warning threshold of 10% (threshold set by the supervisory authority based on the interest rate risk in the banking book). The amount to compare with the early warning threshold is the absolute figure for the negative sensitivity resulting from the application of the two different interest rate scenarios (parallel shock of +/-100 b.p. of the yield curve).

Compliance with individual limits is pursued by Group member companies by means of hedging derivative contracts entered into with the Parent. UBI Banca may then close the position with counterparties outside the Group, acting in accordance with strategic policies and within the consolidated limits set by the governing bodies.

Further information is given in the corresponding sub-section of the Notes to the Consolidated Financial Statements which may be consulted.

B. Fair value hedging

In order to reduce exposure to adverse changes in fair value (fair value hedges) due to interest rate risk, hedges had been taken out as at 31st December 2014 using financial derivative instruments.

In detail outstanding hedges were as follows:

- specific hedges on fixed rate available-for-sale securities amounting to approximately €11.17 billion nominal;
- specific hedges on financing amounting to approximately €29.6 million nominal;
- macro hedges on financing amounting to approximately €26.9 million nominal;
- specific hedges on bonds amounting to approximately €19.40 billion nominal.

The derivative contracts used are of the interest rate swap and cap type.

Activity to test the effectiveness of hedges is performed by the Financial, Operational and Structural Balance Risk Control Area of the Parent. Tests for effectiveness are performed, in compliance with international accounting standards, prospectively when a hedge is first implemented followed by monthly prospective and retrospective tests.

C. Cash flow hedging

UBI Banca performs no cash flow hedging activities.

Quantitative information

1.1 Banking portfolio: distribution by residual maturity (repricing date) of financial assets and liabilities – Denominated in Euro

Type/Residual maturity	On demand	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	5 years to 10 years	Over ten years	Indeterminate maturity
1. On-balance sheet assets	**11,614,290**	**15,970,127**	**5,090,556**	**394,841**	**13,735,599**	**7,536,726**	**3,160,010**	**-**
1.1 Debt instruments	191,666	4,462,177	2,346,461	20,664	11,204,232	6,588,671	2,368,518	-
- with early redemption option	4,161	569,861	2,882	10,494	20,788	-	-	-
- other	187,505	3,892,316	2,343,579	10,170	11,183,444	6,588,671	2,368,518	-
1.2 Financing to banks	2,822,560	4,130,024	304,981	48,310	190,472	-	-	-
- Compulsory reserve requirements	x	528,311	x	x	x	x	x	x
- other	2,822,560	3,601,713	304,981	48,310	190,472	-	-	-
1.3 Customer finance	8,600,064	7,377,926	2,439,114	325,867	2,340,895	948,055	791,492	-
- current accounts	1,001,653	-	-	-	-	675	-	-
- other financing	7,598,411	7,377,926	2,439,114	325,867	2,340,895	947,380	791,492	-
- with early redemption option	152,659	2,917,069	589,629	273,832	2,066,668	336,640	754,415	-
- other	7,445,752	4,460,857	1,849,485	52,035	274,227	610,740	37,077	-
2. On-balance sheet liabilities	**3,944,531**	**24,246,184**	**4,968,803**	**5,084,987**	**17,904,200**	**4,048,483**	**1,024,036**	**-**
2.1 Due to customers	1,052,368	5,405,522	20,167	137,344	4,624	7,581	12,041	-
- current accounts	1,026,436	-	-	-	-	-	-	-
- other payables	25,932	5,405,522	20,167	137,344	4,624	7,581	12,041	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	25,932	5,405,522	20,167	137,344	4,624	7,581	12,041	-
2.2 Due to banks	2,593,867	13,646,764	1,093,065	1,260,345	-	-	-	-
- current accounts	2,002,327	-	-	-	-	-	-	-
- other payables	591,540	13,646,764	1,093,065	1,260,345	-	-	-	-
2.3 Debt instruments	297,970	5,193,898	3,855,571	3,687,298	17,899,576	4,040,902	1,011,995	-
- with early redemption option	1,176	111,177	193,693	8,639	34,644	35,373	25,070	-
- other	296,794	5,082,721	3,661,878	3,678,659	17,864,932	4,005,529	986,925	-
2.4 Other liabilities	326	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	326	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(15,633,201)**	**8,079,835**	**1,424,342**	**6,374,839**	**1,393,697**	**(1,915,461)**	**-**
3.1 With underlying security	-	113	-	1,645	(16)	(94,752)	(182,941)	-
- Options	-	113	-	1,645	(16)	(94,752)	(182,941)	-
- Long positions	-	113	-	1,645	-	96,480	52	-
- Short positions	-	-	-	-	16	191,232	182,993	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(15,633,314)	8,079,835	1,422,697	6,374,855	1,488,449	(1,732,520)	-
- Options	-	(1,574,106)	(38,705)	(18,294)	1,628,653	1,099	1,355	-
+ Long positions	-	54,053	114	179,331	1,861,407	1,446	1,355	-
+ Short positions	-	1,628,159	38,819	197,625	232,754	347	-	-
- Other derivatives	-	(14,059,208)	8,118,540	1,440,991	4,746,202	1,487,350	(1,733,875)	-
+ Long positions	-	5,723,718	8,154,108	1,453,586	11,447,279	3,938,887	-	-
+ Short positions	-	19,782,926	35,568	12,595	6,701,077	2,451,537	1,733,875	-
4. Other off-balance sheet items	**225,246**	**(225,245)**	**-**	**-**	**-**	**-**	**-**	**-**
+ Long positions	1,072,370	1,254	-	-	-	-	-	-
+ Short positions	847,124	226,499	-	-	-	-	-	-

1.2 Banking portfolio: distribution by residual maturity (repricing date) of financial assets and liabilities – Denominated in United States Dollars

Type/Residual maturity	On demand	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	5 years to 10 years	Over ten years	Indeterminate maturity
1. On-balance sheet assets	**29,752**	**357,913**	**17,327**	**1,274**	**37,636**	**7,724**	**-**	**-**
1.1 Debt instruments	450	-	-	-	27,443	-	-	-
- with early redemption option	450	-	-	-	27,443	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	2,887	177,296	560	-	-	-	-	-
- Compulsory reserve requirements	x	-	x	x	x	x	x	x
- other	2,887	177,296	560	-	-	-	-	-
1.3 Customer finance	26,415	180,617	16,767	1,274	10,193	7,724	-	-
- current accounts	15,129	-	-	-	-	-	-	-
- other financing	11,286	180,617	16,767	1,274	10,193	7,724	-	-
- with early redemption option	18	11,064	-	225	1,804	2,480	-	-
- other	11,268	169,553	16,767	1,049	8,389	5,244	-	-
2. On-balance sheet liabilities	**312,162**	**145,540**	**655**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	67	-	-	-	-	-	-	-
- current accounts	67	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	312,095	145,540	655	-	-	-	-	-
- current accounts	312,086	-	-	-	-	-	-	-
- other payables	9	145,540	655	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**24,710**	**-**	**-**	**(24,710)**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	24,710	-	-	(24,710)	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	24,710	-	-	(24,710)	-	-	-
+ Long positions	-	24,710	-	-	-	-	-	-
+ Short positions	-	-	-	-	24,710	-	-	-
4. Other off-balance sheet items	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

1.3 Banking portfolio: distribution by residual maturity (repricing date) of financial assets and liabilities – Denominated in UK Sterling

Type/Residual maturity	On demand	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	5 years to 10 years	Over ten years	Indeterminate maturity
1. On-balance sheet assets	**4,306**	**2,953**	**4,311**	**9,291**	**16,851**	**-**	**-**	**-**
1.1 Debt instruments	765	-	4,311	9,291	16,851	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	765	-	4,311	9,291	16,851	-	-	-
1.2 Financing to banks	3,471	-	-	-	-	-	-	-
- Compulsory reserve requirements	x	-	x	x	x	x	x	x
- other	3,471	-	-	-	-	-	-	-
1.3 Customer finance	70	2,953	-	-	-	-	-	-
- current accounts	69	-	-	-	-	-	-	-
- other financing	1	2,953	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	1	2,953	-	-	-	-	-	-
2. On-balance sheet liabilities	**13,682**	**8,859**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	2,584	-	-	-	-	-	-	-
- current accounts	2,584	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	11,098	8,859	-	-	-	-	-	-
- current accounts	11,097	-	-	-	-	-	-	-
- other payables	1	8,859	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**28,245**	**-**	**(8,987)**	**(19,258)**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	28,245	-	(8,987)	(19,258)	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	28,245	-	(8,987)	(19,258)	-	-	-
+ Long positions	-	28,245	-	-	-	-	-	-
+ Short positions	-	-	-	8,987	19,258	-	-	-
4. Other off-balance sheet items	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

1.4 Banking portfolio: distribution by residual maturity (repricing date) of financial assets and liabilities – Denominated in Swiss Francs

Type/Residual maturity	On demand	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	5 years to 10 years	Over ten years	Indeterminate maturity
1. On-balance sheet assets	**3,984**	**607,452**	**32,377**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	3,835	607,452	9,148	-	-	-	-	-
- Compulsory reserve requirements	x	-	x	x	x	x	x	x
- other	3,835	607,452	9,148	-	-	-	-	-
1.3 Customer finance	149	-	23,229	-	-	-	-	-
- current accounts	59	-	-	-	-	-	-	-
- other financing	90	-	23,229	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	90	-	23,229	-	-	-	-	-
2. On-balance sheet liabilities	**29,889**	**12,891**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	13	-	-	-	-	-	-	-
- current accounts	13	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	29,876	12,891	-	-	-	-	-	-
- current accounts	29,876	-	-	-	-	-	-	-
- other payables	-	12,891	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet items	**(204,590)**	**(12,475)**	**217,065**	**-**	**-**	**-**	**-**	**-**
+ Long positions	12,475	-	217,065	-	-	-	-	-
+ Short positions	217,065	12,475	-	-	-	-	-	-

1.5 Banking portfolio: distribution by residual maturity (repricing date) of financial assets and liabilities - Denominated in Canadian Dollars

Type/Residual maturity	On demand	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	5 years to 10 years	Over ten years	Indeterminate maturity
1. On-balance sheet assets	**376**	**1,422**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	322	1,422	-	-	-	-	-	-
- Compulsory reserve requirements	x	-	x	x	x	x	x	x
- other	322	1,422	-	-	-	-	-	-
1.3 Customer finance	54	-	-	-	-	-	-	-
- current accounts	54	-	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**1,708**	**640**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	1,708	640	-	-	-	-	-	-
- current accounts	1,708	-	-	-	-	-	-	-
- other payables	-	640	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet items	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

1.6 Banking portfolio: distribution by residual maturity (repricing date) of financial assets and liabilities - Denominated in Japanese Yen

Type/Residual maturity	On demand	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	5 years to 10 years	Over ten years	Indeterminate maturity
1. On-balance sheet assets	**3,449**	**1,614**	**867**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	3,325	1,614	867	-	-	-	-	-
- Compulsory reserve requirements	x	-	x	x	x	x	x	x
- other	3,325	1,614	867	-	-	-	-	-
1.3 Customer finance	124	-	-	-	-	-	-	-
- current accounts	124	-	-	-	-	-	-	-
- other financing	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**1,713**	**3,443**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	2	-	-	-	-	-	-	-
- current accounts	2	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	1,711	3,443	-	-	-	-	-	-
- current accounts	1,711	-	-	-	-	-	-	-
- other payables	-	3,443	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet items	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

1.7 Banking portfolio: distribution by residual maturity (repricing date) of financial assets and liabilities – Denominated in Other Currencies

Type/Residual maturity	On demand	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	5 years to 10 years	Over ten years	Indeterminate maturity
1. On-balance sheet assets	**19,454**	**112,194**	**984**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	10,734	2,339	984	-	-	-	-	-
- Compulsory reserve requirements	x	-	x	x	x	x	x	x
- other	10,734	2,339	984	-	-	-	-	-
1.3 Customer finance	8,720	109,855	-	-	-	-	-	-
- current accounts	8,565	-	-	-	-	-	-	-
- other financing	155	109,855	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	155	109,855	-	-	-	-	-	-
2. On-balance sheet liabilities	**7,717**	**13,717**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	3,585	-	-	-	-	-	-	-
- current accounts	3,585	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	4,132	13,717	-	-	-	-	-	-
- current accounts	4,131	-	-	-	-	-	-	-
- other payables	1	13,717	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**(2,749)**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	(2,749)	-	-	-
- Options	-	-	-	-	(2,749)	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	2,749	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet items	**(211)**	**211**	**-**	**-**	**-**	**-**	**-**	**-**
+ Long positions	801	1,012	-	-	-	-	-	-
+ Short positions	1,012	801	-	-	-	-	-	-

2. Banking portfolio: internal models and other methods of sensitivity analysis

Positive levels of sensitivity were found for UBI Banca as at 31st December 2014 in both of the scenarios considered by Group financial risk policy. In detail:

- in the upward shift in the yield curve scenario (+100 bp), the exposure recorded in terms of sensitivity was +€12.40 million.
- in the downward shift in the yield curve scenario (-100 BP), on the other hand, core sensitivity of +€17.67 million was found. This exposure is affected by the non-negative constraint imposed on interest rates (today close to zero) and therefore by the application of a floor on the shift of the relative curve.

In compliance with policy documents, both levels include modelling of the behavioural profile of on-demand items according to the internal model estimated.

The indicators are affected by the mergers of Banca 24/7 and Centrobanca into UBI Banca.

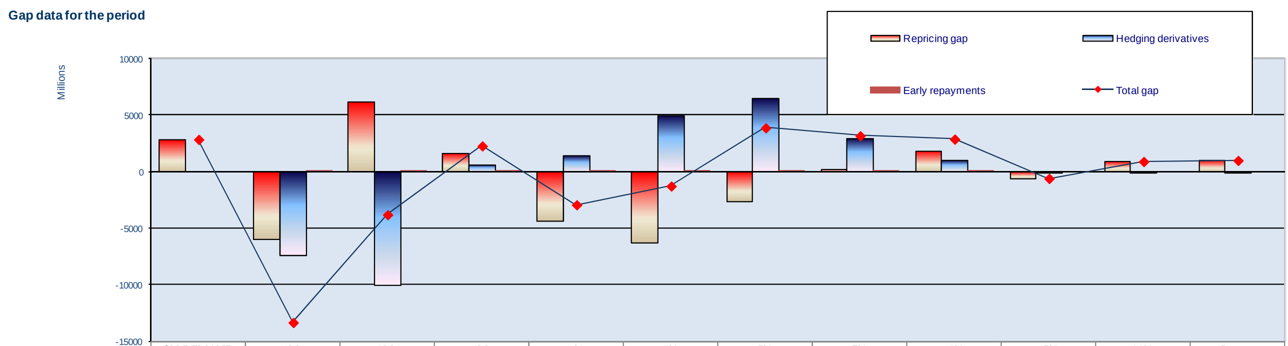
Supervisory regulations also require all intermediaries to measure the impact of exposure to the risk of a change in interest rates of +/- 200 b.p. If the economic value of a bank falls by over 20% of its own funds, then the European Central Bank and the Bank of Italy will examine the results with the bank and they may decide to take appropriate action.

The table below gives the risk measured for UBI Banca in the reference scenario, which as at 31st December 2014 was one of a parallel shift in the reference rates of +200 bp, shown as a percentage of total own funds.

Risk indicators - end of period values	31/12/2014	31/12/2013
parallel shift of + 200 bp		
Reduction in economic value/Own funds	1.93%	2.90%

The impact as at 31st December 2014, on net interest income assuming a shift of +100 basis points on the yield curve was -€35.36 million, while if a decrease in interest rates is hypothesised (-100 bp), the impact on net interest income is estimated at -€2.51 million.

Details are given below of the capital profile by repricing date used as input to the internal model for calculating exposure to interest rate risk.



	ON-DEMAND	1M	3M	6M	1Y	3Y	5Y	7Y	10Y	15Y	20Y	Longer
Repricing gap	2,839.59	-5,940.25	6,202.68	1,640.88	-4,387.44	-6,261.11	-2,584.78	238.87	1,870.81	-605.31	894.42	987.51
Hedging derivatives	-	-7,398.95	-10,014.20	626.77	1,450.99	4,978.93	6,448.31	2,921.08	995.94	-3.28	-2.84	-2.76
Early repayments	-	5.23	9.30	13.03	21.21	43.52	16.88	15.99	16.03	-16.28	-47.34	-77.56
Total gap	2,839.59	-13,339.19	-3,811.51	2,267.65	-2,936.45	-1,282.18	3,863.53	3,159.96	2,866.75	-608.59	891.58	984.76

2.3 Currency risk

Qualitative information

A. General aspects, management processes and methods of measuring currency risk

Currency risk is calculated on the basis of the methods recommended by the Bank of Italy and amounts to 8% of the net foreign exchange position. The latter is calculated as the higher (in absolute terms) of the sum of the net long positions and the sum of the net short positions (position for each currency) to which the currency risk implicit in investments in UCITS is added.

B. Currency risk hedging

Information on the analysis of hedging for currency risk is contained in the section on the analysis of interest rate risk which may be consulted.

Quantitative information

The absorption of capital for currency risk at the end of the year was nil.

1. Distribution of assets, liabilities and derivatives by foreign currency in which they are denominated

Items	Currencies						TOTAL
	US DOLLARS	UK STERLING	YEN	CANADIAN DOLLARS	SWISS FRANCS	OTHER CURRENCIES	
A. Financial assets	**458,832**	**37,713**	**5,931**	**1,798**	**643,813**	**132,642**	**1,280,729**
A.1 Debt instruments	27,893	31,218	-	-	-	-	**59,111**
A.2 Equity instruments	7,202	-	-	-	-	-	**7,202**
A.3 Financing to banks	180,745	3,471	5,807	1,744	620,434	14,057	**826,258**
A.4 Financing to customers	242,992	3,024	124	54	23,379	118,585	**388,158**
A.5 Other financial assets	-	-	-	-	-	-	**-**
B. Other assets	**7,390**	**3,790**	**285**	**589**	**3,568**	**1,127**	**16,749**
C. Financial liabilities	**458,358**	**22,541**	**5,156**	**2,347**	**42,780**	**21,432**	**552,614**
C.1 Due to banks	458,291	19,957	5,154	2,347	42,767	17,847	**546,363**
C.2 Due to customers	67	2,584	2	-	13	3,585	**6,251**
C.3 Debt instruments	-	-	-	-	-	-	**-**
C.4 Other financial liabilities	-	-	-	-	-	-	**-**
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial Derivatives	**(16,955)**	**(18,351)**	**(1,059)**	**(26)**	**(604,381)**	**(111,724)**	**(752,496)**
- Options	(20)	-	-	-	-	-	**(20)**
+ Long positions	487,705	5,351	970	166	12,331	3,304	**509,827**
+ Short positions	487,725	5,351	970	166	12,331	3,304	**509,847**
- Other derivatives	(16,935)	(18,351)	(1,059)	(26)	(604,381)	(111,724)	**(752,476)**
+ Long positions	545,709	74,772	156,348	9,724	6,218	23,994	**816,765**
+ Short positions	562,644	93,123	157,407	9,750	610,599	135,718	**1,569,241**
Total assets	**1,499,636**	**121,626**	**163,534**	**12,277**	**665,930**	**161,067**	**2,624,070**
Total liabilities	**1,508,727**	**121,015**	**163,533**	**12,263**	**665,710**	**160,454**	**2,631,702**
Balance (+/-)	**(9,091)**	**611**	**1**	**14**	**220**	**613**	**(7,632)**

2. Internal models and other methods of sensitivity analysis.

Information is reported in the corresponding part on “interest rate and price risk” (section 2.1 - 2.2).

2.4 Derivative instruments

A. FINANCIAL DERIVATIVES

A.1 Supervisory trading portfolio: end of period and average notional amounts

Underlying assets/type of derivative	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	43,547,214	268,550	56,901,293	1,240,405
a) Options	7,195,389	-	8,481,760	75,850
b) Swaps	36,351,825	-	48,419,533	-
c) Forwards	-	-	-	-
d) Futures	-	268,550	-	1,164,555
e) Other	-	-	-	-
2. Equity instruments and share indices	-	34,304	-	109
a) Options	-	125	-	109
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	34,179	-	-
e) Other	-	-	-	-
3. Currencies and gold	4,315,237	-	4,704,640	-
a) Options	2,078,438	-	2,427,028	-
b) Swaps	-	-	-	-
c) Forwards	2,236,799	-	2,277,612	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	36,869	-	21,820	-
5. Other underlying	-	-	-	-
Total	**47,899,320**	**302,854**	**61,627,753**	**1,240,514**
Average amounts	**47,199,589**	**771,684**	**61,839,886**	**994,355**

A.2 Banking portfolio: notional, end of period and average amounts

A.2.1 For hedging

Underlying assets/type of derivative	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	34,856,807	-	20,571,883	-
a) Options	4,086,274	-	4,299,106	-
b) Swaps	30,770,533	-	16,272,777	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indices	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	**34,856,807**	**-**	**20,571,883**	**-**
Average amounts	**32,727,914**	**-**	**18,015,906**	**-**

The table gives the notional amounts for derivative contracts by type of contract. The swap contracts consist of swaps on interest rates performed mainly to hedge available-for-sale financial assets and own issue bonds.

A.2.2 Other derivatives

Underlying assets/type of derivative	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indices	635,724	-	1,141,654	-
a) Options	635,724	-	1,141,654	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying	-	-	-	-
Total	**635,724**	**-**	**1,141,654**	**-**
Average amounts	**546,269**	**-**	**1,141,417**	**-**

A.3 Financial derivatives: gross positive fair value - by type of product

Portfolio/type of derivative	Positive fair value		Positive fair value	
	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading portfolio	743,207	778	604,993	158
a) Options	39,311	80	29,005	86
b) Interest rate swaps	683,739	-	554,554	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	16,576	-	20,401	-
f) Futures	-	698	-	72
g) Other	3,581	-	1,033	-
B. Banking portfolio - for hedging	647,972	-	215,310	-
a) Options	-	-	-	-
b) Interest rate swaps	647,972	-	215,310	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**1,391,179**	**778**	**820,303**	**158**

A.4 Financial derivatives: gross negative fair value - by type of product

Portfolio/type of derivative	Negative fair value		Negative fair value	
	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading portfolio	721,880	300	551,777	52
a) Options	36,953	-	23,116	3
b) Interest rate swaps	664,892	-	506,613	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	16,459	-	21,054	-
f) Futures	-	300	-	49
g) Other	3,576	-	994	-
B. Banking portfolio - for hedging	937,018	-	377,702	-
a) Options	-	-	-	-
b) Interest rate swaps	937,018	-	377,702	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**1,658,898**	**300**	**929,479**	**52**

A.5 OTC financial derivatives: supervisory trading portfolio: notional amounts, gross positive and negative fair values by counterparty – contracts not covered by clearing agreements

Contracts not covered by clearing agreements	Governments and Central Banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	14,430,611	11,910,710	-	1,461,580	-
- positive fair value	-	-	262,627	51,007	-	230,352	-
- negative fair value	-	-	21,196	29,260	-	83	-
- future exposure	-	-	80,571	63,339	-	14,871	-
2) Equity instruments and share indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Currencies and gold							
- notional amount	-	-	2,506,280	769,254	520	-	-
- positive fair value	-	-	14,383	10,563	8	-	-
- negative fair value	-	-	39,982	2,371	-	-	-
- future exposure	-	-	22,651	7,693	5	-	-
4) Other securities							
- notional amount	-	-	18,437	-	-	-	-
- positive fair value	-	-	1,422	-	-	-	-
- negative fair value	-	-	2,165	-	-	-	-
- future exposure	-	-	1,887	-	-	-	-

A.6 OTC financial derivatives: supervisory trading portfolio: notional amounts, gross positive and negative fair values by counterparty – contracts covered by clearing agreements

Contracts covered by clearing agreements	Governments and Central Banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	14,877,350	226,247	-	-	640,717
- positive fair value	-	-	140,844	1,824	-	-	2,112
- negative fair value	-	-	577,510	8,282	-	-	31,231
2) Equity instruments and share indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currencies and gold							
- notional amount	-	-	836,379	192,674	-	-	10,129
- positive fair value	-	-	20,808	4,511	-	-	576
- negative fair value	-	-	6,987	1,391	-	-	-
4) Other securities							
- notional amount	-	-	17,340	1,092	-	-	-
- positive fair value	-	-	2,129	41	-	-	-
- negative fair value	-	-	1,349	74	-	-	-

A.7 OTC financial derivatives: banking portfolio – notional amounts, gross positive and negative fair values by counterparty – contracts not covered by clearing agreements

Contracts not covered by clearing agreements	Governments and Central Banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	43,656	-	-	-	-
- positive fair value	-	-	12,557	-	-	-	-
- negative fair value	-	-	1,897	-	-	-	-
- future exposure	-	-	268	-	-	-	-
2) Equity instruments and share indices							
- notional amount	-	-	7,354	245,610	253,019	67,297	22
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	24,555	25,302	71	-
3) Currencies and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4) Other securities							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 OTC financial derivatives: banking portfolio - notional amounts, gross positive and negative fair values by counterparty – contracts covered by clearing agreements

Contracts covered by clearing agreements	Governments and Central Banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	27,506,804	3,635,126	-	-	3,671,221
- positive fair value	-	-	393,054	53,617	-	-	188,744
- negative fair value	-	-	756,101	149,363	-	-	29,657
2) Equity instruments and share indices							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currencies and gold							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4) Other securities							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 Residual maturity of OTC financial derivatives: notional amounts

Underlying asset/Residual maturity	Up to 1 year	1 year to 5 years	More than 5 years	Total
A) Supervisory trading portfolio	9,185,417	18,491,909	20,221,993	**47,899,319**
A.1 Financial derivatives on debt instruments and interest rates	5,078,719	18,246,502	20,221,993	**43,547,214**
A.2 Financial derivatives on equity instruments and share indices	-	-	-	**-**
A.3 Financial derivatives on exchange rates and gold	4,074,567	240,669	-	**4,315,236**
A.4 Financial derivatives on other securities	32,131	4,738	-	**36,869**
B) Banking portfolio	2,593,907	24,124,500	8,774,124	**35,492,531**
B.1 Financial derivatives on debt instruments and interest rates	2,590,404	24,117,104	8,149,299	**34,856,807**
B.2 Financial derivatives on equities and share indices	3,503	7,396	624,825	**635,724**
B.3 Financial derivatives on exchange rates and gold	-	-	-	**-**
B.4 Financial Derivatives on other securities	-	-	-	**-**
Total 31.12.2014	**11,779,324**	**42,616,409**	**28,996,117**	**83,391,850**
Total 31.12.2013	**23,493,639**	**33,644,020**	**26,203,630**	**83,341,289**

A.10 OTC financial derivatives: counterparty risk/financial risk – Internal models

UBI Banca does not use internal models to measure counterparty risk and financial risk for OTC financial derivatives.

B. CREDIT DERIVATIVES

B.1 Credit derivatives: end of period and average notional amounts

Categories of transactions	Supervisory trading portfolio		Banking portfolio	
	on a single item	on a basket of items	on a single item	on a basket of items
1. Protection purchases				
a) Credit default products	-	-	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swaps	-	-	-	-
d) Other	-	-	-	-
Total 31.12.2014	**-**	**-**	**-**	**-**
Average amounts	**-**	**-**	**-**	**-**
Total 31.12.2013	**415,000**	**-**	**-**	**-**
2. Protection sales				
a) Credit default products	-	-	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swaps	-	-	-	-
d) Other	-	-	-	-
Total 31.12.2014	**-**	**-**	**-**	**-**
Average amounts	**-**	**-**	**-**	**-**
Total 31.12.2013	**-**	**-**	**-**	**-**

Credit default products for 31.12.2013 related to credit derivative contracts entered into in relation to issues of preference shares by Banca Popolare di Bergamo Funding LLC for €300 million and Banca Popolare Commercio e Industria Funding LLC for €115 million. These positions were closed during the year.

B.2 OTC credit derivatives: gross positive fair value - by type of product

No OTC credit derivatives with a gross positive fair value were recognised.

B.3 OTC credit derivatives: gross negative fair value - by type of product

No OTC credit derivatives with a gross negative fair value were recognised.

B.4 OTC credit derivatives: gross fair value (positive and negative) by counterparty – contracts not covered by clearing agreements

No OTC credit derivatives with contracts not covered by clearing agreements were recognised.

B.5 OTC credit derivatives: gross fair value (positive and negative) by counterparty – contracts covered by clearing agreements

No OTC credit derivatives with contracts covered by clearing agreements were recognised.

B.6 Residual maturity of credit derivatives: notional amounts

Underlying asset/Residual maturity	Up to 1 year	1 year to 5 years	More than 5 years	Total
A) Supervisory trading portfolio				
A.1 Credit derivatives with "qualified" "reference obligation"	-	-	-	-
A.2 Credit derivatives with "unqualified" "reference obligation"	-	-	-	-
B) Banking portfolio				
B.1 Credit derivatives with "qualified" "reference obligation"	-	-	-	-
B.2 Credit derivatives with "unqualified" "reference obligation"	-	-	-	-
Total 31.12.2014	**-**	**-**	**-**	**-**
Total 31.12.2013	**415,000**	**-**	**-**	**415,000**

B.7 Credit derivatives: counterparty risk and financial risk – Internal models

UBI Banca does not use internal models to measure counterparty and financial risk for credit derivatives.

C. FINANCIAL AND CREDIT DERIVATIVES

C.1 OTC financial and credit derivatives: net fair value and future exposure by counterparty

	Governments and Central Banks	Other public authorities	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Bilateral agreement financial derivatives	**-**	**-**	**1,347,468**	**201,432**	**-**	**-**	**197,260**
- positive fair value	-	-	145,677	33,398	-	-	130,543
- negative fair value	-	-	918,788	132,514	-	-	-
- future exposure	-	-	140,053	18,141	-	-	34,197
- net counterparty risk	-	-	142,950	17,379	-	-	32,520
2) Bilateral agreement credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) "Cross product" agreements	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-

Section 3 Liquidity risk

Qualitative information

A. General aspects, processes for the management and methods for the measurement of liquidity risk

Liquidity risk relates to the ability or inability of the Bank to meet its payment obligations and/or to raise additional funding (funding liquidity risk), or to the possibility that the amount obtained from the liquidation of some of its assets might be significantly different from the present market values (asset liquidity risk).

At consolidated and separate company level, liquidity risk is regulated as part of the Financial Risk Management Policy, which not only sets exposure limits and early warning thresholds, but also sets rules designed to pursue and maintain structural balance in network banks and product companies by means of co-ordinated and efficient funding and lending policies.

Finally the objective of the policy is to standardise both the procedures for taking action and the criteria for identifying rates and charges across all Group member companies, identifying *a priori* any specific exceptions there may be.

The following are responsible for liquidity risk management, which is performed centrally on behalf of the network banks by the Parent:

- the units that report to the Chief Business Officer (first level management), which monitor liquidity daily and manage risk on the basis of defined limits;
- the Risk Management Area (2nd level management), responsible for measuring summary risk indicators and periodically verifying that limits are observed.

Liquidity risk is monitored, with particular reference to the position in terms of structural balance, principally by using a liquidity gap model which calculates the net cash flows over time in order to detect any critical points in the expected liquidity conditions. A target level is set at individual level of essentially a balance between funding, measured on the basis of the degree of stability, and loans, measured on the basis of liquidity.

Quantitative information

1.1 Distribution over time by residual contractual maturity of financial assets and liabilities – Denominated in Euro

Items/maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate maturity
On-balance sheet assets	**11,395,966**	**2,027,472**	**546,773**	**1,318,560**	**3,053,151**	**1,369,358**	**1,511,675**	**21,324,075**	**13,485,340**	**528,567**
A.1 Government securities	-	-	-	-	158,131	236,049	535,637	11,004,785	7,500,002	2
A.2 Other debt instruments	3,010	-	71,897	-	303,676	25,782	123,000	5,074,486	940,179	254
A.3 Units in UCITS	244,613	-	-	-	-	-	-	-	-	-
A.4 Financing	11,148,343	2,027,472	474,876	1,318,560	2,591,344	1,107,527	853,038	5,244,804	5,045,159	528,311
- Banks	2,822,525	1,479,963	-	378,639	1,324,910	386,412	103,179	472,454	6,695	528,311
- Customers	8,325,818	547,509	474,876	939,921	1,266,434	721,115	749,859	4,772,350	5,038,464	-
On-balance sheet liabilities	**3,656,998**	**4,809,727**	**1,976,892**	**3,088,177**	**6,426,951**	**1,799,879**	**6,046,293**	**28,615,963**	**5,560,790**	**-**
B.1 Deposits and current accounts	3,446,644	564,996	1,159,912	625,662	423,162	418,415	1,260,466	-	-	-
- Banks	2,420,208	564,996	1,159,912	625,662	423,162	418,415	1,260,466	-	-	-
- Customers	1,026,436	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	7,813	2,338	6,583	62,574	461,238	1,215,342	4,527,457	24,775,849	5,259,739	-
B.3 Other liabilities	202,541	4,242,393	810,397	2,399,941	5,542,551	166,122	258,370	3,840,114	301,051	-
Off-balance sheet transactions	**(590,888)**	**(138,682)**	**(4,751)**	**(124,722)**	**621,589**	**11,064**	**25,607**	**1,090,520**	**(237,572)**	**-**
C.1 Financial derivatives with exchange of principal	-	(139,296)	(446)	90,415	391,647	8,033	6,081	401,769	(277,744)	-
- Long positions	-	319,120	11,445	795,843	493,553	163,025	186,313	459,377	96,581	-
- Short positions	-	458,416	11,891	705,428	101,906	154,992	180,232	57,608	374,325	-
C.2 Financial derivatives without exchange of principa	22,057	(640)	(4,305)	3,741	136,472	(11,178)	14,431	-	-	-
- Long positions	683,122	425	1,210	10,444	174,091	43,984	119,259	-	-	-
- Short positions	661,065	1,065	5,515	6,703	37,619	55,162	104,828	-	-	-
C.3 Deposits and financing to be received	226,499	-	-	(226,499)	-	-	-	-	-	-
- Long positions	226,499	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	226,499	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	(840,926)	1,254	-	6,700	93,470	14,209	5,095	680,027	40,172	-
- Long positions	6,198	1,254	-	6,700	93,470	14,209	5,095	680,027	40,172	-
- Short positions	847,124	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	1,482	-	-	921	-	-	-	8,724	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1.2 Distribution over time by residual contractual maturity of financial assets and liabilities - Denominated in USD

Items/maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate maturity
On-balance sheet assets	**90,726**	**5,676**	**5,486**	**191,523**	**62,919**	**2,743**	**4,310**	**57,185**	**40,337**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	636	-	636	24,710	-	-
A.3 Units in UCITS	5,560	-	-	-	-	-	-	-	-	-
A.4 Financing	85,166	5,676	5,486	191,523	62,283	2,743	3,674	32,475	40,337	-
- Banks	15,204	5,676	5,486	93,059	60,814	560	-	-	-	-
- Customers	69,962	-	-	98,464	1,469	2,183	3,674	32,475	40,337	-
On-balance sheet liabilities	**357,454**	**37,231**	**12,356**	**12,357**	**38,320**	**656**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	357,454	37,231	12,356	12,357	38,320	656	-	-	-	-
- Banks	357,387	37,231	12,356	12,357	38,320	656	-	-	-	-
- Customers	67	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**(434)**	**(2,930)**	**732**	**359**	**(4,279)**	**(8,202)**	**(4,867)**	**1,099**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	(2,930)	732	359	(3,705)	(8,220)	(4,317)	1,099	-	-
- Long positions	-	29,432	21,073	475,371	84,178	145,873	177,751	58,447	-	-
- Short positions	-	32,362	20,341	475,012	87,883	154,093	182,068	57,348	-	-
C.2 Financial derivatives without exchange of principal	(434)	-	-	-	(574)	18	(550)	-	-	-
- Long positions	11,255	-	-	-	28	18	40	-	-	-
- Short positions	11,689	-	-	-	602	-	590	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1.3 Distribution over time by residual contractual maturity of financial assets and liabilities - Denominated in CHF

Items/maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate maturity
On-balance sheet assets	**3,880**	**219,633**	**1,996**	**7,069**	**378,861**	**9,151**	**-**	**-**	**23,287**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 Units in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Financing	3,880	219,633	1,996	7,069	378,861	9,151	-	-	23,287	-
- Banks	3,728	219,633	1,996	7,069	378,861	9,151	-	-	-	-
- Customers	152	-	-	-	-	-	-	-	23,287	-
On-balance sheet liabilities	**29,889**	**12,891**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	29,889	12,891	-	-	-	-	-	-	-	-
- Banks	29,876	12,891	-	-	-	-	-	-	-	-
- Customers	13	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**(204,590)**	**(226,878)**	**(125)**	**(30)**	**(388,541)**	**216,316**	**(715)**	**183**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	(214,403)	(125)	(30)	(388,541)	(749)	(715)	183	-	-
- Long positions	-	1,542	-	3,962	166	4,005	8,693	183	-	-
- Short positions	-	215,945	125	3,992	388,707	4,754	9,408	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	12,475	(12,475)	-	-	-	-	-	-	-	-
- Long positions	12,475	-	-	-	-	-	-	-	-	-
- Short positions	-	12,475	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	(217,065)	-	-	-	-	217,065	-	-	-	-
- Long positions	-	-	-	-	-	217,065	-	-	-	-
- Short positions	217,065	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1.4 Distribution over time by residual contractual maturity of financial assets and liabilities - Denominated in GPB

Items/maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate maturity
On-balance sheet assets	**3,543**	**-**	**-**	**2,953**	**960**	**328**	**9,887**	**15,406**	**3,852**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	960	328	9,887	15,406	3,852	-
A.3 Units in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Financing	3,543	-	-	2,953	-	-	-	-	-	-
- Banks	3,471	-	-	-	-	-	-	-	-	-
- Customers	72	-	-	2,953	-	-	-	-	-	-
On-balance sheet liabilities	**13,681**	**7,062**	**-**	**-**	**1,799**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	13,681	7,062	-	-	1,799	-	-	-	-	-
- Banks	11,097	7,062	-	-	1,799	-	-	-	-	-
- Customers	2,584	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**-**	**(19,428)**	**-**	**(82)**	**660**	**(447)**	**64**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	(19,428)	-	(82)	899	(257)	513	-	-	-
- Long positions	-	1,037	266	69,869	3,364	1,003	2,712	-	-	-
- Short positions	-	20,465	266	69,951	2,465	1,260	2,199	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	(239)	(190)	(449)	-	-	-
- Long positions	7	-	-	-	81	53	100	-	-	-
- Short positions	7	-	-	-	320	243	549	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1.5 Distribution over time by residual contractual maturity of financial assets and liabilities - Denominated in JPY

Items/maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate maturity
On-balance sheet assets	**3,451**	**59**	**538**	**544**	**474**	**867**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 Units in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Financing	3,451	59	538	544	474	867	-	-	-	-
- Banks	3,324	59	538	544	474	867	-	-	-	-
- Customers	127	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	**1,713**	**-**	**-**	**3,443**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	1,713	-	-	3,443	-	-	-	-	-	-
- Banks	1,711	-	-	3,443	-	-	-	-	-	-
- Customers	2	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**-**	**(44)**	**-**	**(76)**	**(486)**	**(110)**	**(344)**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	(44)	-	(76)	(486)	(110)	(344)	-	-	-
- Long positions	-	4,318	-	151,686	456	335	317	207	-	-
- Short positions	-	4,362	-	151,762	942	445	661	207	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1.6 Distribution over time by residual contractual maturity of financial assets and liabilities - Denominated in CAD

Items/ maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate maturity
On-balance sheet assets	**1,799**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 Units in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Financing	1,799	-	-	-	-	-	-	-	-	-
- Banks	1,744	-	-	-	-	-	-	-	-	-
- Customers	55	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	**1,708**	**640**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	1,708	640	-	-	-	-	-	-	-	-
- Banks	1,708	640	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**-**	**(14)**	**-**	**(11)**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	(14)	-	(11)	-	-	-	-	-	-
- Long positions	-	65	56	9,660	-	-	110	-	-	-
- Short positions	-	79	56	9,671	-	-	110	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1.7 Distribution over time by residual contractual maturity of financial assets and liabilities – Other Currencies

Items/maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate maturity
On-balance sheet assets	**19,412**	**1,012**	**-**	**111,246**	**-**	**986**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 Units in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Financing	19,412	1,012	-	111,246	-	986	-	-	-	-
- Banks	10,733	1,012	-	1,328	-	986	-	-	-	-
- Customers	8,679	-	-	109,918	-	-	-	-	-	-
On-balance sheet liabilities	**7,950**	**10,901**	**-**	**2,586**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	7,950	10,901	-	2,586	-	-	-	-	-	-
- Banks	4,365	10,901	-	2,586	-	-	-	-	-	-
- Customers	3,585	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**(210)**	**(23,587)**	**(225)**	**(88,656)**	**19**	**702**	**234**	**(2,749)**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	(23,798)	(225)	(88,656)	19	702	234	(2,749)	-	-
- Long positions	-	3,944	9,370	7,761	1,400	2,011	1,967	-	-	-
- Short positions	-	27,742	9,595	96,417	1,381	1,309	1,733	2,749	-	-
C.2 Financial derivatives without exchange of principa	1	-	-	-	-	-	-	-	-	-
- Long positions	85	-	-	-	-	-	-	-	-	-
- Short positions	84	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	801	(801)	-	-	-	-	-	-	-	-
- Long positions	801	-	-	-	-	-	-	-	-	-
- Short positions	-	801	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	(1,012)	1,012	-	-	-	-	-	-	-	-
- Long positions	-	1,012	-	-	-	-	-	-	-	-
- Short positions	1,012	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

2 Information on pledged assets recognised in the financial statements

Type of instrument	Pledged		Not Pledged		31.12.2014	31.12.2013
	BV	FV	BV	FV		
1. Cash and cash equivalents	-	x	160,330	x	160,330	151,927
2. Debt instruments	12,775,830	12,790,941	15,260,728	15,273,931	28,036,558	23,427,438
3. Equities	-	-	9,819,535	9,819,535	9,819,535	10,825,008
4. Financing	7,525,239	x	24,016,834	x	31,542,073	35,216,937
5. Other assets financial	-	x	1,647,713	x	1,647,713	1,255,551
6. Non-financial assets	-	x	2,965,656	x	2,965,656	3,037,784
Total 31.12.2014	**20,301,069**	**12,790,941**	**53,870,796**	**25,093,466**	**74,171,865**	**x**
Total 31.12.2013	**17,236,517**	**9,840,654**	**56,678,128**	**24,359,219**	**x**	**73,914,645**

Item 2. debt instruments contains pledged own securities amounting to €12.774 billion (as specified at the foot of the table for assets posted to back own liabilities and commitments) and in addition, securities relating to security deposits for bankers' drafts amounting to €1.6 million.

The composition of pledged financing in terms of book value is as follows:

- assets transferred and not derecognised underlying the issue of covered bonds amounting to €2.1 billion;
- assets transferred and not derecognised underlying the former B@nca 24-7 securitisation amounting to €1.5 billion and the relative security deposits amounting to €33.8 million;
- assets transferred and not derecognised underlying the ABACO settlement system amounting to €844 million;
- loans financed to back EIB financing amounting to €735 million;
- margin deposits on derivatives amounting to €1.7 billion
- security deposits for business with the CCG (central counterparty clearing house) amounting to €464 million.

3 Information on own pledged assets not recognised in the financial statements

Type of instrument	Pledged	Not Pledged	31.12.2014	31.12.2013
1. Financial assets	8,341,790	7,772,212	16,114,002	15,512,388
- Securities	8,341,790	7,772,212	16,114,002	15,512,388
- other	-	-	-	-
2. Non-financial assets	-	-	-	-
Total 31.12.2014	**8,341,790**	**7,772,212**	**16,114,002**	**x**
Total 31.12.2013	**14,286,972**	**1,225,416**	**x**	**15,512,388**

Pledged securities not recognised in the financial statements are composed as follows:

- class A notes relating to the former B@nca 24-7 Spa securitisation, netted in the financial statements against corresponding debt of €1.1 billion;
- securities acquired through reverse repurchase agreements with Group banks, issued by special purpose entities relating to securitisations and used for refinancing operations amounting to €2.4 billion;

- covered bonds issued, repurchased and lodged as collateral for refinancing operations amounting to €4.4 billion;
- securities acquired through reverse repurchase agreements amounting to €422 million.

The portions of those same types of security lodged as collateral but not pledged are as follows:

- class B notes relating to the former B@nca 24-7 Spa securitisation, netted in the financial statements against corresponding debt of €0.2 billion;
- bonds issued and repurchased not lodged as collateral amounting to €6.9 billion.
- securities acquired through reverse repurchase agreements amounting to €630 million.

Section 4 Operational risks

Qualitative information

A. General aspects, procedures for the management and methods for the measurement of operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed procedures, human resources and internal systems or from external events. This definition comprises legal[19] and compliance risk[20], while it excludes reputational[21] and strategic risk[22].

In order to ensure a risk profile consistent with the risk appetite defined by the Strategic Supervisory Body, the Group has defined an organisational model based on the combination of various components identified according to the role filled and by the responsibility assigned in the organisation chart. The different components are identified centrally at the Parent and locally in the individual legal entities consistent with the Group's federal model of organisation.

The model involves centralisation at the Parent of policy-setting functions and of second and third level internal controls as described below:

the **Operational Risks Committee (ORC)**: is the consultation and reporting body for the entire operational risk management process. Its composition, functional rules, duties and powers are governed by the General Corporate Regulations;

Second Level Control Functions: consistent with the regulations in force[23], these activities are delegated to the Operational Risks and Internal Validation Functions;

Third Level Control Functions: consistent with Bank of Italy recommendations, these activities are delegated to the internal audit function.

Various levels of responsibility have been identified in each legal entity, listed below, assigned on the basis of the operating area:

Operational Risks Officer (ORO): this is the General Manager for the Parent. In other legal entities it is either the Managing Director or the General Manager, depending on their corporate regulations. The Operational Risk Officer is responsible, within his/her legal entity for implementing the entire operational risk management system as defined by Group policy;

Local Operational Risk Support Officer (LORSO): this role is the figure responsible for the unit in charge of local risk control. Within his/her legal entity, this officer supports the Operational

[19] Defined as the risk of losses resulting from violations of laws and regulations and from contractual or non contractual responsibilities or from other litigation.
[20] Defined as the risk of incurring legal or administrative penalties, or substantial financial losses as a consequence of violations of compulsory rules (laws or regulations) or internal regulations (e.g. articles of association, codes of conduct and voluntary codes).
[21] Defined as the present or future risk of incurring loss of profits or capital resulting from a negative perception of the image of the Bank by customers, counterparties, shareholders, investors or supervisory authorities.
[22] Defined as the present or future risk of incurring loss of profits or capital resulting from a negative perception of the image of the Bank by customers, counterparties, shareholders, investors or supervisory authorities.
[23] Bank of Italy Circular No. 263/2006 and subsequent updates.

Risks Officer in the implementation and co-ordination of the operational risk management system as defined by Group policy;

Risk Champion (RC): this role is responsible for units which report directly to the General Management, to Department Managers (including Local Departments where present) and to the managers of units who are responsible for specialists activities including the following operations:

- logical security
- physical security
- disaster recovery and operational continuity
- prevention and protection at work as defined by the legislation 81/2008
- anti money-laundering and anti-terrorism activities
- accounting controls as defined by legislation 262/2005
- complaints
- securities brokering
- legal and tax matters.

They are assigned responsibility for operational supervision of the proper performance of the operational risk management process in relation to the activity for which they are responsible and for co-ordinating the Risk Owners that report to them;

Risk Owner (RO): this role is that of the managers of the units which report hierarchically to a Risk Champion. Their task is to recognise and report loss events, both actual and/or potential, attributable to operational risk factors which occur in the course of everyday operations;

Accounting Assistant: this role is assigned to specific persons identified within the units responsible for operational accounting activities. Their task is to ensure full and accurate accounting of operational losses;

Insurance Function: this role is assigned to specific persons identified within the units responsible for the management of claims for which insurance cover is provided. Their task is to ensure accurate and full records are kept of insurance compensation and all relative support information.

The measurement system

The measurement system takes account of internal and external operational loss data, operational context factors and the system of internal controls, in a manner whereby it detects the main determinants of risk (especially those which impact on the distribution tail) and incorporates changes that occur in the risk profile. The model implemented by the UBI Banca Group takes account of operating context factors and of the system of internal controls through the use of self risk assessment techniques. The Operational Risk Management System of the Group is composed of the following:

- **Loss Date Collection (LDC)**: is a decentralised process for collecting data on operational losses designed for integrated and systematic detection of damaging events that occur which result in an actual loss, almost a loss (a “near miss”) or a profitable event;
- **Self Risk Assessment (SRA)**: is a process of self-diagnosis of exposure to potential risk of future losses, of the effectiveness of the control system and of the mitigation measures in place;
- **Italian Database of Operational Losses (IDOL)**: the measurement system makes use of external data in order to compensate for shortage of internal data and to assess risks from new operating segments for which historical data series are not available. In this respect the UBI Group has participated since 2003 in Italian Banking Association’s Italian Database of Operational Losses (IDOL) in order to gain access to loss data for the Italian banks that participate.

Further details on the functioning of the calculation model are given in the following section on the capital requirement which may be consulted.

The reporting system

Monitoring of the operational risks is carried out by means of a standard reporting system organised on the basis of the same levels of responsibility present in the organisational model. Management reporting activities are carried out in-house by the operational risk control function of the Parent which periodically prepares the following:

– an analysis of changes in operating losses detected by the loss data collection system;
– benchmark analyses using the Italian Database of Operational Losses;
– a summary of assessments of exposure to potential risks;
– details of areas of vulnerability identified and the mitigation action undertaken.

On conclusion of the assessment of exposure to potential operational risks for each area of activities analysed, or as a result of operational losses detected historically by the loss data collection process, appropriate corrective actions are identified. These are defined as "project" action if they fall within the annual projects programme, or "ordinary" if they form part of the planning activity of each unit responsible.

As a further form of mitigation, the UBI Banca Group has taken out adequate insurance policies to cover the principal transferable operational risks with due account taken of the requirements of supervisory regulations. The policies were taken out by UBI Banca Scpa in its own name and on behalf of the network banks and product companies of the Group concerned.

Legal risk

The Bank is party to a number of legal proceedings arising from the ordinary performance of its business. In order to meet the claims received, the Bank has made appropriate provisions on the basis of a reconstruction of the amounts potentially at risk and an assessment of the risk in terms of the degree of "probability" and/or "possibility" as defined in the accounting standard IAS 37. Therefore, while it is not possible to predict final outcomes with certainty, it is considered that an unfavourable conclusion of these proceedings, both taken singly or as a whole, would not have a significant effect on the financial and operating position of the Bank.

Significant litigation (claims of greater than or equal to €5 million) for which the *probable risk* has been estimated as follows:

- a claim for damages for contractual liability, resulting from withdrawal from a contract concerning software;
- a claim for damages for contractual liability, resulting from withdrawal from a former Silf Spa agency contract;
- an employment action brought against the former Centrobanca, won in the court of first instance and then appealed, against UBI Banca;
- an action originating from the former Centrobanca Spa with a government counterparty concerning an application for the restitution of a payment collected following the enforcement of a guarantee granted.

Significant litigation (claims of greater than or equal to €5 million) for which a *possible risk* (or *contingent liability*) has been estimated are as follows:

- three legal actions have been initiated against the former Centrobanca and therefore against UBI Banca, as the survivor of the merger, from the bankruptcies of the Burani Group, all before the Court of Milan:

1) on 11th October 2011, Centrobanca was served with a writ of summons from the Burani Designers Holding NV ("BDH") Receivership with which it claimed the bank was liable for "abusive

grant of credit" in relation to a public tender offer to purchase launched by Mariella Burani Family Holding Spa in 2008 ("MBFH") on the shares of Marella Burani Fashion Group Spa ("MBFG");

2) on 1st March 2012, a similar writ of summons was served by the MBFH Receivership, based on arguments of fact and law similar to those already made in the summons served by the BDH Receivership.

In both cases the claims for damages amounted to approximately €134 million and no provision was made for them because the bank, supported by reputable legal advisors, considered that the claims were without grounds and that if anything the bank itself (officially accepted as a creditor in all the creditor proceedings concerning the companies in the Burani Group) had incurred damages and certainly was not jointly responsible for the conduct of the Directors of the Burani Group. Furthermore, because the evidence used by the Receiverships to support their demands applied in part also to Mediobanca Spa and to Equita Sim Spa, the Bank decided to extend the proceedings to include these two companies;

3) finally on 26th March 2013, a writ of summons was served by the MBFH Receivership applying to revoke (clawback action) a payment made the year before to the bankrupt company relating to a repayment of €4 million that was due on 30th June 2009. According to the claimant, this payment was made irregularly, and that is by withholding the proceeds from the sale of securities which had been given in pledge.

A proposal for an arrangement with creditors has been filed for both bankruptcy cases (MBFH and BDH) and while the court had declared that it was impossible to proceed with the case against BDH, the assignee stated his intention to resubmit it. The matters pending with the Bank could also be settled on the conclusion of those proceedings.

As already reported, the total gross exposure of the UBI Banca Group to the Burani Group amounts to approximately €59.9 million, on which impairment losses of 98.67%. have been recognised;

- a compensation action originating from the former Centrobanca for claimed damages brought by the official receiver of a company concerning the content of declarations made by the former Centrobanca to third parties regarding the availability of securities held on deposit at that bank.

With respect to the information reported in the notes to the financial statements as at and for the year ended 31st December 2013, we report that the legal action claiming substantial damages for non-contractual liability has been concluded.

The specific sections of this report may be consulted for information on corporate litigation not directly related to ordinary business operations and on tax litigation.

SHAREHOLDER MEETING ANNULMENT

On the 18th July 2013, UBI Banca was notified of a summons served on it by Giorgio Jannone and other registered shareholders which, to summarise, applied for the following declarations (i) that the only list valid for nominating members of the Supervisory Board of the Bank was that submitted by the registered shareholder Jannone himself and others, following the ascertainment of the irregularities in the other two lists, which had obtained a greater number of votes in the shareholders meeting held on 20th April 2013; or alternatively (ii) the invalidity of the shareholders resolution concerning the appointment to company offices; or as a second alternative (iii) the invalidity of some of the votes cast during a particular period of time in the proceedings of the shareholders' meeting (when the voting commenced). The Bank considers that the procedures preliminary to the shareholders meeting to check the lists presented were carried out correctly and that the proceedings of the shareholders' meeting were also carried out properly. It therefore judges the claims made in that summons to be without foundation.

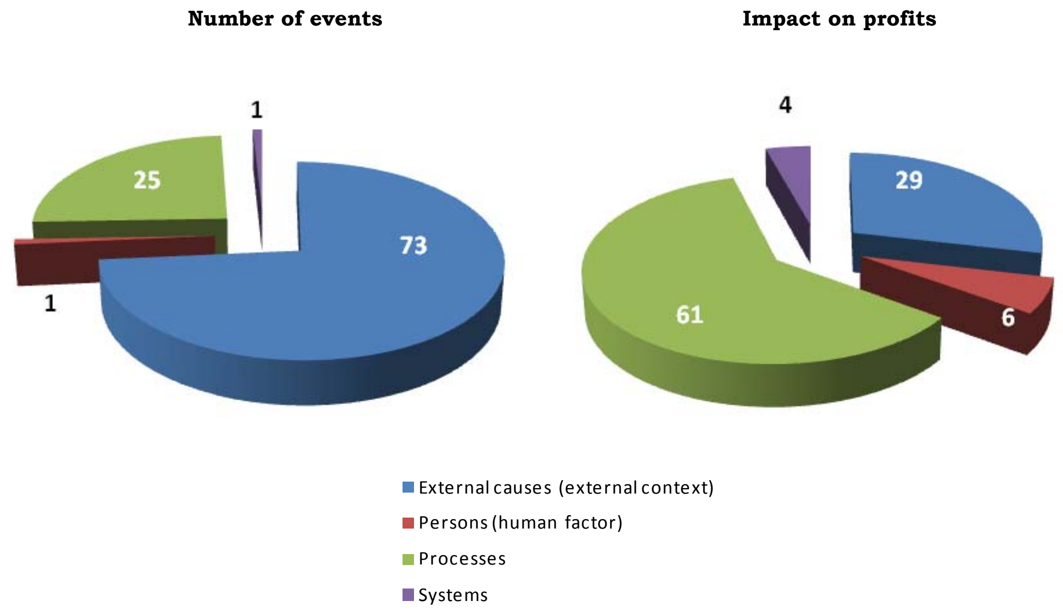
In a hearing of 19th June 2014, the Investigating Magistrate, having considered the preliminary questions raised by UBI Banca concerning the legitimacy of the parties to be relevant, ordered a court-appointed expert to verify whether the necessary quorum to challenge the shareholders' resolution mentioned above had existed.

Quantitative information

The graphs below show that the main sources of operational risk for the Bank in the period from January 2010 to December 2014 were "processes" (25% of frequencies and 61% of the total impacts detected) and "external causes" (73% of frequencies and 29% of the total impacts detected).

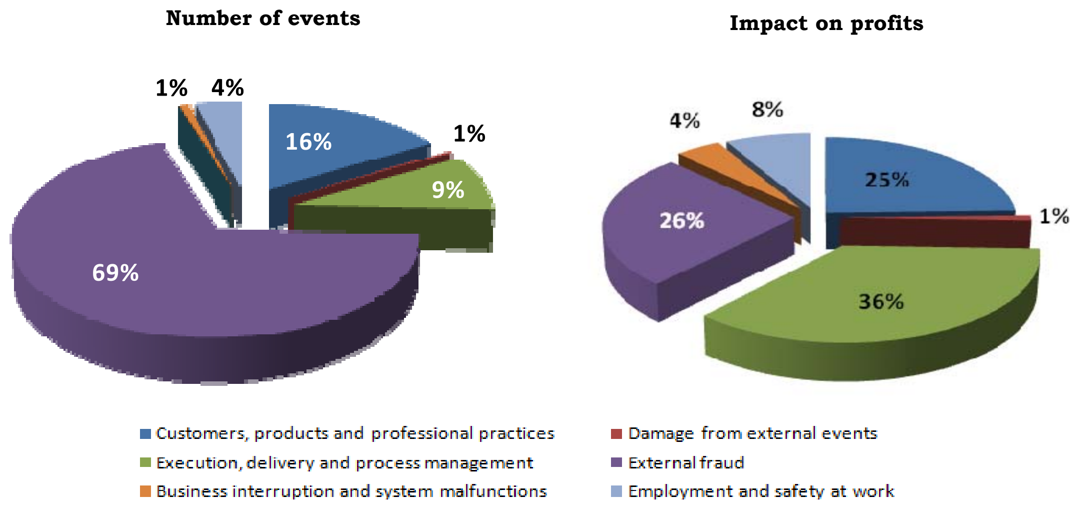
The "process" risk driver included unintentional errors and incorrect application of regulations. The "external causes" risk driver included, amongst other things, human actions performed by third parties and not directly under the control of the Bank.

Percentage of operational losses by risk driver *(detection 1st January 2010 – 31st December 2014)*



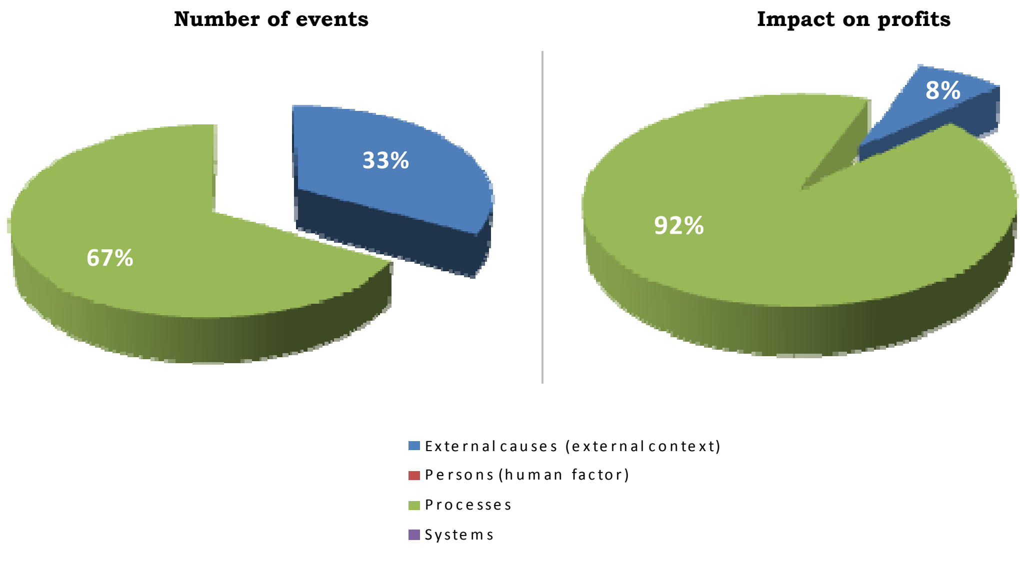
The types of event which recorded the greatest concentration of operational losses during the period examined were "execution, delivery and process management" (9% of frequencies and 36% of the total impacts detected), "external fraud" (69% of frequencies and 26% of the total impacts detected) and "customers, products and professional practices" (16% of frequencies and 25% of the total impacts detected).

Percentage of operational losses by type of event *(detection 1st January 2010 – 31st December 2014)*



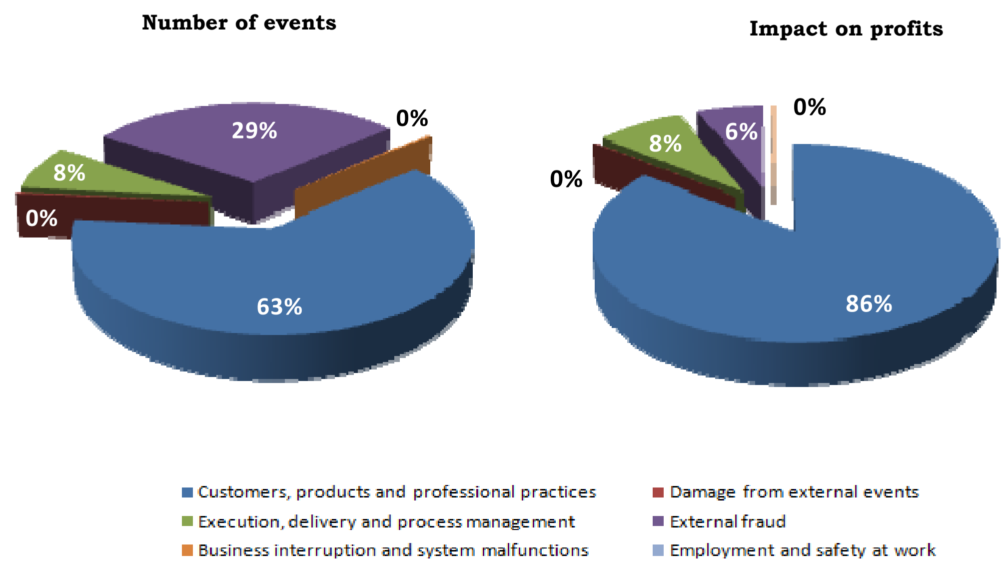
Operational losses during the year were concentrated on the following risk factors: "processes" (67% of frequencies and 92% of the total impacts detected) and "external causes" (33% of frequencies and 8% of the total impacts detected).

Percentage of operational losses by risk driver *(detection 1st January 2014 – 31st December 2014)*



Operational losses incurred during the year were concentrated mainly in the following types of event: "customers, products and professional practices" (63% of frequencies and 86% of the total impacts detected) and "execution, delivery and process management" (8% of frequencies and 8% of the total impacts detected).

Percentage of operational losses by type of event *(detection 1st January 2014 – 31st December 2014)*



Capital requirement

A Bank of Italy provision authorised the Bank to use an internal model based on the advanced measurement approach (AMA) starting from the supervisory report on data as at 30th June 2012. The measurement of operational risk is performed using an extreme value theory (EVT) approach, based on operational losses measured internally (loss data collection – LDC), empirical data acquired from outside the Group (IDOL - "Italian database of operational losses") and potential losses evaluated using self risk assessment (SRA) scenarios. The first two information sources represent the quantitative component of the measurement model and furnish a historical view of the internal risk profile and of the Italian banking sector. On the other hand, the scenario analyses constitute a qualitative and quantitative information component, because they are derived from risk assessments provided as part of the internal self risk assessment process, where the purpose is to provide a forward looking view of the internal risk profile, operational context factors and the system of internal controls.

The model developed follows the loss distribution approach and it involves estimating severity distributions for each class of risk on two distinct components: a generalised pareto distribution (GPD) for the tail and an empirical distribution for the body. The estimates of severity obtained on the tails are subsequently integrated with risk information evaluated by means of a self risk assessment (SRA) process. The probabilities of events occurring are described by using Poisson curves. The estimate of capital at risk is obtained by cutting the annual loss curve resulting from a convolution between the curve of the probabilities of events occurring and the integrated severity curve at the 99.9th percentile. The consolidated capital requirement is calculated as the sum of the capital at risk estimated on each risk class. The robustness of the model and of the underlying assumptions is tested by employing a stress testing process, which provides an estimate of the impacts on measurements of expected loss and of VaR when particular stress conditions occur.

The risk capital calculated on a consolidated basis for each risk class is allocated to the various legal entities on the basis of a summary indicator determined by the historical and future risk measured and by the amount of the capital requirement calculated using the standardised methodology.

As a form of risk mitigation, the UBI Banca Group has taken out adequate insurance policies to cover the principal transferable operational risks with due account taken of the requirements of supervisory regulations. The UBI Banca Group has not taken up the option available under the regulations in force to deduct the effects of insurance policies and other risk transfer mechanisms from the capital requirement.

The capital requirement net of expected losses for which provisions for risks and charges had been made was €34.3 million (-18% compared with €41.6 million in the previous half-year). That reduction was determined principally by the combined impact, recorded at consolidated level of the Group, of (i) reaching a depth of 10 years in the historical data series used to calculate the capital requirement on the first validation perimeter, which involved excluding events related to 2004 from the dataset for the calculation and (ii) the repositioning of the measurements of exposure to potential risk carried out as part of the risk assessment process.

The most significant changes relate to the repositioning of the probability of occurrences and of the maximum potential losses estimated for risks scenarios associated with non-conformity (consistent with the penalty values recorded historically and with account taken of organisational controls adopted by the Group) and repositioning of measurements made concerning the execution of operations, due to a contraction in the volumes managed and to improvements to the system of controls in place and on the basis of data recorded by the loss data collection system.

A further factor which determined a reduction in the requirement was the appreciable decrease in accidents at the workplace detected by the internal loss data collection system and by measurements of exposure to potential risk.

Part F – Information on equity

Section 1 Equity

A – Qualitative information

Equity is defined by international financial reporting standards in a residual manner as "what remains of an entity's assets after all the liabilities have been deducted". From a financial viewpoint, equity is the means measured in monetary form contributed by the owners or generated by the entity.

Operational levers are developed on a broader aggregate, consistent with the supervisory aggregate, which are characterised not just by equity in the strict sense but also by intermediate aggregates such as innovative instruments, hybrid instruments and subordinated liabilities.

As the Parent Bank, UBI Banca performs supervision and co-ordination activities for the companies in the Group and, without prejudice to independence of each of them in terms of business and articles of association, sets appropriate policies for them.

The Parent analyses and co-ordinates capital requirements on the basis of the Group development plan, the related risk profiles and, very importantly, in compliance with supervisory constraints and acts as a privileged counterparty in gaining access to capital markets applying an integrated approach to optimising capital strength.

B – Quantitative information

B.1 Equity: composition

Items/Amounts	31.12.2014	31.12.2013
1. Share capital	2,254,371	2,254,371
2. Share premiums	4,716,866	4,716,866
3. Reserves	2,354,285	2,337,924
- of profits	1,678,050	1,661,654
a) statutory reserve	573,912	566,778
b) articles of association related	-	-
c) treasury shares	7,250	7,250
d) other	1,096,888	1,087,626
- other	676,235	676,270
4. Equity instruments	-	-
5. (Treasury shares)	(5,340)	(6,121)
6. Valuation reserves	164,951	(142,564)
- Available-for-sale financial assets	143,045	(167,049)
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Foreign investment hedges	-	-
- Cash flow hedges	-	-
- Exchange rate differences	(243)	(243)
- Non-current assets held for disposal	-	-
- Actuarial gains (losses) relating to defined benefit pension plans	(8,844)	(6,265)
- Share of valuation reserves relating to equity-accounted investees	-	-
- Special revaluation laws	30,993	30,993
7. Profit (loss) for the year	(918,437)	71,340
Total	**8,566,696**	**9,231,816**

B.2 Fair value reserves for available-for-sale financial assets: composition

Assets/amounts	31.12.2014		31.12.2013	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt instruments	253,440	(179,194)	82,218	(333,563)
2. Equity instruments	59,396	(18)	71,290	(2,259)
3. Units in UCITS	10,165	(744)	15,478	(213)
4. Financing	-	-	-	-
Total	**323,001**	**(179,956)**	**168,986**	**(336,035)**

Details are given below of the main components of the fair value reserve net of tax.

	Positive reserve	Negative reserve	Total
Government securities and other debt instruments	253,440	(179,194)	74,246
Units in UCITS and other private equity funds	10,165	(744)	9,421
Bank Centrale Banks Popolari Italiane	24,859		24,859
Sacbo Spa	32,552		32,552
VISA Inc.	1,231		1,231
Other equity instruments	754	(18)	736
	323,001	**(179,956)**	**143,045**

B.3 Fair value reserves for available-for-sale financial assets: annual changes

	Debt instruments	Equity instruments	Units in UCITS	Financing
1. Opening balances	**(251,345)**	**69,031**	**15,265**	**-**
2. Positive changes	**368,799**	**5,660**	**5,796**	**-**
2.1 Increases in fair value	338,577	3,540	5,780	-
2.2 Transfer to income statement of negative reserves	4,595	2,115	-	-
for impairment	-	2,115	-	-
from sale	4,595	-	-	-
2.3 Other changes	25,627	5	16	-
3. Negative changes	**(43,208)**	**(15,313)**	**(11,640)**	**-**
3.1 Reductions in fair value	(3,683)	-	(718)	-
3.2 Impairment losses	-	-	(114)	-
2.2 Transfer to income statement of positive reserves: from disposal	(33,208)	(11,407)	(9,620)	-
3.4 Other changes	(6,317)	(3,906)	(1,188)	-
4. Closing balances	**74,246**	**59,378**	**9,421**	**-**

The changes in fair value are shown net of tax. Detailed information gross of tax is given in the notes at the foot of the detailed statement of comprehensive income.

B.4 Valuation reserves for defined benefit plans: annual changes

Figures in thousands of euro	31.12.2014	31.12.2013
1. Opening balances	**(6,265)**	**(4,922)**
2. Positive changes	**978**	**214**
2.1 Increases in fair value actuarial (gains)/losses	-	-
2.2 Transfer to income statement of negative reserves	-	-
2.3 Other changes	978	214
2.4 Business combinations	-	-
3. Negative changes	**(3,557)**	**(1,557)**
3.1 Decrease in fair value actuarial (gains)/losses	(3,557)	(779)
3.3 Transfer to the income statement of positive reserves	-	-
3.4 Other changes	-	-
3.5 Business combination transactions	-	(778)
4. Closing balances	**(8,844)**	**(6,265)**

The item “other changes” contains the tax effect charged on the change in the actuarial reserve.

Section 2 Own funds and capital ratios

2.1 OWN FUNDS

A – Qualitative information

Information on the method for determining regulatory capital on the basis of current regulations is given in the corresponding section of the consolidated annual report which may be consulted.

The tables below summarise the main contractual characteristics of the debt instruments that constitute the tier one capital, the tier two capital and the tier three capital. The column "nominal amount" reports the nominal amounts for those instruments net of the repurchases that have occurred.

1. Common Equity Tier 1 capital (CET1)

The Common Equity Tier 1 capital is composed as follows:

	31.12.2014
Paid up share capital	2,254,371
Share premium	4,716,866
Reserves of profits	1,678,050
Net profit for the year	-918,437
Other comprehensive income	164,951
Reserves - other	676,235
Total	**8,572,036**

2. Additional Tier 1 capital (AT1)

No Additional Tier 1 capital for UBI Banca to report.

3. Tier 2 capital (T2)

Type of issue		Coupon	Maturity date	Early redemption clause	Nominal amount	IAS AMOUNT 31.12.2014
Ordinary subordinated bond issues (Lower Tier II)	2008/2015 - floating rate ISIN IT0004424435 Currency euro	Quarterly Euribor 3M +0.85%	28.11.2015		119,880	119,426
	2010/2017 - floating rate ISIN IT0004572860 Currency euro	Half year floating rate Euribor 6 months +0.40%	23.02.2017		91,552	91,272
	2010/2017 - fixed rate ISIN IT0004572878 Currency euro	Half year fixed rate of 3.10%	23.02.2017		180,000	185,489
	2010/2017 - fixed rate ISIN IT0004645963 Currency euro	Half year fixed rate of 4.30%	05.11.2017		240,000	244,825
	2011/2018 - fixed rate ISIN IT0004723489 Currency euro	Half year fixed rate of 5.40%	30.06.2018	Redeemed through an amortisation schedule at constant annual rates from 30.06.2014	320,000	331,197
	2009/2019 - mixed rate ISIN IT0004457070 Currency euro	Half year fixed rate 4.15% until 2014 and subsequently floating Euribor 6M +1.85%	13.03.2019	From 13.03.2014	370,000	368,105
	2009/2016 - floating rate ISIN IT0004457187 Currency euro	Quarterly Euribor 3M + 1.25%	13.03.2016	Redemption by fixed rate annual amortisation schedule from 13.03.2012	84,797	84,557
	2009/2016 - floating rate ISIN IT0004497068 Currency euro	Quarterly Euribor 3M + 1.25%	30.06.2016	Redemption by fixed rate annual amortisation schedule from 30.06.2012	62,735	62,422
	2009/2019 - mixed rate ISIN IT0004497050 Currency euro	Half year fixed rate 4% until 2014 and subsequently variable Euribor 6M +1.85%	30.06.2019	From 30.06.2014	365,000	360,646
	2011/2018 - fixed rate ISIN IT0004718489 Currency euro	Half year fixed rate of 5.50%	16.06.2018	Redemption by fixed rate annual amortisation schedule from 16.06.2014	320,000	331,286
	2011/2018 - mixed rate ISIN IT0004767742 Currency euro	Quarterly fixed rate of 6.25% until 2014 and subsequently variable Euribor 3M +1%	18.11.2018		222,339	219,228
	2012/2019 - mixed rate ISIN IT0004841778 Currency euro	Quarterly fixed rate 7.25% until 2014 and subsequently variable Euribor 3M +5%	08.10.2019		200,000	200,831

B – Quantitative information

	31.12.2014
A. Common Equity Tier 1 capital (CET1) before the application of prudential filters	**8,572,036**
of which CET1 instruments subject to transitional provisions	-
B. CET1 prudential filters (+/-)	-2,576
C. CET1 before components to be deducted and the impacts of the transitional regime (A+/-B)	8,569,460
D. Components to be deducted from CET1	874,666
E. Transitional regime - Impact on CET1 (+/-)	602,873
F. Total Common Equity Tier 1 capital (CET1) (C-D+/-E)	**8,297,667**
G. Additional Tier 1 capital (AT1) before components to be deducted and the impacts of the transitional regime	-
of which AT1 subject to transitional provisions	-
H. Components to be deducted from AT1	740,334
I. Transitional regime - Impact on AT1 (+/-)	740,334
L. Total Additional Tier 1 capital (AT1) (G-H+/-I)	-
M. Tier 2 capital (T2) before components to be deducted and the impacts of the transitional regime	**2,196,908**
of which T2 instruments subject to transitional provisions	-
N. Components to be deducted from T2	15,035
O. Transitional regime - Impact on T2 (+/-)	30,372
P. Total Tier 2 capital (T2) (M-N+/-O)	**2,212,245**
Q. Total own funds (tc=t1+t2) (F+L+P)	**10,509,912**

2.2 CAPITAL ADEQUACY REQUIREMENT

A. Qualitative information

The capital adequacy parameters are consistent with the type of business performed by the Bank as a Parent, which is almost entirely with members of the Group it leads.
The table below shows the absorption of regulatory capital as a function of the overall capital adequacy requirement.
Compliance with that requirement at the end of the year involved a capital requirement of €1,919 million.

As a consequence of the regulatory changes that were made, no comparison can be made with the capital ratios as at 31st December 2013, calculated according to the previous Basel 2 supervisory rules. To complete the information we report the following capital ratios at the end of 2013: the Bank had a tier one capital ratio of 50.36% and a total capital ratio of 71.22%.

B. Quantitative information

	Amounts not weighted 31.12.2014	Amounts weighted 31.12.2014
A. RISK ASSETS		
A.1 Credit and counterparty risk		
1. Standardised approach	75,660,132	17,012,843
2. Method based on internal ratings	11,595,293	5,695,336
2.1 Basic		
2.2 Advanced	11,595,293	5,695,336
3. Securitisations		
B. REGULATORY CAPITAL REQUIREMENTS		**Requirements**
B.1 Credit and counterparty risk		1,816,654
B.2 Credit valuation adjustment risk		14,644
B.3 Settlement risk		
B.4 Market risk		
1. Standard methodology		53,251
2.Internal models		
3. Concentration risk		
B.5 Operational risk		
1. Basic indicator approach		
2. Standardised approach		
3. Advanced measurement approach		34,253
B.6 Other calculation items		
B.7 Total prudential requirements		1,918,802
C. RISK ASSETS AND SUPERVISORY RATIOS		
C.1 Risk weighted assets		23,985,029
C.2 Common equity tier 1 capital / Risk weighted assets (CET1 capital ratio)		34.60%
C.3 Tier 1 / Risk weighted assets (Tier 1 capital ratio)		34.60%
C.4 Total own funds / Risk weighted assets (Total capital ratio)		43.82%

For those banks which adopt the standardised method, the non-weighted amount is that which takes account of prudential filters, risk mitigation techniques and credit conversion factors.
The risk weighted assets consist of the reciprocal of the minimum requirement set (8%).

Part G - Business combinations concerning companies or lines of business

Section 1 Transactions performed during the year

No business combination transactions were performed during the year.

Section 2 Transactions performed after the end of the year

No business combination transactions were performed after the end of the year.

Part H - Transactions with related parties

1. Information on the remuneration of key management personnel

Remuneration for Board Members and senior managers	
Short-term benefits	12,325
- of which key management personnel	*5,941*
Post-employment benefits	635
- of which key management personnel	*635*
Other long term benefits	427
- of which key management personnel	*427*
Indemnity for termination of employment	565
- of which key management personnel	*565*
Share based payments	170
- of which key management personnel	*170*

With regard to remuneration paid in 2014 to key management personnel including the General Manager, in addition to the fixed component of remuneration decided through individual agreements, there is also a variable component linked to the achievement of strategic Group objectives.
The fixed part of the remuneration not only contains normal payments in cash but also benefits which complete the remuneration such as supplementary pension funds, health policies, accident policies and, where it is the case, the provision of a company car for bank and private use.

The following types of remuneration were paid (the relevant accounting standard may be consulted for definitions):

a) Short-term benefits
Short-term benefits include salaries, social security contributions, indemnities to replace vacations not taken, absences for illness, paid leave and benefits such as medical care and housing;

b) Post employment benefits
Post-employment benefits include providence, pension and insurance plans as well as severance payments.
The senior managers in question benefit from life and supplementary pension forms of insurance, which also extend beyond the termination of their employment contracts.

2. Information on transactions with related parties

In compliance with the provisions of the regulations in force, we report that all transactions carried out by the Parent with related parties were conducted in observance of correct principles both in substance and form, under conditions analogous to those applied for transactions with independent parties.

In compliance with IAS 24, information is provided below on balance sheet and income statement transactions between related parties of UBI Banca and Group member companies, as well as those items as a percentage of the total for each item in the financial statements.

According to IAS 24, a related party is a person or entity that is related to the entity that is preparing its financial statements (the "reporting entity").

(a) A person or close family member of that person is related to the reporting entity if that person:

- (i) has control or joint control over the reporting entity:
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions apply:

- (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

With regard to the effects of the management and co-ordination activities performed by the Parent, as required by article 2497 *bis* of the Italian Civil Code, we report that the Parent and its subsidiary, UBI Sistemi e Servizi Scpa provided Group member companies with a series of services, governed by intragroup contracts drawn up in accordance with the principles of consistency, transparency and uniformity in line with the organisational model of the Group, according to which, strategic, and management activities are centralised in UBI Banca and technical and operational activities in the subsidiary just mentioned. The prices agreed for the services provided under the contracts were determined on the basis of market prices or, where appropriate reference parameters could not be found in the marketplace, in accordance with the particular nature of the services provided, on the basis of the cost incurred.
The main intragroup contracts existing at the end of the year included those to implement the policy to centralise activities in the governance and business areas of the Parent, which involved the Parent and the main banks in the Group, and also contracts to implement the "national fiscal consolidation" (in accordance with articles 117 to 129 of Presidential Decree No. 917/1986, the consolidated law on income tax) concluded by the Parent. There were also all the intragroup contracts which implement the centralisation in UBI Sistemi e Servizi of support activities for the principal companies in the UBI Group.

Further information on transactions with related parties is reported in the tables that follow.

Summary of principal balance sheet transactions with related parties

Related party	Financial assets held for trading	Available-for-sale financial assets	Loans and advances to banks	Loans and advances to customers	Other assets	Due to banks	Due to customers	Debt securities issued	Financial liabilities held for trading	Other liabilities	Guarantees granted
Direct subsidiaries	*333,348*	*6,139*	*12,515,918*	*11,634,010*	*204,141*	*7,244,652*	*837,795*	*2,326,684*	*90,338*	*295,258*	*8,962,306*
Associates	*8*	*10,082*	-	*80,196*	-	-	*35,994*	-	-	-	*24,949*
Senior managers	-	-	-	-	-	-	*22*	-	-	-	-
Other related parties	-	-	-	-	-	-	-	-	-	-	-

Percentage of balance sheet transactions with related parties in respect of the financial statements of UBI Banca

Related party	Financial assets held for trading	Available-for-sale financial assets	Loans and advances to banks	Loans to customers	Other assets	Due to banks	Due to customers	Debt securities issued	Financial liabilities held for trading	Other liabilities	Guarantees granted
With related-parties (a)	*333,356*	*16,221*	*12,515,918*	*11,714,206*	*204,141*	*7,244,653*	*873,811*	*2,326,684*	*90,338*	*295,258*	*8,987,255*
Total (b)	*1,544,835*	*18,066,883*	*14,055,649*	*23,330,321*	*642,339*	*19,140,417*	*7,065,270*	*36,545,668*	*722,181*	*751,070*	*10,549,238*
*Percentage (a/b*100)*	*21.58%*	*0.09%*	*89.05%*	*50.21%*	*31.78%*	*37.85%*	*12.37%*	*6.37%*	*12.51%*	*39.31%*	*85.19%*

Summary of principal income statement transactions with related parties

Related party	Net interest	Net fee and commission income	Dividends and similar income	Net income from trading activity	Other operating revenues and expenses	Staff costs	Other administrative expenses
Direct subsidiaries	*105,837*	*(8,818)*	*235,772*	*-*	*101,094*	*54,456*	*(69,215)*
Associates	*176*	*-*	*32,530*	*-*	*106*	*346*	*-*
Senior managers	*-*	*-*	*-*	*-*	*-*	*(13,952)*	*-*
Other related parties	*-*	*-*	*-*	*-*	*-*	*-*	*(70)*

Percentage of income statement transactions with related parties in respect of the financial statements of UBI Banca

Related party	Net interest	Net fee and commission income	Dividends and similar income	Net income from trading activity	Other operating revenues and expenses	Staff costs	Other administrative expenses
With related-parties (a)	*106,013*	*(8,818)*	*268,302*	*-*	*101,200*	*40,850*	*(69,285)*
Total (b)	*96,444*	*24,255*	*276,489*	*33,670*	*120,161*	*(169,970)*	*(171,470)*
*Percentage (a/b*100)*	*109.92%*	*-36.36%*	*97.04%*	*0.00%*	*84.22%*	*-24.03%*	*40.41%*

Principal balance sheet items relating to subsidiaries subject to control, joint control and significant influence

	Financial assets held for trading	Available-for-sale financial assets	Loans to other banks	Loans and advances to customers	Other assets	Due to banks	Due to customers	Debt securities issued	Financial liabilities held for trading	Other liabilities	Guarantees granted
Fully consolidated companies	**333,348**	**6,139**	**12,515,918**	**11,634,010**	**204,141**	**7,244,652**	**837,795**	**2,326,684**	**90,338**	**295,258**	**8,962,306**
UBI Capital Singapore in liquidazione	-	-	-	-	-	-	-	-	-	-	-
Banca Carime Spa	11,974	-	27,404	-	-	667,193	-	1,566,850	331	18,714	10,611
Banca di Valle Camonica Spa	5,310	-	545,232	-	3,742	13,234	-	-	1,291	5,584	2,237
UBI Banca Private Investment Spa	1,239	-	3,549	-	2,282	129,630	-	-	-	2,638	1,071
Banca Popolare Commercio e Industria Spa	52,999	-	1,738,428	-	20,359	122,797	-	-	8,052	29,527	231,795
Banca Popolare di Ancona Spa	70,302	-	1,607,494	-	16,655	108,094	-	-	4,993	23,515	18,759
Banca Popolare di Bergamo Spa	61,816	-	2,213,869	-	82,453	1,645,864	-	-	31,535	108,358	1,624,567
Banca Regionale Europea Spa	24,405	-	2,659,523	-	13,118	101,538	-	-	4,914	28,079	21,337
Banco di Brescia Spa	49,452	-	3,147,662	-	37,036	156,127	-	-	9,663	45,273	273,244
BPB Immobiliare Srl	-	-	-	189	1,331	-	-	-	-	1,579	-
UBI Banca International Sa	2,233	-	48,893	-	-	2,619,820	-	-	-	-	6,709,742
UBI Leasing Spa	-	-	-	6,586,328	1,942	-	28,931	-	29,260	5,869	64,734
UBI Factor Spa	-	-	-	1,882,340	3,468	-	31,624	-	-	5,630	1,276
Centrobanca Sviluppo Impresa SGR Spa	-	6,139	-	96	38	-	-	-	-	-	-
Coralis Rent Srl	-	-	-	44	69	-	-	-	-	478	150
IW Bank Spa	-	-	523,864	-	2,181	1,680,355	-	757,033	-	7,130	2,760
24-7 Finance Srl	-	-	-	-	-	-	1,109	-	-	-	-
Lombarda Lease Finance 4 Srl	-	-	-	-	-	-	-	-	-	-	-
Ubi Lease Finance 5 Srl	29,260	-	-	75,810	-	-	-	-	-	-	-
UBI Management Company Sa	-	-	-	-	42	-	-	-	-	-	-
Ubi Finance 2 Srl	-	-	-	-	-	-	-	-	-	-	-
Prestitalia Spa	-	-	-	2,368,188	1,245	-	509,720	-	-	4,026	-
UBI Fiduciaria Spa	-	-	-	38	57	-	-	-	-	288	-
Società Bresciana Immobiliare - Mobiliare SBIM Spa	-	-	-	13,593	960	-	-	-	-	826	-
UBI Gestioni Fiduciarie Sim Spa	-	-	-	91	28	-	-	-	-	68	-
UBI Finance CB2	-	-	-	-	-	-	-	-	-	-	-
Società Lombarda Immobiliare Spa - Solimm	-	-	-	16	1	-	-	2,801	-	1	-
UBI SPV BBS 2012 Srl	-	-	-	-	-	-	-	-	-	-	-
UBI SPV BPCI 2012 Srl	-	-	-	-	-	-	-	-	-	-	-
UBI SPV BPA 2012 Srl	-	-	-	-	-	-	-	-	-	-	-
UBI Trustee SA	-	-	-	-	40	-	-	-	-	-	-
UBI Finance Srl	-	-	-	568,300	-	-	-	-	-	-	-
UBI Finance 3 Srl	19,480	-	-	94,429	-	-	-	-	-	-	-
UBI Academy Scrl	-	-	-	192	391	-	-	-	-	-	-
UBI Pramerica SGR Spa	4,878	-	-	1,381	501	-	266,411	-	299	240	-
UBI Sistemi e Servizi Scpa	-	-	-	42,975	16,202	-	-	-	-	7,435	23

(contd.)

	Financial assets held for trading	Available-for-sale financial assets	Loans to other banks	Loans and advances to customers	Other assets	Due to banks	Due to customers	Debt securities issued	Financial liabilities held for trading	Other liabilities	Guarantees granted
Companies consolidated using the equity method	**8**	**10,082**	**-**	**80,196**	**-**	**-**	**35,994**	**-**	**-**	**-**	**24,949**
Aviva Vita SpA	-	-	-	65,160	-	-	34,371	-	-	-	-
Zhong Ou Fund Management Co.	-	-	-	-	-	-	-	-	-	-	-
SF Consulting Srl	-	-	-	-	-	-	-	-	-	-	-
Polis Fondi SGR Spa	-	10,082	-	-	-	-	-	-	-	-	-
Lombarda Vita SPA	-	-	-	-	-	-	313	-	-	-	24,949
UFI Servizi Srl	-	-	-	-	-	-	-	-	-	-	-
Aviva Assicurazioni Vita Spa	8	-	-	15,036	-	-	1,310	-	-	-	-

Balance sheet items as at 31.12.2014 relating to UBI Assicurazioni Spa are not shown because this investment was disposed of in December.

Principal income statement items with subsidiaries subject to control, joint control and significant influence

	Net interest income	*Net fee and commission income*	*Dividends*	*Net trading income (loss)*	*Other income /operating expense*	*Staff costs*	*Other administrative expenses*
Fully consolidated companies	**105,837**	**(8,818)**	**235,772**	**-**	**101,094**	**54,456**	**(69,215)**
UBI Capital Singapore in liquidazione	-	-	-	-	-	-	-
Banca Carime Spa	(44,619)	(2,103)	11,180	-	7,058	(1,588)	(228)
Banca di Valle Camonica Spa	6,990	(10)	-	-	1,922	531	(7)
UBI Banca Private Investment Spa	(1,452)	1,257	3,837	-	2,217	644	(1)
Banca Popolare Commercio e Industria Spa	4,797	(2,168)	25,800	-	11,997	(1,689)	(126)
Banca Popolare di Ancona Spa	13,137	(1,597)	4,147	-	7,422	(2,029)	(197)
Banca Popolare di Bergamo Spa	(4,405)	(3,400)	129,109	-	33,374	(4,502)	(191)
Banca Regionale Europea Spa	17,935	(447)	36,111	-	7,824	(1,714)	(1,002)
Banco di Brescia Spa	22,522	(380)	3,151	-	10,942	(2,638)	(90)
BPB Immobiliare Srl	-	-	984	-	189	369	(1,124)
UBI Banca International Sa	(11,356)	1,593	-	-	79	451	6
UBI Leasing Spa	87,569	305	-	-	1,168	624	(18)
UBI Factor Spa	6,686	690	-	-	749	32	-
Centrobanca Sviluppo Impresa SGR Spa	-	-	-	-	115	236	2
Coralis Rent Srl	-	-	-	-	44	282	-
IW Bank Spa	(39,210)	(3,646)	-	-	662	1,713	(28)
24-7 Finance Srl	-	-	-	-	-	-	-
Lombarda Lease Finance 4 Srl	6	-	-	-	-	-	-
Ubi Lease Finance 5 Srl	-	-	-	-	2	-	-
UBI Management Company Sa	-	-	-	-	-	176	-
Ubi Finance 2 Srl	27	-	-	-	58	-	-
Prestitalia Spa	47,053	-	-	-	6,125	4,505	(86)
UBI Fiduciaria Spa	-	-	-	-	40	212	-
Società Bresciana Immobiliare - Mobiliare SBIM Spa	108	-	1,400	-	115	59	(4,397)
UBI Gestioni Fiduciarie Sim Spa	-	-	-	-	92	108	-
UBI Finance CB2	-	-	-	-	378	-	-
Società Lombarda Immobiliare Spa - Solimm	(28)	-	-	-	16	-	-
UBI SPV BBS 2012 Srl	-	-	-	-	157	-	-
UBI SPV BPCI 2012 Srl	-	-	-	-	138	-	-
UBI SPV BPA 2012 Srl	-	-	-	-	237	-	-
UBI Trustee SA	-	-	-	-	-	158	(4)
UBI Finance Srl	115	-	-	-	852	-	-
UBI Finance 3 Srl	-	-	-	-	305	-	-
UBI Academy Scrl	-	-	-	-	292	1,360	(775)
UBI Pramerica SGR Spa	(89)	1,088	20,053	-	341	1,959	(431)
UBI Sistemi e Servizi SCpA	51	-	-	-	6,184	55,197	(60,518)

(contd.)

	Net interest income	*Net fee and commission income*	*Dividends*	*Net trading income (loss)*	*Other income /operating expense*	*Staff costs*	*Other administrative expenses*
Companies consolidated using the equity method	**176**	**-**	**32,530**	**-**	**106**	**346**	**-**
Aviva Vita SpA	-	-	6,000	-	-	-	-
Zhong Ou Fund Management Co.	-	-	-	-	-	-	-
Ubi Assicurazioni Spa	29	-	7,328	-	100	346	-
SF Consulting Srl	-	-	-	-	-	-	-
Polis Fondi SGR Spa	-	-	119	-	-	-	-
Lombarda Vita SPA	-	-	14,083	-	6	-	-
UFI Servizi Srl	-	-	-	-	-	-	-
Aviva Assicurazioni Vita Spa	147	-	5,000	-	-	-	-

Part I – Share-based payments

A. Qualitative information

In implementation of the "2014 UBI Banca Group remuneration and incentive policies" (the "Policy"), which was approved on 4th March 2014 by the Supervisory Board, after prior consultation with the Remuneration Committee, on 10th May 2014 an ordinary shareholders meeting of UBI Banca approved the payment of the variable component of bonuses for "key management personnel" to be made by the use of shares.

Incentive schemes for 2014 are described in the "Annual report to the shareholders meeting on remuneration and incentives policies" which may be consulted. They are subject to trigger conditions at Group level which guarantee the capital stability (Common Equity Tier 1) and liquidity (net stable funding ratio) as well as the achievement of determine levels of income adjusted for risk (return on risk adjusted capital - RORAC).

The calculation of individual bonuses is related to the degree to which set objectives are achieved, each being weighted on the basis of their importance.

The following was confirmed, following on from 2013, with regard to "key personnel":

- deferment of payment of a portion (according to the role performed) of between 40% and 60% of annual bonuses if they are earned;
- the grant of financial instruments, by the assignment of ordinary shares of the Parent, UBI Banca, for a portion equal to at least 50% of variable remuneration, setting an adequate period of personnel retention for this, in order to align the incentives to the Bank' s medium to long-term interests.

As a consequence of the above, the first portion of share-based bonuses should be granted in the third year following the reporting year, while the second portion should be granted in the fifth year following the reporting year. In order to ensure the Group's ability to generate value, the second deferred portion is only granted if determined conditions are met in terms of capital stability (Common Equity Tier 1), liquidity (net stable funding ratio) and income adjusted for risk (return on risk adjusted capital - RORAC).

If the bonuses to be awarded are less than €50,000, the manner of payment will be entirely "upfront", i.e.:

- 50% of the bonus paid in cash at the time the conditions are met;
- the remaining 50% granted in ordinary UBI shares with a retention period of two years.

These procedures were applied when bonus conditions were satisfied for the 2013 incentive scheme.

The timetable for portions of bonus payments made in financial instruments is as follows:

- the first portion of shares for bonuses earned in 2011 was granted in 2014;
- the grant of a first portion of shares is scheduled for 2015 in relation to bonuses earned in 2012;
- the grant of a first portion of shares or the portion of bonuses that are less than €50,000 is scheduled for 2016 in relation to bonuses earned in 2013;
- the grant of a second portion of shares is scheduled for 2016 in relation to bonuses earned in 2011;
- the grant of the second portion of shares is scheduled for 2017 in relation to bonuses earned in 2012;
- the grant of a first portion of shares or the portion of bonuses that are less than €50,000 is scheduled for 2017 in relation to bonuses earned in 2014;
- the grant of a second portion of shares is scheduled for 2018 in relation to bonuses earned in 2013;
- the grant of a second portion of shares is scheduled for 2019 in relation to bonuses earned in 2014.

B. Quantitative information

According to IFRS 2 "share-based payments", the scheme in question constitutes an "equity settled" operation where payment is based on shares and made using equity instruments. On this basis, because the objective of IFRS 2 is to recognise the impact on profit and loss of the remuneration paid by means of equity instruments in the income statement in the form of personnel expense, UBI Banca and the subsidiaries involved in the scheme recognised the cost for the year within the item 150a "Administrative expenses: staff costs" against an increase in equity made by posting the amount to a separate reserve in equity because the obligation of the company will be extinguished by the delivery of equity instruments and that obligation will be settled in any event by the Parent.

As concerns the quantification of the cost of the scheme, since it is impossible to measure the value of the services provided by employees with precision, in compliance with IFRS 2, it is calculated on the basis of the fair value of the UBI share on the grant date multiplied by the number of shares that it is estimated will be vested.

More specifically, the fair value of the equity instruments granted is calculated with account taken of the circumstance that they will be delivered, as planned, starting in 2014 and until 2018. Those estimates, based on the market price of the shares, does not include the effect of any dividends that may be distributed in the period and in general it adequately weights the terms and conditions governing the grant of the instruments.

The total cost total of the scheme estimated on that basis is €1,107 thousand, divided as follows:

- an up-front portion consisting of 17,697 shares granted in 2014, equivalent to €50 thousand;
- an up-front portion consisting of 43,164 shares to be granted in 2016, equivalent to €201 thousand;
- an up-front portion consisting of 90,121 shares to be granted in 2017, equivalent to €503 thousand;
- deferred portions consisting of 11,798 shares (if the conditions to which the deferment is subject are met) to be granted in 2016, equivalent to €31 thousand;
- deferred portions consisting of 4,902 shares (if the conditions to which the deferment is subject are met) to be granted in 2018, equivalent to €21 thousand;
- deferred portions consisting of 57,650 shares (if the conditions to which the deferment is subject are met) to be granted in 2019, equivalent to €301 thousand.

In accordance with the vesting conditions hypothesised, the cost of the scheme is spread over the whole of its vesting period, with the portion for the year recognised in the income statement, which for the reporting year amounted to €273 thousand. Furthermore, any change in the cost will only occur if the vesting requirements are not met because the services and/or result conditions set by the plan on the basis of which the number of shares that will actually be delivered is decided are not achieved, while changes will not be based on changes in the fair value of the UBI shares.

PART L – Segment Reporting

Information on segment reporting is given in the relative section of the Consolidated Financial Statements.

Attachments to the Annual Report

List of real estate properties

Convertible bonds

Disclosures concerning the fees of the independent auditors (Art. 149 *duodecies* of the Consob Issuers' Regulations)

List of real estate properties

(amounts accurate to a euro cent)

Location	Owned/ Leased	Investments	Revaluations by law	Revaluations by mergers	Revaluations on F.T.A.	Gross amounts	Other changes	Accum. Depr.	Carrying amounts
1 ABBIATEGRASSO-MI-P.ZZA CAVOUR, 11	O	1,348,370.66	-	-	149,323.41	1,497,694.07	- -	772,994.37	724,699.70
2 ALBANO SANT ALESSANDRO-BG-VIA CAVOUR, 2	O	517,017.94	540,939.12	-	125,049.29	1,183,006.35	- -	480,215.89	702,790.46
3 ALBINO-BG-VIA MAZZINI, 181	O	912,764.12	671,708.52	-	188,602.42	1,773,075.06	- -	559,464.10	1,213,610.96
4 ALME-BG-VIA TORRE D'ORO, 2	O	549,587.59	955,591.35	-	147,706.44	1,652,885.38	- 758.80 -	534,988.79	1,117,137.79
5 ALMENNO SAN BARTOLOMEO-BG-VIA FALCONE, 2	O	549,177.01	-	-	142,545.15	691,722.16	- -	208,117.63	483,604.53
6 ALMENNO SAN SALVATORE-BG-VIA MARCONI, 3	O	459,148.82	524,901.58	-	89,960.32	1,074,010.72	- -	944,714.17	129,296.55
7 ALZANO LOMBARDO-BG-P.ZZA GARIBALDI, 3	O	1,080,468.91	780,530.73	-	264,470.20	2,125,469.84	- -	833,717.59	1,291,752.25
8 ALZANO LOMBARDO-BG-VIA EUROPA, 67	O	20,382.05	-	-	281,932.63	302,314.68	- -	105,332.98	196,981.70
9 ANGERA-VA-VIA M. GREPPI, 33	O	166,386.85	444,930.52	-	175,948.70	787,266.07	- -	365,077.80	422,188.27
10 ARCENE-BG-CORSO EUROPA, 7	O	544,716.17	507,105.34	-	86,447.03	1,138,268.54	- -	946,489.73	191,778.81
11 ARCORE-MI-VIA CASATI, 45	O	977,807.23	242,785.55	-	176,942.62	1,397,535.40	- -	788,233.10	609,302.30
12 ARDESIO-BG-VIA LOCATELLI, 8	O	145,284.01	633,300.47	-	126,889.62	905,474.10	- -	776,142.85	129,331.25
13 ARLUNO-MI-VIA PIAVE, 5	O	1,260,946.93	-	- -	479,342.67	781,604.26	- -	202,574.76	579,029.50
14 ASSAGO-MI-VIALE MILANOFIORI	O	9,917,653.29	370,406.90	- -	2,169,504.33	8,118,555.86	- -	3,940,446.36	4,178,109.50
15 AZZANO SAN PAOLO-BG-PIAZZA IV NOVEMBRE, 4	O	383,348.91	720,230.46	-	137,908.63	1,241,488.00	- -	993,637.20	247,850.80
16 AZZATE-VA-VIA V.VENETO, 23	O	950,916.00	181,771.24	495,054.37	201,911.04	1,829,652.65	- -	840,640.49	989,012.16
17 BAGNOLO SAN VITO-CN-VIA DI VITTORIO, 35	O	131,968.60	372,581.85	121,159.50	82,796.84	708,506.79	- -	540,827.37	167,679.42
18 BERBENNO-BG-VIA ANTONIO STOPPANI, 102	O	756,979.09	-	-	-	756,979.09	- -	96,722.08	660,257.01
19 BERGAMO-BG-BORGO PALAZZO, 51	O	1,121,597.00	1,191,955.96	-	181,657.06	2,495,210.02	- -	1,094,651.44	1,400,558.58
20 BERGAMO-BG-P.LE RISORGIMENTO, 15	O	1,053,420.36	574,958.09	-	16,438.02	1,644,816.47	- -	792,438.56	852,377.91
21 BERGAMO-BG-P.ZZA PONTIDA, 36/42	O	2,259,854.24	789,282.49	-	75,595.51	3,124,732.24	- -	1,428,319.33	1,696,412.91
22 BERGAMO-BG-PIAZZA VITTORIO -VENETO, 8	O	35,350,702.58	85,664,910.69	294,388.88	2,511,566.91	123,821,569.06	- -	51,756,299.97	72,065,269.09
23 BERGAMO-BG-VIA BORGO PALAZZO, 135	O	1,901,500.15	871,879.13	-	93,137.24	2,866,516.52	- -	1,640,664.11	1,225,852.41
24 BERGAMO-BG-VIA BORGO S.CATERINA, 6	O	921,346.04	693,858.54	-	86,848.23	1,702,052.81	- -	593,037.26	1,109,015.55
25 BERGAMO-BG-VIA D.L.PALAZZOLO 71	O	22,108,728.11	24,996,012.57	701,397.15	1,707,839.02	49,513,976.85	- -	29,303,920.64	20,210,056.21
26 BERGAMO-BG-VIA F.LLI CALVI, 9	O	16,163,671.59	4,232,571.42	23,075.33 -	1,061,498.67	19,357,819.67	- -	6,819,694.64	12,538,125.03
27 BERGAMO-BG-VIA GOMBITO, 2/C	O	137,366.80	1,059,591.45	-	89,643.09	1,286,601.34	- -	646,884.04	639,717.30
28 BERGAMO-BG-VIA LEONE XIII, 2	O	28,537.26	448,491.84	-	43,188.08	520,217.18	- -	372,431.53	147,785.65
29 BERGAMO-BG-VIA LOCATELLI, 37	O	5,640.00	-	-	-	5,640.00	- -	586.56	5,053.44
30 BERGAMO-BG-VIA MATTIOLI, 69	O	608,963.45	628,076.80	-	57,693.81	1,294,734.06	- -	478,258.98	816,475.08
31 BERGAMO-BG-VIA SAN BERNARDINO,96	O	1,955,066.74	1,221,161.76	-	30,955.49	3,207,183.99	- -	1,883,954.05	1,323,229.94
32 BERGAMO-BG-VIA TIRABOSCHI, 57	O	4,560.00	-	-	-	4,560.00	- -	437.76	4,122.24
33 BESOZZO-VA-VIA XXV APRILE, 24	O	137,252.44	694,784.05	-	364,080.01	1,196,116.50	- -	550,058.68	646,057.82
34 BESOZZO-VA-VIA XXV APRILE, 77	O	513,204.39	349,551.60	324,324.01	111,233.86	1,298,313.86	- -	908,621.37	389,692.49
35 BIELLA-BI-VIA SAURO, 2	O	652,786.99	662,729.30	62,116.88 -	189,245.32	1,188,387.85	- -	526,811.42	661,576.43
36 BISUSCHIO-VA-VIA MAZZINI, 28	O	171,346.39	258,221.79	-	78,995.63	508,563.81	- -	209,697.18	298,866.63
37 BOLOGNA-BO-VIA REPUBBLICA, 29	O	840,896.42	21,118.32	- -	175,892.65	686,122.09	- -	171,634.40	514,487.69
38 BOLTIERE-BG-PIAZZA IV NOVEMBRE, 14	O	287,605.68	158,268.69	-	82,590.04	528,464.41	- 1,033.41 -	154,080.90	373,350.10
39 BREMBILLA-BG-VIA LIBERTA', 25	O	648,972.22	361,575.07	-	58,264.25	1,068,811.54	- -	976,083.94	92,727.60
40 BRESCIA-BS-VIA BREDINA, 2	O	2,685.58	463,764.42	-	-	466,450.00	85,924.78 -	79,702.11	472,672.67
41 BRESCIA-BS-VIA CEFALONIA, 62	O	13,406,697.93	32,789,671.20	-	-	46,196,369.13	10,951,720.75 -	18,106,400.78	39,041,689.10
42 BRESCIA-BS-VIA CIPRO, 54	O	6,760,711.43	-	-	-	6,760,711.43	- -	2,978,704.11	3,782,007.32
43 BRESCIA-BS-VIA CODIGNOLE	O	3,885,969.63	-	-	-	3,885,969.63	- -	1,641,533.66	2,244,435.97
44 BRESCIA-BS-VIA CROCIFISSA ROSA, 1	O	7,117.05	-	-	1,572,178.80	1,579,295.85	- -	484,238.66	1,095,057.19
45 BRESCIA-BS-VIA FARFENGO, 65	O	2,369.50	-	-	710,185.73	712,555.23	- -	272,479.03	440,076.20
46 BRESCIA-BS-VIA GABRIELE ROSA, 71	O	154.94	468,576.65	-	-	468,731.59	212,333.37 -	170,588.38	510,476.58
47 BRESCIA-BS-VIA GRAMSCI, 39	O	3,063,806.23	11,030,406.06	570,801.35	92,247.11	14,757,260.75	- -	9,663,088.26	5,094,172.49
48 BRESCIA-BS-VIA SOLDINI, 25	O	41,987.95	1,401,996.05	-	-	1,443,984.00	855,912.55 -	867,613.05	1,432,283.50
49 BRESCIA-BS-VIA TRENTO, 5/7	O	797,240.86	6,950,467.87	-	-	7,747,708.73	91,474.06 -	3,108,851.48	4,730,331.31
50 BRESCIA-BS-VIA VITTORIO EMANUELE, 60	O	1,370,137.16	91,200.25	-	35,262.39	1,496,599.80	- -	470,914.80	1,025,685.00
51 BRIGNANO GERA D'ADDA-BG-PIAZZA MONSIGNOR DONINI, 1	O	621,767.52	604,977.47	-	220,865.61	1,447,610.60	- -	828,811.51	618,799.09
52 BULCIAGO-LC-VIA DON DAVIDE CANALI, 33/35	O	63,891.84	456,650.05	-	70,450.65	590,992.54	- -	253,769.07	337,223.47
53 BUSTO ARSIZIO-VA-P.ZZA S.GIOVANNI, 3/A	O	3,364,165.32	5,333,880.25	1,364,348.30	808,210.12	10,870,603.99	- -	5,193,042.24	5,677,561.75
54 BUSTO ARSIZIO-VA-VIA FOSCOLO, 10	O	2,116,377.81	703,886.44	-	225,707.16	3,045,971.41	- 273,859.89 -	1,307,610.01	1,464,501.51
55 BUSTO ARSIZIO-VA-VIA MAGENTA, 64	O	640,220.64	321,366.12	38,728.74 -	143,461.10	856,854.40	- -	456,161.89	400,692.51
56 BUSTO ARSIZIO-VA-VIALE CADORNA, 4	O	2,228,244.91	775,192.51	-	196,879.35	3,200,316.77	- -	1,762,652.22	1,437,664.55
57 CAIRATE-VA-VIA MAZZINI, 13	O	142,562.37	244,680.85	316,367.18	102,490.01	806,100.41	- -	596,307.50	209,792.91
58 CALCIO-BG-VIA P. GIOVANNI XXIII, 153	O	529,561.96	187,376.66	-	80,100.81	797,039.43	- -	394,299.58	402,739.85

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Location	Owned/ Leased	Investments	Revaluations by law	Revaluations by mergers	Revaluations on F.T.A.	Gross amounts	Other changes	Accum. Depr.	Carrying amounts
59 CALOLZIOCORTE-LC-P.ZZA V.VENETO, 18/A	O	1,127,737.41	353,193.48	- -	309,382.40	1,171,548.49	- -	435,180.54	736,367.95
60 CALUSCO D ADDA-BG-VIA V. EMANUELE, 35	O	584,456.68	452,869.26	-	94.71	1,037,420.65	- -	426,439.54	610,981.11
61 CANNOBIO-VB-VIA UMBERTO I, 2	O	112,620.89	241,425.16	-	391,415.07	745,461.12	- -	370,546.47	374,914.65
62 CANTELLO-VA-VIA TURCONI, 1	O	789,611.84	272,664.26	-	95,806.50	1,158,082.60 -	275,425.14 -	494,699.64	387,957.82
63 CARAVAGGIO-BG-PIAZZA GARIBALDI, 1	O	672,002.20	1,093,316.87	-	178,274.08	1,943,593.15	- -	1,727,731.11	215,862.04
64 CARDANO AL CAMPO-VA-VIA G. DA CARDANO, 19	O	498,905.46	118,232.07	684,246.62	177,995.50	1,479,379.65	- -	661,831.16	817,548.49
65 CARONNO PERTUSELLA-VA-VIA ROMA, 190	O	1,094,866.17	248,746.12	495,118.52	273,819.79	2,112,550.60	- -	860,666.78	1,251,883.82
66 CARVICO-BG-VIA EUROPA UNITA , 3	O	1,108,279.50	521,112.70	-	115,687.56	1,745,079.76	- -	1,128,429.70	616,650.06
67 CASAZZA-BG-STR.NAZ.DEL TONALE,92	O	235,154.76	666,007.04	-	112,689.37	1,013,851.17	- -	914,851.60	98,999.57
68 CASORATE SEMPIONE-VA-VIA MILANO, 17	O	619,750.32	150,867.79	66,688.21	123,011.05	960,317.37	- -	499,409.99	460,907.38
69 CASSANO D ADDA-MI-VIA MILANO, 14	O	1,259,734.57	1,083,226.98	-	398,243.13	2,741,204.68	- -	2,116,019.33	625,185.35
70 CASSINA DE PECCHI-MI-VIA CARDUCCI, 74	O	3,873.43	6,774.52	-	3,397.03	14,044.98	- -	11,796.71	2,248.27
71 CASSINA DE PECCHI-MI-VIA MATTEOTTI, 2/4	O	799,800.49	587,516.32	-	5,038.89	1,392,355.70	- -	567,508.80	824,846.90
72 CASTEL MELLA-BS-VIA QUINZANO, 80/A	O	660,764.26	-	-	172,730.44	833,494.70	- -	286,485.09	547,009.61
73 CASTIONE DELLA PRESOLANA-BG-VIA MANZONI, 20	O	79,418.46	365,664.10	-	67,983.08	513,065.64 -	53.10 -	457,757.00	55,255.54
74 CASTRONNO-VA-VIA ROMA, 51	O	454,577.31	801,314.36	-	334,085.29	1,589,976.96	- -	1,093,391.79	496,585.17
75 CENE-BG-VIA V.VENETO, 9	O	231,970.33	737,520.91	-	159,197.12	1,128,688.36	- -	845,662.08	283,026.28
76 CERMENATE-CO-VIA MATTEOTTI, 28	O	1,482,116.60	1,138,872.31	-	312,228.24	2,933,217.15	- -	1,785,676.63	1,147,540.52
77 CESANO MADERNO-MI-VIA CONCILIAZIONE, 28	O	813,616.21	91,949.55	- -	294,942.43	610,623.33	- -	165,971.70	444,651.63
78 CHIARI-BS-VIA BETTOLINI, 6	O	1,266,771.26	1,885,202.58	-	490,849.50	3,642,823.34	- -	1,509,988.73	2,132,834.61
79 CHIUDUNO-BG-VIA C.BATTISTI, 1	O	360,882.78	519,549.12	-	175,302.89	1,055,734.79 -	137,242.00 -	341,210.25	577,282.54
80 CINISELLO BALSAMO-MI-VIA LIBERTA', 68	O	445,533.64	35,806.58	-	33,290.05	514,630.27	- -	144,794.73	369,835.54
81 CISANO BERGAMASCO-BG-VIA PASCOLI, 1	O	200,764.42	1,124,656.71	-	192,632.03	1,518,053.16	- -	1,318,823.36	199,229.80
82 CISERANO-BG-CORSO EUROPA, 17	O	423,540.94	861,183.93	-	185,339.67	1,470,064.54 -	631,529.77 -	740,145.68	98,389.09
83 CISLAGO-VA-VIA IV NOVEMBRE, 250	O	794,801.88	28,545.63	500,822.70 -	187,600.37	1,136,569.84	- -	426,174.39	710,395.45
84 CITTIGLIO-VA-VIA VALCUVIA, 19	O	175,448.37	501,776.79	-	119,189.29	796,414.45	- -	494,570.06	301,844.39
85 CLUSONE-BG-VIA VERDI, 3	O	812,026.26	1,271,882.54	-	256,029.95	2,339,938.75	- -	2,039,717.92	300,220.83
86 CODOGNO-LO-VIA VITTORIO EMANUELE, 35	O	603,971.83	1,514,031.18	-	479,316.49	2,597,319.50	- -	1,963,753.21	633,566.29
87 COLERE-BG-VIA GIOVANNI XXIII, 33	O	23,218.93	210,357.59	-	40,918.81	274,495.33	- -	240,484.05	34,011.28
88 COMERIO-VA-VIA AL LAGO, 2	O	1,243,671.64	675,712.57	-	229,671.70	2,149,055.91	- -	1,507,147.70	641,908.21
89 COMO-CO-VIA ALDO MORO, 46/48	O	758,223.64	-	-	320,220.71	1,078,444.35	- -	361,215.77	717,228.58
90 COMO-CO-VIA CATTANEO, 3	O	465,143.48	2,441,785.01	- -	247,088.45	2,659,840.04	- -	1,791,009.92	868,830.12
91 COMO-CO-VIA GIOVIO, 4	O	2,259,909.73	5,116,802.76	775,298.65	863,028.37	9,015,039.51	- -	5,189,366.71	3,825,672.80
92 COMUN NUOVO-BG-VIA C.BATTISTI, 3	O	182,746.11	47,517.62	-	36,807.08	267,070.81	- -	105,729.20	161,341.61
93 CONCESIO-BS-VIALE EUROPA, 183	O	1,995,092.87	582,587.76	-	289,026.46	2,866,707.09 -	3,959.24 -	2,004,529.19	858,218.66
94 CORNAREDO-MI-PIAZZA LIBERTA', 62	O	856,302.43	17,667.41	- -	375,797.67	498,172.17	- -	141,189.24	356,982.93
95 CORNATE D ADDA-MI-VIA CIRCONVALLAZIONE, 12	O	362,726.51	109,589.60	- -	9,234.77	463,081.34	- -	230,358.33	232,723.01
96 CORSICO-MI-VIA LIBERAZIONE, 26/28	O	959,229.16	73,217.47	-	97,630.25	1,130,076.88	- -	416,814.78	713,262.10
97 COSSATO-BI-VIA PAJETTA	O	58,454.65	179,362.97	-	53,640.83	291,458.45	- -	98,259.45	193,199.00
98 COSTA VOLPINO-BG-VIA NAZIONALE, 150	O	266,835.41	997,084.61	-	191,717.85	1,455,637.87	- -	1,057,027.22	398,610.65
99 CREMONA-CR-VIA GIORDANO, 9/21	O	715,645.83	33,603.51	-	234,382.24	983,631.58	- -	354,126.22	629,505.36
100 CUNARDO-VA-VIA LUINESE, 1	O	1,019,742.55	376,413.10	-	299,283.76	1,695,439.41	- -	1,082,625.16	612,814.25
101 CURNO-BG-LARGO VITTORIA, 31	O	797,649.45	85,343.51	-	63,323.21	946,316.17	- -	333,446.70	612,869.47
102 CUVEGLIO-VA-VIA BATTAGLIA SAN MARTINO, 50	O	810,197.92	618,677.66	- -	191,881.54	1,236,994.04	- -	887,450.31	349,543.73
103 CUVIO-VA-VIA MAGGI, 20	O	342,956.37	18,785.28	249,427.23	43,584.53	654,753.41	- -	287,520.30	367,233.11
104 DALMINE-BG-VIA BUTTARO N.2	O	2,398,327.05	1,211,238.38	-	252,983.38	3,862,548.81	- -	1,722,862.36	2,139,686.45
105 DARFO BOARIO TERME-BS-PIAZZA LORENZINI, 6	O	626,383.13	1,038,400.90	-	169,024.72	1,833,808.75	- -	1,630,941.10	202,867.65
106 DESIO-MI-VIA MATTEOTTI, 10	O	3,950,832.89	408,994.01	-	409,845.70	4,769,672.60 -	3,379.06 -	2,336,134.12	2,430,159.42
107 ERBA-CO-VIA LEOPARDI, 7/E	O	1,483,898.86	186,267.51	-	219,792.83	1,889,959.20	- -	969,402.32	920,556.88
108 FAGNANO OLONA-VA-PIAZZA CAVOUR, 11	O	129,505.30	222,872.16	757,263.46	121,805.53	1,231,446.45	- -	1,057,994.40	173,452.05
109 FERNO-VA-PIAZZA DANTE, 7	O	1,756,904.10	230,927.71	92,520.46	67,171.24	2,147,523.51 -	760,879.63 -	933,201.46	453,442.42
110 FONTANELLA-BG-VIA CAVOUR, 156	O	2,101.90	-	-	502,170.54	504,272.44	- -	210,794.63	293,477.81
111 FORMIGINE-MO-VIA GIARDINI SUD, 22	O	1,874,321.37	-	-	-	1,874,321.37	- -	168,706.42	1,705,614.95
112 GALLARATE-VA-VIA MANZONI N. 12	O	2,619,953.52	1,645,212.28	1,342,766.34	528,620.53	6,136,552.67	- -	2,668,119.58	3,468,433.09
113 GALLARATE-VA-VIA MARSALA, 34	O	422,744.00	59,140.47	19,507.33	86,736.48	588,128.28	- -	328,990.77	259,137.51
114 GALLARATE-VA-VIA VARESE, 7A	O	342,012.52	97,202.49	298,506.02	115,441.18	853,162.21	- -	331,264.10	521,898.11
115 GANDINO-BG-VIA BATTISTI, 5	O	821,455.12	885,805.14	-	242,201.51	1,949,461.77	- -	1,437,196.69	512,265.08
116 GARBAGNATE MILANESE-MI-VIA J. F. KENNEDY, 3	O	1,369,074.76	-	-	-	1,369,074.76	- -	192,309.92	1,176,764.84

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117 GAVIRATE-VA-P.ZZA LIBERTA'	O	300,612.42	1,411,845.75	989,682.45	293,983.71	2,996,124.33	- -	1,580,223.45	1,415,900.88
118 GAZZADA SCHIANNO-VA-VIA ROMA, 47/B	O	832,764.66	719,147.70	178,009.15	309,902.21	2,039,823.72	- -	1,271,585.93	768,237.79
119 GAZZANIGA-BG-VIA MARCONI, 14	O	820,947.13	451,394.50	435,364.90	156,404.94	1,864,111.47	- -	1,733,795.10	130,316.37
120 GENOVA-GE-VIA FIESCHI, 11	O	1,994,025.48	4,261,950.88	- -	423,268.23	5,832,708.13	- -	3,081,313.68	2,751,394.45
121 GENOVA-GE-VIA MERANO, 1/A NERO	O	204,642.60	341,265.06	-	97,097.39	643,005.05	- -	167,049.53	475,955.52
122 GORGONZOLA-MI-PIAZZA CAGNOLA -VICOLO CORRIDONI	O	1,453,314.91	-	-	-	1,453,314.91	- -	212,010.00	1,241,304.91
123 GORLA MAGGIORE-VA-VIA G.VERDI, 2	O	1,537,138.82	-	- -	309,773.26	1,227,365.56	- -	433,489.98	793,875.58
124 GORLAGO-BG-PIAZZA GREGIS, 12	O	303,550.52	456,798.52	-	114,232.45	874,581.49 -	1,253.75 -	367,418.58	505,909.16
125 GRASSOBBIO-BG-VIALE EUROPA, 8/B	O	40,681.09	281,919.10	-	69,128.64	391,728.83	- -	142,819.73	248,909.10
126 GRUMELLO DEL MONTE-BG-VIA MARTIRI D. LIB.14	O	261,723.81	923,153.28	-	195,143.44	1,380,020.53	- -	657,598.16	722,422.37
127 INDUNO OLONA-VA-VIA PORRO, 46	O	275,273.42	672,530.58	99,900.50	103,501.46	1,151,205.96	- -	539,807.61	611,398.35
128 ISPRA-VA-VIA MAZZINI, 5	O	595,811.07	185,352.30	394,460.51	89,054.07	1,264,677.95	- -	930,395.96	334,281.99
129 JERAGO CON ORAGO-VA-VIA MATTEOTTI, 15	O	1,806,065.06	-	-	-	1,806,065.06 -	186,206.36 -	164,291.78	1,455,566.92
130 LAINATE-MI-VIA GARZOLI, 17/19	O	213,013.71	729,733.26	-	93,378.46	1,036,125.43 -	1,712.17 -	513,896.61	520,516.65
131 LAVENA PONTE TRESA-VA-PIAZZA GRAMSCI, 8	O	479,992.49	686,229.36	-	243,450.02	1,409,671.87	- -	1,225,630.63	184,041.24
132 LAVENO-MOMBELLO-VA-VIA LABIENA, 51/53	O	503,572.34	359,912.42	335,418.52	116,849.91	1,315,753.19	- -	816,074.91	499,678.28
133 LECCO-LC-CORSO MATTEOTTI, 3	O	6,206,082.91	4,274,614.11	- -	2,777,915.51	7,702,781.51	- -	3,856,837.28	3,845,944.23
134 LEFFE-BG-VIA G. MOSCONI, 1	O	842,808.10	1,218,140.03	-	229,772.41	2,290,720.54	- -	1,098,683.56	1,192,036.98
135 LEGGIUNO-VA-VIA BERNARDONI, 9	O	113,091.98	382,146.88	-	144,671.95	639,910.81	- -	574,260.75	65,650.06
136 LEGNANO-MI-VIA TOSELLI, 68	O	49,184.24	6,097.36	-	9,805.63	65,087.23	- -	25,230.60	39,856.63
137 LEGNANO-MI-VIA TOSELLI, 74	O	1,547,863.61	-	92,504.76	173,656.45	1,814,024.82	- -	852,809.92	961,214.90
138 LODI-LO-VIA DALMAZIA	O	14,107.33	11,551.50	- -	2,658.05	23,000.78	- -	7,914.08	15,086.70
139 LODI-LO-VIA INCORONATA, 12	O	657,248.12	2,503,863.52	-	704,483.27	3,865,594.91	- -	1,354,552.24	2,511,042.67
140 LONATE POZZOLO-VA-PIAZZA MAZZINI, 2	O	580,176.48	102,307.16	331,453.68	122,877.00	1,136,814.32 -	17,083.14 -	479,501.12	640,230.06
141 LOVERE-BG-VIA TADINI, 30	O	703,360.10	873,401.42	-	269,282.57	1,846,044.09	- -	1,154,029.07	692,015.02
142 LUGANO PIAZZA RIFORMA, 2 / 3	O	26,103,661.84	-	-	-	26,103,661.84	- -	584,410.34	25,519,251.50
143 LUINO-VA-VIA PIERO CHIARA, 7/9	O	806,712.56	6,827,496.32	-	699,267.74	8,333,476.62	- -	6,743,119.10	1,590,357.52
144 LUINO-VA-VIA V.VENETO, 6/A-B	O	694,194.68	1,561,186.53	209,525.88	132,928.82	2,597,835.91	- -	1,267,822.22	1,330,013.69
145 LURATE CACCIVIO-CO-VIA VARESINA, 88	O	354,367.67	427,340.22	-	169,535.24	951,243.13	- -	425,432.25	525,810.88
146 MADONE-BG-VIA PAPA GIOVANNI XXIII, 44	O	517,290.07	782,374.32	-	133,981.12	1,433,645.51	- -	1,257,318.29	176,327.22
147 MALNATE-VA-P.ZZA REPUBBLICA / ANG. VIA GARIBALDI	O	2,097,965.27	-	-	-	2,097,965.27 -	187,665.92 -	295,010.03	1,615,289.32
148 MANERBIO-BS-VIA D.ALIGHIERI, 5	O	922,839.19	1,258,583.13	-	276,298.29	2,457,720.61	- -	1,784,270.92	673,449.69
149 MARCHIROLO-VA-PIAZZA BORASIO, 12	O	189,792.52	155,883.17	-	52,498.93	398,174.62	- -	214,768.61	183,406.01
150 MARIANO COMENSE-CO-CORSO BRIANZA, 20	O	343,167.69	168,668.17	94,789.87	109,942.77	716,568.50	- -	331,754.79	384,813.71
151 MARNATE-VA-VIA DIAZ ANGOLO VIA GENOVA	O	541,275.04	481,053.04	476,251.61	231,863.71	1,730,443.40	- -	743,565.89	986,877.51
152 MARTINENGO-BG-VIA PINETTI, 20	O	757,998.73	409,405.14	-	221,210.88	1,388,614.75	- -	492,498.82	896,115.93
153 MILANO - P.ZZA TOMMASEO	O	70,128.45	-	-	-	70,128.45	- -	33,595.98	36,532.47
154 MILANO-MI-CORSO EUROPA 16	O	4,131,655.19	7,638,500.83	-	20,342,420.20	32,112,576.22	- -	7,954,003.30	24,158,572.92
155 MILANO-MI-CORSO EUROPA 20	O	2,249,835.90	26,254,884.08	-	22,223,555.42	50,728,275.40	- -	20,991,457.25	29,736,818.15
156 MILANO-MI-CORSO ITALIA, 20-22	O	4,359,275.73	9,549,009.54	24,273.47 -	2,756,830.82	11,175,727.92	- -	3,341,843.67	7,833,884.25
157 MILANO-MI-P.LE ZAVATTARI, 12	L	30,165,849.87	-	-	-	30,165,849.87	- -	2,990,552.56	27,175,297.31
158 MILANO-MI-P.ZZA 5 GIORNATE, 1	O	1,831,351.82	2,752,151.53	- -	1,054,390.58	3,529,112.77	- -	1,099,678.59	2,429,434.18
159 MILANO-MI-P.ZZA TOMMASEO	O	-	-	-	57,699.20	57,699.20	- -	9,582.96	48,116.24
160 MILANO-MI-PIAZZA PIOLA, 8	O	822,473.03	-	- -	219,305.77	603,167.26	- -	118,733.26	484,434.00
161 MILANO-MI-VIA BIONDI, 1	O	513,505.96	306,102.04	1,446,378.73 -	117,038.27	2,148,948.46	82,710.40 -	638,015.42	1,593,643.44
162 MILANO-MI-VIA BOCCACCIO, 2	O	3,676,015.70	10,309,603.00	-	6,443,734.30	20,429,353.00	- -	3,390,545.15	17,038,807.85
163 MILANO-MI-VIA BOCCHETTO, 13/15	O	865,905.80	5,932,491.44	- -	2,206,788.22	4,591,609.02	- -	809,888.17	3,781,720.85
164 MILANO-MI-VIA BORGOGNA, 2/4	O	1,207,723.22	5,160,001.56	-	1,139,105.37	7,506,830.15	- -	1,948,933.03	5,557,897.12
165 MILANO-MI-VIA BUONARROTI, 22	O	2,732,186.32	7,621,838.92	-	23,105.47	10,377,130.71	- -	4,401,864.21	5,975,266.50
166 MILANO-MI-VIA CIRO MENOTTI, 21	O	345,373.51	1,260,180.31	1,248,828.77 -	649,000.47	2,205,382.12	- -	684,063.93	1,521,318.19
167 MILANO-MI-VIA DELLA MOSCOVA, 38	O	814.79	773,378.70	- -	164,604.51	609,588.98	- -	130,682.94	478,906.04
168 MILANO-MI-VIA DELLA MOSCOVA, 40/1	O	744,949.97	-	-	446,501.39	1,191,451.36	- -	169,165.97	1,022,285.39
169 MILANO-MI-VIA F. LONDONIO, 29	O	9,165.68	23,927.53	-	-	33,093.21	17,979.30 -	5,908.69	45,163.82
170 MILANO-MI-VIA G.B. GRASSI, 89	O	1,335,715.77	1,003,435.40	-	357,837.60	2,696,988.77	- -	1,388,952.52	1,308,036.25
171 MILANO-MI-VIA LOVANIO, 5/A	O	1,041,947.88	1,104,882.62	-	25,364.28	2,172,194.78	- -	312,384.05	1,859,810.73
172 MILANO-MI-VIA MANZONI, 7	O	18,244,046.86	7,663,576.59	16,408,125.98	2,768,353.06	45,084,102.49	- -	6,334,076.66	38,750,025.83
173 MILANO-MI-VIA MASCAGNI	O	358,038.13	-	-	431,830.01	789,868.14	- -	194,337.00	595,531.14
174 MILANO-MI-VIA MONTE SANTO, 2	O	433,495.98	1,348,271.97	-	155,902.36	1,937,670.31	- -	227,979.86	1,709,690.45

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Location	Owned/ Leased	Investments	Revaluations by law	Revaluations by mergers	Revaluations on F.T.A.	Gross amounts	Other changes	Accum. Depr.	Carrying amounts
175 MILANO-MI-VIA PADOVA, 97	O	1,475,906.60	-	-	737.27	1,476,643.87	-139,144.03	-335,650.49	1,001,849.35
176 MILANO-MI-VIA ROSELLINI, 2	O	899,366.97	1,457,082.17	-	577,230.31	2,933,679.45	-	-1,011,913.56	1,921,765.89
177 MILANO-MI-VIA SAFFI, 6/5 ANG. VIA MONTI	O	5,245,633.96	94,749.53	-	-44,947.36	5,295,436.13	-	-973,173.09	4,322,263.04
178 MILANO-MI-VIA SECCHI, 2	O	2,524,472.54	166,836.60	-	750,318.11	3,441,627.25	-	-755,090.10	2,686,537.15
179 MILANO-MI-VIA SOLFERINO, 23	O	1,601,524.88	-	-	-	1,601,524.88	-	-10,030.72	1,591,494.16
180 MILANO-MI-VIA STARO, 1	O	130,223.14	325,338.70	-	-	455,561.84	78,550.03	-195,190.73	338,921.14
181 MILANO-MI-ZURETTI, 1	O	5,637.45	100,385.65	-	-	106,023.10	42,316.65	-38,235.65	110,104.10
182 MONCALIERI-TO-STRADA VILLASTELLONE, 2	O	727,294.60	55,323.18	226,056.58	-151,256.26	857,418.10	-	-424,200.36	433,217.74
183 MONZA-MI-PIAZZA GIUSEPPE CAMBIAGHI, 1	O	3,001,925.00	-	-	-924,667.17	2,077,257.83	-	-489,461.58	1,587,796.25
184 MONZA-MI-VIA BORGAZZI, 83	O	4,882,395.79	3,588,165.85	-	220,444.43	8,691,006.07	-3,352.18	-4,793,001.63	3,894,652.26
185 MORNAGO-VA-VIA CELLINI - ANGOLO VIA CARUGO	O	126,637.16	192,786.22	434,080.23	99,704.06	853,207.67	-	-751,560.60	101,647.07
186 NAPOLI-NA-VIA SANTA BRIGIDA, 62/63	O	1,864,197.10	-	-	69,102.26	1,933,299.36	-	-322,466.11	1,610,833.25
187 NEMBRO-BG-PIAZZA DELLA LIBERTA'	O	2,134,739.10	4,450.27	-	331,939.46	2,471,128.83	-	-1,263,733.10	1,207,395.73
188 NOVA MILANESE-MI-VIA BRODOLINI, 1	O	966,654.63	500,577.80	730,980.88	527,419.10	2,725,632.41	-46,900.36	-939,145.94	1,739,586.11
189 NOVARA-NO-CORSO DELLA VITTORIA, 1	O	2,216,624.18	688,842.81	-	-295,255.54	2,610,211.45	-	-1,169,132.32	1,441,079.13
190 NOVARA-NO-LARGO DON MINZONI, 1	O	3,194,684.75	93,250.95	152,046.45	-203,461.37	3,236,520.78	-	-1,158,077.31	2,078,443.47
191 NOVARA-NO-VIA SOLFERINO	O	173,529.51	23,971.12	-	-66,836.42	130,664.21	-	-52,134.31	78,529.90
192 OLGIATE OLONA-VA-VIA MAZZINI, 54/56	O	325,724.31	236,897.41	206,371.83	-69,769.81	699,223.74	-	-309,347.42	389,876.32
193 ORIGGIO-VA-VIA REPUBBLICA 10	O	494,816.12	47,520.35	-	71,405.65	613,742.12	-	-268,361.00	345,381.12
194 ORZINUOVI-BS-P.ZA V.EMANUELE, 31/33	O	681,328.53	307,827.14	-	111,612.08	1,100,767.75	-	-402,765.33	698,002.42
195 OSIO SOTTO-BG-VIA CAVOUR, 2	O	788,885.09	755,038.69	-	266,698.76	1,810,622.54	-	-806,517.22	1,004,105.32
196 OSPITALETTO-BS-VIA M.D.LIBERTA', 27	O	2,085,732.69	768,771.35	-	326,047.27	3,180,551.31	-	-2,059,280.34	1,121,270.97
197 PALADINA-BG-VIA IV NOVEMBRE, 13	O	331,135.18	408,403.74	-	73,903.02	813,441.94	-	-752,335.21	61,106.73
198 PALAZZOLO SULL OGLIO-BS-PIAZZA ROMA, 1	O	350,073.67	1,388,091.49	-	180,356.07	1,918,521.23	-	-999,170.97	919,350.26
199 PAVIA-PV-PIAZZA DUOMO, 1	O	446,217.06	588,387.60	-	553,293.40	1,587,898.06	-	-634,592.04	953,306.02
200 PAVIA-PV-VIA MONTEBELLO DELLA BATTAGLIA, 2	O	444,869.33	955,931.86	-	1,038,088.80	2,438,889.99	-	-1,614,007.48	824,882.51
201 PERUGIA-PG-VIA DEI FILOSOFI, 36	O	151,589.80	148,860.67	-	6,965.21	307,415.68	-	-71,543.61	235,872.07
202 PIACENZA-PC-VIA VERDI, 48	O	3,550,621.14	1,730,724.78	-	649,858.93	5,931,204.85	-	-3,232,860.42	2,698,344.43
203 PIAZZA BREMBANA-BG-VIA BELOTTI, 10	O	333,259.42	241,400.70	-	75,771.40	650,431.52	-	-454,478.21	195,953.31
204 POGGIO RUSCO-MN-VIA TRENTO E TRIESTE, 9	O	1,772,102.39	1,314,622.43	1,070,389.61	384,094.82	4,541,209.25	-4,701.98	-2,251,922.73	2,284,584.54
205 PONTE NOSSA-BG-VIA G. FRUA, 24	O	680,063.69	393,984.57	-	132,516.89	1,206,565.15	-	-872,180.44	334,384.71
206 PONTE SAN PIETRO-BG-P.ZZA SS.PIETRO E PAOLO, 19	O	1,405,541.59	1,561,117.33	-	345,879.38	3,312,538.30	-	-1,941,163.35	1,371,374.95
207 PONTERANICA-BG-VIA PONTESECCO, 32	O	372,407.90	319,110.88	-	100,488.64	792,007.42	-	-297,472.63	494,534.79
208 PONTIDA-BG-VIA LEGA LOMBARDA, 161	O	701,416.00	-	-	-	701,416.00	-	-107,533.99	593,882.01
209 PORTO CERESIO-VA-VIA ROMA, 2	O	1,014,941.17	161,518.28	-	180,677.11	1,357,136.56	-606,844.35	-208,223.21	542,069.00
210 RANICA-BG-PIAZZA EUROPA, 2	O	79,928.46	726,162.49	-	126,700.02	932,790.97	-	-756,520.76	176,270.21
211 RAPALLO-GE-VIA DIAZ, 6	O	45,351.56	522,555.39	-	135,054.40	702,961.35	-	-184,287.62	518,673.73
212 REZZATO-BS-VIA EUROPA, 5	O	58,757.17	572,633.99	-	139,925.69	771,316.85	-	-282,434.77	488,882.08
213 ROMANO DI LOMBARDIA-BG-VIA TADINI, 2	O	666,927.28	573,922.63	-	192,184.07	1,433,033.98	-	-574,129.61	858,904.37
214 ROMA-RM-CORSO VITTORIO EMANUELE, 25/27	O	1,542,739.99	1,914,853.11	-	-378,063.56	3,079,529.54	-	-787,130.98	2,292,398.56
215 ROMA-RM-VIA DEI CROCIFERI, 44	O	12,160,249.72	18,111,353.67	-	3,862,345.24	34,133,948.63	-	-3,395,694.46	30,738,254.17
216 ROMA-RM-VIALE DELLE PROVINCIE, 34/36	O	1,391,883.25	-	-	-356,529.88	1,035,353.37	-	-119,441.34	915,912.03
217 ROSASCO-PV-VIA ROMA, 4	O	42,352.68	293,806.91	-	467,297.63	803,457.22	-	-651,346.31	152,110.91
218 ROVELLASCA-CO-VIA VOLTA, 1	O	2,207.70	-	-	638,358.20	640,565.90	-	-276,403.36	364,162.54
219 ROVETTA-BG-VIA TOSI, 13	O	828,169.69	443,574.39	-	76,516.13	1,348,260.21	-37.77	-1,220,704.56	127,517.88
220 ROZZANO-MI-P.ZZA BERLINGUER, 6	O	874,314.34	-	-	281,840.27	1,156,154.61	-	-342,822.54	813,332.07
221 ROZZANO-MI-VIALE LOMBARDIA, 17	O	851,954.35	-	-	-334,236.66	517,717.69	-	-131,468.50	386,249.19
222 SAN GIOVANNI BIANCO-BG-V MARTIRI DI CANTIGLIO, 19	O	159,471.15	541,085.49	-	125,156.92	825,713.56	-	-385,768.52	439,945.04
223 SAN GIULIANO MILANESE-MI-VIA F.LLI CERVI, 31	O	687,797.88	-	-	-286,795.29	401,002.59	-	-111,813.64	289,188.95
224 SAN LAZZARO DI SAVENA-BO-VIA EMILIA, 208	O	1,078,461.33	-	-	-218,375.97	860,085.36	-	-231,052.46	629,032.90
225 SAN PAOLO-BS-VIA MAZZINI, 60	O	731,503.50	208,477.41	-	40,835.71	980,816.62	-295,448.06	-552,508.57	132,859.99
226 SAN PELLEGRINO TERME-BG-VIA SAN CARLO, 3	O	306,129.17	310,504.84	-	107,525.92	724,159.93	-	-285,540.32	438,619.61
227 SAN ZENO NAVIGLIO-BS-VIA TITO SPERI, 1	O	579,652.34	1,020,574.43	-	260,257.44	1,860,484.21	-	-1,395,578.35	464,905.86
228 SANT OMOBONO TERME-BG-VIA ALLE FONTI, 8	O	281,498.71	405,402.75	-	83,480.52	770,381.98	-	-511,245.71	259,136.27
229 SANTENA-TO-VIA CAVOUR, 43	O	605,388.24	194,215.54	110,053.06	27,222.83	936,879.67	-	-390,168.25	546,711.42
230 SARNICO-BG-PIAZZA UMBERTO I, 1	O	1,734,688.03	1,600,442.38	-	-265,926.35	3,069,204.06	-1,370.15	-1,110,942.83	1,956,891.08
231 SARONNO-VA-VIA PIETRO MICCA, 10	O	3,080,462.42	1,991,266.58	1,614,741.58	628,253.71	7,314,724.29	-	-3,479,280.59	3,835,443.70
232 SARONNO-VA-VICOLO DEL CALDO, 30	O	85,747.78	28,842.22	-	19,484.48	134,074.48	-	-52,033.32	82,041.16
233 SCANZOROSCIATE-BG-VIA ROMA, 27	O	797,137.29	448,290.73	-	254,181.55	1,499,609.57	-	-478,224.03	1,021,385.54

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Location	Owned/ Leased	Investments	Revaluations by law	Revaluations by mergers	Revaluations on F.T.A.	Gross amounts	Other changes	Accum. Depr.	Carrying amounts
234 SCHILPARIO-BG-VIA TORRI, 8	O	138,116.82	208,828.19	-	46,931.33	393,876.34	- -	274,723.93	119,152.41
235 SERIATE-BG-VIALE ITALIA, 24	O	1,177,828.79	821,983.40	-	267,309.26	2,267,121.45	- -	923,309.66	1,343,811.79
236 SESTO CALENDE-VA-V. XX SETTEMBRE,35/37	O	748,816.95	270,516.58	420,566.91	108,172.50	1,548,072.94	- -	846,582.55	701,490.39
237 SOLARO-MI-VIA MAZZINI, 66	O	54,878.25	-	-	712,670.75	767,549.00	- -	224,482.56	543,066.44
238 SOLBIATE ARNO-VA-VIA A.AGNELLI, 7	O	683,021.85	528,794.06	227,093.53	190,498.99	1,629,408.43	- -	840,265.12	789,143.31
239 SONCINO-CR-VIA IV NOVEMBRE, 25	O	736,252.57	588,843.73	33,053.24	246,146.92	1,604,296.46 -	557.76 -	836,145.86	767,592.84
240 SOVERE-BG-VIA BARONI, 5	O	71,367.17	249,196.76	-	49,531.64	370,095.57	- -	159,879.23	210,216.34
241 SPIRANO-BG-VIA DANTE ALIGHIERI	O	755,239.07	716,704.44	-	212,846.87	1,684,790.38 -	673.83 -	1,017,654.06	666,462.49
242 STEZZANO-BG-VIA BERGAMO, 1	O	24,087.68	1,008,464.25	-	159,854.99	1,192,406.92	- -	563,372.11	629,034.81
243 SUISIO-BG-VIA CARABELLO POMA, 31	O	406,362.37	-	- -	102,674.03	303,688.34	- -	107,916.57	195,771.77
244 TALEGGIO-BG-VIA ROMA, 63	O	112,461.72	64,696.88	-	33,085.92	210,244.52	- -	124,908.11	85,336.41
245 TAVERNOLA BERGAMASCA-BG-VIA ROMA, 12	O	157,047.45	253,070.33	-	70,647.08	480,764.86	- -	228,117.33	252,647.53
246 TELGATE-BG-VIA MORENGHI, 17/ANG. VIA ARICI	O	4,364.00	-	-	637,617.50	641,981.50	- -	259,793.88	382,187.62
247 TORINO-TO-P.ZZA GRAN MADRE DI DIO, 12/A	O	1,178,105.85	-	167,214.92 -	33,252.54	1,312,068.23	- -	340,881.71	971,186.52
248 TORINO-TO-PIAZZA ADRIANO, 5	O	754,099.91	357,556.91	497,391.39 -	8,031.06	1,601,017.15	- -	883,202.23	717,814.92
249 TORINO-TO-VIA VITTORIO ALFIERI, 17	O	3,633,729.18	2,588,920.46	1,131,012.86 -	954,050.68	6,399,611.82	- -	1,632,433.97	4,767,177.85
250 TORREVECCHIA PIA-PV-VIA MOLINO, 9	O	100,297.94	89,849.31	-	61,796.04	251,943.29	- -	105,319.77	146,623.52
251 TRADATE-VA-VIA XXV APRILE, 1	O	2,192,198.25	762,038.01	797,883.38	283,164.96	4,035,284.60	- -	1,679,803.80	2,355,480.80
252 TRAVEDONA-MONATE-VA-VIA ROMA, 1	O	507,774.94	356,284.64	-	117,739.77	981,799.35 -	130,584.00 -	343,967.71	507,247.64
253 TRESCORE BALNEARIO-BG-VIA LOCATELLI, 45	O	1,407,196.75	467,598.45	-	95,299.34	1,970,094.54	- -	979,162.25	990,932.29
254 TREVIGLIO-BG-VIALE FILAGNO, 11	O	1,469,373.83	2,522,977.97	-	466,849.13	4,459,200.93	- -	1,832,171.55	2,627,029.38
255 TREZZANO ROSA-MI-VIA RAFFAELLO SANZIO, 13/S	O	256,033.85	-	-	76,426.67	332,460.52	- -	139,453.69	193,006.83
256 TREZZO SULL' ADDA-MI-VIA A.SALA, 11	O	934,031.88	874,765.54	-	261,005.50	2,069,802.92	- -	908,423.79	1,161,379.13
257 UBOLDO-VA-VIA R.SANZIO, 46	O	700,119.32	536,698.70	66,779.14	19,028.67	1,322,625.83	- -	757,992.45	564,633.38
258 URGNANO-BG-VIA MATTEOTTI, 157	O	22,637.86	372,725.77	-	85,864.76	481,228.39	- -	135,161.22	346,067.17
259 VARANO BORGHI-VA-VIA V.VENETO, 6	O	853,088.44	91,169.61	372,728.08	97,095.41	1,414,081.54 -	169,070.71 -	510,395.51	734,615.32
260 VARESE-VA-P.ZZA IV NOVEMBRE, 1	O	672,607.28	178,911.63	512,895.22	86,340.01	1,450,754.14	- -	684,047.43	766,706.71
261 VARESE-VA-PIAZZA BATTISTERO, 2	O	3,240,677.41	6,202,412.32	-	2,683,802.46	12,126,892.19 -	2,250.09 -	5,466,838.78	6,657,803.32
262 VARESE-VA-VIA SAN MICHELE, 6A	O	170,613.65	29,531.55	31,849.23	6,314.07	238,308.50	- -	114,331.73	123,976.77
263 VARESE-VA-VIA V.VENETO, 2	O	10,548,887.36	9,982,212.99	7,526,419.21	657,192.43	28,714,711.99	26,972.25 -	11,447,019.23	17,294,665.01
264 VARESE-VA-VIA VIRGILIO, 27	O	243,494.88	27,727.21	288,933.92	44,529.15	604,685.16	- -	242,735.02	361,950.14
265 VARESE-VA-VIALE BORRI, 155	O	613,259.07	13,123.48	513,063.75	57,651.89	1,197,098.19	- -	463,357.64	733,740.55
266 VENEGONO INFERIORE-VA-VIA MAUCERI, 16	O	197,216.47	109,441.44	370,764.64	87,417.85	764,840.40	- -	677,772.33	87,068.07
267 VENEZIA-VE-VIA CAPPUCCINA, 181	O	17,306.75	350,693.25	-	-	368,000.00	30,840.02 -	113,083.25	285,756.77
268 VERDELLO-BG-VIA CASTELLO, 31	O	918,201.39	238,867.12	-	37,285.63	1,194,354.14	- -	454,831.73	739,522.41
269 VERONA-VR-VIA CITTA' DI NIMES, 4/8	O	1,732,852.18	-	-	205,281.93	1,938,134.11	- -	465,484.00	1,472,650.11
270 VERTOVA-BG-VIA S.ROCCO, 37	O	309,206.19	592,575.77	-	106,370.89	1,008,152.85	- -	920,715.98	87,436.87
271 VESTONE-BS-VIA PERLASCA	O	0.02	-	-	-	0.02	209,999.98	-	210,000.00
272 VIGEVANO-PV-VIA DANTE, 39	O	546,572.16	3,767,489.65	-	1,301,707.94	5,615,769.75	- -	3,007,055.45	2,608,714.30
273 VIGEVANO-PV-VIA DE AMICIS, 5	O	85,401.89	547,550.89	-	156,823.93	789,776.71	- -	494,068.68	295,708.03
274 VIGEVANO-PV-VIA MADONNA DEGLI ANGELI, 2	O	17,991.11	417,889.31	-	27,743.58	463,624.00	- -	232,605.14	231,018.86
275 VIGEVANO-PV-VICOLO BARBAVARA, 5/7	O	1,127.43	108,977.93	-	47,002.63	157,107.99	- -	130,879.74	26,228.25
276 VIGGIU-VA-VIA CASTAGNA, 1	O	190,312.69	102,838.76	317,479.20	64,093.53	674,724.18	- -	600,140.82	74,583.36
277 VILLA D ADDA-BG-VIA FOSSA, 8	O	347,286.88	113,881.51	-	70,314.67	531,483.06	- -	249,949.20	281,533.86
278 VILLA POMA-MN-PIAZZA MAZZALI, 7	O	590,531.45	-	- -	62,406.01	528,125.44 -	1,584.54 -	144,152.37	382,388.53
279 VILLONGO-BG-VIA BELLINI, 20	O	733,939.16	443,868.55	-	173,443.41	1,351,251.12	- -	528,496.69	822,754.43
280 VILMINORE DI SCALVE-BG-VIA PAPA GIOVANNI XXIII, 2	O	13,236.10	237,793.28	-	43,752.95	294,782.33	- -	258,916.24	35,866.09
281 VIMERCATE-MI-VIA B. CREMAGNANI, 20/A	O	1,593,586.57	746,313.12	-	233,728.54	2,573,628.23	- -	1,321,812.45	1,251,815.78
282 VIMERCATE-MI-VIA GARIBALDI, 12	O	383,936.62	-	-	2,102.49	386,039.11	- -	137,288.99	248,750.12
283 VIMERCATE-MI-VIA TORRI BIANCHE, 3	O	518,431.86	-	-	37,604.00	556,035.86	- -	173,686.51	382,349.35
284 VITERBO-VT-P.ZZA MARTIRI D'UNGHERIA	O	12,116,947.46	-	-	-	12,116,947.46	207,894.43 -	6,598,322.39	5,726,519.50
285 VITERBO-VT-VIA BUSSI, 19-21	O	22,915.22	181,605.46	-	-	204,520.68	29,783.35 -	134,675.91	99,628.12
286 ZOGNO-BG-VIA M.D.LIBERTA', 1	O	528,743.90	1,288,500.95	-	219,247.85	2,036,492.70	- -	964,756.76	1,071,735.94
		457,234,408.66	**437,463,760.40**	**50,178,744.85**	**86,312,553.60**	**1,031,189,467.51**	**9,039,850.73 -**	**413,693,600.84**	**626,535,717.40**

Convertible bonds

(Amounts in euro)

CODE NUMBER	DESCRIPTION	CURRENCY	31.12.2013 NOMINAL AMOUNTS	31.12.2013 CARRYING AMOUNTS	CHANGES NOMINAL AMOUNTS	CHANGES CARRYING AMOUNTS	31.12.2014 NOMINAL AMOUNTS	31.12.2014 CARRYING AMOUNTS
IT0003331888	ALITALIA 7,5 10 CV	EUR	32	-	-	-	32	-
IT0003873467	SNIA SPA 3% 05/10 CV	EUR	8	-	-	-	8	-
IT0004953425	PRELIOS 13/19 ONE CP	EUR	2,490,000	2,499,944	-2,490,000	-2,499,944	-	-
IT0003563035	BCA CARIGE 14 1,5 CV	EUR	3	3	-3	-3	-	-
IT0004447014	COGEMESET 14 SC CV	EUR	2,534,999	633,750	-	-380,250	2,534,999	253,500
IT0004689623	BIOCELL 0,5% 11/14	EUR	1,266,650	1,267,212	-16,650	-7,486	1,250,000	1,259,726
IT0005001273	GABETTI PS 23 TVP CV	EUR	-	-	68,463	35,994	68,463	35,994
IT0005004186	IPO CHALLEN. 0,50 15	EUR	-	-	400,000	401,991	400,000	401,991
TOTAL			**6,291,692**	**4,400,909**	**-2,038,190**	**-2,449,698**	**4,253,502**	**1,951,211**

Disclosures concerning the fees of the independent auditors and services other than auditing in compliance with Art. 149 *duodecies* of Consob Issuers' Regulations

In accordance with Art. 149 *duodieces* of Consob Issuers' Regulations, information concerning payments made to the independent auditors Deloitte & Touche Spa and companies belonging to the same network for the following services is given in the table below.

1) Auditing services which include:

- audit of the annual accounts for the purposes of expressing a professional opinion;
- review of the interim accounts.

2) Certification services which include appointments where the auditor assesses a specific element, the determination of which is performed by another who is responsible for it, by employing appropriate criteria in order to furnish a conclusion which gives the recipient a measure of the reliability of that specific element.

3) Tax consultancy services.

4) Other services.

The fees presented in the table relating to the financial year 2014, are those contractually agreed, inclusive of any indexing (but not of out-of-pocket expenses, nor of supervisory authority contributions and VAT).

Type of service	**Firm providing the service**	**Recipient of the service**	**Fees (€000)**
Audit of the accounts	Deloitte & Touche Spa	UBI Banca Scpa	**968**
Certification services	Deloitte & Touche Spa	UBI Banca Scpa	**1,082**
Tax consultancy services			
Other services	Deloitte Consulting Srl, Deloitte Ers Srl	UBI Banca Scpa	**60**
Total			**2,110**